

**IMPACT OF INTERNAL AUDIT UNIT IN ENHENCING EFFICIENT USE
OF PUBLIC RESOURCES.**

A CASE STUDY OF MINISTRY OF FINANCE – ZANZIBAR (MoF)

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OF PUBLIC RESOURCES.**

A CASE STUDY OF MINISTRY OF FINANCE – ZANZIBAR (MoF)

BY

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A research report

**Submitted in partial fulfillment of the requirements for award of the master
of accounting and finance at Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled, Impact of internal audit unit in enhancing efficient use of public resources; A case study of Ministry of Finance Zanzibar (MoF), in partial/fulfillment of the requirements for award of the degree of Masters of Science in Accounting and Finance (MSc A&F) of Mzumbe University.

Signature

Major Supervisor

Signature

Internal Examiner

Accepted for the Board of School of Business

.....

Signature

DEAN/SCHOOL BOARD

DECLARATION

AND

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I, Hamad O. Rubea declare that this research report is my original work and it has never been submitted to any University, college or School for any academic award.

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Date -----

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DEDICATION

I dedicate this Dissertation to my beloved parents, Fatma Yussuf Moh'd and Othman Rubea Othman, my five brothers Rubea, Yussuf, Omar, Rashid and Sleiman, my sisters Zulfa and Zainab.

LIST OF ABBREVIATION

APBG	-	Auditing Practices Board Guidelines
BOT	-	Bank of Tanzania
CAG	-	Controlor and Auditors General
CIPFA	-	Chartered Institute of Public Finance and Accountancy
CoST	-	Construction Sector Transparency
EPA	-	External Payment Arrears
IIA	-	Institute of Internal Auditors
MIS	-	Management Information System
MoF	-	Ministry of Finance
MPS	-	Member of Parliamentary Study
NAACP	-	National Association for the Advancement
OECD	-	Organization for Economic Co-Operation of Colored People

ABSTRACT

It's important to every public sector organization to establish the strong internal audit department in order to minimize or eradicate the problem of mismanagement of public resources. Therefore, the objective of this paper is to investigate the impact of internal audit unit in enhancing efficient use of public resources with a case study at Ministry of Finance (MoF) Zanzibar.

Under this study, a sample of 50 respondents were selected judgmental from MoF employees so as to obtain required information and the likert scale instrument which was ordered from 1 to 5 scores where 1 represents least effect and 5 represent most effect were used to measure the variables of the study. Meanwhile the descriptive analysis, MS Excel and simple calculations by calculator were used to analyze the data where simple frequencies and percentages were created.

Findings of the study indicated that before the establishment of internal audit unit there was largely misuse of resources at MoF compare to the time when the internal audit department was established. This also was supported by MoF chief Accountant during interviewed by said that” *Now there is compliance of laws and regulations in using physical resources than before, because past resources were used according to leaders judgments*”.

The study recommended that management in Public sector organization should provide necessary facilities to internal audit department in order to creating a committed work force for better organization performance.

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CHAPTER ONE

PROBLEM SETTING

1.0 Introduction

Since the 1980s, many developed and developing countries have been embarking on public sector management reforms. The main reasons for commencing public sector reforms were public sector inefficiency and ineffectiveness (Kimenyi, 2003). Governments have been constantly under pressure to improve public services quality while containing costs and enhancing public accountability at the same time (Barret, 2004). Under this, several countries such as New Zealand, Australia, the UK, undertook significant public sector changes to break from the traditional bureaucratic model in management of public resources (Hood, 1991).

According to Guthrie et al (1999), by that time governments have started to constrain public spending, sell off public assets, outsource many services that were previously provided exclusively by the public sector to private companies, develop public asset performance measurement, output and outcome-based budgeting and these were encouraging efficient public resources management to the public sector practice (Klausen, 1997; Wise, 2002).

In this chapter, background was provided regarding the study, statement of the problem and the objectives of the research, also the importance of the research project were considered. The problem was defined and the scope of the study was discussed.

This study, namely, the impact of internal audit unit in enhancing efficient use of public resources.

1.1 Back Ground of Study

There is general awareness all over the world for the need to pay greater attention to the reforms and improvement of public sector management. Ball et al. (1999) depict the importance of public sector resources management reform implications on fiscal consumption is well articulated so as to encouraging efficient control over public resources and to strengthening the level of accountability in public sectors organization for managing public resources proactively.

According to Luder and Jones (2003) mismanagement of resources in public organization is a global problem. This statement can be supported by various scandals that occurred in U.S organizations. For example, the major U.S. NGOs operating at the national level, such as the National Association for the Advancement of Colored People (NAACP) and the American Parkinson Disease Association, it was revealed that in 1993 the director used a large sum of NAACP money to settle a sex discrimination suit against himself and created the organization's \$3.8 million deficit and mismanaged its funds (Berry, 1994).

In additional, the mismanagement of public resources also is a common phenomenon in developing countries (El- Nafabi 2011). According to Kabiru (2009), embezzlement and mismanagement of public funds is the biggest obstacle to achieving the millennium development goals in developing countries. However, there have been increasing calls for the public sectors in many developing nations including Tanzania to provide quality public services that meet the needs of its citizens, be more accountable for its decisions and actions and to manage resources more prudently (Likierman, 2003). These calls have been made on account of the essential role the sector plays and the contribution it brings to the development process, especially in developing countries (Hemming and Mansoor 1988).

As far as Tanzania is concerned the proper financial management and accountability over public resources in public organization is questionable, clearly evidenced by the Controller and Auditor General (CAG)'s annual audit reports from 1999-2010, state that "a major challenge for Tanzania currently is the mismanagement of public

resources”. In addition to that (CAG) under this report also show the embezzlement of public fund by question amount more than 6 billion shilling which is costs of medical payment that lack “relevant and sufficient information to establish the validity of the payments and hence qualify to be a proper charge to the public funds.”

In addition to this, Tanzania has witnessed several corruption scandals related to public contracting. According to the World economic forum’s Global Competitiveness Report

2013-2014, it estimated that one-third of the state budget is lost annually due to corruption among public officials, especially in relation to public contracting. Furthermore according to the World Bank and IFC 2006 Enterprise Survey, 42% of companies expect to give gifts to secure a government contract and the average payment is estimated at 3% of the contract’s value.

Also in the side of Ministry of Finance (MoF) – Zanzibar, has a problems of misuse of public resources, clearly evidence shown by CAG said that, “.... in the development programme “MACEMP” the fund allocated are not properly utilized” (CAG, 2011/12).

To combat misuse of public resources and counterproductive practices, the Tanzanian government established internal audit unit in 2008 according to section 28 and 29(1) of the Public Finance Acts of 2001 and its regulations of 2004. Meanwhile in 2007, it joined in the Construction Sector Transparency Initiative (CoST) pilot programme to enhance accountability and transparency within the Ministries.

In Zanzibar also there is internal audit unit in the ministries, according to Public Finance Regulation Act (2005) in section 28 and 30 give the Accounting officer authority to establish internal audit unit and audit committee respectively throughout the ministry, department or Agency.

So the establishment of strong internal audit unit over efficient use of public resources becoming vital importance to an organization or ministry to ensure proper management of public resources (Bond and Dent, 1998; Barret, 2004; Caridad, 2005).

Internal audits add value not merely by analyzing and reporting what has happened after the event but also by being forward looking, identifying lessons to be learnt and disseminating good practice (Mapesa, 2006). Moreover public audits have direct and positive influence on the way organizations and people in the public service discharge their responsibilities (Buringo, 2000). Internal audits within public entities help to promote better management and decision-taking, and thus a more effective use of taxpayers' resources, and play an important role in the corporate governance arrangements of public entities (Mapesa, 2006).

Manasseh (2005) considers public audits as important links in the chain of accountability as they strengthen accountability, both upwards to the elected or appointed members who provide resources, and outwards to the consumers and beneficiaries, taxpayers and the wider community at large. Wanjiru (2008) document that the area where public audits are needed most are in the procurement of state resources since public resources are scarce and the process is political, technical and highly imperative.

According to Wanjiru and Manasseh,(2007) suggest internal audits as the ideal strategy of monitoring allocation, use and sustainability of funds allocated through the devolved funds. Such audits should aim at ensuring compliance with the International Public Sector Accounting principles, safeguard public assets and provide assurance to the stakeholders who include government agencies, general public, policy makers, donors and scholars (Manasseh, 2007).

This study was focuses on assessing the impact of internal audit unit in public sector and proposes some strategic solutions on prevent misuse of public resources.

1.2 Statement of the Problem

Most Public organizations have establishing internal audit departments with well qualified staff, charged with responsibility of providing management with re-assurance that public resources are efficiently and effectively utilized (Bandey, 2009). There is however, continued problem on misuses of public resources and poor financial performance, where budgets are not followed, rules and regulations on the use of resources are not adhered to and there is massive unaccounted for funds (Auditor General, 2008). This has put institution at risk of financial inadequacy, employee dissatisfaction and poor service delivery (Kaplan, 2010).

This problem is exposed in the literature for example, according to Dandago (2008), a major problem in Tanzania as a developing nation is the fact that the government is not capable of dealing with miss management of public resources in the public sectors organizations. Dandago (2008) stated that even though there are numerous legal frameworks for accountability, they are backed up by soft punishment and sometimes double standard. Amudo and Inanga (2009) made a significant contribution in this area, their study noted that main problem of public sectors organization in developing countries is miss use of resources and not scarcity of resources.

Salawu and Agbeja (2007)'s study, which examined internal audit unit and accountability mechanism in the use of public resources, provided a significant contribution towards the need for a strong internal audit department. Esu and Inyang (2009) also provided evidence on the need of good management of public resources in the public sector. Although their studies focused on internal audit unit, they are not linked with stakeholders' perception about public sector failures to manage public resources as experienced in developing nations. Therefore, this study assesses the impact of internal audit unit in enhancing efficient use of public resources in public sector so as to fill some of these gaps.

1.3 Objectives of the Study

1.3.1 The general Objective of the Study

The general objective of study is to assess the impact of internal audit unit in enhancing efficient use of public resources in public sector organization.

1.3.2 The specific Objectives of the Study

The specific objectives of the study are:

1. To examine the uses of public resources before the establishment of internal audit unit in MoF.
2. To examine the uses of public resources after the establishment of internal audit unit in MoF.
3. To examine the efficiency of internal audit unit toward the effective uses of public resources in MoF.
4. To examine the role of internal auditors on prevention of misuse of public resources in MoF.

1.4 Research questions

1. How were the uses of public resources before the establishment of internal audit unit in MoF?
2. How public resources are used after the establishment of internal audit unit in MoF?
3. How efficiency is internal audit unit toward the effective use of public resources in MoF?
4. What factors influence the role of internal auditor on preventing misuse of public resources in MoF?

1.5 Significance of the study

The significances of the study were include but not limited to the following:

The study will be helpful to the regulatory authorities in formulating and setting policies related to good management of public resources and also the study will help

workers and their representatives to know the causes for mismanagement of their resources. This will in turn pave way for them (workers) to advise accordingly.

Results of this study will enable the MoF audit committee and management to establish the effects of managerial competence and internal control system in relation to management of public resources. Furthermore the study findings will help the Institution under study and others in Formulating appropriate internal audit unit and policies that will help in enhancing better financial performance.

The study findings will be an addition to the already existing knowledge especially in the field of internal audit unit in relation with good management of public resources in public organizations.

This study will address different practical problems and will enable organizations to implement code of conduct covering four principles of integrity, objectivity, competence, and confidentiality and a process to provide assurance that the code is being followed by all internal auditors" staff to prevent the misuse of resources. Mean while the work would serve as a basis for further research and discussion in detection of fraudulent activities take place in the public sectors.

The findings of this study will acts as a source of information for researchers and academicians to get access on related information and leading them to look for alternatives which will help internal auditors to improve their working environment so as to be efficiently and effectively in prevention misuse of resources in public sectors organizations.

1.6 Limitation of the study

The researcher experienced the following problems:

Financial constraints. The amount budgeted to accomplish the research exercise was received too late and was too meager to come up with a good and detailed information to the problem.

Lack of co-operation. Some of the employees were not in the position to provide the useful and reliable information, therefore the researcher tried to create a good rapport to win their support.

Time factor. Though the time allocated for research work was not sufficient, the researcher had worked tirelessly with the available time efficiently to complete the research work.

Data accessibility. Some of the data were too confidential and critical to the researcher to understand them much better hence, the researcher committed himself before the management to adhere professional ethics into research discipline in that way accessibility of some data was accessed.

1.7 Scope of the study

The study would concentrate on the impact of internal audit unit in enhancing efficient use of public resources with a case study at Ministry of Finance (MoF) Zanzibar, because it is heart of ministries in Zanzibar and it was easier to researcher to obtained necessary data and information for the study.

1.8 Organization of the Study

Chapter one includes Introduction, background of the study, the problem statement, Research objectives, General research objectives, Specific research objectives, the significant of the study, the limitation of the study, scope of the study and Organization of the study . Chapter two is the literature review which includes Introduction, Definition of the key terms, Public resources, Internal audit, Internal audit unit, The agency theory, Objective of internal audit, Advantages and disadvantages of internal auditing, Roles and Duties of internal auditor, Internal audit functions, Purposes of auditing systems in a Public sector management, Assessing effectiveness of internal audit unit, Over view of management of public resources, Principles for good management of public resources, Internal auditing and management of public resources, Empirical studies and Conceptual frame work.

Chapter three consist of Introduction, Study area, the research design, Research technique, population under study, Variable and their measurement, Sample and sampling techniques, Analytical methods, Data collection methods and types of data collected and Analytical method. Chapter four focuses on data presentation and data analysis. Chapter five is the discussion of findings and chapter six finalize with summary of findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature reviewed in the study was cited from previous studies that researched on one or more variables in this study and also reviewed different literature related to the study. This is the process of identifying and involving the particular study with established theories and previously published researches. The chapter covered theoretical literature review, empirical literature review and conceptual framework of the study.

2.1 Theoretical literature review

Definition of key terms

2.1.1 Public resources

The term “public resources” (sometimes referred to as “state” or “administrative” resources) is defined as any resources belonging to the government of a political entity which encompassing both political and administrative entities at national, regional and local level (Stephens, 1989).

State resources are sometimes exclusively thought of as *financial*, including funding streams and the government budget and assets. This is a logical notion, but it must be acknowledged that there are many forms of state resources which can be used to support, or abused to undermine, democratic governance.

Magnus (2011) quotes classification of public resources from OSCE/ODIHR, Observation Handbook (Fifth Edition) as follow;

Financial resources; is monetary assets normally through the budget of various levels of government as well as publically owned and/or managed institutions.

Institutional resources; is non-monetary material and personnel resources available to the state, including publicly owned media and other communication tools.

Regulatory resources; this is mandate to pass laws and regulations that control allowed and prohibited behavior in the polity. This regulatory prerogative regards anything from the criminal code to the order in which candidates should appear on the ballot paper.

Enforcement resources; the use of security and law enforcement institutions on implement laws and rules set up using regulatory resources. This is related to the state having a monopoly on the legitimate use of violence.

In themselves, these resources have no positive or negative value, though through their application they can easily acquire either (or both). Any state must of course have access to resources to develop the country and implement necessary reforms. A state without resources will lack both the capacity to fulfill its necessary tasks and confidence from the public.

2.1.2 Internal Audit

Internal audit is defined “as an assurance function which provides an independent and objective opinion to the organization on their control environment, evaluating its effectiveness toward organizational goals achievement. (Bernard,2010).

Auditing Practices Board Auditing Guidelines (APBG) defined internal audit as “An independent appraisal function which is established by the management of an organization for the purpose of reviewing internal control system as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution toward appropriate, economic, effective, and efficient utilization of resources.” (Davies, 2001).

Jurchescu & Furguson, (2010) defined internal audit” as an independent and objective functional activity which provides security and management advice with the aim of ensuring effective management of public income and expenditure, ensuring proper activities within public organization, helps the public organization to achieve their objective through systematic and methodical approaches, evaluate and improves the efficiency and effectiveness of internal control system, risk

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

The Chartered Institute of Public Finance and Accountancy (CIPFA), as cited by Johnson (1996:47) defined internal audit as “an independent appraisal function within an organization for the review of activities as a service to all levels of management. It is a control which measures, evaluates and reports upon the effectiveness of internal control, financial and otherwise, as a contribution to the efficient use of resources within an organization.”

Traditionally, the internal audit function was designed to safeguard firm’s assets and assist in the production of reliable accounting information for decision-making purposes (Ebaid, 2011).

Nowadays, the role of internal audit has been dramatically altered. In this concept, one of the most comprehensive definition is given by Sawyer (2003) who stated that internal audit is “a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether the financial and operating information is accurate and reliable, risks to the enterprise are identified and minimized, external regulations and acceptable internal policies and procedures are followed, satisfactory operating criteria are met, resources are used efficiently and economically and the organization’s objectives are effectively achieved all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities”.

The above definition shows that the role of internal audit has been dramatically shifted from compliance assurance and assets safeguarding to value-added assurance and consulting services through its role in monitoring, evaluating, and improving risk management, control, and governance process which are critical to preserving and enhancing stakeholders value (Bou-Raad, 2000).

Furthermore the Institute of Internal Audit (2009) defined internal audit “as an independent, objective assurance and consulting activities designed with the intention to add value and improve an organization’s operations and helps to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. From the definition, it’s clear that internal audit should be designed in such a way to be independent and objective in order to evaluate and improve the effectiveness of risk management, control and governance processes at the same time, the internal audit are expect to provide assurance and consulting service.

Millichamp (2000:35) went further and defined internal audit as “an independent appraisal function within an organization for the review of system of control and the quality of performance as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control system to the proper economic, efficient and effective use of resources”.

According to Angus and Mohammed, (2011) the responsibility for safeguarding a organization’s assets, maintaining proper records and preventing errors and fraud rests with management and they are not entitled to rely upon the auditor to protect them from failure to discharge this responsibility. However internal auditor is employed to bring material irregularities to light accordingly by detecting material misstatements in the accounts resulting from irregularities and fraud in public organization (Millichamp A.H 1986).

The auditor should therefore plan his audit work so that he has a reasonable expectation of auditor’s suspicions are aroused, he must inquire into all circumstances until he is satisfied and if material irregularities are discovered he must report accordingly either to the directors or to the members as appropriate. (Graham W.Parker, 1995).

2.1.3 Internal audit unit

Yule, 2010; Jerome, 2009: Defined internal audit unit as “a department which provide constant review and appraisal of the systems and procedures introduced by the management, with the intention to enable the management to control and utilize their resources properly and effectively”.

According to Al-Twajry, Brierley & Gwilliam (2003) defined internal audit unit by stating that, is independent organ which provide an effective examination or review of financial transactions in order to ensure that; all collection is acknowledged with receipt, expenditure of all funds and other resources of the organization are in conformity with the policies and procedures of the organization.

In this context, the scope of the internal audit unit should be wider in such a way that would include; unlimited access to all records, personnel and asset of the organization

(Jansson, 2003; Zahran, Chulkov & Inomata, 2010). Therefore, it's important for management to consider the functions and roles of internal audit department in any organizations in order to add the organization value (Hermanson & Rittenberg, 2003).

On the other hand the job of internal audit unit should be structured well so as to ensure that all financial transactions are in accordance with the approved regulations and that adequate system of security exists in the establishment (Momoh, 2005).

Meanwhile Internal audit unit is expected to be independent and directly responsible to the chief executive and should be properly organized, adequately staffed and equipped to be able to effectively perform its functions (Sabari, 2003), (Dandago, 2000) and (Sunday, 2003), such as carrying out periodic surprise cash survey in all sections of the ministry or parastatals or local government, checking of revenue collectors cash books, receipt books and bank tellers, as well as, inventory verification of the store and maintenance of physical assets registers and ledgers for the purpose of easy location and identification of the assets of the organization

(Jocelyn, 2003).

2.2 The Agency Theory

This study will be guided by “The Agency Theory” as initially put across by Jensen &

Meckling, (1976) and later expounded on by Gerrit, Sarens & Mohammad J. Abdolmohammadi, (2010). 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 (Jensen & Meckling, 1976).

Agency Theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. Accordingly, Barlie and Means (1932) posit that in order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. They further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent.

This position is also supported by Coarse (1937) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work. He however, proposes that the principal suffers shirking which deprives him or her from benefiting from the work of the agent.

Nevertheless, the theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Coarse (1937) explains that moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This therefore, affects the overall performance of the relationship as well as the benefits of the principal in form of effective management of public resources in the organization.

This Theory was chosen for this study simply because “Internal control is one of many mechanisms used in organization to address the agency problem” (Jensen and Payne 2003) and again “studies have shown that internal audit unit is a part of internal control that reduces agency costs” (Abdel-khalik 1993; Barefield et al. 1993).

Also the words of Unegbu & Obi (2007) support the above arguments by defined internal audit as “a part of the internal control system put in place by management of an organization to ensure adherence to stipulated work procedure and as aid to management”. According to Whittington and Pany (2001) internal audit unit measures, analyses and evaluates the efficiency and effectiveness of other controls established by management to ensure smooth administration, control cost minimization, ensure capacity utilization of resources and maximum benefit derivation. In the view of Adeniji (2004) Internal audit is part of the internal control system put in place by management of an organization.

2.3 Objective of Internal Audit

According to Angus and Mohammed, (2011), the scope and objective depend upon the responsibilities assigned to the internal auditor by the management, the size and structure of the enterprise and the skills and experience of the internal auditor.

Sani (2009) identifies the common areas covered by internal audit unit which include among others; reviewing the internal control system with a view to determining its adequacy and effectiveness, reviewing compliance with government regulations and accounting rules and standards, checking compliance with policies and procedures, safeguarding the asset of the organization so as to prevent and detect errors, frauds and theft, appraising the effectiveness and efficiency in the use of resources, ensuring that the goals and objectives of the organization are attained, making recommendations on improvement in the operation of the organization and acting as in-house consultant on control matters.

The Financial Memorandum (1999), critically, states that an internal audit unit shall be responsible for carrying out an independent appraisal of the accounting, financial and other processes of the local government with the objective of; assisting to protect the assets and interests of the local government through a process of continuous examination of its activities, securing a continuous operation of a sound internal control system within each department, reviewing, and where necessary, making recommendations for improvement of the system, controls and procedures in the local government with a view to ensuring that they operate effectively, monitoring the use of resources in the pursuit of defined objectives of the local government.

The Memorandum also stated that; the internal auditor shall report to the Executive at least four times each year on the progress of the internal audit work, the reports shall specifically indicate the internal auditor's finding with respect to; the collection of revenue, the protection of physical and other assets of the government, the current and capital expenditure, the efficiency and effectiveness of system control and procedure, the use of resources of the government in achieving its objective, any instance of fraud or misappropriation observed by the internal auditor should be revealed to the Executive's attention. From this, it can be seen that the scope and objective of internal audit unit varies from organization to organization, depending on the size, structure and management of the organization.

Even though all organization to have stronger internal audit unit should have core elements, Millichamp (2000) identifies the following as the essential elements of internal audit to an organization; independence, staffing, training, relationship, due care, planning, controlling and recording, system control, evidence, reporting. It can be seen that without such essential element, no way the internal audit can perform their duties effectively.

2.4 Advantages and disadvantages of internal auditing

2.4.1 Advantages of Internal Audits

The benefits that may be derived in establishing internal audit are numerous. Tijjani (2003) observes that the setting up of an efficient and effective internal audit

department involves huge cost in form of salaries for personnel, stationery, travel allowances and other departmental overhead cost. But if analyzed critically, the benefits of an internal audit unit to an organization, be it private or public, outweighs the cost of its maintenance. Some of the benefits that may accrue to organizations with good internal audit departments include among others;

The biggest advantage of internal audit is that it will lead to discovery of errors and therefore when external audit is done those errors which were discovered during internal audit would have been rectified by then.

Since internal audit is done by the employees of the company there is no additional cost involved which again is a big advantage for a company which is doing internal audit

As internal audit is a constant procedure where records are checked regularly it ensures that accounting staff of a company keep the records up to date.

Improved efficiency shall accrue from investigations and reports of the internal audit department, the existence of internal audit creates control, which acts as a deterrent to inefficiency, waste and fraud, the internal audit department serves as a 'pool' from which high caliber staff can be seconded to other units within the organization to fill management positions.

The work of the external auditors is made easier, training and experience acquired by internal auditors on the job combine to provide a secure foundation for career advancement. From the above contribution it can be seen that the benefit of internal audit outweigh the cost of maintenance, if utilized properly.

2.4.2 Disadvantages of Internal Audits

Internal audits report is not accepted by either the shareholders or tax authorities, it is the external auditor report which is required to be submitted to these parties.

Since internal audit is done by the employees of the company chances are that it may be biased and therefore company cannot depend on such reports.

2.5 Roles and Duties of Internal Auditor

The internal auditors perform different roles in the organization among them are; Internal auditors owe a responsibility to the management and the board, providing them with information about the adequacy and effectiveness of the sector's system of internal control and the quality of performance.

The internal auditor ensures adherence to all financial, personnel, lending, data processing, the other administrative policy and procedure as well as the economy, efficiency and effectiveness with which resources are used.

Internal audit serves a major management control tool are to provide an assurance to management that the financial information furnished to management to aid decision making is reliable, accurate and based on reliable records and where otherwise to draw the attention of management to deficiencies in the organization or system of internal control and to highlight areas of management practices requiring corrective actions. Other responsibilities are:

To review, evaluate and report on the adequacy or otherwise of financial control framework existing in the agency and its efficiency in assuring property, prudence, completeness and accuracy of the agency's activities and transactions.

To carry out a complete and continuous auditing of the accounts and records of revenue, expenditures, plant, stores and other property and to evaluate whether actual performance is within the established financial control framework (compliance auditing).

According to Johnson (1996) General duties of an internal auditor in the public sector management include the following:

An audited copy of a statement of the accounts is to be submitted in a prescribed form together with any report to the appropriate minister or secretary of state who in turn presents the accounts before the National Assembly.

The auditors must state whether the accounts in their opinion give a true and fair view of the operation affairs also must state whether the accounts give all the information required under enabling statute and finally, the auditors will normally report if they are not satisfied with any aspects of the financial statements.

2.6 Internal Audit Functions

Despite the fact the function of internal auditor varies across organizations (Prawitt, Smith & Wood, 2008). Nevertheless, as a result of the increase in accounting scandals in recent years, the internal audit function has received impressive attention as an important contributor to effective corporate governance and financial reporting because a high quality internal audit function focused on improving financial reporting through ensuring standard compliance (Prawitt et al, 2008).

Consequently, considering the past decade, there was only limited number of studies that focused on the explanation of the current functions of the internal audit (Sarens & Abdolmohammadi, 2011) while it is essential to have an effective and efficient internal audit function within an organization (Kinsella, 2010) this is because internal audit function that is well perform serve as one of the strongest means to monitor and promote good governance system in any organization (Belay, 2007). At the same time, making the existing internal audit function able within the organization is more effective than completely purchasing such function from outsiders (Corama, Fergusona & Moroney, 2006).

Also Salisu (2007) noted that the ability to make the internal audit function especially in attainment of the desired objectives largely depends on the independence of audit personnel. Meanwhile, it is agreed that the purposes of establishing internal audit was not only to prevent or detection of fraud, promotion of clerical accuracy, protection of resources, policies and procedures compliance but also to; have clear definition of duties and responsibilities; account for the accuracy of information and coordination of all controls (Haun, 1955; Pizzinia, Lin ,Vargus & Ziegenfus, 2011).

In this vein, the functions to be performed by the internal auditor within an organization need to be taking into consideration in order to assist such organization in their objective achievement.

Recently, the internal auditing profession provided a wider range of activities which are goes beyond evaluations of accounting functions only, but also involved some activities including: reviewing accounting systems, reviewing information technology environments, assessing compliance with policies and procedures, good practices, relevant laws, rules, and regulations, advising on the design of new systems or changes the present ones and taking part in special examination (Aguolu, 2009; Ahmad et al, 2009; Badawi, Elifoglu, Latshaw, & Zoll, (2003).

Beside the above, the internal auditor can also performed the following functions : review the company's systems of internal control; report finding and recommendations to management for improvement in detecting and preventing fraud; assist management in its responsibility of safeguarding the company's assets; coordinating the company's relations with external auditors; review compliance with government regulations and company policies; ensure fiscal integrity in the reporting system; provide the company with a pool of professional talent (Mace, 1977).

Even though Al-Twajry et al (2004) found that the internal audit functions of the developing countries organizations does not add value because they are not independent and mostly the internal auditors are involved in the ordinary daily non-audit work likewise the recommendation given by them are not considered by the management. Nevertheless, the functions of the internal audit continue to improve (Dounis, 2006).

Similarly, the words of Wang, at al (2010) emphasizes their functions by reporting that, internal auditors should have unrestricted access to all records, personnel and physical properties of the organization. This should be stated in the audit charter of the internal audit unit and should be approved by the higher management (Holmes and Burns (1995).

Consequently, the internal audit help members of the organization in discharging their responsibilities in an effective manner, and furnishes management with, opinion, recommendations, and information concerning the activities reviewed with the objective of promoting effectiveness within the organization at affordable cost (Jansson, 2003). Therefore, internal auditors are required to provide objective feedback to management and continue to show that they can add value to their organization (Okosie, 1995).

The internal audit function also influence the external audit by assisting the external auditors to understand the relevant controls within the organization; risk assessments, and essential procedures (Messier, Reynolds, Simon & Wood, 2011), additionally, many organizations are showing concerned to their internal auditors in order to give guidance and advice at different levels of management (Davies, 2001).

This is because the internal audit plays an important role in the organizational process, and therefore it is not only required to perform ordinary assurance activities, but also to serve as a strategic partner of the organization and add value to its activities towards improving organizational processes and ensuring their effectiveness and efficiency (Al-Twaijry et al, 2003; Mihret et al, 2010; Savcuk, 2007).

Usually, the traditionally function of an internal audit unit was the reviewing and examination of accounting records only but recently go further and determine whether management has established proper safeguards at all level of operation so that they enjoy full value for each amount of expense incurred and specifically, it brings accounting into order and consistency to the various operations of the organization (Jerome, 2009).

According to Haun, (1955) the internal auditors have the responsibilities in connection with the development and maintenance of internal checking procedures and periodic appraisal of their adequacy and effectiveness, consequently the internal auditor handle the responsibility of reviewing policies, Laws, regulation, financial standard and operation generally with the aim to achieve management objectives.

Another function which usually carrying out by internal audit unit include; ensuring that audited copy of a statement of the accounts are submitted to the appropriate channel; stated whether the accounts give all the information required and whether in their opinion the account gives a true and fair view of the operation affairs of the organization; and finally give their report on the financial statements (Unegbu & Kida, 2011).

Hence, the internal audit unit is considered as the key governmental department with the expertise for assessing the effectiveness of resources utilization, also by identifying waste, inefficiencies and fraud in budget items (Aikins, 2011). This depict that the internal auditors perform several functions within an organization with the mind of helping management to fulfill its duties effectively and efficiently. Also the internal audit function serve as in-house advisory because it's takes an important activity in the organizational governance and stands as the most important and single mechanism for ensuring adequate and effective organizational governance (Ruud, 2003),

Internal auditors is been considered as an effective function in new developments in governance structure because it provide an important role in assessing internal control effectiveness (Al-Shetwi, Ramadili, Chowdury, & Sori, 2011; Dittenhofer, 2001) that is why an effective internal audit function will usually add value and improve an organization's operations effectively (Ahmad et al, 2009; New Delhi, 2006).

Therefore, it's the responsibilities of internal audit unit to promote appropriate ethics and values within the organization by ensuring effective organizational performance and accountability; effective communication of risk and control information to different areas of the organization; effectively coordinating the activities of and communicating information among the board (IIA, 2008).

In addition, government organizations are also required to have an effective internal audit functions within their operation so as to support management effectiveness (Mihret & Yismaw, 2007).This shows internal audit functions is so wider to the

extent that it contribute to the achievement of organizational objectives.

2.7 Purposes of Auditing System in a Public Sector Management

The purpose of internal auditing department can be categorized based on types or kinds of report generated by them to the management of the public sectors (Adikwu 1984).

According to Owler and Brown (1989) and supported by Unegbu (2003) on his research conducted in Nigeria, there are three major types of report that are basically germane for auditing purposes. These include, the internal reporting to managers for purposes of planning and control of current and anticipated operations, secondly the internal reporting to chief Executives and Directors or Managers for institutional policy decisions and the formulation of long range plans and finally the external reporting mainly for credibility purpose before external entities, government, financial houses, foreign creditors especially for legislation and decision on lending and investment activities.

2.8 Assessing Effectiveness of Internal Audit Unit

The growing importance of internal auditing as an economic factor has led to systematic research into the factors that improve the performance of internal audit unit. In line with this, Albercht et al. (1988) investigated a theoretical framework in regard with the effectiveness of internal audit department.

The following factors must be considered in assessing internal audit effectiveness;

Organizational status (independence): The specific status of the internal audit department in the organization and the effect it has on the internal audit's ability to be objective. Internal audit should report to the highest level of management and be free from any other operating responsibility. Internal auditors need also to free to communicate with external auditors.

Due professional care: Whether internal auditing is properly planned, supervised, reviewed and documented. The existence of adequate audit manuals, work in programs and working papers would be considered. The internal auditor should

exercise due professional care in conducting a formal consulting engagement by understanding the following:

- Needs of management officials, including the nature, timing, and communication of engagement results.
- Possible motivations and reasons of those requesting the services.
- Extent of work needed to achieve the engagement's objectives.
- Skills and resources needed to conduct the engagement.
- Effect on the scope of the audit plan previously approved by the audit committee.

Technical competence: Whether internal auditing is performed by personal having adequate technical training and proficiency as internal auditors.

Internal auditor reports: The quality of reports issued by internal auditors should be considered. This includes management responses and actions taken as a result of recommendations made by the external auditor (Millchamp, 1986).

2.9 Management of Public Resources

According to Dayananda et al. (2009), management of public resources is a process of using a public's resources in the most efficient way possible to achieve the organization's objectives. These resources can include tangible resources such as goods and equipment, financial resources, and labor resources such as employees. Clark & Urwin (2008) indicate that leadership, in form of application of skills and expertise is an essential ingredient in the management of public resources.

Vraniali (2010) states that, in any public spending environment, control system and proper accountability are significant factors to emphasize a credible and affordable budget as a super instrument of public financial management. Also further urges that, a Management Information System (MIS) is extremely important in the monitoring of public expenditure and ensuring effectiveness of allocation and uses of public resources in public sectors organization.

The Commonwealth Parliamentary Association Study Group of MPS, (2004 /2006) states that information about consumption of public resources and its disclosure supports sustainable development, reduces conflict by strengthening public trust and supports expenditures. Organization for Economic Co-operation and Development (OECD) (2008) describes access to information as transparency lead to the efficient financial management and is reflected by the success in achieving the wealth maximization objective through the investment decision.

2.10 Principles for good management of public resource

Public resources should be applied for the best possible public benefit. Therefore, we expect public entities to be guided by certain principles when they manage public resources. These principles, in turn, will inform the development of the public entity's rules, policies, and procedures. We expect public entities to demonstrate that they have entered into and managed funding arrangements according to the following principles:

Lawfulness: Public entities must act within the law, and meet their legal obligations. Activities, resourcing, and accountability requirements must be undertaken within the authority of the Crown or any relevant legislation. A public entity must meet its legal obligations, and cannot contract out of them. For example, in central government, a Ministry cannot engage on using public funds to lobby for a particular policy alternative, an activity which the Ministry is prohibited from doing.

Accountability: Public entities should be accountable for their performance and be able to give full and accurate accounts of their activities, and have in place governance and management arrangements suitable to address any concerns. There is much debate about compliance costs, for both funder and organization, resulting from the need for accountability. Accountability is about performance and the measurable achievement of the goals that the funding arrangements were designed to meet. In order to ensure that it can meet its accountability requirements, a public entity should keep sufficient records to show what it did, and why.

Openness (transparency): Public entities should act in a way that is seen to be transparent. Openness depends on high standards of reporting and disclosure. This has a dual benefit: it demonstrates that the public resource is being used properly, fairly, and effectively to the optimal public benefit; and the communication of risks to the organization will ensure that, it properly provides for present and future service delivery.

Value for money (resources are used effectively and efficiently, without waste, and in a way that optimizes the public benefit): Public entities should use resources effectively, economically, and without waste in achieving their policies and end-user benefits. A public entity is accountable for using resources efficiently, to avoid wasting public resources. But this does not mean “lowest short-term cost”. Effectiveness and efficiency trade-offs may have to be made.

Waste occurs when a service no matter how cheap or expensive is ineffective. Effectiveness and efficiency should be balanced to achieve value for money. By “value for money”, it means the best possible outcome for the total cost, rather than the lowest cost.

Fairness: Public entities have a fundamental public law obligation to always act fairly and reasonably. Where there are multiple providers who are capable of delivering the required services on behalf of the Government or local government, the public entity should give a fair opportunity to those organizations to be selected to do so. This is specially to be applied in the government grants and procurement process. The principle of fairness has some particular implications for selective (non-contestable or limited contestability) procurement, or where “capacity-building” grants are involved.

Integrity: Anyone who is managing public resources should do so with the utmost integrity. Public entities must meet Parliament’s and the public’s expectations of an appropriate standard of behavior in the public sector. The public entity must ensure that the Ministry using the public resources is capable of, and is, managing the resources with a standard of conduct the public expects in the use of its taxes and rates. A public entity should have policies and processes to underpin the highest

standards of integrity, for example, a code of conduct; a policy on fraud. Also it should require its employees to declare any personal interest that may affect, or could be seen to affect, their impartiality in any aspect of their work.

2.11 Internal auditing and management of Public Resources.

In the eye of Woolf (1986) the public sector is primarily composed of non-profit making organizations. Management control in its broadest context is the means by which an organization carries out its objectives effectively and efficiently.

Public sector management can be generally distinguished as having hierarchical structures composed of responsibility centers, units, sections, departments and divisions. Central government department, the natural health services depend directly on the exchequer for all their funds. If changes are made for certain services they are usually nominal and have a little impact on the level of services offered.

Autonomous bodies are subjected to high degree of Central government control and they can equally raise revenue locally, primarily by levying rates; the extent of their power is strictly monitored by central government. Therefore, the management and control of the public purse is the heart of government administration.

2.12 Empirical Studies

Empirical literature reviews attempt to analyze, evaluate and synthesis the topic concerned by looking up different research findings and working paper to see what they declare on the similar topic in previous studies to be able to know what they found out.

According to the research conducted by Khan (2006,p.9) on Evaluation of the Effectiveness of Internal Audit in Public Hotel Business in Malaysia, identified the useful role internal audit could pay in the investigation process and made the following suggestion: “Internal auditors can play a vital role assisting the agencies responsible for investigation of alleged cases of corruption in the public sector organizations by way of interpretation of various rules, explanation of various practices, and the sharing some of the confidential information that may possess as

they usually have more diversified and detailed knowledge of the operations in different parts of the organization than the investigating agency staff that are deployed only for a particular case”.

Also Khan went further by showed that the challenge of public sector internal audit unit now, is to avoid becoming compliance based due to the presence of a strict legal framework that sets out the public financial controls and internal auditing processes. Therefore, moving towards risk- based internal audit will require a fore sighting function of monitoring and advising on the improvement of program efficiency and effectiveness and mitigating risk that hinder the achievement of organizational objectives.

Ferguson (2006) who did a research on “The Value of Internal Audit in Fraud

Detection” concluded that organizations with an internal audit function are more able than those without such a function to detect fraud within their organizations. Further, said that organizations that rely solely on outsourcing for their internal audit function are less likely to detect fraud than those that undertake at least part of their internal audit function themselves. Thus he recommended that organization should establish strong internal unit so as to avoid misuse of public resources.

This provides evidence that internal audit adds value through improving the control and monitoring environment within organizations to detect fraud. These results also was supported by Baduru (2008) by suggest that keeping the internal audit function within the organization is more effective than completely outsourcing that function.

According to Shiella (2012) he found out that, Internal audit is not in a position to influence the proper management of public resources, because public sector managers do not support internal audit due to the fact that, public sector managers are not aware of the exact role of the internal auditors due to the evolution of the internal audit activities and also, public sector managers do not see the relevance of the internal audit activities in the public sector organizations. However he argued that, the presence of employ qualified professionals, motivated and are well

resourced, the internal auditors will help managers to reach their objectives and will get the support from those managers.

Also Shiella went further and revealed that, one's perception of the Internal Auditor is influenced by how they perceive his role in the company. Further concluded that, the public managers attitude towards the roles of the internal audit will change if they help public managers in the public sector organizations to achieve their objectives which are examine the whole organization to detect and deter any misappropriation of public funds.

On the other hand the research conducted by the (Pavlatos and Paggios, 2009) showed that internal audit unit is highly effective in increasing the reliability of accounting data, existence of physical assets and in protecting against fraudulent activities so as to ensure efficient use of public resources in public sectors.

In the analysis of (Badara, 2012:4) who did a research on "The Role of Internal Auditors in Ensuring Effective Financial Control at Local Government Level" It concluded that, internal auditors should exercise the degree of independency on various department within the organization in performing their duties, also pointed out that the internal auditing system should be efficient in such a way that it will prevent any act of financial crime, misuse of public resources and detection of fraud.

In addition he concluded that, central government should established a scheme for internal auditors training from time to time because it will enhances their operational capacities and skills in administering the internal control system by way of attending professional seminars, workshop and symposium.

In other words, internal audit unit can effectively check fraud and fraudulent activities in the Public Sector if they are independently, adequately resourced, qualified professionals and have significant numbers of staff, obviously Internal Audit Departments will function effectively (Okechukwu, 2011).

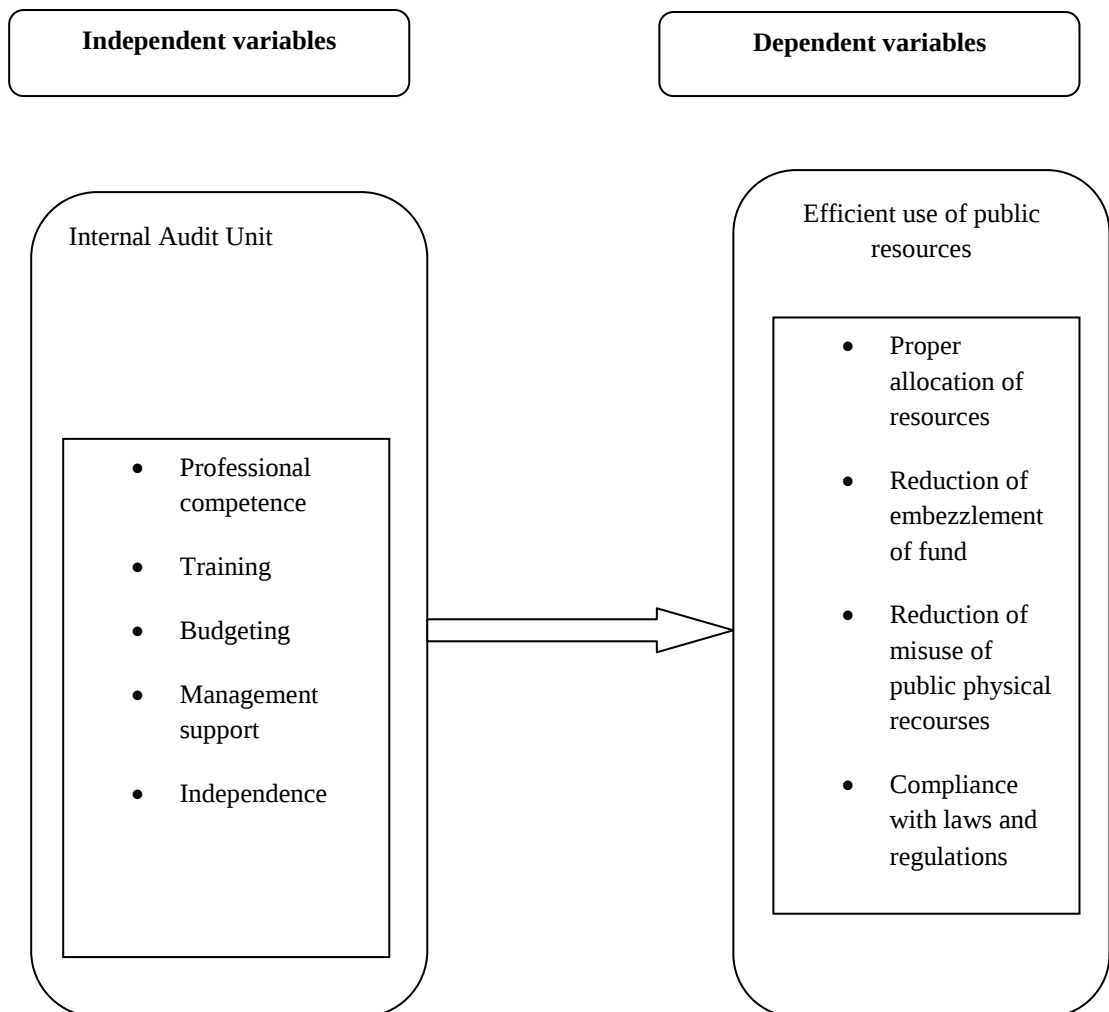
It is also concluded that Government should provide an adequately equip staff with electronic data processing and also maintains an environment within which internal

auditors can have sufficient freedom to accomplish their task efficiently.

2.13 Conceptual framework

The conceptual framework reflects the study variables which explained the research problem. From the bellow conceptual framework, it is clear that Internal audit unit is an Independent variable (measured by, professional competence, management support, budgeting and independence) affects efficient use of public resources, a dependent variable (measured by proper allocation of resources, reduction of embezzlement of funds, reduction of misuse of public physical resources and Compliance with law and regulations)

Figure: 2.1 Conceptual Framework



Source: created by the author of the study: 2014

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This is a science of studying how research is done scientifically. In it was study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. This chapter principally presented the methodology used to answer the research questions of this study. The chapter focused on the research design, data collection method and sampling procedures of the enquired population, the sampling frame and sample size, sampling techniques, data collection tools and methods; data analysis techniques, quality control and data validity.

3.1 Research Design

A research design is defined as “conceptual structure within which a research is conducted” (Kothari 1993). It constitutes a blueprint for the collections, measurement and analysis of data. The study used a case study design. It is a procedure of studying or collecting information within the organization. Under this design the study was flexible in using different tools of data collection. This design could useful because the study base on a specific area for in-depth study of the problem. (Kothari 1990).

Usually, the choice of a research design was determined by the nature of the problem and the method of data collection to be employed. That being the case, the case study design selected to serve purpose as the study on a single unit i.e. Ministry of Finance - Zanzibar.

3.2 Study area

The Ministry of Finance- Zanzibar (MoF) is area in which the study conducted and was concentrated only in the internal audit department of MoF. The study covered a collection of data for a period of ten years started from 2005 to 2014.

3.3 Population

The population of this study has been limited to civil servants in Ministry of Finance – Zanzibar who have direct relationship with internal audit unit. It consisted of 50 people; 15 government staffs from other ministries, 7 Retired staffs and 38 respondents from different MoF selected departments that are, Audit section (10), Accountant section (3), Human resources section (5) and Stock verification section (10).

3.4 Sample size and Sampling Techniques

A sample refers to a part of a population selected for study while a sampling technique is the method adopted for selecting such a sample from the population (Asika 2008: 39-40). The sample size was made up of 50 respondents from different sections in MoF and retired staffs as well. Considering the objective of the study it is expedient to ensure that the sample that identified is a statistical representation of the population and stands clear of bias as much as possible, also the sample must be adequate and possess stability.

The researcher used non probability sampling technique (judgment or purposive) to select respondents of the study because it's considered to be capable of providing relevant and valuable information, not only that but also selected sources which was provide documents that would appropriate for this study. Furthermore this technique was suitable to this study because the Ministry staffs are the main focus to be surveyed.

Table 3.1 Sampling size distributions

S/N	Categories	Number of respondents	Percentage (%)
01	Account sections	3	6
02	Audit section	10	20
03	Human resources	5	10
04	Retired staffs	7	14
05	Stock verification section	10	20
06	Other government staffs	15	30
	TOTAL	50	100

Source: Research data, 2014

3.5 Types and source of data

The study used both primary and secondary data to obtained relevant and valuable information for the study. Also researcher used various data collections techniques which were primary and secondary technique, Primary technique used were personal interviews, questionnaires and observation done by researcher himself during the field work, secondary technique also was applied such as to review the relevant documents like financial regulations, audited financial annual reports, accounting manual reports, magazines, newspapers and text book.

Under this study, data was collected by Researcher himself. The questionnaires were then administered after soliciting for each respondent's willingness and cooperation in filling in the questionnaires. The respondents were asked to answer all the questions in the questionnaire and were allowed the time they needed to answer fully.

Those who had not completed answering as agreed were prompted through telephone calls and physical reminders. The filled questionnaires were then collected and compiled for data analysis.

3.6 Measurement of Variables

A variable is anything we measure. This is a broad definition that includes most everything was interested in for an experiment. It could be the age or gender of participants, their reactions times, or anything we might be interested in. In the study as mentioned in previous chapters, there are dependent and independent variables.

Dependent variables include proper allocation of resources, reduction of embezzlement of funds, reduction of misuse of public physical resources and Compliance with law and regulations but independent variables involve competence, management support, budgeting and independence.

These variables need to be measured in precision and exactness to prove their effects in the subject matter of the study.

In meaning, measurement is the process of determining and recording which of the possible traits of a variable an individual case exhibits or possesses that are collected as part of a research effort (Nagy & Cenker 2002).

Internal audit unit as independent variable was measured based on Likert scale measurement. This method emphasized alignment of an internal audit department's objectives and activities with that of larger organizations (IIA, 2009). A four point Likert scale ranging from "Little extent" to "Very large extent" were used in this study, the coding value were, 1= little extent, 2= Moderate extent, 3= Large extent and 4= Very large extent.

Efficient use of public resources as dependent variable vested in proper allocation of resources, reduction of embezzlement of funds, reduction of misuse of public physical resources and Compliance with law were measured with already established instruments measuring identified factors developed by Hui et al, (2003). A 4- Point Likert Scale ranging was used such as "Yes or No" and other were "Very good, Good, Poor and Very poor".

Also the researcher was used a Likert Scale to measure the misuse of public fund as adopted by Allen et al. (2004) and was coded using a four point Likert scale ranging from “strongly agree to strongly disagree”.

As there are no acceptable scales for measuring these variables (professional competence, management support, budgeting and independence) in the literature, the scales designed under this study was achieved by denoting either "yes" or "no" indicators for each respondent to each of the above-mentioned variables based on the responses to the questions asked in the questionnaire.

The opened ended question like "What is your general recommendation on internal audit unit in your organization?" in the questionnaire also was used to obtain data from the respondents of this study.

3.7 Validity and Reliability Issues

Researcher must know that correct measurement depends on successfully meeting all of the problems listed above. He must, to the extent possible, try to eliminate, neutralize or otherwise deal with all the possible sources of error so that the final results may not be contaminated, therefore the Sound measurement must meet the tests of validity, reliability and practicality (John and Mokey, 2003).

Joppe (2000) defines reliability as: The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. According to Charles (1995) adheres to the notions that consistency with which questionnaire [test] items are answered or individual's scores remain relatively the same can be determined through the test-retest method at two different times.

Although the term, Reliability is a concept used for testing or evaluating quantitative research, the idea is most often used in all kinds of research. If we see the idea of testing as a way of information elicitation then the most important test of any qualitative study is its quality. Therefore reliability of the data was obtained from the

selected sample of MoF by careful logged in the computer by the researcher himself to avoid any possibility of coding wrong information.

Validity refer to the instrument's ability to measure exactly what concepts, it is supposed to measure for the particular study and it determines whether the research truly measures that which it was intended to measure or how truthful the research results are. The following procedures below were used to indicate the validity of the instruments in this study.

Researcher was determine validity by asking a series of questions from experts and group of experts among the respondents to comment on the representativeness and suitability of the questionnaires and the interview guide for data collection and also was often look for the answers in the research of others.

Furthermore the validity of instrument was obtained by providing pilot questionnaires to the expected respondents to see the strongest of the questions and how large its cover the area of study. Also the questionnaires and interview guide were presented to the researchers" supervisor for intellectual comments and suggestions so as to obtain accurate, correct and meaningful data.

3.8 Analysis of data

The data that collected for the study were analyzed by using computerized system. The results then were presented in tables, percentages and charts using descriptive analysis with their interpretations. Also MSexcel used to analyze the data obtained from the respondents by drawing figures through computer by editing and classifying in order to draw meaningful conclusions.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The chapter focuses on the presentation, analysis and interpretation of results in connection with the study objectives. The chapter presents the sample characteristics of the respondents, descriptive statistics of the items under study for the variables of the study and findings were summarized in tables and figures showing frequency and percentages.

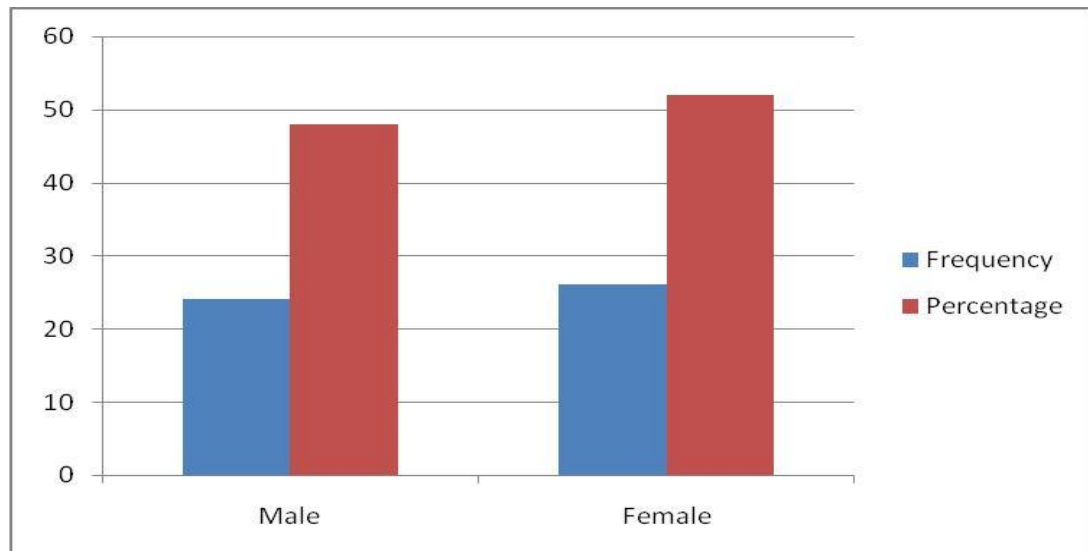
4.2 The Profile of the Respondents of the study

The background information of respondents was deemed necessary because the ability of the respondents to give satisfactory information on the study variables greatly depends on their background. The background information of respondents solicited data on the samples and this has been presented below categorized into; gender, education levels, position held, age and length of service in the organization.

4.2.1 Gender Distribution of Respondents

The study examines and describes the gender details of respondents in order to know the proportion of male and female in MoF. The details of their respective gender are presented in figure 4.1 below.

Figure 4.1 Gender distributions of respondents



Source: Primary data collected through questionnaires (2014)

Figure: 4.1 above revealed that 52% of the respondents were female and 48% were males. This could indicate that there are greater emphases of female employment in public sectors organizations in Zanzibar which reflected with 2020 millenniums goals. Furthermore the findings represent the views of the two sex groups about impact of internal audit unit in enhancing efficient use of public resources in MoF. This was necessary for the study to get a balanced picture of the respondents' views.

4.2.2 Respondents' Age

The researcher wanted to know the age of the respondents in order to analyze different age groups available at MoF. Table 4.1 represents the age groups of the total respondents for the research. The researcher found out that, the majority of public sector workers fall within 20-30 years which represents 20 respondents/frequencies making 40% of the total sample. 13 respondents representing 26% were in 31-40 years, 9 respondents representing 18% were in 41-50 years and the remaining 8 respondents representing 16% were in their ages of above 50 years.

It can therefore be concluded that the majority of the respondents are in the most productive age brackets of their life and are reasonably experienced (assuming that an average Zanzibarian starts work at the age of 25 years).

Table: 4.1 Distribution of respondents of age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30 years		40.0	40.0	40.0
31-40 years	20	26.0	26.0	66.0
41-50 years	13	18.0	18.0	84.0
above 50 years	9	16.0	16.0	100.0
Total	8			
	50	100.0	100.0	

Source: Field data, 2014

4.2.3 Academic Qualification of Respondents

The researcher wanted to know how the academic qualification of respondents affects the availability of internal audit unit and efficient use of public resources. The level of education of these respondents as demonstrated in table 4.2 bellow shows that about 20 people (40%) had Post graduate/Master degree and 12 (24%) have First degree/advanced diploma compared with 8 (16%) who have Ordinary diploma, also 8 people (16%) had certificate and the rest 2 (4%) had the other level of education. The data shows that the majority of the respondents (40%) had Post graduate/Master degree level of education. This means that the respondents/ employees are adequately qualified persons academically which is important to the development of any organization and society as a whole, this will enable organization to have competitive advantages especially in the world of open market competitions.

Table: 4.2 academic qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid masters	20	40.0	40.0	40.0
first degree	12	24.0	24.0	64.0
ordinary diploma	8	16.0	16.0	80.0
certificate	8	16.0	16.0	96.0
others	2	4.0	4.0	100.0
Total	50	100.0	100.0	

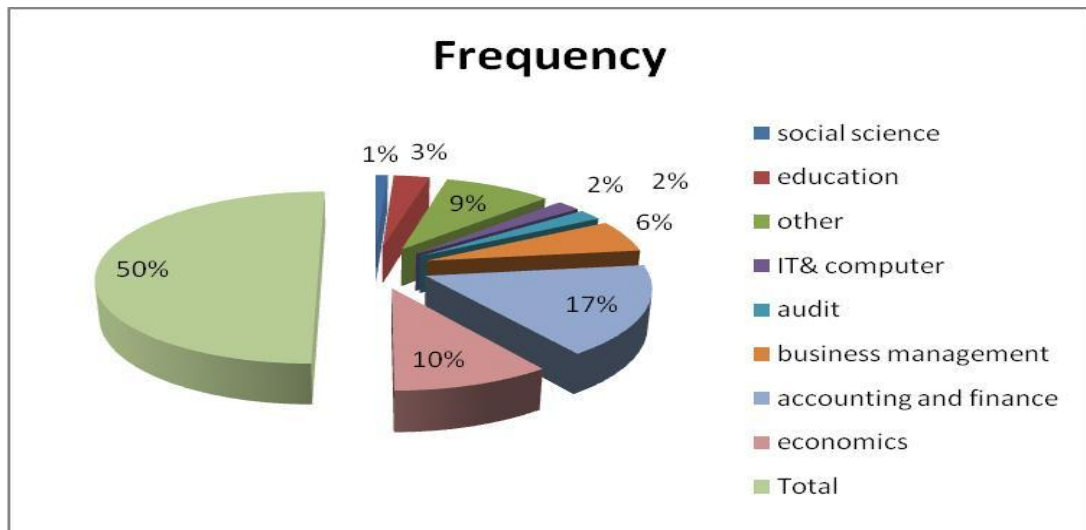
Source: Primary data collected through questionnaires (2014)

4.2.4 Field of Study

The researcher wanted to know the field of the study of the respondents that can affects the roles of internal audit unit. The analysis results in figure 4.2 show that majority of respondents in this study were Accounting & Finance departments (17), followed by Economics field (10), then other field (9), and Business management (6). These represent 34%, 20%, 18% and 12% respectively.

From the bellow description, it can be revealed that the majority of the respondents in this study are those directly responsible for or directly involved in the implementation of the Internal Control System. Therefore, their responses are deemed to reflect what actually takes place in the Institution.

Figure 4.2 Field of Study



Source: Primary data (2014)

4.2.5 Experience of Work

The researcher wanted to know the experience of respondents on how its affect in their job performance. The study investigated the length of period in years served by the respondents in the institution and the findings are presented in table 4.3 below.

Table: 4.3 number of years in current position

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-2 years	6	12.0	12.0	12.0
2-5 years	29	58.0	58.0	70.0
5-10 years	9	18.0	18.0	88.0
10-20 years	4	8.0	8.0	96.0
above 55 years	2	4.0	4.0	100.0
Total	50	100.0	100.0	

Source: Data collected from the study (2014)

In table 4.3 above, it can be revealed that majority of respondents have worked in the current position for the period 2-5 years (29), followed by 5-10 years (9), then 1-2 years (6), 10-20 years (4) and lastly, over 55 years (2). These represent 58%, 18%, 12%, 8% and 4% respectively. This could also show that majority of the respondents have hold their position the Institution for less than 5 years which is best practice of strong internal control

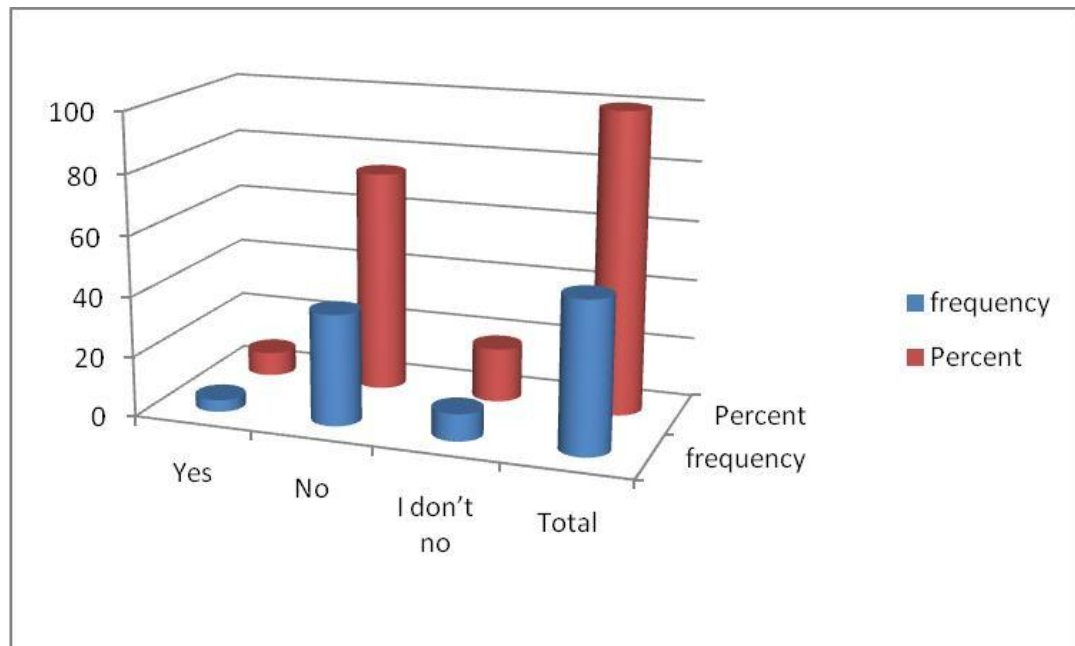
4.3 Uses of Public Resources before the Establishment of Internal Audit Unit

The first objective of this study was to examine the uses of public resources before the establishment of internal audit unit in MoF. The uses of public resources have greater impact on the development of any organization towards the achievement of their goals. To be able to show that, the researcher of this study focused on the following variables as shown below.

4.3.1 Uses of Physical Assets before the Establishment of Internal Audit Unit

The respondents under this study were asked to portray their views relating to the use of physical assets in MoF before the establishment of internal audit unit. The findings showed in figure 4.3 below illustrates that 37 (74%) of the respondents indicated improperly use of physical asset at the Ministry, while 9 (18%) peoples have no knowledge about that issue and a small number of respondents (4) which is equal to 8% of total respondents. The decision criterion set by the researcher is 50% of the total respondents. The findings showed that more than 50% indicated improper use of physical assets.

Figure 4.3 Uses of physical assets before the establishment of internal audit unit



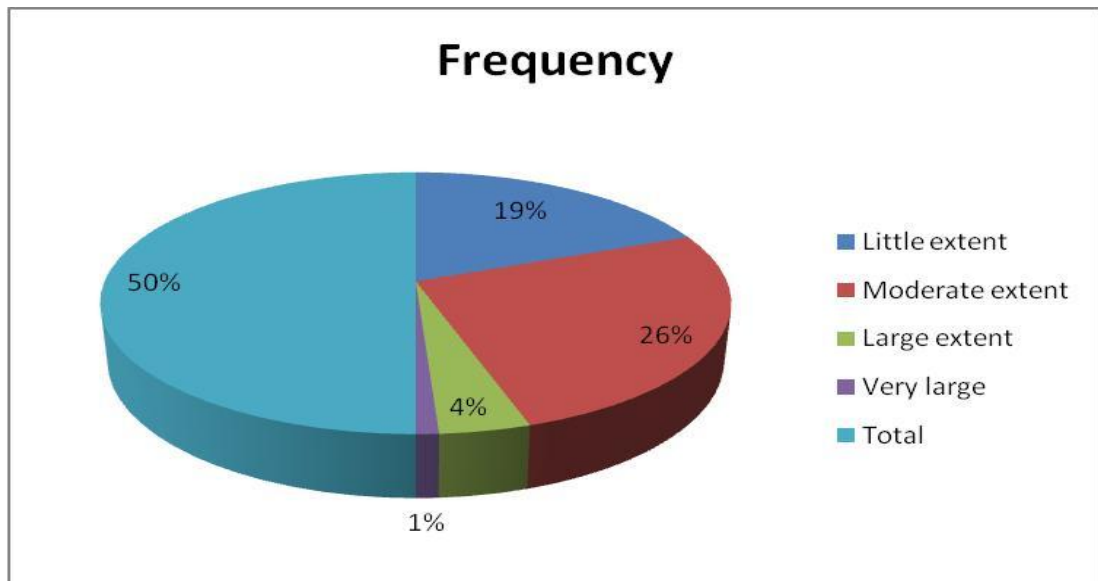
Source: Primary data collected through questionnaires (2014)

4.3.2 Extent of using physical assets

The findings of this particular area also revealed that 26 (52%) out of 50(100%) respondents showed that to a Moderate extent the physical assets were properly used in MoF before the establishment of internal audit unit and only one (1) respondent which is 2% of total respondents agreed with use and allocation of physical asset before the establishment of internal audit department in MoF.

In general when the descriptive analysis was conducted the findings shows 52% of respondents said “Moderate extent” which means to a moderate extent the physical assets was used before the establishment of internal audit unit which represents two values from total coded value, so this meets the minimum decision criterion set by the researcher. This implies that there was huge problem of allocation and use of physical resources by that time due to data obtained from the field. The data are shown in figure 4.4 below.

Figure 4.4 Extent of using physical assets



Source: Researcher primary data (2014)

4.3.3 Misuse of fund

The question was asked to the respondents to show how large did misuse of fund take place in MoF before the establishment of internal audit unit. The findings as explained in table 4.4 bellow show that 29 (58%) of respondents which is majority stated that there was large misuse of fund and small of respondents that is 6% indicated the little occurrence of misuse of fund in the Ministry. It is indicated further that MoF have very large misuse of fund 26% (13 respondents). The information from table 4.4 indicates ineffective internal control system in MoF which partly leads to mismanagement of public funds.

Table 4.4 Misuse of fund

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very large	13	26.0	26.0	26.0
Large	29	58.0	58.0	84.0
Small	5	10.0	10.0	94.0
Little	3	6.0	6.0	100.0
Total	50	100.0	100.0	

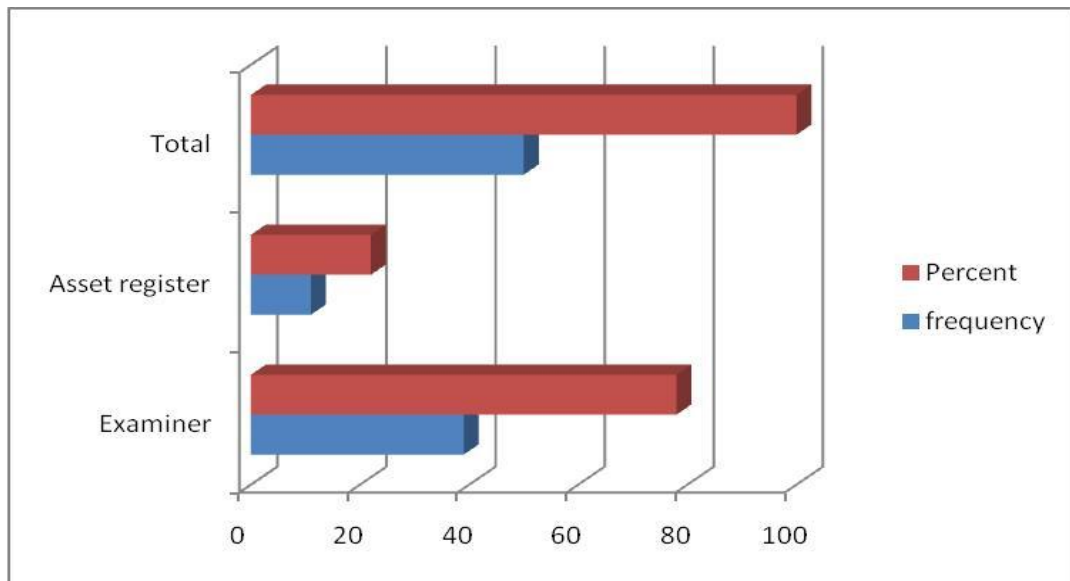
Source: Field data (2014)

4.3.4 Responsible parties to examine the uses of public resources

The researcher wanted to know who are the responsible party that concerned with examination of use of public resources in MoF before the establishment of internal audit department. The study (as reflected in figure 4.5) showed that 39 (78%) said the examiner and 11(22%) said the asset register. This imply that there was no clear department working relating to monitoring, controlling and safe guarding of use of public resources in Ministry by that time that lead to raise confusion among staffs.

The study further revealed that respondents were not sure which department is concerned to examine the use of public resources, this situation is harmful to the health of any organization.

Figure 4.5 Extent of using physical assets

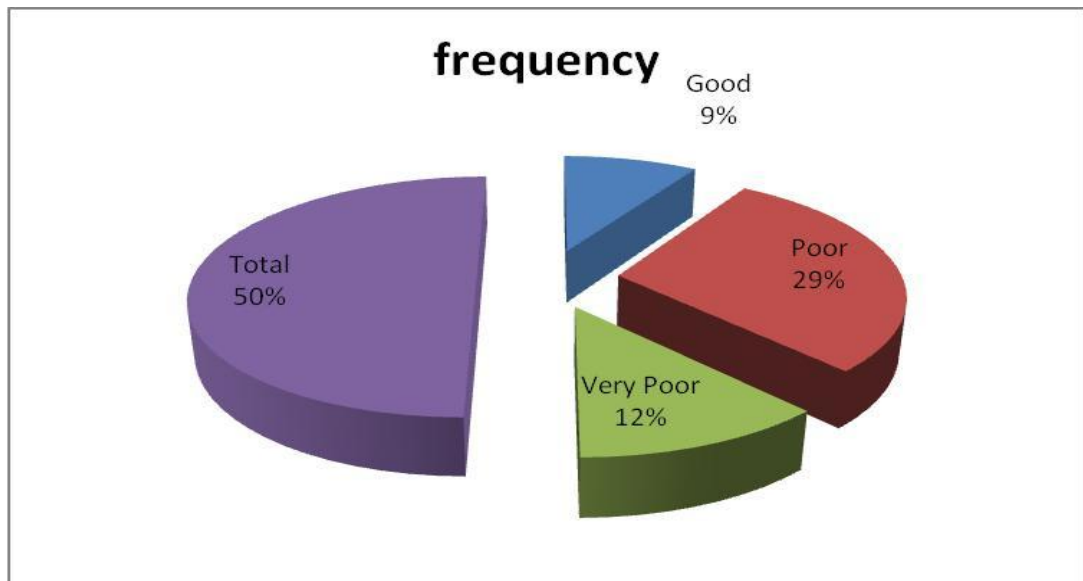


Source: Field data (2014)

4.3.5 Rate of the Compliance of Laws and Regulation

The respondents were asked to rate the compliance of laws and regulations related on the use of public resources in MoF before the establishment of internal audit unit, a likert scale of 1to 4 scores where 1 represents most effect and 4 represent least effect was used to measured. The results of the survey as reflected in figure 4.6 showed that many respondents disagree with the compliance of laws and regulations concerned the uses and safeguard of public resources. The findings revealed that 29 (58%) said system was poor and 24% was very poor. However, a significant number of peoples (9) out of 50 respondents said that the systems were good. The implication is that, failure of the management to provide better laws and regulations may lead misallocation of resources in organizations.

Figure 4.6 Rate of the compliance of laws and regulation



Source: Primary data collected through questionnaires (2014)

4.5 Uses of Physical Assets before the Establishment of Internal Audit Unit

4.5.1 Extent of using physical assets after establishment of internal audit unit

Researcher wanted to see the efficiency of internal audit unit towards effective use of physical assets at MoF by asked the same question that was asked before the establishment of internal audit department at MoF.

The findings of this particular area also revealed that 25 (50%) out of 50 respondents showed “very large extent, 15 (30%) Large extent, 7(14%) moderate extent while 3 (6%) said “little extent”. The implication is that establishment of internal audit department leads the proper use of physical assets which results control a potential abuse of public resources. The results are shown on table 4.8 bellow.

Table 4.5 Uses of physical asset after establishment of internal audit at MoF

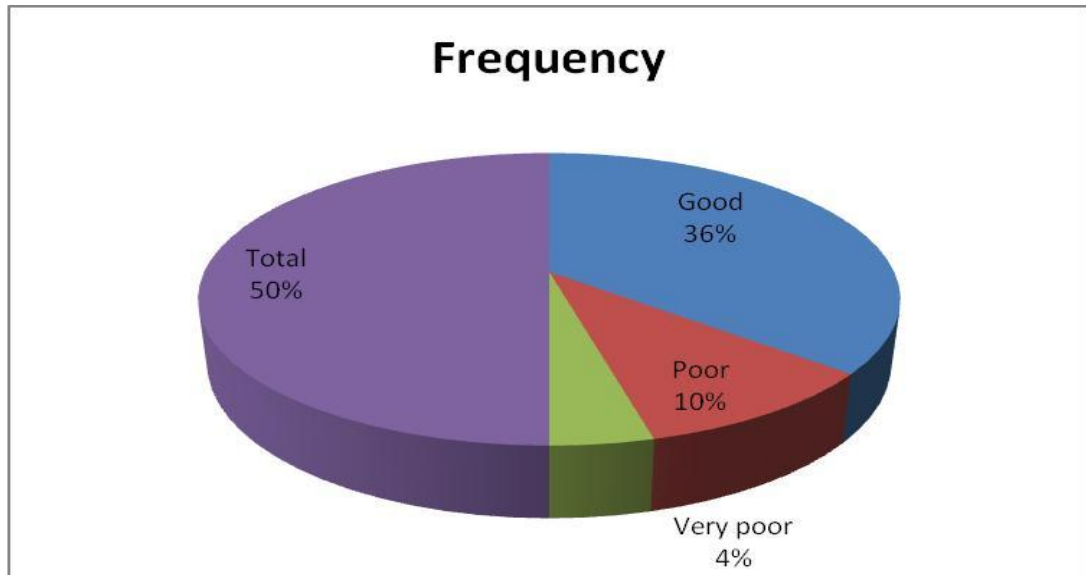
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Little extent	3	6.0	6.0	6.0
	Moderate extent	7	14.0	14.0	20.0
	Large extent	15	30.0	30.0	50.0
	Very large extent	25	50.0	50.0	100.0
	Total	50	100.0	100.0	

Source: Primary data (2014)

4.5.2 Rate of the Compliance of Laws and Regulation after Establishment of Internal Audit Unit at MoF

The respondents were asked to rate the compliance of laws and regulations related on the use of public resources in MoF after the establishment of internal audit unit in order to measure the efficiency of internal audit department. In the study, 36% of the respondents believe that there is good compliance of laws and regulation relating to use of public resources while 10%, 4% said poor and very poor respectively. This means establishment of internal audit department provide proper procedures to be followed in allocation and uses of public resources. This will enable the management to reduce or eradicate the problem of mismanagement of public resources was showed before the establishment of internal audit. The findings are illustrated in figure 4.8 bellow.

Figure 4.7 Rate of the compliance of laws and regulation after establishment of internal audit unit at MoF



Sources Primary data from researcher

4.6 The efficiency of Internal Audit Unit towards the Effective use of Public Resources.

The second objective of this study was to examine the efficiency of internal audit unit towards the effective use of public resources in MoF. To address this effectively, the respondents were asked the various important questions with regard to the uses of public resources. To enable the examination of the efficiency of internal audit unit the different variables were discussed below.

4.6.1 Independent Checking

The researcher wanted to know the efficient of internal auditors by asked the question related with time taken by internal auditors to conduct independent check on the examination on the use of public resources. Checking of financial records on regular intervals is another function is expected to be performed by an internal Auditor.

Findings in table 4.5 bellow showed that, 8% of the respondents indicated that independent checking conducted quarterly and annually, the other group of 16% of the respondents stated that the internal auditors checking conducted “when need arise”.

A large group of 58% of the respondents showed that auditors conducted independent check monthly. The other group which is formed by 10% said that the independent check conducted half yearly.

The implication of the finding is that, internal auditors at MoF perform well their duties with regard to checking of financial records monthly and they are independent because the data obtained meets the minimum decision criteria provided by researcher which is 50%. It is the responsibility of the internal audit to regularly survey, evaluate and monitor the internal control system put in place by an organization with a view to assessing the effectiveness of such system and identify weaknesses in order to take necessary action. The internal audit is required to have good working relationship with other departments.

Table 4.6 Independent checking by internal auditors

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Monthly	29	58.0	58.0	58.0
Quarterly	4	8.0	8.0	66.0
Half yearly	5	10.0	10.0	76.0
Annually	4	8.0	8.0	84.0
When need arise	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Source: Field data (2014)

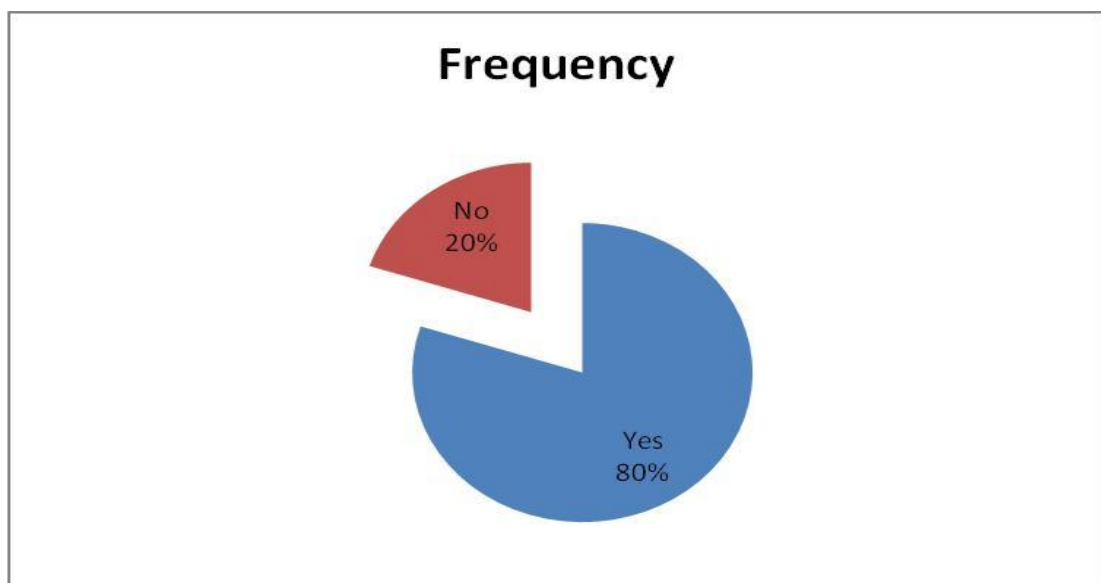
4.6.2 Control of Uses of Public Funds.

In this section the researcher wanted to know about the proper controls towards the uses of public funds. Data collected shows that, out of the 50 respondents, 40

frequencies

representing 80% said that, there is proper control of using public fund whiles 10 frequencies representing 20% disagree with control in uses of public fund. This shows how internal audit unit of MoF efficiency is to perform their duties accordingly. The summary of data obtained shown in figure 4.7 bellow

Figure 4.8 Control of uses of public fund



Source: Researcher's field work (2014)

The findings of figure 4.7 above implies that, proper internal control system leads to an improvement in the management of public funds and a deterioration in the internal control system leads to a deterioration in the management of public funds. This is supported by Young & Cardoso (2009) who state that effectiveness of internal controls strengthen transparency in the management of public funds.

4.6.3 Competent of Internal Auditors

The respondents were asked to stated whether “ Yes “ or “ No” related with competence of internal audit unit at MoF towards misuse of public resources on a likert scale of 1to 4 scores where 1 represents least effect and 5 represent most effect. The majority of respondents which formed 42% said “Yes” means internal auditors are well professional to perform their duties and remaining 8% said “No”. Bellow are

summary of data obtained.

Table 4.7 Internal auditors competent

	Frequency	Percent	Valid Percent	Percent
Valid Yes	42	84.0	84.0	84.0
No	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Source: Primary data (2014)

4.6.4 Experienced of Inefficient use of Public Resources

The question was on whether MoF have experienced of inefficient use of public resources after establishment of internal audit department. The findings shown in table 4.7 illustrate that 10% of the respondents agreed while 6% strong agreed, 20% disagreed, and 64% strong disagreed. The results in this part imply that, establishment of internal audit department leads to a large extent to reduce the problem of misuse of public resources that was reported by the some respondents before the establishment of internal audit unit at MoF.

Table 4.8 Inefficiency use of public resources

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	5	10.0	10.0	10.0
Strong agree	3	6.0	6.0	16.0
Disagree	10	20.0	20.0	36.0
Strong disagree	32	64.0	64.0	100.0
Total	50	100.0	100.0	

Source: Primary data (2014)

4.7 Roles of Internal Auditors on Prevention of Misuse of Public Resources.

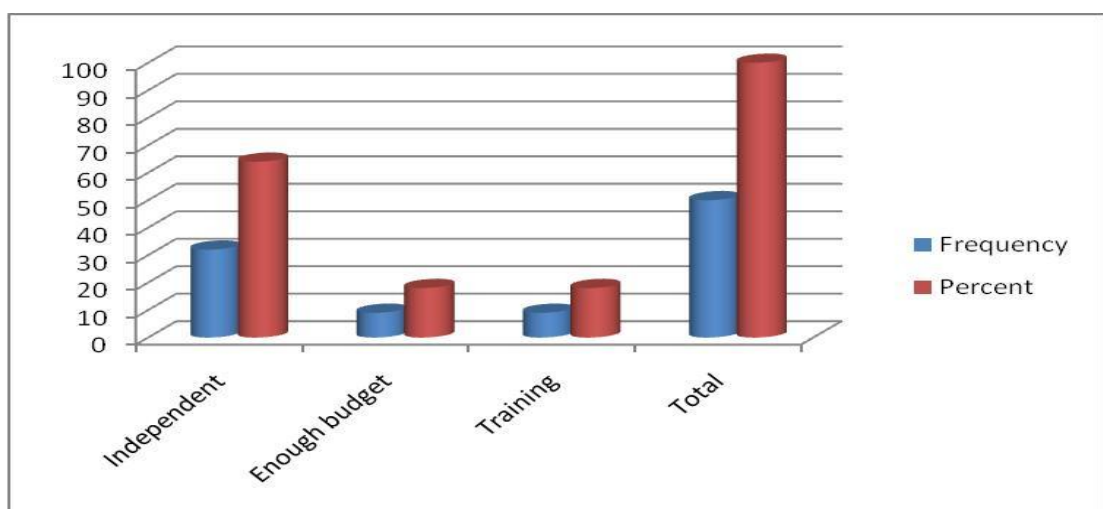
The study sets one of its objectives critically to examine the role of internal auditors on prevention of misuse of public resources. To enable the examination of the role of internal auditors four important variables were discussed and are presented in descriptive statistics as follows.

4.7.1 Factors influence the role of internal auditors

The respondents were required to mention factors which can enhance the role of internal auditors on preventing misuse of public resources. According to the studies the factors mentioned were independent, enough budget and management support. The result of the study showed in figure 4.8 bellow also was supported by MoF chief internal auditor during the interviewed as shown bellow.

“In the Ministry, what factors can enhance the role of internal auditors on preventing misuse of resources? He replayed that; clear working plan, enough budget and proper training (i.e competence, independence and professional care. Competence suggests that the audit staff assigned with the responsibilities to conduct the audit should collectively possess adequate professional proficiency necessary for the task.). The table 4.9 below show the summary of the data collected from the field.

Figure 4.9 Other factors influence the role of internal auditors

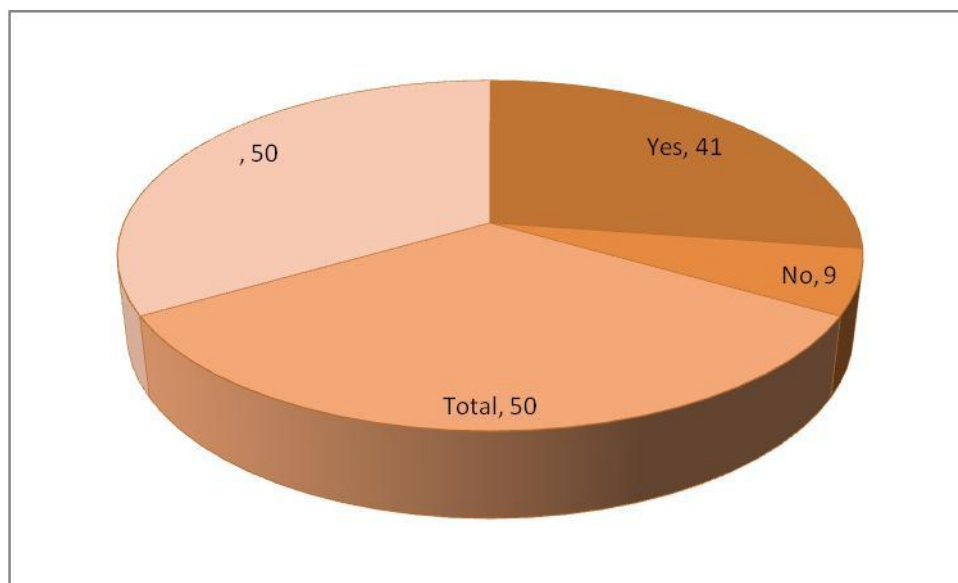


Source: Primary data from researcher

4.7.2 Functions of internal audit unit

The researcher in this section was interested to know about the functions of internal auditors of MoF with regard to prevent misuse of public resources. The results indicated that, majority of respondents supported that; the internal auditors are efficient enough to perform their functions. The results were analyzed and interpreted basing on the likert scale instrument which was ordered from 1 to 4 scores where 1 represents least effect and 4 represent most effect. The study revealed that 41 (82%) said “Yes” and the rest 9 (8%) which is small respondents out of 50 said “No”. The implication of the result is that, the ability of internal audit unit to perform well their functions will lead the growth of the organization. The summary of data collected is shown in figure 4.10 bellow.

Figure 4.10 Functions of internal audit unit



Source: Data obtained from the questioners.

4.7.3 Weakness of Internal Audit towards their Roles

The researcher in this section wanted an idea from the respondents as to whether internal audit department of MoF has any weakness towards their roles. The results in Table 4.5 indicated that 82% of the respondents showed that, there is no weakness to internal audit unit towards their roles and the other group of 18% of the

respondents stated that the internal audit unit has weakness towards their roles. This implies that MoF internal audit department is strong enough to perform their roles.

Table 4.9 Weakness to internal audit unit towards their roles

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	9	18.0	18.0	18.0
No	41	82.0	82.0	100.0
Total	50	100.0	100.0	

Source: Primary data from study (2014)

4.7.4 Auditor Report

Researcher also wanted to know how internal auditors perform their roles accordingly in the side of time taken to submit of their report to the management. A negative question was asked by researcher to collect information from respondents. The data collected from the field showed that, 38 respondents representing 76% said “ Yes” it means internal auditors submit their report to management at reasonable time while 12 (24%) which is small out of 50 respondents said “ No”. The implication is that, the report will assist the management to take corrective action timely, The results of the findings are shown in table 4... bellow

Table 4.10 internal auditors report

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	38	76.0	76.0	76.0
No	12	24.0	24.0	100.0
Total	50	100.0	100.0	

Source: Primary data from study (2014)

4.7.5 Internal Auditor Recommendations

The researcher in this section wanted an idea from the respondents as to whether internal auditor's recommendations from the audit report are helpful to the achievement of organization objectives. The study revealed that 70% of the respondents agree that the internal auditor report assist the organization to achieve their objectives, while 20% and 10% of the respondents were of the opposite view. This implies that they perform their duties with regard to assist the management to achieve the organizational objective.

Table 4.11 Internal Auditor Recommendations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	35	70.0	70.0	70.0
No	10	20.0	20.0	90.0
I don't no	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Source: Primary data from study (2014)

CHAPTER FIVE

DISCUSSION OF RESEARCH FINDINGS

5.0 Introduction

This chapter provides a discussion of findings in chapter four in respect to the objectives of the study and reviewed literature. The section focuses on the discussion of the study variables that is Internal Audit unit and efficient use of public resources.

5.1 Uses of public resources before the establishment of internal audit unit

The descriptive analysis revealed that there was no proper control of uses of public resources in MoF before the establishment of internal audit unit thus why it led largely misuses of resources. The findings confirm to assertions by IIA, (2001) which states that if there was no internal control a foundation for accountability in an organization despair and lead misuse of resources. In general the data obtained from the study showed that 37 (74%) of the respondents indicated improperly use of physical asset at the Ministry.

Furthermore the chief internal auditor of MoF during interviewed said that *“Here (i.e MoF) resources were used based on leaders decisions and no proper procedures followed to allocate them, hence there were largely misuse of resources occurred”*.

The study also revealed that there was no clear department concerned with monitoring and safeguards the use of public resources in MoF before the establishment of internal audit unit. This was supported by data obtained from the field, under this the researcher wanted to know by asked that, who was the responsible part to examine the use of public resources before internal audit unit is established. The results as showed in figure 4.5 above were 39 (78%) said the examiner and 11(22%) said the asset register.

Apart from that, there was lack of compliance of laws and regulation relating to the use of public resources. Results of the study reflected a poor rate of the compliance of laws and regulations. For example the result obtained in figure 4.6 showed 29% which was the majority of respondents said poor, 12% very poor and 9% which is small portion said good. The implication is that, poor compliance of laws and regulations resulted ineffective internal control system hence leads mismanagement of public resources.

In general the study examined the uses of public resources before the establishment of internal audit unit by the way of investigates the internal control applied by that time. The results revealed that it (internal control system) was ineffective. This was clearly reflected by figure 4.6. This implies that things are not done the way they are supposed to be done. An ineffective control system promotes fraud in organizations.

This is in agreement with Wenjun & Shanshan (2008) who urge that an organization's internal control system is the basic safeguard to a regular and reliable accounting information system operation. An ineffective internal control system therefore leads to several adverse effects like fraud and mismanagement of funds.

5.2 The efficiency of internal audit unit towards the effective use of public resources

Management in many organization recognized internal audit unit as a valuable tool in effectively carrying out its responsibility and auditors have pressed for improvement in internal control in their effort to be of assistance to their clients, as well as to permit reduction of misuse of public resources (Adikwu 1984). This statement was supported by the data collected by researcher during the field by showed that many respondents supported the establishment of internal audit department in MoF as one among the tools towards the effective use of resources, this also supported by one among MoF top leader (Vice Principal secretary) during interviewed by said that” *Establishment of internal audit unit lead to have proper use of resources and enable the Ministry to achieve their objectives*”.

In addition to that, the researcher wanted to know the strongest of internal audit unit in MoF and he asked question in negative way so as to obtain real information from the respondents which is “ *Does internal audit unit efficient enough towards misuse of public resources?* . The finding revealed that 84% which was majority of respondents said “Yes” and 16% said “No”. This implies that internal audit unit is strong enough to perform their functions.

Findings as well are in agreement with Flick (2010), who indicates that efficient internal audit unit ensures proper organizational processes functioning, financial information reliability and applicable regulation compliance. This is in consistence with Schaefer & Peluchette (2010) who indicate that fraudulent financial statements are often avoided by an effective internal audit department.

5.3 The role of Internal Auditors on Prevention of Misuse of Public Resources

The study findings revealed that in order for the internal audit department to be efficient enough towards their roles, there should be other factors such as enough budget, independents, clear working plan and training. This was reported by respondents during the study, it showed that 30 (60%) agreed with all factors above which was majority out of 50 respondents.

Furthermore the study conducted revealed that majority of staff at MoF have believe with functions of internal auditors on prevent misuse of public resources, this clearly showed by the data obtained from the figure 4.9 above, indicated that 82% of respondents believing the functions of internal auditors on preventing misuse of public resources while 18% disbelieve their functions.

Findings also revealed a positive relationship between internal audit unit competence and prevention of misuse of public resources. This implies that good professional skills to internal auditors result in good monitoring the uses of public resources and that monitoring incompetence leads to mismanagement of public resources.

Furthermore the implication is that in order for the public resources to be managed efficiently, internal audit department has to be competent with all the necessary skills. This agrees with Avon and Somerset Probation Board Annual Report (2009/10) which indicates that in order to get good value for public resources, they were focusing on internal audit competence, professional skills and independent. This is further in agreement with Miller (2009) who urges that incompetence of internal audit department and poor internal financial controls are a potential abuse of public resources.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

6.0 Introduction

This chapter presents a summary of the results obtained in chapter four. The discussion of results is followed by conclusion, recommendations, and recommended areas for further research as per the study objectives.

6.1 Uses of public resources before establishment of internal audit unit

The data collected shows that, before establishment of internal audit unit there was improperly use of public resources. It can be founded from the data collected in figure 4.3 showed that, 74% of the total respondents answered “no” to the question as to whether physical assets properly used before the establishment of internal audit unit.

Again, the researcher found out from the respondents that, there was largely misuse of fund which took place in MoF before the establishment of internal audit department. This supported by the respondent data collected from the study. For example in table 4.4 above showed that 58% reported large misuse of fund was took place.

Conclusion

From the study findings above, the researcher conclude that, there were improperly use of public resources at MoF before the establishment of internal audit unit

6.2 Efficiency of internal audit unit towards effective use of public resources.

The second objective was set to provide information related with efficiency of internal audit department towards misuse of public resources. Researcher asked various questions in order to examine the efficiency of internal audit unit.

From the descriptive analysis, the results obtained from respondents, meaning that, the majority of respondents agreed with efficient of internal audit unit at MoF towards effective use of public resources. For example, results on whether “*Does internal audit unit efficient enough towards misuse of public resources?*”. The finding revealed that 84% which was majority of respondents said “Yes” and 16% said “No”.

The study confirms a relationship between efficiency of internal audit unit and effective use of public resources. This means that when internal audit unit is efficiency, there is less misuse of resources. Also when there are effective internal controls, organizational objectives” are achieved among which is financial performance.

Conclusion

The researcher conclude that, after the establishment of internal audit unit in MoF the uses of public resource become efficient and effectively.

6. 3 Role of internal audit unit on prevention of misuse of public resources.

This section revealed in summary the general findings of the objective three of the research. The data collected shows that, internal audit unit in public organizations perform their role or functions effectively. It can be seen from the data collected from the respondents in fig. 4.10 that, (41 peoples) of the total respondents answered “Yes” to the question as to whether functions of internal audit unit efficient enough to prevent misuse of public resources.

Again, the researcher found out from the respondents that, internal audit activities or internal audit as a unit in the public organizations assist the management of public organizations to achieve its objectives. It can be seen from the data collected from the respondents in table.. that, 70% of the total respondents answered “Yes” to the question on whether “ *Do the recommendations of internal auditor’s report help the organization to achieve their goals?*”.

Conclusion

According to data obtained from the field the researcher conclude that, internal audit unit at MoF perform their duties effectively.

6.4 General recommendations

On the basis of the findings and conclusion in the study the following recommendations were proposed by researcher;

- ✓ There should be adequate training of workers in the public sector especially the internal audit staff. This will help in creating the much needed understanding as to the roles of auditing.
- ✓ The internal auditors should be trained to use Integrated Financial management systems (IFMS) as other departments such as accounting department so as to have ability to conduct auditing in all area of government transactions.
- ✓ Considering that the variables of internal audit function which are risk management and internal controls were very strong factors of financial performance and better uses of physical resources. The Ministry should come up with strong policies to manage allocation of resources and to make sure that there are effective internal controls for better performance.
- ✓ The management should support the internal audit unit by proving all necessary facilities so as to help to accomplish their duties efficiently and effectively.

6.5 Areas for Further Research

The researcher suggests the following areas for further research

- a) A similar study in other public institutions.
- b) Impact of internal audit unit towards efficient use of resources in private sectors organization.

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APPENDECIES

Appendex1: Questionnaires

This Questionnaire is seeking answers and views from you about the Impact of internal audit unit in enhancing efficient use of public resources. A case of MoF

Dear respondents,

The purpose of this questionnaire is to provide assistance in data collection on the study of Impact of internal audit unit. The researcher is a student at Mzumbe University taking MSC A&F. In this respect, you are kindly requested to answer the questions in your utmost good faith with the best application of your knowledge. The researcher ensures respondents' confidentiality of information provided and will only be used for the purpose intended.

PART I: Personal Information.

1. Name of the organization

2. Sex : Male ☐ Female ☐

3. Age. 20- 30 years ☐ 31 – 40 years ☐ 41 – 50 years

Above 50 years ☐ ☐

4. Highest academic qualification

Post graduate degree or master ☐ First degree /Advance diploma ☐

Ordinary Diploma ☐ Certificate ☐

Other

specify.....

5. Number of years in the current position

1-2 years ☐ 2-5 years ☐ 5-10 years ☐ 10-20years ☐

Above 55 ☐

6. Number of years in the organisation

1-2 years ☐ 2-5 years ☐ 5-10 years ☐ 10-20 years ☐

Above 20 ☐

7. Field of study

Social science	☐	Education	☐	Other	☐
Law	☐	IT and Computer Science	☐	Audit	☐
Business Management	☐	Accounting and Finance	☐	Economics	☐

PART 2: Internal audit unit and public resources.

Objective A: To examine the uses of public resources before the establishment of Internal audit unit in MoF

8. Did physical assets properly used before the establishment of internal audit unit in MoF?

(a)Yes ☐ (b) No ☐ (c) I don't no ☐

9. To what extent do you think physical assets were properly used? Please Tick

(a) Little extent	☐	(b) Moderate extent	☐
(c) Large extent	☐	(d) Very large extent	☐

10. How large did misuse of funds take place?

(a) Very large

☐

(b) Large

☐

(c) Small

☐

(d) Little

☐

11. W

ho

were

the

respon

sible parties to examine the uses of public resources in MoF before the establishment of internal audit unit?

.....

.....

12. How do you rate the compliance of laws and regulation relating to the uses of public resources before the establishment of internal audit unit in MoF?

(a) Very good

☐

(b) Good

☐

(c) Poor

☐

(d) Very poor

☐

Objective B: To examine the uses of public resources after the establishment of Internal audit unit in MoF

13. Does MoF have experienced of inefficiency use of public resources after establishment of internal audit unit?

(a) Strong agree

☐

(b) Strong disagree

☐

(c) Agree

☐

(d) Disagree

☐

14. To what extent do you think physical assets were properly used after establishment of internal audit unit at MoF? Please Tick

(a) Little extent

☐

(b) Moderate extent

☐

(c) Large extent

☐

(d) Very large extent

☐

15. How do you rate the compliance of laws and regulation relating to the uses of public resources after establishment of internal audit unit in MoF?

(a) Very good ☐ (b) Good ☐

(c) Poor ☐ (d) Very poor ☐

Objective D: To examine the efficiency of the internal audit unit towards the effective use of public resources at MoF.

16. How many times independent check by internal auditors is conducted?

(a) Monthly ☐ (b) Quarterly ☐ (c) half yearly ☐

(d) Annually ☐ (e) When need arise ☐

17. There is proper control on the uses of public fund at MoF?

(a) Yes ☐ (b) No ☐

☐

18. Is internal audit unit at MoF competent enough to prevent misuse of public resources?

(a) Yes ☐ (b) No ☐

Objective C: To examine the role of internal auditors on prevention of misuse of public resources in MoF.

19. What are the factors influencing the role of internal auditor?

.....
.....
.....

20. Is there any weakness to internal audit units towards their roles at Mof?

(a) Yes ☐ (b) No ☐

21. Do internal auditors of MoF provide their report timely?

(a) Yes ☐ (b) No ☐

22. Do the recommendations of internal auditor's report help the organization to achieve their goals?

(a) Yes ☐ (b) No ☐ (c) I don't no ☐

23. Does functions of internal auditors efficient enough to prevent misuse of public resources at MoF?

(a) Yes ☐ (b) No ☐

Interview Guides

Guiding interview Questions for the top officials

A: Personal Particulars:

Name of Respondent.....

Age

Education.....

Position.....

Duration.....

B: Interview Questions

- 1) How does internal audit unit operate in your organization?
- 2) Does the internal audit unit competent enough to prevent misuses of resources in your organization?
- 3) Do you think internal audit unit in a position to prevent misuse of public resources?
- 4) What is your general recommendation to the internal audit unit towards misuse of public resources?
- 5) Do you think there is impact of introducing internal audit unit in your organization?