

**THE CONTRIBUTIONS OF INTERNAL AUDIT IN ACHIEVING
INTEGRITY AND RELIABILITY OF ACCOUNTING
INFORMATION:
PERSPECTIVE FROM PRESIDENT'S OFFICE, PUBLIC
SERVICE MANAGEMENT**

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

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled ***The Contribution of Internal Audit in Achieving Integrity and Reliability of Accounting Information: Case Study in President Office, Public Service Management*** in partial fulfilment of requirement for award of Master of Science in Accounting and Finance of Mzumbe University.

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DECLARATION

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DEDICATION

The wholly research report has been dedicated to my family especially my mother Hellena I. Chale, my father Mr Joel M. Chale, my young mother Susana ,my sisters Shakhila, Anna, Flora. Mysons, and My fiance Harun, and my friends Nestory, Zuhura, Mage, Maltida and all who support me in this research.

ABBREVIATION

EA	-	External auditor
GAAP	-	General Accepted Accounting Principles
IA	-	Internal auditor
IAF	-	Internal Auditing Firms
IAS	-	International Accounting Standard
IC	-	Internal control
NBAA	-	National Board of Accountants and Auditors
DAHRM	-	Director of Administration and Human Resource
DE	-	Director of Establishment
DEP	-	Director of Ethics Promotion
DHRD,	-	Director of Human Resources Development
DMS	-	Director of Management Services
DMIS	-	Director of Management Information Systems
DMU	-	Diversity Management Unit
DP	-	Director of Planning
DRAM	-	Director of Records and Archives Management
GCU	-	Government Communication Unit
PMU	-	Procurement Management Unit
PO-PSM	-	President Office Public Service Management
CFO	-	Chief Financial Officer
SPSS	-	Statistical Package for Social Science
CAG	-	Controller and Auditor General

ABSTRACT

Internal audit functions plays a unique role in governance process by assuring that risk are effectively identified and monitored, organizational processes are efficient, effectively controlled. However to ensure this contribution this study aimed at evaluating how and through what function does internal audit assist in achieving integrity and reliability of accounting information.

Objective of this study was to examine the contribution of internal audit in achieving integrity and reliability of accounting information. The purpose being to understand more internal audit functions and how they can contribute to the integrity and reliability of accounting information. A case study approach was adopted with the PO-PSM as the main case. Information from relevant sources including internal auditors, accountants, member of audit committee, and other stakeholders were collected using questioning and interview method.

It was noted that the results of this research was that internal Audit functions contribute to the, the integrity and reliability of accounting information and the findings shows that the function of internal audit was analyzed the accounting information, compliance with law and regulation, checking budget implementation, the reliability and soundness of financial information, unethical behavior and fraud detected and organization strategy. Also the essential element of internal audit analyzed and findings show the internal audit need to be independence, staffing, due care and relationship also the limitation of internal audit was analyzed there is lack of technical knowledge, independence of internal audit unit, shortage of staff, and lack of recognition by management.

The general findings of this research shows that internal audit function are well placed in the ministry of President Office, Public Service Management and contribute to the reliability and integrity of the accounting information although there some weaknesses found this is because internal audit function have been introduced in recent year therefore it is the belief of the researcher that contribution of Internal Audit will be strengthen.

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CHAPTER ONE

PROBLEM SETTING

1.0 Introduction

In this chapter background information, statement of the problem, objective o the study, research question, significance of the study, scope of study will be presented.

1.1 Background information

Historically internal auditing was perceived as being confined to merely ensuring that the accounting and underlying records of an organization's transactions were properly maintained, that the assets management system was in place in order to safeguard the asset and also to see whether policies and procedures are in place and where duly complied with. With changing times, the concept of internal auditing has undergone significant changes with regard to its definition, scope of coverage and approach. In some organizations, the scope of modern internal auditing has been broadened from financial issues to include value for money, evaluation of risk, managerial effectiveness and governance process. In 1978, the Institute of Internal Auditors (IIA) defined internal auditing as: "An independent appraisal activity established with an organization as service to the organization.

Accounting Information at an organization is used by a number of users both internally and externally. Management of organizations is responsible for preparation of the accounting Information, through the Accounting Department and Internal Audit Unit for assurance of their reliability and Integrity of accounting information. Users of Accounting Information who consists of managers, creditors, suppliers, Government Institutions, TRA and many others. These users have different needs for the Information. Decisions are made by these users basing on information produced. The decisions made have a lot of economic impact to the users. Thus integrity and reliability of accounting information is an important issue for these users. In practical situation, there are users of accounting information such as manager and investors have been the victims of unreliable information which caused a loss to

them, while the organizations which produce those information have Internal Audit Unit. These circumstances lead to a need for understanding the function and scope of IAF in preparation and presentation of accounting information. The study needs to show also some challenges if present faced by Internal Audit unit (IA) within an organization. On the other side, there are external auditors who mostly rely on the work of internal auditor in fulfilling their statutory duties of forming an opinion of the truth and fairness of financial Statements.

Internal Audit unit (IA) also have to play a role to ensure reliance placed by EA(External Auditor) is worth of it. Because if External Auditors (EA) rely on Internal Auditors who are not effective will have adverse effects on the users of accounting information. Thus External Auditors (EA) must ensure requirements of (ISA 610) are adhered to. Thus, the purpose of this study is to assess the contribution at IAF (Internal Audit Firm) in providing assurance about the reliability and integrity of accounting information and the impact it has on the economic decision made by management and external users.

1.2 Statement of the Problem

Accounting information are tools used by management and other external users in making their economic decisions. The information produced is expected to be free of material misstatements so that it may not interfere with the decision made by users of that information. Internal Audit unit in organizations are assigned many role and duties of financial and non- financial in nature. They are also involved in ensuring reliability and integrity of accounting information. But the events where users are affected by materially misstated accounting information raised a question on the contribution of Internal Audit in achieving integrity and reliability of accounting information.

From the observation made by earlier and from various exiting literatures, it has been observed that the functioning contribution of Internal Audit has not been effective in achieving integrity and reliability of accounting information and there has been considerable publicity in recent years for a company failures and fraudulent behavior

on the part of executives of the companies and other organizations. Inevitably the auditors have been criticized for not reporting effectively to the users of accounting information. (Sella, 2004).

The research put efforts to understand contribution internal audit in achieving reliability and integrity of accounting information and shortcomings in accounting which have large impact on decision of its users and to make recommendations on the means to improve the role of IA Unit in preparation and presentation of accounting information.

1.3 Research Objectives

The main objective of the study was to assess the contribution of Internal Audit firms in achieving reliability and integrity of accounting information by pointing out weaknesses and suggesting solutions and making recommendations for the better.

- (i) To identify the functions of Internal Audit unit that to enhances integrity and reliability accounting information.
- (ii) To identify the essential elements of internal audit unit that contributes to the effectiveness of accounting information.
- (iii) To find out the factors that limits the Internal Audit department not achieving reliability and integrity of accounting information.

1.4 Research questions

The research questions would be directed towards the fulfillment of research objectives which are; the main research question; What are the contribution of Internal Audit Unit in achieving integrity and reliability of accounting information? And other research question.

- (i) What the function of Internal Audit unit in achieving integrity and reliability of accounting information?
- (ii) What are essential elements of Internal Audit unit contribute to the effectiveness of accounting information
- (iii) What the limitation in Internal Audit unit in achieving integrity and reliability of accounting information?

1.5 Significance of the Study

Users of accounting information would also gain knowledge of factors that can distort integrity and reliability of information. They can also play a part in improving IA unit participation in all stages of preparation and presentation of information

The researcher has gain practical experience in the government accounting especially Internal Audit department. The researcher compare theoretical and practical experience and understanding. Also provide a general understanding of the effectiveness of internal audit department in an organization.

They would get to know the importance of reliable information. Furthermore, it would come into knowledge on the factors that may impair integrity and reliability of Information and how it can utilize IA unit in preventing material misstatements before they affect users on this information.

The study highlights show areas that require more research in order to achieve integrity and reliability of accounting information in internal audit department. Such as

It further recommends or provides some recommendations that practitioners can take into account to enhance the contribution of Internal Audit as one of the management control tools to enhance Accounting Information integrity and reliability.

1.6 Scope of the Study

The study was conducted in President Office Public Service Management in Ilala district in Dar Es Salaam city and the ministry was chosen as a case study because of its enabled her to obtain data essential for this study conveniently and timely with amounting financial and time constraints. Due to time limit, it was difficult for researcher to cover the entire population and producing a comprehensive report. President Office, Public Service Management therefore selected to be used as sample to the ministries in the country. The result obtained from this selected area used to draw conclusion for all internal audit unit departments in the ministries and suggest the means of implementing best audit practices in the context of changes suggested.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature related to the study. The aim to explore the knowledge and ideas relevant to the study. This chapter it include conceptual Definitions, Theoretical frame work, Empirical literature, literature gap and conceptual framework

2.1 Conceptual Definition

According to Stettler (1982) Auditing is an objective systematic review process that involves selecting and evaluating evidence for the purpose either of ascertaining reliability of reported financial statements and adequacy and effectiveness of controls established over activities. Auditing review action as are performed by either external auditors and internal auditors.

Woolfs (1997) defines audit as follows, “Is a process (carried out by suitably qualified personnel) whereby the accounts of a business entities, including limited companies, charities, trusts and professionals firms, are subjected to scrutiny in such detail as will enable the auditors to form an opinion as to their truth and fairness. This opinion is then embodied in an audit report addressed to those parties who commissioned the audit or to whom the auditor are responsible under statute.

IIA (1999) defines internal audit as an independent, objective assurance and consulting activity designed to add value and improve an organizations operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

Millichamp (2002) defines internal audit as an independent function established by the management of an organization for the review of the internal control system as a

service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Internal audit therefore is regarded as an independent activity established by management. It is a part of internal control system/management. Corporate governance is a single body that is responsible for the success of organization, thus have to ensure internal audit unit is independent to be able to check internal control system and advice to them (management) when a weakness is identified. All those results into goals realization by organization.

Accounting is not an end but rather it is a means to an end. According to Meigs (1999), accounting information is simply the means by which we measure and communicate economic events. Also defines three types of accounting information which are Financial Accounting, Management Accounting and Tax accounting. Accounting Information is developed by accounting information system which communicates the accounting information to decision makers.

According to (AAA 1973), which defines auditing as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users." And Auditing as "the process by which a competent, independent person accumulates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria." (Arens et al. 1997)

The definitions by AAA and Arens et al. (1997) include "objectively obtaining and evaluating evidence" and "competent independent person." The implication is that the auditor must be qualified to understand the criteria used and competent to know the types and amounts of evidence to accumulate for examination to reach proper conclusions on one hand and must possess an independent attitude to objectively obtain and evaluate results without bias, or prejudice on the other.

In the definition by (Arens et al.1997) imply that the results with the audit opinion should reach those who use the auditors' report. Include shareholders, management, creditors, government agencies and the public and selected because focus on the subject of audit opinion from the viewpoint of “quantifiable information” and “economic actions and events to ascertain the degree of correspondence between those assertions and established criteria

2.2 Theoretical framework

Agency theory analyses the relationship between two parties: investors and managers. The agent (that is, managers) undertakes to perform certain duties for the principal (that is, investors) and the principal undertakes to reward the agent (Jensen et al, 1976).

According to this theory, the role of the auditor is to supervise the relationship between the manager and the owners. A gap expectation occurs when the distribution of the responsibility is not well defined. The responsibility of every part is well defined in the regulation. The manager and the owners have to realize that the auditor does not have responsibility of the accounting, but only see that the auditing is done properly (Andresson et al, 2005)

Given that principals will always be interested in the outcomes generated by their agents, agency theory demonstrates that accounting and auditing have an important task in providing information and this task is often associated with stewardship, in which an agent reports to the principal on the companies' events (Ijiri, 1975).

The demand for auditing is sourced in the need to have some means of independent verification to reduce record keeping errors, asset misappropriation, and fraud within business and business organization. However, a survey conducted by (Wahdan et al. 2005) revealed that the auditors believe that the auditor's work would be used as a guide for investment, valuation of companies, and sometimes in predicting bankruptcy.

According to (Kimaro, 2009) explain that is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors. It argues that agency theory provide a useful theoretical frame work for the study of the Internal auditing function. Proposes that theory not only help to explain the role and responsibilities assigned to internal auditors by the organization and predicts how internal audit function is likely to be affected by organization change.

The traditional nature of internal audit relates to the verification of the accuracy, timeliness and completeness of the accounting information (Courtemanche, 1991) or in a broader sense, to evaluating evidence on accounting information in order to determine and report on how well this accounting information complies with established criteria (Arens et al, 2000). The annual statement is based on historical information and is conceptually based on accounting profit.

As economic profit is increasingly used to determine the value of a firm, management and external stakeholders are more interested in a firm's future cash flows, and assurance that these future cash flows will materialize (Strikwerda, 2012). As a result of asymmetry of information and possible goal conflict, the Management Board may lose control of the firm. As a consequence, it is to be expected that the economic *raison d'être* of an internal audit function is to reduce information asymmetry, complementary to other measures the Management Board takes. The Audit Committee is also expected to require an internal audit function for this reason, as is researched by Goodwin-Stewart et al 2006) and (Sarens et al 2006).

It concludes that the agency theory provide a basis for rich research which can benefit both the academic community and internal auditing profession. The agency's theory is most influential theoretical perspective, this is more outside looking has independent members competent and the board size small.

This is good for controlling the different roles in the organization. It explain organization well and its corporate governance understandings. This theory usually retained not for any particular or discrete set of tasks, but for a broad range of

activities, which may change overtime, that are consistent with basic objectives and interest set forth by the principals. Agency theory shows that there is typically that the principal agent relationship is more hierarchical and power driven.

On the other hand Stakeholder theory- This theory was developed in the late 1920s by the Dutch professor Theodore Limperg (Hayes et al., 1999). Limperg's theory addresses both the demand for and the supply of audit services. According to Limperg, the demand for audit services is the direct consequence of the participation of outside stakeholders in the company. These stakeholders demand accountability from the management, in return for their contribution to the company. Since information provided by management might be biased, a possible divergence between the interest of management and outside stakeholders, an audit of this information is required.

With regard to the level of audit assurance that auditor should provide, (the supply side), Limperg adopts a normative approach. The auditor's job should be executed in such a way that the expectations of a rational outsider are not thwarted. So, given the possibilities of audit technology, the auditor should do everything to meet reasonable public expectations

According to (Donald, et al 1995) stakeholder theory consist of descriptive instrumented and normative aspect. It describes observed reality, corporate behaviors and characteristics. It also tries to link stakeholder management with corporate performance. It emphasize on explaining and predicting how an organization functioning with respect to the relationship and influences existing in its environment According to (Albrecht et al. 1988) argue that the effectiveness of internal auditing is not a computable reality, but rather is determined by the subjective evaluations assigned to this function by management. In other words, the success of any internal audit can only is measured against the expectations the effectiveness of Internal auditing of the relevant stakeholders this approach requires the development of systematic and generally valid measures by which to gauge Internal Audit effective.

To some extent, stakeholder's theory contains deterministic elements in that external actors determine the field of strategic options available to corporate management. However in general external stakeholders and their stakes are considered to be contingencies that management must respect and balance in their variety. Stakeholder's theory is characterized by its consideration of all external actors who hold a stake in the organization. One of the strength of stakeholder theory, among others is found in its pragmatic conceptualization of the environment which consist concrete stakeholders with concrete interests. Finally, stakeholder theory provides a strong linkage between theory and practical relevance.

Institutional and Managerial hegemony; both inside dominated and institution plays with high reputations. Executives and non-playing outsider's people this is managerial type. Therefore, both focus on non-executives but looking inwards than outwards.

Therefore researcher finds that each of the theory explained has its advantages and disadvantages, all these theories are practical but stakeholder's theory is more practical in this aspect of the thesis. Researcher argues that stakeholder's theory suits the study. This stakeholder's analysis is trying to understand more about the system of Internal Audit. Stakeholders are the key players in PO-PSM. Stakeholder's analysis provides a clearer understanding of stakeholders and provides insights to how best engage them.

2.3 The Functions of Internal Audit Unit

The audit function has become an integral part of government financial management and instrument for improving performance in the public sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services. Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more effectively deal with the associated risks.

The role of Internal Audit in central Government has recently changed for two reasons. The current administration's modernizing agenda has encouraged departments to become more accountable to the electorate whilst also performing their duties. Linked with this process has been the move to a more risk – based approach to internal audit that is becoming universal in private sector.

This has led to a move away from traditional systems based auditing to a greater concentration on corporate governance and a control culture. Another benefit of having more efficient controls, coupled with greater transparency in the decision and policy making processes of government. Generally, internal audit is very important to the reliability of financial statements when the internal control system is examined closely in timeliness. Internal control should be effective when examining design can be extremely beneficial and is usually for organization management and widely to financial statements. At present, all kinds of business firms have used internal controls through the formation of policies to ensure a safeguarding assets and profitable business environment especially accounting policy, management policy, and operational policy. Hence, internal audit should be on a regular basis review in all aspects of their company and insert internal controls that will strengthen the company and increase profitability (Skaife et al., 2007).

Internal audit function assists the organization by ensuring that there is adherence to organizational procedures and policies and accurate maintenance of financial records. Furthermore, organization expects the internal audit function to also conduct fraud detection exercises. The internal auditor was initially viewed as playing a limited role of financial checker-more of a policeman than a coworker in the organization. (Brink et al 1982)

According to Whittington & Pany (2004). The credibility of the information is important and the preferable form of obtaining credible information to rely on is by using independent auditors to perform an audit. That reduces the business risk that relates to the permanence and profits of the company, and the information risk "that the financial information used to make a decision is materially misstated". Therefore,

if the audit must add credibility it must be performed independently and without bias or prejudice. For an audit to add value to the financial information, the purpose of the information should be clear, and the findings effectively communicated. The audit should be performed only when its benefits weigh more than the costs. As a consequence auditors should be aware of the cost of collecting evidence especially in situation where the risk is high.

According to (Arena et al., 2010) At present, every business firm requires risk assessment to avoid and mitigate firm risk purposes. Risk management system consists of manager's style and his philosophy, linked with business strategy, and objective setting in operating. The risk management today has moved from the entity area of the firm to the corporate cover the firm. The sufficient and appropriated risk management procedure may present internal control effectiveness by senior executive management and board of director policies. Hence, the senior management and board of director must understand risk appetite more as the consequence organizational process.

The clear and sufficient accounting policies can make appropriate internal control effectiveness. Therefore, risk management efficiency is intended to reflect that firm has been updated rules, standard of work, guidance, and especially a quality of compliance. However, organizations using a weaker risk management process focused on control compliance and experience are with more difficulty (Arnold et al., 2011).

The outcome of risk management efficiency on the internal effectiveness is reliability of financial reporting. Hence, risk management efficiency is a part of the internal control effectiveness. Therefore, internal control system is stemmed from the attitude and behavior of senior executive management and Board of Directors' behavior that must transparency, integrity, accountability, and competitiveness. (Arnold et al., 2011).

While business firms require ongoing changes in organizations' activities, they also provide internal audit effectiveness thoroughly understanding in the way continuous monitoring adequacy is because continuous monitoring ensures that firms are subject to operational effectiveness, reliability of financial reporting, and regulatory compliance.

Therefore, continuous monitoring adequacy is a component of internal control systems that it serves preventive and corrective control, for example, when staff members who know their work as well, they always perform their duties. Continuous monitoring adequacy is defined as the sufficient and appropriate process of methodology for issuing the extent of firm to monitor and evaluate internal control system, involvement of long and short term action plan, and recommendation and suggestion an error. (Alles et al, 2006)

2.4 Essential Elements of Internal Audit

These elements will contribute to the increasing in the effectiveness of internal auditors in achieving of reliability and integrity of accounting information. Independence:- The role of IA in organizations is complex. Van Peurse (2004) identifies strong potential for confusion in the relationship between internal auditors and management internal auditors are expected to aid managers in doing their jobs, and at the same time to independently evaluate management 'effectiveness.

Internal auditors are charged with upholding the best interests of their employer, but they may be reluctant to counter management, regardless of the consequences. Internal auditors even as an employee of the organization, but must be able to organize his/her findings to a high level in management. Auditors should be sufficiently independent from those they are required to audit that they can both conduct their work without interference, and – equally important – be seen to do so. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors' work and gives employers confidence that they can rely on the results and the report

According to (ISA 2004), the internal audit activity should be independent and should be objectives in performing their work. The chief executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibility. The Internal audit activity should be free from interference in determine work and communicating result.

Auditors should be sufficiently independent from those they are required to audit that they can both conduct their work without interference, and equally important be seen to do so. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors' work and gives employers confidence that they can rely on the results and the report.

According to (ISA 2004) Internal audit should be adequately staffed in term of number, experience and skills.

According to (Al-Twaijry et al, 2003) Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its Mandate.

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

Goodwin (2001) argued that, internationally, the practice of staffing the internal audit department with career auditors is becoming less common, with more organisations using the function as a training ground for future management personnel. This practice is designed to help the organisation train well-rounded senior managers. Internal auditors perform a wide variety of activities across different departments within the organisation.

Bou-Raad (2000) argued that auditors must have a high level of education in order to be considered a human resource. The diversity of skills required, according to represents a major challenge to professional bodies, tertiary institutions and management. Internal auditors need to have qualification and experience regard to its responsibility and objectives and properly trained to fulfill all responsibility.

Internal auditors should have constructive working relationship and mutual understanding with management, external auditors, with any review agencies (management consultants) and where appropriate an audit committee. Should facilitate constructive working condition between management, external audit and audit committee.(ISA 2004)

Sarens & De Beelde (2006) have reported on the development of a similar attitude in Belgium, where as a consequence of recent changes in national and international corporate governance regulations, the internal audit function now gets more attention and support from boards and managers, the relationship between the internal audit staff and the company's management is clearly important in determining the independence and objectivity of the internal auditor .Management support for Internal Audit is thus important both in the abstract (managers must see the activity of the audit department as legitimate) and in ensuring that Internal Audit departments have the resources needed job.

Engagements should be performed with proficiency and due professional care. Internal auditor should possess the knowledge skills, and any other competencies needed to perform their individual responsibilities. H e must be judgmental in carrying out his duties and be technically up to date.(ISA2004).

Goodwin (2001) argued that, internationally, the practice of staffing the internal audit department with career auditors is becoming less common, with more organisations using the function as a training ground for future management personnel. This practice is designed to help the organization train well-rounded senior managers. Internal auditors perform a wide variety of activities across different departments

within the organization. They thus have opportunities to learn how these departments function and how they are managed. Furthermore, managers who have had experience in internal auditing should have a better understanding of the importance of internal control.

The ability to use internal audit roles as a stepping stone to managerial positions is seen as one of the advantages of having an in-house internal auditor should approach his/her work with skill, care and judgment. He should be up to date technically and have personal standards of knowledge, honest, probity and integrity

2.5 Limitations of the internal audit function

Although there are various objectives of internal audit in the organization also according to Chowdhury (1997) he shows some limitations of internal audit functions which include:

Independence, internal audit should be an independent and objectives function. However this independence can be comprised, particularly where reporting lines are through to operational areas upon which they are required to review and report. Where internal auditors have moved to the internal audit department from an operational area, they should not be involved in audits of that department for a minimum of a year. Whilst they might be seen to have excellent knowledge to the area, their independence could be comprised.

The organizational structure of the internal audit unit poses a practical constraint or a limit on the independency and/or objectivity of internal auditor. For example, if the internal audit unit is situated in the finance's department with the director of internal auditing reporting directly to the CFO, it is difficult, if not impossible, for internal auditor to objectively evaluate the performance of peer offices under the controller, In general the higher the reporting level, greeter the independency and or objectivity of internal auditors.

Structural problem (reporting relationship) in the form of assigned task that impair the auditor independency, and fear of losing promotion, job security , and wrong perception about internal auditors as faultfinders and their task as policing rather than auditing.

Internal and external audit should work closely together with reliance by external audit on the work of internal audit. This is dependent on the two functions having a common understanding of the organization needs.

Internal audit is still a relatively new profession, which has been changing significantly over the years. A wide variety of backgrounds are attracted into internal audit but it is still seen as inferior compared to main stream accountancy profession also competency of internal auditor that leads to trivial audit finding, lack of professional development, repetitive audit work, and non-value added internal audit report.

The improvement of controls over information system security is another challenge that management has to deal with as weakness in adequate control can lead to input, throughput of output tampering and input tempering occurs when false or fraudulent data is processed into the information system. Throughput tampering occurs when alterations are made to the computer programmers or codes. Output tampering occurs when data such as customer lists, merger plans or trade secrets are stolen from the information system environment requires that only legitimate users have access to the network and associated data via encrypted passwords (Pacini et al 2005)

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There's a balance to be achieved between added value and checking types of work and potential skills and expectation gap between consultancy and compliance. Organizations are increasingly subject to change in objectives, systems and procedures which impact the company risk profile. Internal auditors may not always be geared up for such constant change which impacts both the scope of work carried out and skills required.

There are certain inherent limitations in an audit that affect the auditor's ability to detect material misstatements. These limitations result from such factors as the use of testing, the inherent limitations of any accounting and internal control system and the fact that most audit evidence is persuasive rather than conclusive. Furthermore, the work performed by an auditor to form an opinion is permeated by judgment. Judgment is required to determine the nature and extent of audit evidence and the drawing of conclusions based on the audit evidence gathered. Because of these factors, an audit is no guarantee that the financial statements are free of material misstatement

The internal audit function is in a good position to help senior management of public institutions to identify risks, and to ensure reliability and integrity of accounting information, ultimately, provide assurance that the risks are being appropriately managed. Thus, the internal auditing function evaluates the effectiveness of public institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime.

2.6 Empirical Literature Review

According to Mgonja, (2004/2005), the researcher explained that, Independence is achieved through the organizational status of internal audit and the objectivity other people, who conducted this study, have contracted the following materials.

According to Ngajilo (2002) and Sanga (2004) they explained internal as an independent through the statement of responsibility of internal auditors issued by the institute of internal auditors as, the independent appraisal activity within an organization for the review of accounting financial and other operation as bases for protective and constructive service to the management. of the internal auditors, the status of internal audit should enable it to function effectively.

The researcher further argues that, to achieve full effectiveness the scope of internal audit function should provide an unrestricted operations and the internal auditor should have sufficient authority to allow his access to such records, assets and personnel as a necessary for his proper fulfillment of his responsibilities.

Mgonja (2005) also explained that, the contribution of internal audit depends substantially on the quality, training and experience of its staff. The aim should be to appoint staff with the appropriate background, personal qualities and potential. Thereafter steps should be taken to provide the necessary experience, training a continuing professional education.

According Michael (1997) pointed 'to obtain maximum benefit from the internal audit service, the audit committee is appointed to oversee the management operations of the team on her behalf. Involvement of an audit committee of the external appointees adds another unique dimension to the department.

With regard to the organization internal audit it is considered that if the internal auditor could be responsible to the audit committee rather than to certain officers of the organization, effectiveness of the internal audit would be improved and at the same time the independence and ability of the internal auditor would be enhanced. It appears, therefore, that at the present time audit committees are not likely to be brought into existence in the foreseeable future.

Mwakalinga (2005) examined the effectiveness of IA function in development project in Tanzania (TASAF) Findings was Internal Audit function is independent is performed by competent staff, and it is performing to the standard. However, management was concerned that the auditors are not sufficient, do not have enough resources and working facilities to carry out their work, more effectively, some lack computer skills and do not share their reports with management.

Furthermore, Nassir (2001) examined the factors contributing towards the effectiveness of an internal audit function of Malaysian listed firms. Findings from the study suggest interpersonal skills, internal auditors' commitment and support from audit committee and board of Directors, leads to effectiveness.

In some countries the internal audit function is supervised by a Director or a person of an equivalent rank at the Ministry responsible for Finance. In these situations, the internal auditors are either stationed at the Ministry of Finance from where they are sent to Departments to carry out their functions; or they are assigned to specific departments where they remain at post until they are re-assigned.

This arrangement has the characteristics of separating the internal audit function from the accounting and external audit functions. However, the internal audit function runs the risk of being seen as an extension of external audit because the internal auditors are not employees of the departments as expected of internal audit staff according to the ethics of the professional practice. However, this model can provide a good level of independence for internal audit.

The above arrangement is similar to that of Kenya where there is an internal audit services as a department within the treasury, the service being responsible for providing internal audit services for all government departments and is headed by the internal auditor-general. The internal auditor-general is responsible for effective review of all aspects of risk management and control throughout the civil service of the Republic of Kenya. In Botswana, Uganda and Zambia internal audit staff in the ministries are seconded from the internal audit department in the Ministry of Finance. The head of this internal audit department is a senior official in the Ministry of Finance with status equivalent to the Accountant-General.

According to (Albrecht et al. 1988), in a study sponsored by the Institute of Internal Auditors (IIA), identified 15 criteria used by 13 large private companies to evaluate the effectiveness of internal auditing. They concluded that effectiveness is determined mainly by the fit between the auditing work and the goals set by managers, the qualifications of the internal auditor, management support for the internal auditing staff, and several characteristics of the internal auditing department.

According to (Gloeck et al 1993) measured audit expectation gap in the Republic of South Africa. The participants of this survey were investors and auditors, in which the survey revealed that there was an audit expectation gap and that there were three

main areas of concern: the lack of independence of auditors, uncertainties regarding the role of auditors particularly in regard with the fraud and going-concern issues, and dissatisfaction with the compulsory audit of small owner-managed companies. Almost 60 per cent of financially knowledgeable respondents were of the opinion that the auditor was strongly influenced by the management of the company which he or she audit.

In the USA, (Baron et al. 1977) examined the extent of auditors' detection responsibilities with respect to the material errors, irregularities and illegal acts. They attempted to establish whether there were any differences in the perceptions regarding the auditors' detection and disclosure duties between the auditors and users of accounting reports- financial analysts, bank loan officers and corporate financial managers.

They found that auditors and users of accounting reports had significantly different beliefs and preferences on the extent of auditors' responsibilities for detecting and disclosing the irregularities and illegal acts. In particular, users held auditors to be more responsible for detecting and disclosing irregularities and illegal acts than the auditors believed themselves to be. Internal audit unit contribution is important to firm managers, internal auditors, stakeholders all staff members of the firm for decision making and controlling firms to achieve organization purposes and especially a reliability of financial reporting.

Therefore, internal audit unit is to provide information cues to conduct work and concerned firm performance. This research is to examine the internal audit unit contribution in achieving integrity and reliability of accounting information.

It shows that the contribution internal audit effectiveness is likely to have higher integrity and reliability of accounting information. Indeed, strong internal control effectiveness can create the integrity and reliability of accounting information and firms' value added

2.7 Gap in Literature

The above-cited studies show a diversity of recommendations on various contexts, however, a study is yet to be cited which have directly studies internal auditing system. This is an interesting gap because the public around the globe try to manage resources. PO-PSM is no exception.

This gap has motivated a researcher to study the contribution of internal audit, in achieving integrity and reliability of internal audit where by there is contribution of knowledge from developing country and extend auditing research to public eto PO-PSM practitioners and the government in general on how to enhance Internal Audit.

The study attempts to find out the changes that must be made to the current Internal Audit in PO-PSM to make it ideal and how to implement them. I would therefore formulate my central research question as follow

What changes must be made to the current Internal Audit to make it contribute to integrity and reliability of accounting information?

2.8 Conceptual framework

The word integrity the qualities of being complete, unbroken, unimpaired, sound, honest, and sincere. Refers to the following qualities: complete, unbroken, unimpaired, sound, honest, and sincere. Accounting information must have these qualities because of the significance of the information to individuals who rely on it in making important financial decisions.

The integrity of accounting information is enhanced in three primary ways. First, certain institutional features add significantly to the integrity of accounting information. These features include standards for the preparation of accounting information, an internal control structure, and audits of financial statements. Second, several professional accounting organizations play unique roles in adding to the integrity of accounting information. Finally, and perhaps most important, is the personal competence, judgment, and ethical behavior of professional accountants.

These three elements of the accounting profession come together to ensure that users of accounting information investors, creditors, managers, and others can rely on the information to be a fair representation of what it purports to represent. Information is reliable if a user can depend upon it to be materially accurate and if it faithfully represents the information that it purports to present. Significant misstatements or omissions in financial statements reduce the reliability of information contained in them. So the integrity and reliability of accounting information can be dependent on the contribution of internal auditor who has the independence, staffing, relationship and due care as examined below.

Auditor independence has long been seen as a key driver of the audit role. Although the emphasis historically has been on independence as it relates to external audit, professional bodies and standard setters have placed increasing weight on the need for internal audit to be independent, notwithstanding the fact that internal auditors are normally, but not necessarily, employees of the organization. The independence of the internal audit department has been identified as a key element of its contribution to integrity and reliability of accounting information (CIPFA, 2003). Worldwide professional standards and guidance ISPPA and the IIA Practice Advisory; suggest that such independence can be gained by means of: reporting to levels within the organization that allow the internal audit department to perform its responsibilities free from interference; avoiding conflict of interests having direct contact with the board and senior management; having unrestricted access to records, employees and departments; the appointment and removal of the head of internal audit not being under the direct control of executive management; and not performing non-audit work.

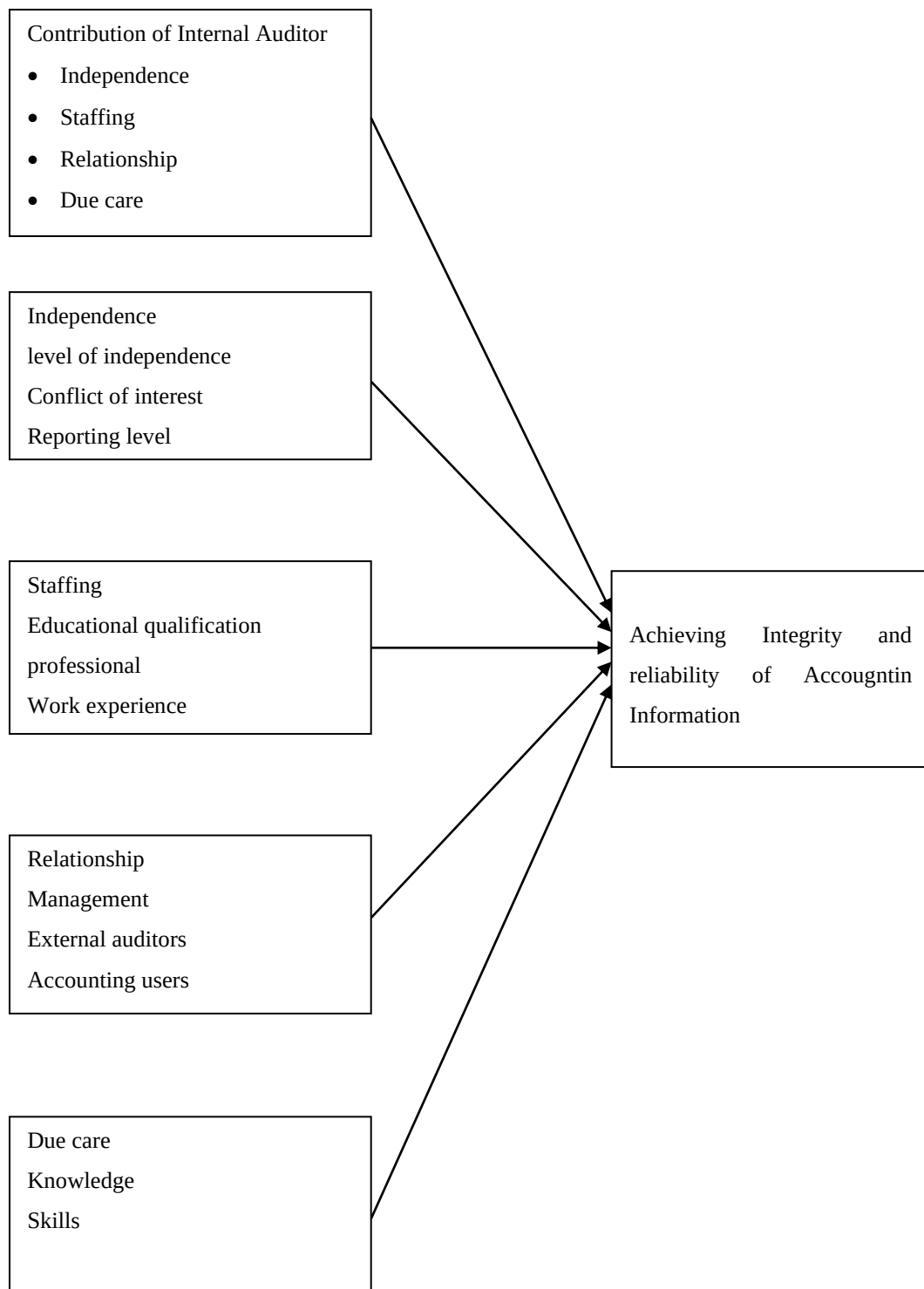
Studies and reports which have discussed and investigated issues as to audit independence and considered the association between internal auditor independence and aspects of internal audit effectiveness in the public sector include: (MaltaNational Audit Office, 2000)

Also the contribution of internal audit can achieved by staffing competence is clearly identified in the professional literature as a key element in effective audit activity (IIA, 2006). Standards setters have consistently highlighted the importance of internal auditors possessing the necessary education, training, experience and professional qualification and other competencies necessary to undertake internal audit duties and responsibilities. Many previous academic studies have focused on the need for personnel to be appropriately qualified if a high level of internal audit effectiveness is to be achieved (El-Nafabi, et al 1998)

Even though have the staffing also the contribution of internal audit can be measured by due professional care which the internal auditor is required to perform her/his duties with reasonable skills, care and caution(due care professional). And can be define as the application of that measure skills and care which might reasonably be expected of a competent auditor relative to specific duties undertaken and it require audit are properly planned, audit are supervised and performed by auditors of appropriate experience and conclusions are soundly based on relevant properly document facts.

Not only that but also relationship, the internal Audit should seek to foster constructive working relationship and mutual understanding with management, the external auditors, stakeholders The closer the working relationship between internal and external auditors in terms of attitude, frequency of meetings, discussion of mutual interests and audit plan, sharing working papers, the extent of external auditor reliance on the internal audit work and management encouragement of co-operation between internal and external audit the more effective the internal audit The greater the management support to internal audit in terms of involvement in internal audit planning, the manner in which it responds to internal audit reports, and the provision of sufficient resources to internal audit the more effective the internal audit. The interaction and relationship between senior management and internal auditors and the internal audit function is both important and complex.

Figure 2.1: Conceptual Framework



Source: Researcher Construct, 2013

The independence of the internal audit department was measured by nine items, these being: the level of independence, reporting level, direct contact to the board and senior management, conflict of interest, interference, unrestricted access to all departments and employees, appointment and removal of the head of internal audit, and performing non-audit activity.

Staffing of the internal audit department was measured by the number of internal auditors employed within it, educational qualification, professional qualification and work experience.

The relationship between internal and external auditors was measured by a number of proxies, these being: attitude towards external auditors, coordination including discussing mutual interests, discussion of audit plan, external auditor's reliance on the work of internal audit, frequency of meetings, sharing working papers, and management encouragement to promote the relationship between these two groups.

Management support for internal audit was measured by a number of indicators, these being: involvement in the internal audit plan, providing management with reports about the work the internal audit team performs, the management's response to internal audit reports, the resources of the internal audit department.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This was the way to systematically solve the research problem. The research studied various steps that generally adapted in studying the research problem along with the logic behind them. This chapter presents the methods of data collection sampling method and data analysis.

3.1 Research Design

The research design of this study was descriptive. Descriptive research includes survey and fact-finding enquiries of different kinds. This design was suggested since the study seeks to measure and find out the facts on how the Internal Audit contributed to the integrity and reliability of accounting information. Also the study collected information from cases; also it is flexible in terms of data collection and less expensive as do not require the researcher to move much from one organization to others during the conducting of the study. The design is also characterized by an in depth exploration of the subject matter and is done within a short span of time.

3.2 Study Area

The study was conducted at President Office, Public Service Management in Ilala District. The area was deliberately selected because it has the basic indicators of the contribution of internal audit function on integrity and reliability of accounting information ,despite being the new thing in the management assurance services, so it have faced a lot of challenges in terms of perception and expectation gap among other staff.

The President's Office, Public Service Management (PO-PSM) is a Ministry under President's Office. Its chief executive and accounting officer is the Permanent Secretary, who has a workforce of about 300 employees. Formerly known as the Civil Service Department, it was transformed into President's Office, Public Service

Management (PO-PSM) in the year 2003 to conform with the newly enacted Public Service Act No. 8 of 2002. Along with the transformation, opportunity was taken to accommodate efficiency and effectiveness considerations in the Management of the Public Service, in particular implementation of the on-going Public Service Reforms and in provision of its services.

Functional Role and Scope: PO-PSM's role is to assist the Head of the Public Service (the Chief Secretary) in matters of personnel and administration pertaining to Public Service in the entire government system. According to the Presidential Order of 1993 on Ministerial Responsibilities, the specific functions of PO- PSM embrace, Administrative & Personnel Policy Administration of Public Service Co-ordination of Training and Recruitment Improvement of efficiency and effectiveness of delivery of public service and Human Capital.

The vision of PO-PSM reflects the broader poverty reduction development agenda of the Government as stipulated in the National Strategy for Growth and Reduction of Poverty (NSGRP) . The vision of PO-PSM is therefore stated as follows, To become a global institution of excellence enabling Public Service in delivering quality services thereby contributing to the achievement of high economic growth, reduction of poverty and better well - being of all Tanzanians by the year 2025.

Its mission is: To ensure that the Public Service is effectively and efficiently managed, through improved human resources management, systems and structures.

Core values of the public service to Pursuit of Excellence in Service: Public servants will strive to achieve the highest standards in their work and to actively seek opportunities to improve those standards. **Loyalty to Government:** Public servants will loyally serve the duly elected Government of the day and will comply with the lawful instructions of their Ministers and managers. **Diligence to Duty:** Public servants will attend regularly during their hours of duty and will devote themselves wholly to their work during this time. **Impartiality in Service:** Public servants will not engage in political activities at the work place, nor allow their political views to influence the performance of their duties. **Integrity:** Public servants will not seek or

accept gifts, favors' or inducements in the course of discharging their duties. They will not use public property or official time for their own private purposes. Courtesy to All: Public servants will treat their clients and colleagues with courtesy. Public servants will regard themselves as servants of the Tanzanian people, and will be particularly considerate when dealing with vulnerable members of the public, such as the elderly, the poor, the sick and people with disabilities and other disadvantaged groups in society. Respect for the Law: Public servants will not commit any unlawful act in the course of their duties.

3.3 Population

The study population involved was 70 respondents that selected staff of President office, Public service Management a such as internal auditors, accountants, administrators, external auditors and other interested stakeholders and population selected because are the one who use the accounting information for managing and decision

3.4 Sample Size and Sampling Technique

Due to the nature of the study and financial constraints a total of 70 respondents were studied this 100% of population as a sample size in order to achieve the objective and save time and to consider tight deadline.

Sampling technique this study employ Convenience sampling technique as it relied on availability and willingness to participants upon which of respondent and only 51 respondents participated.

Table 3.1: Sample Distribution

Population category	Population	Sample selected	%of sample
Administration Unit	10	6	11.76
Stakeholder	15	11	21.56
Accounting General	15	14	27.45
Internal Audit unit	10	10	19.60
Other employee	20	10	19.60
Total	70	51	73.00

Source: Research data, 2013

3.5 Data Type

The study made use of both primary data and secondary data. This because facilitate the designing of data collection instruments in the field and helped to orient background on the study area and builds study foundations.

While primary data was on respondents perception of staffing, Independence of internal audit, due care and relationship was collected, secondary source were mainly used to compliment findings from primary source.

Primary data for this research has been gathered from employees of the Internal Audit Unit, Internal auditor's general division, selected stakeholders from relevant Departments and other interested groups and it was collected by using structured questionnaires and unstructured face to face interview.

This method enabled the researcher to obtain specific data needed. The questionnaire consisted of closed and open-ended questions. The close-ended questions were in form of multiple choices. For open ended questions the respondents were required to fill in the empty spaces by giving their opinion

Table 3.2: Primary Data Element

S/NO	VARIABLE	DATA/INFORMATION	HOW
1	Staffing	Enough number of audit personnel, professional qualification ie. How many have diploma, degree, CPA, and master degree and their experience	By looking at the List of all internal audit staff
2	Independence	Reporting relationship, access to record and personnel, and if they allowed to employ appropriate probing technique without impediment	By interview and looking any available supporting report/document
3	Due care	How many have attended long course or short course and if those course brought any changes to the internal audit department.	List of those who attended
4	Relationship	Have constructive working relationship with management, external auditors and stakeholders	By interview and questioner to internal auditors, accountant and stakeholders

Source: Researcher data, 2013

In order to know what has been done before and what where the results findings in relation to Internal audit unit in the study area or other similar. This data was obtained by consulting various relevant document and records both published the information from secondary source helped the researcher to create a state of knowledge on the subject and determine the missing information concerning the subject.

In this study, sources of secondary data included President Office Public service Management published reports and statistics, government policy, internal audit manuals, working paper.

Table 3.3: Secondary Data Element

S/NO	VARIABLE	DATA/INFORMATION	SOURCES
1	Internal control	Concerning adequate segregation of duties, proper authorizations of transactions and activities, adequate documents and records, physical control over assets and records, and independent check on performance	Manuals of policies, procedures, regulations and standards also the available information system.
2	Accounting information	Review various report and manuals contributed in understanding the part played by Internal audit in accounting information and the trend, that is if the risk is minimized or eliminated compared to the previous years.	Engagement file that is quarter report, auditing manual audit plan and final report

Source: Researched data, 2013

3.6 Data Collection Methods

The study made use of several methods to collect data including interview, questionnaires, documentary review, to allow for data triangulation

The interview was taken by questioning orally, i.e. there was a verbal communication in a face to face relationship between the researcher and the respondent and the interviewer was chief internal auditor, internal auditors and stakeholders. Structured and semi-structured interviews were used. For the purpose of this study, Interview was conducted to facilitate data collection and minimize biasness that could be encountered in other methods. Due to time limitations, the researcher managed to interview 10 respondents most of whom were internal auditors.

On the other hand the self-administered questionnaire which was used as for extracting both qualitative and quantitative information useful in the study and the researcher distributed 70copies of questionnaires to various respondents. The questionnaires administered the following information; Internal Audit function contribute to accounting information

Table 3.4: Distribution of Questionnaire

S/N	Respondent	Distributed copies	Returned copies
1	Chief Internal auditor	1	1
2	Internal auditors	2	2
3	External auditors	7	7
4	Accountants	15	14
5	Administration	10	6
6	Stakeholder	15	11
7	Other employee	20	10
Total		70	51

Source: Researcher data, 2013

Also the researcher review document which basically, this technique was used to get information from various publications and documents. The researcher managed to review those documents such as from ministry web site, reports, newspapers, internal audit results from authorities, articles, and journals from the President Office, Public Service Management. Also internal audit manual and financial regulations and final report.

3.7 Data Analysis

This involved systematically organization of mass raw data which were collected in a manner that facilitated analysis of data. For open ended questions the researcher categorized all responses given and assigned numbers to them and for closed ended questions the researcher assigned numbers to them directly. Data coding, classification and editing of data was done to ensure data completeness, accuracy, clarity, reliability and meaningful before calculating and interpreting

Data collected was analyzed by application of Statistical Package for Social Science (SPSS) Version 16. Frequency tables were used to determine the percentage of the sample that agree or disagree with a certain variable and to measure the spread of variability of responses.

Qualitative data was analyzed by summarizing key findings, explanation and interpretation. And this simple statistics used to enable comparisons, through establishing statistical relationships between variables to complex statistical modeling and the former of these was extremely time consuming and prone to error, the latter expensive.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSIONS

4.0 Introduction

This chapter seeks to present the findings from the study conducted. The findings presented are mainly based for the PO-PSM as the case study. The findings have been presented with reference to the study objectives and research questions which were developed by the researcher. The specific objectives of the study were: To identify the function of internal Audit unit that enhances reliability and reliability accounting information .To identify the essential elements of Internal Audit unit contribute to the effectiveness of accounting information. To find out the factor that limits in Internal Audit unit in achieving integrity and reliability of accounting information.

4.2 Respondent's Profile

There were 51 responses out of 70 distributed questionnaires. Only 73% of targeted sample respondents too put on the study and was not 100% of sample chosen but the targeted sample was above 50% so it was favorable for researcher. The respondent profile consist breakdown of total number of Respondents, their age bracket, gender, and level of education. Statistical tools such as, frequencies and percentages are presented in Tables 4.1 – 4.4.

Table 4.1 revealed that there were 51 responses out of 70 distributed questionnaires. The targeted sample of respondent to the study is 73%. that means it reached above 50% of targeted sample and this it was good for researcher because it reached to targeted sample and the researcher get the targeted data for research.

Table 4.1: Breakdown of Total Number of Respondents

S/N	Selected Unit	Sample Population	Response
1	Administration Unit	10	6
2	Stakeholder	15	11
3	Accounts General	15	14
4	Internal Auditor General	10	10
5	Other employee	20	10
	Total	70	51
		100%	73%

Source: Researcher data, 2013

The results in Table 4.2 below reveal that the majority of the respondents were male representing 56.86% and the females constituting 43.14%. This shows that the views of the respondents were both gender and there was gender unbalance because the number of female are few to compare with male and this indicate that there is no equality in the ministry and gender bias, this due to education, fear to reveal the true.

Table 4.2: Gender Distribution

Gender	Frequency	Percentage
Male	29	56.86
Female	22	43.14
Total	51	100

Source: Research data, 2013

Results in Table 4.3 below reveal that the majority of the respondents between 30 - 40 years of age with a percentage of 54.90% with those above 40 years being 31.37% years. and between 20-30 years of age with a percentage 13.73%. The results show that the respondents were in the good age to make clear information in supplied questionnaire. And most of them are familiar with the internal audit unit in the ministry because they have experience more than one year.

Table 4.3: Age Distribution

Age	Frequency	Percentage
20-30	7	13.73
30-40	28	54.90
Above 40	16	31.37
Total	51	100

Source: Research data, 2013

The findings revealed that the majority of the respondent's levels of education are diploma 37.25%, followed by the respondents who have degree level of education 29.41%, and certificate 19.61%, and there are 9.81% of the respondents who have master's degree level and 3.92% of the respondents have PhD level of educations. This indicate the ministry lack expertise and many have diploma and degree level and certificate which favoured with work experience and knowledge but the researcher get information due to the education and working experience of respondents.

Table 4.4: Education Profile

Education level	Frequency	Percentage
Certificate	10	19.61
Diploma	19	37.25
Degree	15	29.41
Masters	5	9.81
PhD	2	3.92
Total	51	100

Source: Researcher data, 2013

4.3 Internal Audit Function that enhancing integrity and reliability of Accounting Information

In identify function of internal audit that contribute to achieving reliability and integrity in accounting information a total of five elements were examined; Internal Auditor's function, and organization strategy, mission and division, staffing relevant skills and inclusion in decision making. The results analyzed in table 4.5-4.15 below

4.3.1 Contribution of internal Audit.

In contributing achieving the integrity and reliability of accounting information, the Internal Audit unit in President Office, Public service management responsible to look on the procurements receipt and recording materials received efficiency of utilizations, adequate supervision of implementations to curb thefts, wastage, and safe storage. Proper cash books are kept for and acknowledging funds received, recorded in cash book, banked and payments made updated recoded with all valid payments made and balanced monthly with Bank records. Payments are supported by appropriate procurements documents, that are approved by management, documents are filed and accessible for audit verification Detailed standards are the specific policies, procedures, organization structure and physical arrangements, by which the general objectives are achieved. Financial reports showing monthly or quarterly performance prepared and are audited and corrective actions taken if there audit query.

The respondents were queried on the contribution of Internal audit in achieving the integrity and reliability of accounting information and majority(68.63%) indicated that the Internal audit contribute in achieving integrity and reliability of accounting information and (31.37%) disagreed. This means that the internal audit in the ministry function as the contribution of achieving the complete, unbroken, unimpaired, sound, honest, and sincere of accounting information.

According to the IIA directs that sufficiently comprehensive internal audit work should be carried out, to enable effective and regular review of system of internal control, information system, governance process, operational, financial, accounting and administrative, computing performance in carrying out assigned responsibilities.

Table 4.5: Contribution of Internal Audit

Respondents	Frequency	Percentage
Yes	35	68.63
No	16	31.37
Total	51	100

Source: Research data, 2013

4.3.2 Analysis of accounting information

The financial reports it issues comply with the International Public Sector Accounting Standards (IPSAS) .The presentation of financial statements is made on a cash basis of accounting pursuant to the Public Finance Act No.6 of 2001 reinstated. The information identifies the sources of cash inflows, the items on which cash was expended during the period, and the cash balance as of the reporting date. The statement classifies activities as operating, investing, or financing activities.

Internal and systems Audit review and evaluate the reliability and integrity of financial and operating information and the means used to identify, measure, classify, report on such information. In particular the computerized Epicor accounting systems evaluated to ascertain general controls, database controls, and application controls for accuracy, completeness, validity and integrity of data input, processing and output respectively project continuity arrangements evaluated and its adequacy determined and reported.

4.3.3 Analysis of accuracy of financial reporting

An external audit, undertaken by the CAG, Results of these audits over the last five years are provided in the adjacent figure and the external audit result in past five years was 2004/05 Qualified, 2005/06 Clean ,2006/07, 2007/08 Unqualified, 2008/09 Unqualified. The financial year 2009/2010 unqualified opinion with emphasis in Procured stores and Motor vehicles valued Shs.232, 794,959 and Shs.172, 597,534 respectively was not footnoted to the financial statements. The opening balance for motor vehicles of TShs.1, 768,910,616 reported in the financial

statements would appear not to be realistic when compared with seventy (70) unvalued motor vehicles produced by the management.

Also the CAG Report in 2010-2011 and 2011-2012 the result was unqualified opinion with emphasis. But CAG recommend payroll management communication at Public Universities and other higher learning institutions, Treasury, PO-PSM and the individual universities. Basically, this lack of reconciliation of records maintained by respective departments, insufficient and late release of funds by the Treasury. This implies that the PO-PSM have unqualified opinion with emphasis of matter which may impact the financial statements, but taken as a whole, do not exceed the tolerable error. Basically, an emphasis of matter paragraph is an early warning to an Accounting Officer and vital information to the users of the accounts. Similarly, if those matters are left unattended, this could lead to a qualified opinion in the next audits.

4.3.4 Compliance with law and regulation

Compliance is an issue for the internal auditor and during the audit; an assessment will be made of the extent to which the business is adhering to laws, regulations and control standards. Respondents were asked if one of audit activities performed by audit function is compliance with law and regulation and the majority (62.7%) agreed that the internal audit compliance with law and regulations and (37.3) disagreed. This indicate that management in the PO-PSM follow the policies, plan, procedures laws and regulations and who disagree implies that, even though there polices, procedures laws and regulation, but there errors and irregulaties.

According the (Performance Standard 2210). Confirms that: ‘the internal auditor should consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives’. While compliance and issues relating to regularity and probity are generally incidental to the main audit objective in assessing significant risk and controls, there are times when internal audit may need to launch into an investigation into specific associated problems. In

many developed countries a failure to demonstrate compliance with anti-money laundering can lead to the possible closure of the business, the seizure of assets.

Internal audit shall review the system established to ensure compliance with those policies, plans, procedures laws, and regulations.

Table 4.6: Analysis of Compliance with Law and Regulation

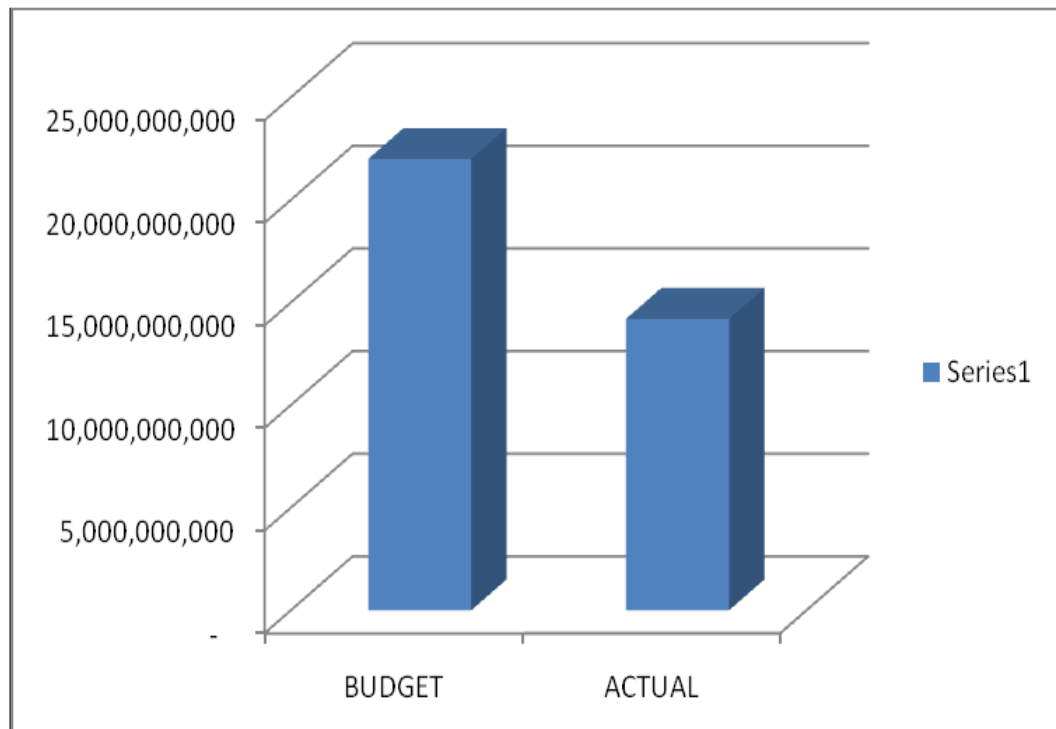
Respondents	Frequency	Percentage
Yes	32	62.7
No	19	37.3
Total	51	100

Source; Research data, 2013

4.3.5 Budget implementation

Under the budget and budgetary implementation the researcher focused on Budget preparation, execution of the budget, and authorization of payments. And the figure 4.1 below shows the difference between actual and budgeted total expenditures. It should be noted that the approved budgeted amount was not fully available to PO-PSM due to late approval of the work plan

Figure 4.1: Total Expenditure Vs Amount Budgeted for FY 2010/11



Source; Annual report 2010/2011

Also the researcher what to know, the Internal audit function in implementation of budget to PO-PSM and the total approved budget for FY 2010-2011, was TZS. 22.0 Billion. By the end of the period under review a total of TZS.14.2 (66%) was spent for the implementation of the planned activities in different units (See Table 4.9). It should be noted that the approved budgeted amount was not fully available to PO-PSM due to late approval of the work plan. This implies that there budget control within the ministry.

Table 4.7: Checking Budget Implementation

Division	Approved Budget	Cumulative Expenditure	Percentage
DARHM	3,557,414,964	3,096,593,979	87%
GCU(IEC)	351,450,000	320,450,000	91%
HPMU (1004)	30,000,000	30,000,000	100%
DP (1006)	1,927,781,750	1,096,097,604	57%
DPD (2001)	925,330,500	566,830,000	61%
DMS (2002)	1,196,478,200	596,989,160	50%
DE (2003)	883,245,838	866,514,788	98%
DEP (2004)	381,048,000	309,102,000	81%
DHRD (3001)	2,891,940,562	2,578,890,770	89%
DDMU (3004)	735,714,750	408,068,500	55%
DMIS (4002)	2,441,681,000	1,766,289,397	72%
DRAM (4003)	6,675,000,000	2,260,059,889	34%
Total	21,997,085,564	14,201,442,537	65

Source; Annual Report 2010/2011

4.3.6 Unethical behavior and fraud detect

The Internal Auditor should examine and evaluate the adequacy and effectiveness of actions taken by management of the public body to detect fraud, be able to identify indicators that fraud might have been committed, investigate fraud and issue a written report at the conclusion of the investigation phase. To detect fraud and unethical behavior, the respondent of (52.94%) agreed that it function and (47.06%) disagreed that. Be alert to opportunities, such as control weaknesses, that could allow fraud. If significant control weaknesses are detected, additional tests conducted by Internal Auditors should include tests directed towards identification of other indicators

Table 4.8: Unethical Behavior and Fraud Detect

Respondents	Frequency	Percentage
Yes	27	52.94
No	24	47.06
Total	51	100

Source; Researcher data, 2013

4.3.7 Mission and Role of Internal Audit

Using the knowledge, experience and professional judgment, the Internal Audit Unit would strive to strengthen the internal control environment throughout the Assembly, by furnishing: On-going risk assessments, Constructive recommendations and analysis, Reliable opinions and Reports to the management and on adequacy of internal controls, the accuracy, reliability and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with institutional policies, laws and regulations.

To ascertain these function; respondents were queried on the Mission and role of Internal Audit function. It was revealed that majority (64.71%) indicated that the role and function of Internal Audit are defined within the wide governance framework. And efficiently communicated, that means the Internal Audit contributes to effectiveness function because everything which needs to be done by Internal Auditors is well defined and communicated, while 35.29% of the respondents answered negative. According to Internal Audit Charter the mission of Internal Audit source is to provide independent objective assurance and consulting services designed to add value and improve the operations of Ministry Institutes supporting organization and agency which are under Ministry of Industry, Trade and Marketing.

Table 4.9: Awareness on Mission and Role of Internal Audit

Respondents	Frequency	Percentage
Yes	33	64.71
No	18	35.29
Total	51	100

Source: Research data, 2013

4.3.8 Number of staff

Internal audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to these standards. Internal auditors should be properly trained to fulfill their responsibilities

and should maintain their professional competence through an appropriate ongoing development programmed.

Also to ascertain these function respondents were questioned the sufficient number of staff in auditing department of Internal Audit function. It was found that (53.1%) disagreed that there is sufficient number of staff and (46.9%) agreed. This indicate that the number of staffs is not enough to meet the expectations of the ministry meeting objectives to the extent this hinder the effectiveness of Internal Audit function and in government institutions. According to (ISA 2004) Internal audit should be adequately staffed in term of number, experience and skills.

Table 4.10: Number of Staff

Respondents	Frequency	Percentage
No	29	53.1
Yes	22	46.9
Total	51	100

Source: analyzed data 2013.

4.3.9 Staff skills

Staff responsible for ensuring that they have access to the full range of knowledge, skills, qualifications and experience to meet the unit's audit objectives and these standards. In addition to internal audit skills, the ministry should specify any other professional skills, which may be needed by the internal audit unit. It should also make provision for appropriate administrative support.

In exploding the alignment of Internal Audit function with audit department have relevant skills and experience of its staff and was revealed that (58.8%) agreed and (41.2%) disagreed. This show that the audit department have staffs that have relevant skills and experience to risk identification and contribution to deliver high quality audit services also the researcher obtain that response because the Internal Audit function are still experienced.

Bou-Raad (2000) argued that auditors must have a high level of education in order to be considered a human resource. The diversity of skills required, according to represents a major challenge to professional bodies, tertiary institutions and management.

Table 4.11: Analysis of Staff Skill

Respondent	Frequency	Percentage
Yes	30	58.8
No	21	41.2
Total	52	100

Source: Research data, 2011

4.3.10 Decision making

The Chief Internal Auditor and staff of Internal Audit Unit are authorized to have unrestricted to all functions, records, property and personnel. Have full and free access to the relevant audit committee, Obtain the necessary assistance of personnel in the ministry and Agencies where they perform audits. Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.

Also to analyze these function of Internal Audit its has found that majority 51% of respondents agreed that Internal Audit have enough authority in decision making in the organization. This indicate that the Internal Audit have authority to identify risk area, designing internal control and installation. This will make them well understand the system and evaluating if they are working properly and providing the sound recommendation for those system are not working properly.

According Internal Audit Charter the staffs of the internal audit unit are not authorized neither to develop not installs systems or procedures except where the Internal Auditors are used only in an advisory capacity. Implement their own recommendations Engage in any activity which could normally be audited and the Internal Audit Unit conduct independent reviews

Table 4.12: Decision Making

Respondents	Frequency	Percentage
Yes	26	51%
No	25	49%
Total	51	100

Source: Research data, 2013.

By concluding the function of Internal Audit in PO-PSM, it show that, there is contribution of Internal Audit in achieving the integrity and reliability of accounting information by review of system of internal control and governance process. And the accounting information are review and evaluate reliability and integrity of financial and operating information. The accuracy of accounting information in PO-PSM were unqualified with warning to Account officer, there matter are left unattended, this could lead to qualified opinion in next period. Not only that but also the management compliance with law and regulations, and budget was not implemented due to availability of fully amount. Even though Internal Audit examines and evaluates unethical behavior and fraud, but there is no effectiveness for detection. Mission and role of Internal Audit in PO-PSM is well defined within governance framework and it has advisory capacity in decision making.

4.4 Essential elements of internal audit that contributes to the effectiveness of accounting information.

To identify element of Internal Audit that contribute to the effectiveness in accounting information a total four variables were examined; including independence of internal audit, staffing, Due care and relationship.

4.4.1 Independence

Internal audit should be sufficiently independent of the activities, which it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgments and recommendations. It should have no Executive responsibilities.

To ascertain this element respondent were queried on the independence in its work and it was revealed that 62.95% of the respondents agreed that an internal audit unit have independence in achieving integrity and reliability of accounting, to access to all department heads and directors, have right to report without edited by management and have right of reporting on any aspect of financial work. And 37.05% who disagree that Internal Audit have no independence to access to all department heads and Directors that Internal Audit has independence right to report without edited by management under his/her own. This revealed the internal audit have no fully independent and ability to plan its own programs .

According to Ngajilo (2002) and Sanga (2004) They explained internal as an independent through the statement of responsibility of internal auditors issued by the institute of internal auditors as, the independent appraisal activity within an organization for the review of accounting financial and other operation as bases for protective and constructive service to the management. of the internal auditors, the status of internal audit should enable it to function effectively.

Table 4.13: Independence

Respondents	Respondents		Percentage	
	Yes	No	Yes	No
Internal Audit unit have independence in achieving integrity and reliability of accounting information	10	5	19.61	9.80
Internal Audit have independence to access to all department heads and Directors	8	3	15.89	5.88
Internal Audit has independence right to report without edited by management under his/her own	5	5	9.80	9.80
Internal audit have right of reporting on any aspect of the financial work and the finance department	9	6	17.65	11.77
Total	32	19	62.95	37.05

Source: Research data, 2013

4.4.2 Staffing

Internal audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to these standards. Internal auditors should be properly trained to fulfill their responsibilities and should maintain their professional competence through an appropriate ongoing development programmed.

The given data above shows that 45.10 percent of respondent answered positive about the internal audit unit staffing for achieving the integrity and reliability of accounting information, special training for accounting information system and development training for inter personal skills. And 54.90 percent answered negative. that means internal audit unit have no frequently training or other lack the knowledge of accounting information system or information system auditing. This hinder the integrity and reliability of accounting information and the knowledge of information system audit support the internal audit function

According to (Al-Twaijry et al, 2003) Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its Mandate

Table 4.14: Staffing

Respondents	Respondents		Percentages	
	Yes	No	Yes	No
Internal Audit Unit staffing their internal auditors for achieving the integrity and reliability of accounting information	10	10	19.61	19.61
Internal Audit Unit have special training for accounting information system	7	9	13.73	17.65
The Internal Auditor have the development training for inter-personal skills	6	9	11.76	17.65
Total	23	28	45.10	54.90

Source: Research data, 2013

4.4.3 Due care

Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. The internal auditor should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

To analyze this 50.96 percent of the respondents answered that the Internal Auditor performs his/her duties with reasonable skills, care and caution in achieving integrity and reliability of accounting information. Also financial information conclusions are soundly based on relevant and properly document fact and that financial information are soundly based on relevant document and 49.04 percentages disagreed. Say that the accounting information audited are supervised and performed by auditor of appropriate experience. Auditor performs his/her duties with reasonable skills, care and caution in achieving integrity and reliability of accounting information.

Engagements should be performed with proficiency and due professional care. Internal auditor should possess the knowledge skills, and any other competencies needed to perform their individual responsibilities. He must be judgmental in carrying out his duties and be technically up to date. (ISA2004).

Table 4.15: Due Care

Respondent	Responses		Percentage	
	Yes	No	Yes	No
Internal Auditor perform his/her duties with reasonable skills, care and caution in achieving integrity and reliability of accounting information	9	9	17.64	17.64
The accounting information conclusions are soundly based on relevant and properly document fact	11	12	21.56	23.53
The accounting information audited are supervised and performed by auditor of appropriate experience	6	4	11.76	7.84
Total	26	25	50.96	49.04

Source: Research data, 2013

4.4.4 Relationship

Heads of Internal Audit should co-ordinate internal audit plans and activities with the management, other internal auditors, external auditors, and other review agencies to ensure the most effective audit coverage is achieved and duplication of effort is minimized. 66.66 % of the respondents say that the internal audit have constructive working relationship with management in contributing in achieving integrity and reliability of accounting information. The Internal audits have relationship with external auditors and review agencies who are the users of accounting information. By looking that the internal audit has constructive working relationship and mutual understanding with management, external auditors and review agencies and audit committee. And 33.3% the respondents who disagree imply that even though there is relationship but not good because the independence and objectivity of internal audit not reach.

According (ISA2004), internal auditors should have constructive working relationship and mutual understanding with management, external auditors, with any review agencies (management consultants) and where appropriate an audit committee. Should facilitate constructive working condition between management, external audit and audit committee

Table 4.16: Relationship

Respondents	Responses		Percentages	
	Yes	No	Yes	No
Does internal Audit have constructive working relationship with management in contributing in achieving integrity and reliability of accounting information?	19	7	37.25	13.73
Does Internal audit have relationship with external auditors and review agencies who are the users of accounting information?	15	10	29.41	19.61
Total	34	7	66.66	33.34

Source: Analyzed data 2013

In Essential element of Internal Audit, can be conclude that, the internal audit have no fully independent and ability to plan its own programs. Have no frequently training or other lack the knowledge of accounting information system or information system. And Internal Auditor needs to perform his/her duties with reasonable skills, care and caution in achieving integrity and reliability of accounting information. Even though there is relationship but not good because the independence and objectivity of internal audit not reach.

4.5 Factors that limiting the internal Audit not achieving reliability and integrity of accounting information.

The data for this, which were collected for the test, came of the question asked respondents to lists the factor that limiting the Internal Audit the achieving integrity and reliability of accounting information. The collected data appear as below:

Lack of Independence, to ascertain this limitation, majority of 62.95% respondents write the internal audit lack Independence, and 37.05% disagreed .This show that internal audits have no powers; practically internal auditors have limited powers in executing their duties especially when they detect the area with fraud. The chief internal auditor may audit their own work. This limits independence as the auditor is effectively auditing their own work, and may not therefore identify any mistakes. This is known as self review threat.

According Van Peursem (2004) identifies strong potential for confusion in the relationship between internal auditors and management internal auditors are expected to aid managers in doing their jobs, and at the same time to independently evaluate management 'effectiveness.

Providing advisory service in the public sector also is challenge especially in President Office, Public Service Management. To analyzes this, 50% of respondents say that the Internal Audit provide advisory service. In many cases Internal auditors stick to routine task of perpetual search of clerical errors in accounting document and function is dominated by pre payments audit. The management may ignore reports or recommendations by this department thus, Frustrating efforts of the department and this may lead to apathy in the internal auditing function and thus inefficiencies. This may lead to errors and frauds left undetected due to the frustration mentioned.

Another challenge face the ministry is shortage of staffs in the internal audit unit the finding shows that 65% of respondents list that the number of staffs is not enough to meet its objectives, To the extent this hinder effectiveness of internal audit function, and no career development internal audit depends on high levels of auditor motivation which is a key factor in career development. Where auditors believe they have no chance to develop and achieve higher grades and increasing levels of experience, they become demotivated. Audit can be a long-term career so long as there is development and ways to ensure staff do not stagnate. Good staff will always be in demand but if reasonable expectations are not met, they will leave. Less able staff will remain and reduce overall efficiency. Appropriate number of Internal Auditor should be in post and their training should be ongoing to assure continued professional competence (*Practice Advisory 2030-1:Resource Management*)

Low pay is a challenge in internal audit departments. The majority of 70.01% of respondents list that, the internal auditor that have low pay or not enough amount it implies that, it has a causal effect by impairing the ability to deliver good audit services. The knock-on effect of low pay is low status, inability to attract good caliber staff, less scope to implement development strategies within the function,

inability to deliver an adequate audit service. According to (Tijjan 2003), observe that the setting up of an efficient and effective Internal Audit department involve huge cost in form of salaries for personnel, stationery, travel allowances and other department overhead cost.

And 54.97% of respondents list that, Internal Audit lack of recognition by the management. This indicate that top management may not utilize the department for purposes for which it was intended either by not taking its recommendations seriously or by not according it a chance to undertake serious appraisals of their activities. This is in line with findings of (Fernandez and Rainey 2006) In any case, it is not surprising that top management support is key to effectiveness of Internal Audit, as this factor has been found to be a crucial element in the success of other organizational change and quality improvement.

Also 37% of respondents list that, there are lack of follow-up procedures, Auditors adopt the attitude that they do the audit and simply walk away. The follow-up procedure is less of a formality and more an acceptance of responsibility for the audit. The internal auditor needs to target high risk systems, review the adequacy and effectiveness of the systems of control that protect this system, alert management to any problems with these controls where necessary. Advise management of ways that systems of control may be improved to handle risk. Ensure management responds to audit findings and indicates what it intends to do. This mandate is covered by Order No.290 Sect14(3) of Financial Memorandum which need auditor to show clearly title of audit program, objectives of the audit and audit procedures in logical sequential flow.

82% of respondents say that, Internal Auditors lack of continuing professional education, which the staff development is a continuing process and does not end with professional training. It is one thing to establish formal training programmes and support auditors in professional training, but we must not forget to view post-qualification training as another fundamental requirement. There are auditors who may not succeed in formal examinations and their training requirements cannot be

ignored. The world of internal audit is ever-changing and what was taught years ago has to be updated to keep up with developments. (IIA 2004) State that, staff competence is clearly identified in professional literature as a key element in effective audit activity.

And can conclude that, Internal Auditor face the limitations or challenges which hinder them not to achieving fully contribution to integrity and reliability of accounting information. These are having no fully independence, advisory service and shortage of internal audit staff. Low pay is another challenge.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents the conclusion and recommendations derived from the study. The main objective of this study is to understand the contribution of internal audit unit in achieving integrity and reliability of accounting information.

5.1 Summary of study

Internal Audit Function that enhancing integrity and reliability of Accounting Information

In contributing achieving the integrity and reliability of accounting information, the Internal Audit unit in President Office, Public service management responsible to look on the procurements receipt and recording materials received efficiency of utilizations, adequate supervision of implementations to curb thefts, wastage, and safe storage. Proper cash books are kept for and acknowledging funds received, recorded in cash book, banked and payments made updated recoded with all valid payments made and balanced monthly with Bank records. Payments are supported by appropriate procurements documents, that are approved by management, documents are filed and accessible for audit verification Detailed standards are the specific policies, procedures, organization structure and physical arrangements, by which the general objectives are achieved. Financial reports showing monthly or quarterly performance prepared and are audited and corrective actions taken if there audit query.

Internal and systems Audit review and evaluate the reliability and integrity of financial and operating information and the means used to identify, measure, classify, report on such information. In particular the computerized Epicor accounting systems evaluated to ascertain general controls, database controls, and application controls for accuracy, completeness, validity and integrity of data input,

processing and output respectively project continuity arrangements evaluated and its adequacy determined and reported.

An external audit, undertaken by the CAG, Results of these audits over the last five years are provided in the adjacent figure and the external audit result in past five years was 2004/05 Qualified, 2005/06 Clean ,2006/07, 2007/08 Unqualified, 2008/09 Unqualified. The financial year 2009/2010 unqualified opinion with emphasis in Procured stores and Motor vehicles valued Shs.232, 794,959 and Shs.172, 597,534 respectively was not footnoted to the financial statements. The opening balance for motor vehicles of TShs.1, 768,910,616 reported in the financial statements would appear not to be realistic when compared with seventy (70) unvalued motor vehicles produced by the management.

Compliance with law and regulation

Compliance is an issue for the internal auditor and during the audit, an assessment will be made of the extent to which the business is adhering to laws, regulations and control standards. This indicate that management in the PO-PSM follow the policies, plan, procedures laws and regulations and who disagree implies that, even though there polices, procedures laws and regulation, but there errors and irregulaties.

According the (Performance Standard 2210). confirms that: ‘the internal auditor should consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives’. While compliance and issues relating to regularity and probity are generally incidental to the main audit objective in assessing significant risk and controls, there are times when internal audit may need to launch into an investigation into specific associated problems. In many developed countries a failure to demonstrate compliance with anti-money laundering can lead to the possible closure of the business, the seizure of assets.

Unethical behavior and fraud detect

The Internal Auditor should examine and evaluate the adequacy and effectiveness of actions taken by management of the public body to detect fraud, be able to identify indicators that fraud might have been committed, investigate fraud and issue a written report at the conclusion of the investigation phase. Be alert to opportunities, such as control weaknesses, that could allow fraud. If significant control weaknesses are detected, additional tests conducted by Internal Auditors should include tests directed towards identification of other indicators

Staff skills

Staff responsible for ensuring that they have access to the full range of knowledge, skills, qualifications and experience to meet the unit's audit objectives and these standards. In addition to internal skills, the ministry should specify any other professional skills, which may be needed by the internal audit unit. It should also make provision for appropriate administrative support.

Decision making

The Chief Internal Auditor and staff of Internal Audit Unit are authorized to have unrestricted to all functions, records, property and personnel. Have full and free access to the relevant audit committee, Obtain the necessary assistance of personnel in the ministry and Agencies where they perform audits. Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.

This indicate that the Internal Audit have authority to identify risk area, designing internal control and installation. This will make them well understand the system and evaluating if they are working properly and providing the sound recommendation for those system are not working properly

Essential elements of internal audit that contributes to the effectiveness of accounting information

To identify element of Internal Audit that contribute to the effectiveness in accounting information a total four variables were examined; including independence of internal audit, staffing, Due care and relationship.

Independence

Internal audit should be sufficiently independent of the activities, which it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgments and recommendations. It should have no Executive responsibilities. This that Internal Audit have no independence to access to all department heads and Directors that Internal Audit has independence right to report without edited by management under his/her own. This revealed that the internal audit have no fully independent and ability to plan its own programs.

The internal audit as an independent through the statement of responsibility of internal auditors issued by the institute of internal auditors as, the independent appraisal activity within an organization for the review of accounting financial and other operation as bases for protective and constructive service to the management. of the internal auditors, the status of internal audit should enable it to function effectively.

Staffing

Internal audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to these standards. Internal auditors should be properly trained to fulfill their responsibilities and should maintain their professional competence through an appropriate ongoing development programmed.

Due care

Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility The internal auditor should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

Factors that limiting the internal Audit not achieving reliability and integrity of accounting information

Internal audit lack independence, they have no powers; practically internal auditors have limited powers in executing their duties especially when they detect the area with fraud. The chief internal auditor may audit their own work. This limits independence as the auditor is effectively auditing their own work, and may not therefore identify any mistakes. This is known as self review threat. According Van Peurse (2004) identifies strong potential for confusion in the relationship between internal auditors and management internal auditors are expected to aid managers in doing their jobs, and at the same time to independently evaluate management 'effectiveness.

Providing advisory service in the public sector also is challenge especially in President Office, Public Service Management. In many cases Internal auditors stick to routine task of perpetual search of clerical errors in accounting document and function is dominated by pre payments audit. The management may ignore reports or recommendations by this department thus, Frustrating efforts of the department and this may lead to apathy in the internal auditing function and thus inefficiencies. This may lead to errors and frauds left undetected due to the frustration mentioned.

Another challenge face the ministry is shortage of staffs in the internal audit unit. To the extent this hinder effectiveness of internal audit function and no career development internal audit depends on high levels of auditor motivation which is a key factor in career development. Where auditors believe they have no chance to develop and achieve higher grades and increasing levels of experience, they become demotivated. Audit can be a long-term career so long as there is development and ways to ensure staff do not stagnate. Good staff will always be in demand but if reasonable expectations are not met, they will leave. Less able staff will remain and reduce overall efficiency. Appropriate number of Internal Auditor should be in post and their training should be ongoing to assure continued professional competence (*Practice Advisory 2030-1: Resource Management*)

Low pay is a challenge in internal audit departments. The knock-on effect of low pay is low status, inability to attract good caliber staff, less scope to implement development strategies within the function, inability to deliver an adequate audit service

Internal Audit lack of recognition by the management. This indicate that top management may not utilize the department for purposes for which it was intended either by not taking its recommendations seriously or by not according it a chance to undertake serious appraisals of their activities. This is in line with findings of (Fernandez and Rainey 2006) In any case, it is not surprising that top management support is key to effectiveness of Internal Audit, as this factor has been found to be a crucial element in the success of other organizational change and quality improvement.

There are lack of follow-up procedures, Auditors adopt the attitude that they do the audit and simply walk away. The follow-up procedure is less of a formality and more an acceptance of responsibility for the audit. The internal auditor needs to target high risk systems, review the adequacy and effectiveness of the systems of control that protect this system, alert management to any problems with these controls where necessary. Advise management of ways that systems of control may be improved to handle risk. Ensure management responds to audit findings and indicates what it intends to do.

Internal Auditors lack of continuing professional education, which the staff development is a continuing process and does not end with professional training. It is one thing to establish formal training programmes and support auditors in professional training, but we must not forget to view post-qualification training as another fundamental requirement.

5.2 Conclusion

The purpose of this study was to assess the contribution of internal Audit in achieving reliability and integrity of accounting information. The researcher studied the independence, staffing, relationship and due care which are essential element for

Internal Audit to achieve its function and objective and lead to the integrity and reliability of accounting information. The organization's prosperity depends on the reliability and integrity of accounting information which for the decision. By findings done, researcher can conclude that the independence of the internal audit not fully achieved and the relationship is not absolute, It require some cooperation between the Internal Audit and management, accountant and stakeholders or agency in order to have integrity and reliability of accounting information

However, qualification for Internal Audit on the other hand seems to be not appropriate as per standards for the professional practice of Internal Auditing also knowledge of accounting information system which the internal auditor must have because the government now is the management information system. Not only that but also Training, the internal auditors have no frequently training for modern auditing and the internal auditors are the member of IIA and other relevant professional accountancy bodies. Internal audit staffs are expected to use their membership of such professional bodies to keep abreast with the emerging professional and industry developments and use networking opportunities to assist in resolving challenges they may encounter in the course of their work.

The focus of internal auditing is to determine whether public funds have been spent for the purpose for which they were appropriated and thereby promoting accountability. Even though internal audit assigned many role and duties also involve in ensuring reliability and integrity of accounting information.

The general findings of this research shows that internal audit function are well placed in the ministry of President Office, Public Service Management and contribute to the reliability and integrity of the accounting information although there some weaknesses found this is because internal audit function have been introduced in recent year therefore it is the belief of the researcher that contribution of Internal Audit will be strengthen.

5.3 Recommendation

Members of the department must maintain high standard of conduct, independence and character to carry out proper and meaningful internal auditing within the ministry. Internal auditor is required to adhere to the institute of internal auditor's code of ethics. the Internal Audit is expected to follow the standards of confidentiality with regard to sensitive accounting information as applies to users in the particular area.

The internal audit function should be objective and impartial, which means it should be in position to perform its assignment free from bias and interference. Objectivity and impartially entails that the internal audit department itself seeks to avoid any conflict or interest. To this end, staff assignment within the internal audit should be rotated periodically whenever practicable. Subsequently internal audit reports can contain recommendations relating to deficiencies and weakness and suggestions for improving internal control

Ministry should involve internal auditors in the process of identifying risk area, designing internal controls and installation this will make internal auditors to well understand the system and evaluating if they are working properly and providing the sound recommendation for improvement if those systems are not working properly. Improvements of salary levels to Internal Auditors which will help retain the available ones and attract the potential auditors of the ministry still need to employ internal auditors.

The Internal Audit unit needs to have constructive working relationship with audit committee, management and review agencies who are users of accounting information. And the top management should also act seriously on Internal auditor's recommendation and advices. They are not supposed to ignore them by thinking that they have all the power to override controls put in place for good governance.

Also intra communication of accounting policies, practical standard, guideline, or company rules that should be developed. The intra communication also does not obtain appropriate quality from member staffs to managers and managers to all staff members such as a completing conversation, correcting or delivered when communicate from each to each other. Therefore, ministry manager who had empowerment can give or require all members to commit to true communication in accounting information. The other reason is that it may be less appropriate for internal control practice guideline from top management to announce clearly and quickly to all staff members. However, the ministry can expand internal control information to all employees' levels via management policies to ensure its reliability and can assist by providing internal control actually happening, sharing information, or potential adapter collect information before making a decision that impacts innovation in finance at the intra communication level within organization.

Training should be provided to internal for the related software of all internal control system to improve in order to be able to provide sound assurance that those system are working properly also ongoing training should be opted to input auditors with more current knowledge of various aspect underlying auditing and accounting information. And Internal Auditors also should wake up and try to update their professional skills and knowledge through attending seminars and workshops organized by NBAA and other expertise. And they do not have to wait for the government to organized the training or paying for training organized by outside expertise. They are supposed to create a habit of developing themselves according to organizational change and needed by even deciding to cover all the required cost for that.

A good auditor should not be measured on basis of certification or technical knowledge of organization. They must go beyond that and master the interpersonal aptitude, cultural awareness and other soft skills if they are to be regarded as adding value to the ministry and in this way they will become truly high-powered professional.

Adequate training records should be maintained for each Internal Auditor. These should include details of skills requirements for all posts and those held by the Internal Auditors as a result of education, training, continuous professional education required by professional bodies and practical experience. These records are essential for assessing further training needs.

The Annual Report on the functioning of the internal audit activity should include a report on the implementation of the training and professional development plans, including the training courses attended, audits carried out and methodology applied, Professional qualifications acquired training on MIS and other software training in Microsoft.

Internal audit unit must have its own independent sub vote. This will facilitate its ability to plan its own programs and achieve them, steady of asking for fund from accounts and finance department. An independent will enable the unit to be more independent and achieve its objectives although there are setbacks in achieving full independence. To ensure independence, the existing staff should be rotated into different areas of internal audit work and the chief internal auditor should independently review the work carried out.

And to ensure that independence is sustainable the chief executive should report functionally to those responsible for governance i.e the audit committee, the board of directors or another appropriate board and report administratively to an appropriate senior level within the organization. The regular review and approval of the internal audit charter and mandate by the audit committee will assist in ensuring that internal audit remains independent.

Fraud is one threat that may prevent a unit manager from achieving his performance objectives. Therefore managers must have a primary responsibility for prevention and detection of fraud. Managers do not, however regard this as their responsibility and they expect the auditor to be responsible for presentations and detection of fraud .By developing managers skills this perception can be corrected.

The government of Tanzania is still in the process of improving service delivery to the public in terms of efficiency and effective use of resources and improvement of government spending and revenue collection. Thus it operates in changing legal environment. It is therefore vital further research be conducted in this sector to keep abreast with the trends that affect this sphere of government.

5.4 Limitation of the study

The responses received from PO-PSM were not encouraging. A wide response could have made a difference in the study result. The results survey in other ministry could give a different out look on Internal Audit issues which would have made it more effective in generalizing the findings which is a country specific.

The study was carried out in a short period of time i.e not long enough to allow an depth study. Therefore data collected could be different from that which could be got if a long period was to be used.

Normally the respondents are very discreet, therefore knowing what one was be able to do and what information were accessible for the research was a limiting factor for the successful drawing of result.

Therefore some of the factors which were used to assess internal audit contribution for achieving integrity and reliability of accounting information in this study might not be relevant in other legal and professional frameworks or in countries where the level of development in internal auditing is higher than in Tanzania.

5.5 Areas for further study

As far resources can allow, the study can be extended to other public organization so as to get the views from different angles and experiences. Further research can be undertaken on each of the individual factors identified as far as the contribution of internal audit in achieving integrity and reliability of accounting information is concerned so that the in-depth reasons can be enquired.

And the researcher suggest that more studies need to be c\ducted further to more ministries so as to know if Internal Audit department perform or contribute to integrity and reliability of Internal Audit so as to reduce the cases of fraud in the organization. This might help in reducing scandals like EP

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APPENDICES

Appendix 1: Questionnaire

Dear respondent

The following questions from Joyce Chale student at Mzumbe University pursuing Degree Master science of Accounting and Finance .Currently undertaking a research on ‘The contribution of internal audit in achieving integrity and reliability of accounting information’ A case study of President Office, Public Service Management (PO-PSM) .You are kindly to respond to fulfill the purpose.

Questionnaire to the Chief Internal Auditor

The information gathered in this section will be kept strictly confidential please

Tick where you think is most appropriate to you.

1. What is your gender?
 - (i) Male ()
 - (ii) Female ()
 - (iii) How old are you?.....years

2. What is highest education attained?
 - (i) Advance Diploma ()
 - (ii) Bachelor’s degree ()
 - (iii) Master’s degree ()
 - (iv) Doctorate Degree ()
 - (v) Other.....specify

3. What are the specific roles or function performed by internal audit unit in your ministry?

List At Least 4 Functions

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

4. Are there accounting information produced by your department?
- (i) Yes ()
- (ii) No ()
- (iii) Not sure ()
5. Is internal audit unit contribute effective in achieving integrity and reliability of accounting information
- (i) Yes ()
- (ii) No ()
- (iii) Not sure ()
- If no give reasons
-
-
-
6. Does internal audit unit work as an independent function?
- (i) Yes ()
- (ii) No ()
- (iii) Not sure ()
- If no give factors that affect internal auditors' independence.
-
-
-
7. What are limitation facing internal audit unit in achieving integrity and reliability of accounting information?
-
-

Thank You for Your Co-Operation

Dear respondent

The following questions from Joyce Chale student at Mzumbe University pursuing Degree Master science of Accounting and Finance .Currently undertaking a research on ‘The contribution of internal audit in achieving integrity and reliability of accounting information’ A case study of President Office, Public Service Management (PO-PSM) .You are kindly to respond to fulfill the purpose

Questionnaire to Internal Auditors

1. Is the internal audit function strategically positioned to contribute to organizational strategy?
 - (i) Yes ()
 - (ii) No ()

2. Do you believe that the mission and role of the internal audit function are defined within a wider governance framework and are efficiently communicated?
 - (i) Agree ()
 - (ii) Disagree ()

3. Does your department of internal audit meet the management at least twice annually to discuss written reports of audit?
 - (i) Yes ()
 - (ii) No ()

4. Do you think that the organization’s audit department or unit have sufficient number of staff?
 - (i) Yes ()
 - (ii) No ()

5. Does the internal audit unit determine the accuracy of financial reporting systems and other Management systems?
 - (i) Agree ()
 - (ii) Disagree ()

6. Which of the following audit activities performed by your audit function?
- (i) Compliance with law and regulations ()
 - (ii) Checking budget implementation ()
 - (iii) Assessing reliability and soundness of financial information()
 - (iv) Unethical behavior and fraud detect ()
7. Does the internal audit unit determine the accuracy of financial reporting systems and other Management systems?
- (i) Agree ()
 - (ii) Disagree ()
8. Does the internal audit unit have enough authority in decision making process of organization?
- (i) Yes ()
 - (ii) No ()

Thank You for Your Co-Operation

Dear respondent

The following questions from Joyce Chale student at Mzumbe University pursuing Degree Master science of Accounting and Finance .Currently undertaking a research on ‘The contribution of internal audit in achieving integrity and reliability of accounting information’ A case study of President Office, Public Service Management (PO-PSM) .You are kindly to respond to fulfill the purpose

Questioner to Accountant and stakeholders

1. Does the internal audit unit function contribute the integrity and reliability of accounting information?
 - (i) Yes ()
 - (ii) No ()

2. Does the internal auditor perform periodic audit procedures for significant automated applications to determine that workflow is processed accurately and is in conformity with operating manuals?
 - (i) Yes ()
 - (ii) No ()

3. Do you think that audit unit has staffs that have relevant skills and experience to risk identification and contribution to deliver a high quality audit service?
 - (i) Yes ()
 - (ii) No ()If No explain.....

4. Does the internal audit have increased any productivity in the general performance currently?
 - (i) Yes ()
 - (ii) No ()

5. Does the internal auditor review the wire transfer function for segregation of duties involving receipt, processing, settlement, accounting, and reconciliation?
- (i) Yes ()
- (ii) No ()

6. Do you think that internal auditor can help to minimize fraud in your organization?
- (i) Yes ()
- (ii) No ()

If yes explain how?

.....

.....

7. Give your opinion on the role of internal audit functions?
-
-

8. Mention two problems which face internal auditor on prevention of fraud in your organization?
-
-

Thank You for Your Co-Operation

PART 2: QUESTIONNAIRES

Independence

	Yes	No	Comment
Does Internal Audit unit have independence in achieving integrity and reliability of accounting information?			
Does Internal Audit have independence to access to all department heads and Directors?			
Internal Audit has independence right to report without edited by management under his/her own?			
Does Internal audit have right of reporting on any aspect of the financial work and the finance department			
Does Internal audit unit have independent of personnel directly responsible for operations under review?			

Staffing

	Yes	No	Comment
Does Internal Audit Unit staffing their internal auditors for achieving the integrity and reliability of accounting information?			
Does Internal Audit Unit have special training for accounting information system?			
The Internal Auditor have the development training for inter-personal skills			

Due care

	Yes	No	Comment
Does Internal Auditor perform his/her duties with reasonable skills, care and caution in achieving integrity and reliability of accounting information?			
The accounting information conclusions are soundly based on relevant and properly document fact?			
The accounting information audited are supervised and performed by auditor of appropriate experience?			

Relationship

	Yes	No	Comment
Does internal Audit have constructive working relationship with management in contributing in achieving integrity and reliability of accounting information?			
Does Internal audit have relationship with external auditors and review agencies who are the users of accounting information?			