

**THE ROLE OF INTERNAL AUDITING ON EFFECTIVE USE OF
FINANCIAL RESOURCES IN GOVERNMENT AGENCIES:
THE CASE STUDY OF MOROGORO URBAN WATER SUPPLY
AND SEWERAGE AUTHORITY (MORUWASA)**

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**THE CASE STUDY OF MOROGORO URBAN WATER SUPPLY
AND SEWERAGE AUTHORITY (MORUWASA)**

By

James Martha

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

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled **The Role of Internal Auditing on the Effective Use of Financial Resources in Government Agencies in Tanzania; the Case of Morogoro Urban Water Supply and Sewerage Authority (MORUWASA), Morogoro Region, Tanzania**, in partial fulfillment of the requirements for award of the degree of Master of Science in Finance and Accounting of Mzumbe University.

Signature

Major Supervisor

Signature

Internal Examiner

Accepted for the Board of

.....

Signature

DEAN/DIRECTOR,
FACULTY/DIRECTORATE/SCHOOL/BOARD

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I, Martha James, do hereby declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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First of all I would like to thank the Almighty God who knows my end before the beginning, for having accorded me this golden opportunity upon which was able to accomplish my studies in this manner. i.e. nothing can be effectively achieved without the glory and grace of God. Being an academic work, several efforts and zeal were provided throughout the course upon which the actual study was successful. Based on these scenarios, I acknowledge the following individuals for their moral, social, psychological and financial contributions they have furnished on one way or another this study was so accomplished.

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DEDICATION

To my lovely father late James Mollel who passed away in 1992 from backbone fever, I thank him for being a good father to our family and also for good education foundation he laid to me, without him I would not pursuing my masters degree today, we still love you Dady and we do miss you.

LIST OF ACRONYMS AND ABBREVIATIONS

CAG	:	Controller and Auditor general
COSO	:	Committee of the Sponsoring Organization of the Treadway Commission
FR	:	Financial Resources
GA	:	Government Agency.
HR	:	Human Resources
IAD	:	Internal Audit Department.
ICA	:	Institute of Chartered Accountants
MORUWASA	:	Morogoro Urban Water Supply and Sewerage Authority
NAO	:	National Audit Office
TRL	:	Tanzania Railway Limited

ABSTRACT

This study was mainly aimed to find out the role of internal auditing on the effective use of financial resources in government agencies in Tanzania; the case of Morogoro Urban Water Supply and Sewerage Authority (MORUWASA), Morogoro Region. In such, the general objectives of the study was; to study the role of internal auditing on the effective use of financial resources in government agencies, and the specific objectives were; to establish the objective of having financial resources in local government agencies, to determine the effectiveness of internal auditing on improving the use of financial resources at MORUWASA, to find out problems encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA, and to furnish recommendations for improvement in effective use of financial resources in MORUWASA. The study used a methodology, which encompassed; interview and questionnaire as methods for gathering data from the sample size of forty respondents. Likewise, findings were presented using figures (like; graphs, pie charts) and tables both illustrated by percentage rates.

Based on the findings, this study concluded that internal auditing plays a significant role on the effective use of financial resources in government agencies. For, since internal audit came into effect, all blunders relating to financial misuse were mitigated. The study had also concluded that, the objective of having financial resources in Government Agency included; having the purchasing power and capability of meeting various expenses including; salaries, and many others. The study further concluded that, there was an effectiveness of internal auditing in improving the use of financial resources at MORUWASA, because, with the presence of internal audit, all procedures in meeting any expenses and in utilising any company's resources could be followed. The study further concluded that, specific problems encountered by the internal audit department in ensuring effective use of financial resources included lack of consistency, lack of co-operation from peers, and many others. The study had recommended public servants to

behave patriotically in their works. And employers would improve various motivational aspect as the way to mitigate the said problem.

Other studies were recommended to touch either similar or different knowledge area so that they come out with facts which illustrate, or even extend these ones.

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CHAPTER ONE

BACKGROUND INFORMATION

1.1 Introduction

This chapter introduces the study by mainly presenting the back ground, statement of the problem, objectives, research questions, scope and limitations, delimitation, and significance of the study in hand. This study seeks to find out role of internal auditing on effective use of financial resource in government agencies in Tanzania. The case of Morogoro Urban Water Supply and Sewerage Authority (MORUWASA).With this fact plus other reasons, the study will be carried out predominantly by mainly focusing on finding valid and reliable information in terms of findings, which will necessarily be used as solution to rectify the problem of financial resources misuse being experienced by government agencies in Tanzania.

1.2 Background of the Study

The Institute of Chartered Accountants (2005) signals that the origin of auditing goes back to times scarcely less remote than that of accounting. The same ICA (2005) put forward that whenever there was an advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another the advisability of some kind of check upon the fidelity of the former would become apparent. Meanwhile it is imperative to note that according to Bravo; Brown, and Jack (2008) the history of Internal Auditing profession evolved steadily with the progress of management science after World War II. It was since then conceptually similar in many ways to financial auditing by public accounting firms, quality assurance and banking compliance activities. With such internal auditing has since then been a very respectable profession with many responsibilities (Bravo, Brown, and Jack, 2008).

1.2.1 The Evolution of Internal Audit Profession

Most of reviewed evidences provide that the evolution of internal audit profession in Tanzania should be explicated with the reference to many of the African countries (Kiondo and Angelo, 2012). In such, literature provide that many African countries including Tanzania today strive to have open markets, creating investment friendly environment to attract more foreign investors and to develop industrialized economies together something which requires the application of improved performance of internal audit as the way to place trust amongst stakeholders of the concerned resources, (Lwiza & Nwankwo; Kiondo & Angelo 2012). However, Tanzania being part of African countries has since decades ago, had increment and implementations of reformation of the performance of internal audit as the way to place mutual trust and consistence in financial utilizing amongst users of entities (Kiondo & Angelo, 2012).

Following failure in certain sectors, especially in banks, Bank of Tanzania, the central bank of Tanzania, had taken measures and issued regulations under Banking and Financial Institutions Act (2006) requiring all commercial banks to put in place an adequate internal control system. One of the controls was to have a sound internal audit function within the banks (BFIA, Internal Control and Internal Audit Regulation, 2006; Kiondo and Angelo, 2012). As a result, every entity including; private, governed owned ones and commercial bank in Tanzania have internal audit function since the time the regulatory requirement was pronounced. Moreover, same evidences ascertain that almost all government owned agencies, private and commercial banks in Tanzania have the internal audit function as a mere legal compliance focus-driven force toward the appropriate use of company's resources including financial ones, (Ramachandran, Subramanian, Kisoka, 2012).

Currently, Internal Auditors of Public Sector in Tanzania are always asked to add value but it is notoriously difficult to measure. Current measures of Public Sector internal Audit performance today contrast significantly to how internal auditors' effectiveness in mitigating and preventing various blunder-related actions wish to be measured (Ramachandran; Subramanian, Kisoka, 2012).

The strong majority do obtain qualitative feedback from clients but many of the others current measures of performance are about inputs. These include the number of days in the plan, cost and production measures such as number of reports (Ibid). The big question which one may keep on asking is; Is there any consideration for the impact of the findings from the performance of internal audit? Is there any performance indicator commonly agreed by the Senior Management and the Head of internal Audit?

Due to modern occurring blunders relating to fund misuses and others, there has been a great need and an understanding of the contribution of Internal Audit to the performance of Public Sector and gradually, Internal Auditors found themselves part and parcel of any concerned business sector as everyone seems to place more consideration on them despite the functions being enshrined in the Public Finance Act of 2001 (Kiondo, and Angelo, 2012). Following the Amendments of the PFA CAP 348 in 2010, the Government under Ministry of Finance established the Internal Auditor General's Division (IAGD) (Kiondo, and Angelo, 2012). Before this amendment all functions of the IAGD were under the Accountant General's Division. Establishment of IAGD aims to increase independence to Public Sector Internal Auditors when performing their duties. It also provides more scope to internal audit functions by focusing on introducing new areas like Risk Management Systems; Control and Governance processes; Quality Assurance; Technical Audit, Budget and Payroll Audits.

All these changes aim at improving financial management and use, and accountability for the purpose of attaining value for money on the public expenditure (Kiondo and Angelo, 2013; Lwiza, and Nwankwo 2002).

However, this recent development of internal Audit in Public Sector in Tanzania may not be a panacea to the challenges which are facing the profession of Internal Auditing if Internal Auditors themselves and IAGD staff are not taking up their gears (Kiondo, and Angelo, 2012; Lwiza, and Nwankwo, 2002). Currently, no public sector internal audit function is immune to the issues of massive misappropriation of public funds presently facing the sector making it in water, education, health, energy, social etc. General Public and even the Controller and Audit General have been crying for lack of clear visibility of roles and functions and output of Internal Auditors in public sector (Ibid).

Moreover, the increased pressure on meager budgets, the constant demand to deliver more for less, the evolution of service delivery models and the increasing focus on good governance and risk management which has been brought by wholesome adoption of International Standards of Internal Auditing Professional Standard has meant that Tanzania Public Sector internal auditors need to keep pace with the changes, focus effort where it is most needed and be highly professional in the delivery. (Ibid)

1.2.2 Internal Auditing Background: Tanzania at a Glance

The history of the internal audit in Tanzania goes hand to hand with the history of the country. Historically Tanzania was a colony of the Germans and later a protectorate of the British (Khalfan, 2007 and National Audit Office, 2010). From then Tanganyika Territory, was a British colony between 1919 and 1961. Before 1st October, 1954, the first organ overseeing the audit service within the British Colonial Territories was known as Colonial Audit Service which was used

to oversee all financial-related performances throughout the British colonies. Later on the service was designated and known as the Overseas Audit Services. During that time, the Overseas Audit Services comprised of all officers of the former Colonial Audit Service and all persons appointed by the secretary of state to serve the Overseas Audit Service on or after the 1st October, 1954 (Khalfan, 2007 and National Audit Office, 2010). The head of Overseas Audit Service was designated and known as Director General of the Overseas Audit Service. The territories including Tanganyika Territory were known as territories within the Overseas Audit System. During that time, the scheme of service was categorized into three major ranks namely; European Pension Scheme (Officers rank), Asian Pension Scheme (Examiners of Accounts) and African Pension Scheme (Audit Clerks) (Khalfan, 2007 and National Audit Office, 2010). Internal Audit in MORUWASA started followed by order from Ministry of Water MOWI in 2006 that all Urban Water Authority must have Internal Audit Unit.

1.2.3 Current Situation in Government Agencies and Audit Task

Currently, there is a mushrooming behaviour among all government agencies in Tanzania characterized by a tendency of fund misusing (Sawa, 2010). In such tendency it is largely marked by behaviour whereby servants do engage themselves in using firm's financial resource very inappropriate. Therefore, in order to get rid of this misconduct, the government has been in line by closely putting measure to regulate this misconduct amongst its agencies using its accredited department which is the National Audit Office (NAO). For, NAO is currently known as the government agency consisting of putting measure to ensure there is an appropriate use of funds and other resources in government agencies (NAO, 2010). This undoubtedly marks the existence of the said problem which inevitably requires an intense and in-depth investigative action to find its solution.

1.2.4 Background of MORUWASA

Morogoro Urban Water Supply and Sewerage Authority is government Agency under the Ministry of Water. MORUWASA was established by the Government declaration in 1st January, 1998. Prior to the establishment of water Authorities, MORUWASA operated as Water Department until 30th June, 1996. In 1997 Tanzania government decided to change all Region Water Department and established Water Authorities under the water Work Act No. 8 of 1997 for the purpose of improving performance of clean safe water service and also to improve revenue collection. MORUWASA is one of the eighteen Regional, Town/Municipalities Water Departments that was declared to be Autonomous Urban Water and Sewerage Authority under categories A, B and C declared by the Ministry of Water Affairs on 1st January, 1998, through power vested in him by Section 38 of the Water Work Ordinance 1949 and Regulation 3(1) of the Water Works Regulation Published in the Government Notice No. 371 on the 25th July, 1997. From then MORUWASA was declared to be in category B. Under category B the Authority was required to meet all the Operational and Maintenance (O&M) cost excluding salaries for permanent employees. In July, 2001 the Government elevated MORUWASA to be in category A. Under category A the Authority is required to meet Operational and Maintenance cost, Depreciation and Capital Investment amounting, to at least, 10% of annual budget.

i. Nature of MORUWASA Business

The principal business of Morogoro Urban Water Supply and Sewerage Authority is production and distribution of clean and safe water, also removal of waste water from the urban areas of Morogoro Municipality.

ii. MORUWASA Mission Statement

The mission of MORUWASA include; aspiring to be a water authority of excellence, dependable, best provider of water supply and sewerage services to the Morogoro Municipality and beyond, and to have its own culture, identity and operational philosophy.

iii. MORUWASA Vision Statement

For MORUWASA as its Mission which helps to deliver services of high quality which meet customer expectation. The MORUWASA Mission is to provide enough, clean and safe water to the Morogoro Municipal area and to avail an environmentally and hygienically acceptable high quality sewerage service in the Municipality.

iv. MORUWASA Organization Structure

MORUWASA is governed by the Board of Directors. Therefore, one obligation of this board of Directors is to supervise management and make sure that MORUWASA fulfil its roles, functions and obligations in order to deliver good service that meet customer expectations. MORUWASA is headed by the Managing Director who is under the Board of Directors. Under the Managing Director there are three Departments namely: Technical Department, Business Department and last Finance and Administration Department.

❖ Technical Department:

This department has four sections which are Production, Planning and Construction, Operation and Maintenance and last Sewerage Section. This Department deals with; production, distribution of clean and safety water, operation and maintenance, and also disposal of waste water.

❖ **Business Department:**

This department has three sections which are, Computer and Billing, Meter and last Credit Control Section. This Department deals with; Preparation of Monthly Billing, Customer Meter connections, billing efficiency, disconnection of water to the customers who have not settle their bills and reconnection of customer who have settle their water bills.

❖ **Finance and Administration Department:**

This department has three Sections which are; Stores, Administration and last Accounts Section. This Department deals with revenue collection, stores, purchases, employment procedures, disciplinary, transport, salaries, and management, expenditure. More precisely, auditing activities are performed under the direct supervision of this department. In such, it should be remembered that auditing duties at MORUWASA started in 1997 with the aim of safeguarding all firm's assets including financial resources.

1.3 Statement of the Problem

According to Sunday, (2011) misuse of financial resources in government agencies is dramatically escalating and largely becoming a huge problem which requires an urgent intervention from government as the mere way to get rid of it. To better illustrate the existence of this problem, one of the evidences from MORUWASA elucidated that, almost up to 42% of allocated funds were misused by public servants in the budget year 2011-2012 and three years strategic plan 2011-2012 to 2013-2014.

More specifically, the misuse of financial resources in government agencies is explicated by the misbehaviour characterised by the tendency from most of their servants who frequently tend to engage themselves in misappropriating government resources including money (Sunday, 2010). This is being so

addressed just because currently, there are numerous complaints that majority of public servants misappropriate government resources and largely money with the aim to protect their own interests meanwhile harming the national economy (Sunday, 2010).

In order to accurately address this problem, perhaps one issue would be known; “as what should be done to mitigate the problem of financial resources misuse in government agencies?” Thus, from this circumstance, the right answer to this query may drag numerous responses from extended discussion, whereby the common view will entail a concrete answer which will inevitably require the intervention of internal audit to be in place.

Furthermore, it can meanwhile be remembered that performance of internal auditing tasks has become very concrete in almost every modern organization including MORUWASA in wanting to place mutual trust among users but largely to safeguard firm’s resources. In this regard, there is no precision indicating whether those performed internal auditing have either been able to enable the effective use of financial resources among government agencies in Tanzanian especially at MORUWASA or otherwise. This argument provides evidence that there is problem which needs to be deeply known and later on solved. For, even several of available and reviewed evidences have addressed different areas in different places. That is to say, they unknowingly could not uniquely scrutinise the specific area relating to financial resources utilization particularly in TGAs. The problem per se is the presence of massive misuses of financial resources amongst Tanzanian government agencies out of which MORUWASA is on the main glance. And very interestingly, this is the main concern of this study as it mainly seeks to investigate and come out with reliable and valid findings as solution to the problem indicated.

1.4 Objectives of the Study

This study was generally tasked to achieve one general objective out of which three specific objectives were built as follows.

1.4.1 General Objective

The general objective of this study was to find out role of internal auditing on effective use of financial resource in government agencies.

1.4.2 Specific Objectives

The following were specific objectives of the study.

- i. To assess the reasons of having financial resources in government agency.
- ii. To assess the effectiveness of internal auditing on improving the use of financial resources at MORUWASA
- iii. To determine the challenges encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA

1.5 Research Questions

The research questions of the study which addressed the specific objectives were as follows:

- i. What are the reasons of having financial resources in government agency
- ii. How did the effectiveness of internal auditing on improving the use of financial resources at MORUWASA being assessed.
- iii. What are the challenges encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA

1.6 Scope and Limitations of the Study

1.6.1 Scope of the Study

This study was entirely conducted at the headquarters of the Morogoro Urban Water and Sewage Authority. Doubtlessly, the precise scope of this study was MORUWASA headquarters. The said scope is located in Morogoro Municipality. The choice about this scope was selected out based on several reasons amongst which others included; MORUWASA was well placed in terms of readiness in providing researcher with reliable information as well as needed. But also the said scope was well close to the researcher to the extent such that had doubtlessly helped the research gather data without facing many barriers.

1.6.2 Limitations of the Study

Since this activity required the intervention of certain scarce resources, notably limitations were predicted as the way to stand in advance in a position which would provide way to get rid of them.

i. Confidentiality and Data Storage

Inaccessibility of some important documents related to this study due to privacy police of organization.

ii. Respondents' Reluctance in providing Information

Delaying of filling the questionnaire form from respondent become constrain and time consuming during the study. It takes a lot of effort and close follow up to some respondent to fill up the questionnaire forms.

1.7 Delimitation of the Study

Based on explication about the identified limitations, it was obvious that it would be too being insufficient to allow such covering. Ideally, MORUWASA was too big being not only serving a huge number of customers from the whole city of

Morogoro, but also because it serves all other offices and customers spread around all other districts in the same region.

Based on this logic, it would be impossible to survey the whole number of customers around the region. The reason why a sample case of head quarters located in the municipality/district of Morogoro town was chosen. The respondents of this study were drawn from only one case which was the head quarters of MORUWASA which is located in the municipality of Morogoro town.

1.8 Significance of the Study

Financial resource misuse was a problem which has been experienced for times and times by not only government agencies but also by all kinds of organizations around the globe including Tanzania in particular. Apparently, this problem seemed drag the attention of every stakeholder, while all desiring to get rid of it. This means, once effectively and efficiently achieved, this study was too significant in several ways ruling in the followings.

To the Government: findings of this study had assisted the government by letting it know the importance of internal auditing especially in permitting the reasonable use of financial resources in its agencies. This means, through this effect, government became able to mitigate the misuse of its resources in all its agencies including MORUWASA.

To the Community of Employees at MORUWASA: at the end of this study, all government employees including those in MORUWASA would be in a favourable position to grasp the essence of internal auditing meanwhile would become informed about the bad side of misusing fund allocated for the running of agency's activities and not otherwise.

To the researcher: the study had helped the researcher understand the reason for why internal auditing must be performed in any organization. Above all; once achieved, this study had added value to the knowledge basket of the researcher in terms of notions about the prominence of internal auditing.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature part of the study by mainly defining and describing key terms, related literatures, and theories. The chapter also presents the empirical literature part, draws the conceptual frame work.

2.2 Theoretical Literature Review

Much of the theory underlying internal auditing is derived from management consulting and public accounting professions (Krist and Sandrine, 2000). With the implementation in almost all nations around the globe, the profession's growth seems to be tremendously accelerating as many internal auditors possess the skills required to help companies meet the requirements desired to undertake the related tasks. In the other hand, this precise that there must be a number of theories which provide ideas particularly for better understanding the concept of internal auditing (Krist and Sandrine, 2000)

2.2.1 Operational Definitions of Key Terms

In this section, the study defines and describes all key concepts/terms involved in the study as follows.

Audit

The term audit is defined by Canton, (2002) as any official inspection of an organization's accounts, typically by an independent body in order to scrutinize the assets use within a particular period.

Internal Auditing

There are many authors and writers who have already given several ideas about the term in concern. Thus, most of their common ideas are not extensively different in their meaning rather similar.

So, Carrister, (2007) on his opinion defines the term internal auditing as an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic and effective use of resources (Carrister, 2007; Wiley and Zabihollah, 2002)

While Afdanzong (2010) on his turn defines the same term as a profession and activity involved in helping organizations achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures, and activities with the goal of highlighting organizational problems and recommending solutions.

Under the COSO Framework, internal control is broadly defined as a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following internal control categories. Namely: -Effectiveness and efficiency of operations, reliability of financial reporting, compliance with laws and regulations, and safeguarding of Assets.

Financial Resources

Generally speaking of this terminology, the term financial resources is referred to as any resource relating to finance or precisely to money. But with regard to the study in hand, the term is precisely defined by Adrian (2012) as the money

available to a business for spending in the form of cash, liquid securities and credit lines before going into business for specific application in relation to specific activity or task.

2.2.2 The Actual Trend with the Concept of Internal Auditing

Actually, the concept of internal auditing is gradually becoming a daily slogan and concern in every firm in today's world of businesses and administration (Jerome, 2011). This trend is explicated by the fact that every firm on its own turn puts much effort and zeal of achieving high desirable level of assets security whose real impact remains apparently unknown. In other words, this wants to say; firms ruling in parastatal ones have been since years in line to trust internal auditing as a catalyst for safeguarding their assets.

Even though, it should be retained that there are if not hundreds that means thousands of internal auditing performed around the globe whose role in consenting the effective use of financial resources still unknown. To better illustrate this fact Glistner and Pritson, (2007) indicate that most of today's companies' financial assets are the most reported resources misused by majority of users in many companies around the globe. Thus, perhaps it should be to prominent to understand whether internal auditing can successfully consent the effective use of such a resources or otherwise.

2.2.3 A Review about Role of Internal Auditing

According to Kite, (2011) internal auditing plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (for example, machinery and property) and intangible (for example, reputation or intellectual property such as trademarks). At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback

on the achievement of operational or strategic goals, and compliance with laws and regulations (Kite, 2011).

2.2.4 Nature and Scope of the Internal Audit Activity

The scope of internal auditing within an organization is broad and may involve topics such as the efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations (Sawa, 2010). Internal auditing frequently involves measuring compliance with the entity's policies and procedures.

However, internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities. As a result of their broad scope of involvement, internal auditors may have a variety of higher educational and professional backgrounds (Sawa, 2010 and Snoopers, 2009).

Based on different perspectives and areas of businesses, (Sawa, 2010 and Snoopers, 2009) the nature of internal audit evolves from any basis else rather than putting forward all particular ways of which altogether aiming at if not preventing, that means detecting or evaluating the occurrence of any unacceptable behaviour relating to misuse of company's assets. Above all, the nature of internal auditing is noticed and thereon characterized by a single-directed action which is all about safeguarding the company's assets.

Likewise, internal audit determine where to focus internal auditing efforts (the focus prioritization is part of the annual/multi-year audit planning; usually, the audit plan is proposed by the Chief Internal Audit (sometimes with several options or alternatives) to the approval of the Audit Committee or Board of

Directors). Internal auditing activity is generally conducted as one or more discrete assignments (Jerome2011).

2.2.5 Review of Common Factors Affecting Internal Auditing

In accounting and auditing, internal audit is known as a process mostly affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives.

2.2.6 Types of Internal Audits

According to Folkers, Vartle and Risnen, (2012) there are many types of Internal audits; but internal Audit Services determines which kind to undertake based on a formal risk assessment process. The following provides some of the common examples of some of the internal audits that could be undertaken:

i. Operational Audits

Provide an objective evaluation of an area, department, or functional operation. The process assesses the adequacy and effectiveness of controls designed to manage risks and ensure objectives are met (Folkers, Vartle and Risnen, 2012).

ii. Financial Audits

A historically oriented, independent evaluation performed for the purpose of attesting to the fairness, accuracy, and reliability of financial data. This kind of internal auditing is always conducted by extensively focusing on a financial system's controls to ensure that financial controls are adequate and effective (Folkers, Vartle and Risnen, 2012).

iii. Information Systems Audits

There are many types of information systems audits that focus on the controls that govern the development, operation, maintenance, and security of application systems in a particular environment. This type of audit might involve reviewing a data centre, an operating system, a security software tool, or processes and procedures (such as the procedure for controlling production program changes), etc. Internal Audit Services may also review of the development of a new application system (Folkers, Vartle and Risnen, 2012) and (Joëlla & Tomseng 2011).

iv. Compliance Audit

Which address the specific unit adherence to laws and regulations, policies and procedures, federal and provincial requirements, and restrictions imposed on endowments and grants etc.

v. Follow-up Audits

Which include all audits conducted after an internal or external audit report has been issued. They are designed to evaluate corrective action that has been taken on the audit issues reported in the original report and so on (Joëlla & Tomseng 2011).

iv. Value for Money Audit.

An independent evidence-based investigation which examines and reports on whether economy, effectiveness and efficiency have been achieved in the use of public funds.

2.2.7 Effective Use of Financial Resources

Steven, (2009) points out that the effective use of financial resources can be explicated by the scenario involving the maintenance of financial and budgetary

control by ensuring that expenditures comply with the provision of the budget. More precisely, this involves the maintenance of accounts that faithfully reflect financial activities and enable the provision of accurate and timely financial reports and other information pertaining to the receipts and use of funds, including to the budget allocated resources. Similarly, Rajhan, (2010) on his turn explicates that effective use of financial resources as the accurate and timely processing of budgetary authorisation financial transactions and related financial management services, including the issuance of allocations & grants, the approval and processing of payment and payroll and the management of bank account and cash (Steven, 2009 and Rjhan, 2010).

2.2.8 Ways towards Effective Use of Financial Resources

Different authors and writers have been of various views concerning the whole ways/strategies for which once appropriately applied in any organization settings, the use of financial resources can be achieved effectively and even efficiently. In this respect, the study focuses on the way the meant point in being herein described, comprehended and consequently views this scenario in terms of sections arranged in the following array (Rajhan, 2010 and Samson, 2011).

i Allocate Resources to meet the Services Delivery Needs

This step involve relating the allocation of resources to meet demand, investigation of resources of further resources to meet shortfall and management of budget associated with resources utilisation. Meanwhile others issues include also; clear identification of service delivery objectives, review of current resource utilisation of analysis of resource option (Samson, 2011).

ii. Make Recommendations for Expenditures

This stage includes the preparation of recommendations for expenditure resources, with supporting information on benefit, implications and costs (Samson, 2011).

iii. Control Expenditure against Budget

This includes management of financial resources and regulations reporting on financial allocation and utilisation (Samson, 2011).

2.2.9 How can Effective Use of Financial Resources be measured?

According to Samson, (2011), the effective use of financial resources can be measured by several ways but very concernedly, this scenario can be measured based on the whole comportment manifested during the consumption of financial resources with regard to the amount allocated with its corresponding activity/task, asset or product/service it was expected to purchase or to be used for. In simple words, this implies, in case the report about financial performance shows the comportment of deviation from what it was expected, therefore, the scenario will directly be the sign of the opposite side of the effect, (Samson, 2011)

2.2.10 Living System Theory of Internal Auditing

In this study, Kouladies, (1996) and Hugh, and Swanson (2001) present an interpretive analytical thought of the function of internal auditing, not only from the viewpoint of its role in an organization, but also in regard to the role it plays in the economics of societies and governments upon which they have been able to provide a living idea about the way internal audit may be understood. Their theory was created in focusing on the whole matters about internal auditing and place it within the context of a scientific conceptual framework called Living Systems Theory (LST). Kouladies (1996), Hugh, and Swanson (2001) further

point out that there are specific issues and areas of concern in internal auditing, including its functions, profession, and history, and its professional standards. The theory provides that internal auditing as money-information provider, non-monetary quantitative information, is key catalyst tool for estimating compound measurement and forecasting error, non-quantitative assessments, concrete process analysis and living systems process analysis, and ethics.

The same theory stipulates that using internal auditing a company can achieve a high-level aspect of asset security and consequently enable the firm to operate under an environment of certainty as every important aspect is not only well determined but also well maintained (Kouladies,1996 and Hugh and Swanson 2001).

2.2.11 Agency Theory of Auditing

According to ICA, (2005) agency theory is a useful economic theory of accountability, which helps to explain the development of the audit and the way it should be viewed. In order to better explicate the relationship of opinions, this theory has put aside two variables ruling in principals such as company's top management on one side, as well agents like, auditors on the other side. Therefore, a simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their urgent and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour (ICA 2005).

According to this theory ICA, (2005) an agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. ICA, (2005)

further indicates that this delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent such as auditor to act in the principal's best interests like; performing internal auditing with full focus of safeguarding company's assets (ICA, 2005).

This study in fact, is on the consensus that both reviewed theories are very important especially as they have both strived to put forwards a common comprehension intending to explicate the complexity of internal auditing field. In this regard however, the study supports both of the theories just by merely basing of the reality from both of them.

Another explicating fact for such a support is derived from the evidence as to whether they both similarly emphasize on the way internal auditing field is linked to other core activities of any organization since it greatly helps in safeguarding firm's assets and meanwhile place trust between employee and employer.

2.2.12 Ethical Standards for Internal Auditing

According to Richard, (2007) internal auditing possesses its well known standards for it to be termed ethically accepted. Moreover, Richard, (2007) describes that the ethicality of internal auditing process includes the fact that it must be impartial in discharging all responsibilities; with no bias, prejudice or undue influence must not be allowed to limit or over-ride objectivity. Richard, (2007) further explicates that at all times, the integrity and conduct of the internal auditing must be above reproach. It should not place itself in a position where responsibilities and private interest's conflict and any personal interests should be declared. Based on this scenario, therefore, literatures specify that the

internal auditor should not improperly disclose any information obtained during the course of his work (Richard, 2007).

2.2.13 Internal Auditing as a Process

Performing internal audits can help organizations achieve corporate objectives by keeping a pulse on internal business practices, (Wiley and Zabihollah2002). The goal of an internal audit is to ensure organizational policies and procedures are followed and to alert management of gaps in policy compliance. In such, the internal audit process can be done with internal resources or can be outsourced to an external third party vendor. Meanwhile it imperative to understand that performing an internal audit can be time consuming and designated resources should be allocated to the process.

An internal audit can be done on a scheduled daily, weekly, monthly, or annual basis. Depending on the department, some areas may need to be audited more often than others. And the followings are common steps involved in the performance of internal auditing practices (Wiley and Zabihollah 2002).

i. Step One: Identify Areas that Need Auditing

Identify department areas that operate by using policies and procedures written by the organization or by regulatory requirements. This can include areas such as complex manufacturing techniques or simplistic accounting procedures practices, (Wiley and Zabihollah, 2002).

ii. Step Two: Determine How Often Auditing needs to be Done

Some areas may only need to be audited annually while some departments may require more frequent audits. For example, a manufacturing process may require daily audits for quality control

purposes while the HR function may only require an annual audit of records and processes practices, (Wiley and Zabihollah, 2002).

iii. Step Three: Create Audit Calendar

Like any other business goal, it is important to have audits scheduled and integrated into corporate objectives. Having a structured and systematic approach to the auditing process can help ensure the function gets completed.

iv. Step Four: Alert Departments of Audits

It is common courtesy to give departments notice of an audit so they can have needed documents and materials ready and available for the reviewer. A surprise audit should only be done if there is suspicion of unethical or illegal activity.

v. Step Five: Be Prepared

The auditor should come prepared with an understanding of policies and procedures and a list of items that will be reviewed. For example, an HR audit may focus on employee files and if compliance is adhered.

vi. Step Six: Interview Users

The auditor should interview employees and ask them to explain their work process. Compare the process, as the employee explained it, to what the written policy says.

vii. Step Seven: Document Results

Document the results and any differences in practice to how the policies are written and when policies are complied with and when they are not.

This may also include other information that is gathered from the interview process practices (Wiley and Zabihollah 2002).

viii. Step Eight: Report Findings

Audit reports should be reviewed with senior management and an improvement plan should be developed for areas that have gaps in practice compliance.

2.2.14 Role of internal auditing on the Effective Use of Financial Resources in Government Agencies

It should be recognizable that an internal auditing is of great value to a variety of stakeholders to engender trust and confidence, but for many different purposes, which fit into firm's aim of safeguarding assets. According to Anthon, (2000) the corporate world is complex, while companies' financial information would publicly be available and known by every concerned stakeholder which can be rendered possible by the intervention of auditing exercise (Anthon, 2001). This study therefore, assumes that internal auditing plays a very significant role of safeguarding firm's assets. Likewise the study further assumes that internal auditing plays a role in safeguarding company's assets ruling in financial resource in particular.

This means, performing internal auditing appropriately, may doubtlessly help an organization prevent the misuse of financial resources of any firm including MORUWASA. Reason for why internal auditing should be performed well so that effective safeguarding task takes place accordingly.

2.2.15 Reasons of having financial resources in government agency.

The main and top most focus of internal auditing is nothing else rather than and merely protecting firm's assets by simply preventing, detecting, and even

evaluating the occurrence of bad behaviour such as fraud, theft, misallocation of fund. Thus, in this respect, the study assumes that internal auditing exercise is an important step and has an intense effect in improving the use of financial resources. Such an effect is tangible due to its intervening action in preventing, detecting, and even checking issues like fraud, theft, misuse of fund and so many others. This is to say; internal auditing can be used to direct and even alerting on the appropriate use of financial resource in any organization.

2.2.16 Effectiveness of Internal Auditing on Improving the Use of Financial Resources in MORUWASA

Much of literatures provide that through internal performance, each and every one in an organization, is informed about the whole financial performance and meanwhile remains poised as the result of being informed by the internal auditing report about how financial ha be used. In this respect, internal auditing may precise whether fund was appropriately allocated or otherwise. So, based on the above argument, this study assumes that there is no doubt that internal auditing can be used and can successfully alleviate misallocation of fund at MORUWASA and any other entity.

2.2.17 Common challenges encountered by Internal Audit Department in ensuring Effective use of Financial Resources in MORUWASA

Since internal audit task involves poring over the entire financial performance, no matter how bad or well it is viewed but extensively this profession must be facing a number of problems as being too complex by nature and considered divulger of all reports relating to the whole use of financial resources (Adrian, 2010). Therefore, the study assumes that internal audit department at MORUWASA must be facing problems in terms of negative criticism from other workers, lack of cooperation from peers as everyone might fear of being disclosed, and so many others. Based on this scenario, the study further assumes

that common problems faced by internal audit at MORUWASA include; lack of appropriate information as majority of workers would not provide cooperation, lack of evidences for detecting and even preventing the misuse of fund, and so on.

2.2.18 Ways to improve the Effective Use of Financial Resources in MORUWASA

Government agency as any other agency needs to safeguard its resources to achieve a high level of asset security. In fact, different ways can be used to do so, but still there are special ways which can be performed to achieve another or related specific task. Meanwhile it should be remembered that performing internal auditing may be due to several reasons and some extent this situation may vary differently from one entity to another. But even though, to large extent, reasons may be similar to all firms since they perform it just to protect their assets.

2.3 Empirical Literature Review

Alongside this inquiry, it should be remembered that there are if not hundreds that means thousands of studies performed already whose findings are needed to show the urgency and non-urgency of the study in hand. This means, all previously undertaken studies are necessary to provide an insight about what should be covered and what should not be touched. Thus, in order to find the gap to be filled, the followings are some of the empirical studies reviewed for such a purpose.

There are many literatures about or relating to the topic in hand achieved in Tanzania. To better illustrate this argument, the study reviews an investigation work of Kathleen, (2009) which was all about exploring the role of internal auditing tasks in better achieving modern organizations' objectives. This study was carried out in Tanzania, precisely in Dar es Salaam. The study collected data

from Tanzania Railway Limited (TRL) in Dar es Salaam, whose auditors and accountant were the potential selected respondents for the study Kathleen (2009). Finding of the study indicate that the profession of internal auditing helps TRL by advising them on how to better achieve their short-term and long-term objectives. In such, the study further indicates that internal auditors utilizing remain a systematic methodology for analyzing business processes or organizational problems and recommending solutions. Therefore, the study concluded that internal auditors are generally employed by TRL and other companies to perform their internal auditing activities which may include internal controls such as efficacy of operations, reliability of financial reporting, deterring and investigation of fraud, safeguarding assets, and compliance with laws and regulations (Internal Audit) (Kahtleen, 2009).

Another important study for this particular one is that of Aphyah, (2006) who conducted a study of the importance of internal control on financial reporting in Ghana. This study concretely took only forty respondents from five commercial banks operating in the centre of Accra. The classification of these respondents had included 10 professional accountants and 30 auditors. In order to obtain reliable and valid information from these respondents, the study utilized questionnaire, interview and observation in collecting data which led to the findings and latter on, conclusion of the study Aphyah, (2006).Based on findings; the study found that internal control plays an important role especially in detecting and preventing fraud and protecting the organization's resources, both physical (for example, machinery and property) and intangible (for example, reputation or intellectual property such as trademarks.) In that study it was also found that at the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals and compliance with laws and regulations (Aphyah, 2006).

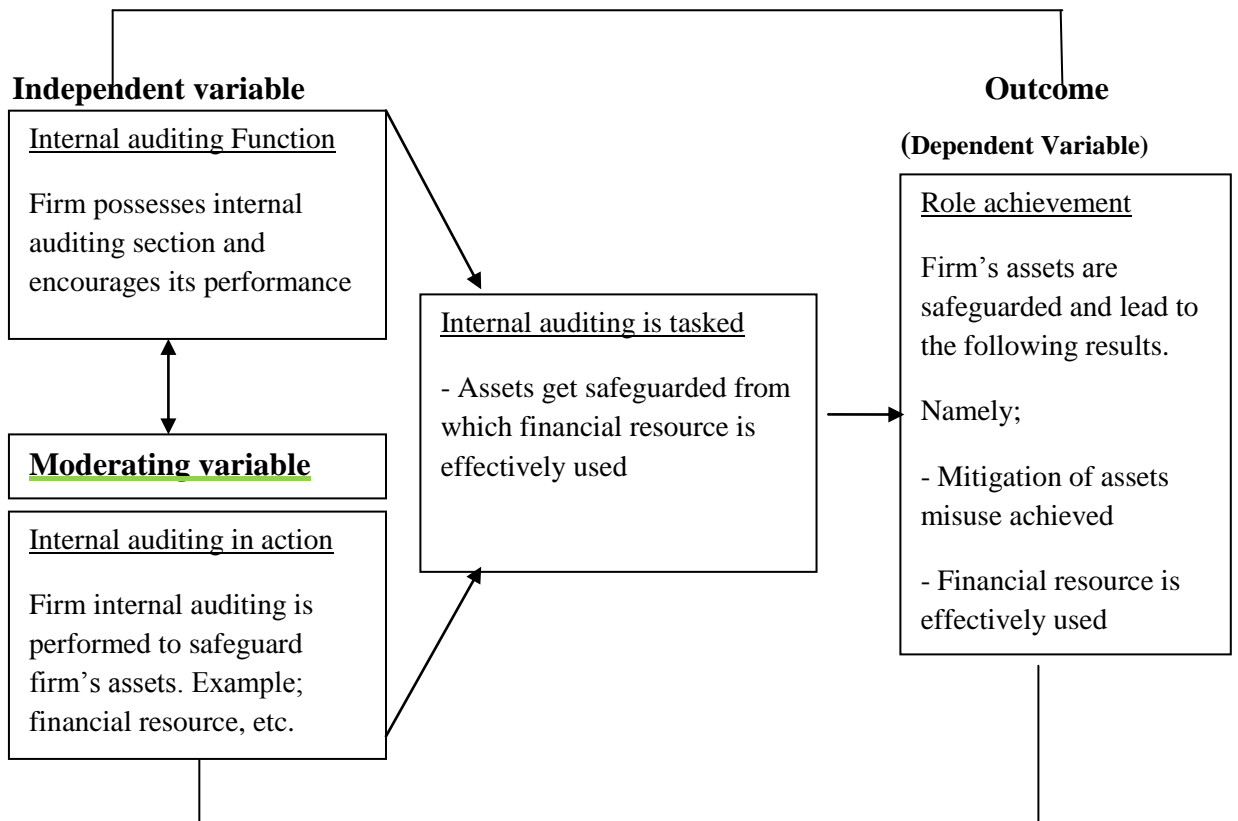
Likewise a study by Peter, (2009) on the consequences of internal control on financial statement reporting in New Orleans provides further evidence in this list. This study was conducted a desk research whose main data sources included; financial statements-related reports taken from almost eleven firm ruling in parastatal as well as private ones in New Orleans. The analysis of information was done in such a way every item of information from every financial statement used, was critically assessed. So, the study then found that internal control once performed well result into desired results that are free of materials misstatement and finally provides financial statement which gives clear picture of the organization financial position to users (Peter, 2009).

Much of these reviewed studies' central idea provides a common understanding that audits serve a fundamental purpose in promoting confidence and reinforcing trust in financial information, in which above all, safeguarding firm's assets. In similar words, all reviewed studies have put much emphasis on the way internal auditing plays significant role in safe guarding company's assets; and its consequence in terms of allowing a smooth financial reporting task to take place. In contrary, thesis studies seem to be poised less in specifically showing the role of internal auditing on the effective use of financial resources in parastatal agencies. This wants to precise with other reasons that still, there is an intense need of finding more facts which would assess the role of internal auditing on the effective use of financial resources particularly in government agencies in Tanzania. So, based on this scenario, it is where emanates this study's core task and urgency.

2.4 Conceptual Frame Work

In an attempt to address the simplicities highlighted in the variables, the study draws assumptions based on the entire understanding about the topic being tackled in the following arrangement

Figure 2.1: Research Model



Source: Researcher's Own Construct, 2012

Figure 2.1 above denotes that role of Internal Audit is viewed in terms of its functions and stands as independent variable of the study. In simple terms, the implication in figure 2.1 provides that once the said role is achieved, consequently, any firm including MORUWASA will achieve favourable results in terms of effective use of any resources including financial ones. More specifically, such phenomenon may results into several outcomes, but one of the

most tangible examples includes issues like; mitigation of asset misuse, safeguarding of assets, and above all, financial resources will be effectively used since internal audit played its functions in effective manner. Therefore, the effectively uses of Financial resources (dependant variable) depends more on how Internal Audit functions (Independence Variable) comes into effect, if there is good performance of Internal Audit function this will leads to effective uses of Financial Resources while poor performance will leads to ineffective use of Financial Resources.

2.4.1 Variable Description

This study possesses two major variables which are both well supported by the moderating one in implementing their respective action. In this respect, existence of internal auditing in any firm including MORUWASA constitutes a major role of one side and consequently understood as independent, whose further effect lead the performance of Internal Auditing function, the situation which in turn must necessarily call for the occurrence of related results such as safeguarding assets, compliance of laid down regulations and procedures hence effectively use of available resources including Financial ones etc.

i. Independent variable

Independent variable of this study is the existence and encouragement of internal auditing performance. The role played by Internal Audit (independent variable) e.g. Safeguard of firm's asset, internal control adherence, compliance of laid down policy and procedure will result into effectively use of firm's resource including Financial one. This is said to be independent simply because of its effected which will be seen on either effectively or ineffective uses of resources depends on how it was performed i.e. good performed or poorly performed.

ii. Dependent Variable

In figure 2.1 puts forward that the dependent variable of the study is nothing else rather the effective use of financial resources resulted from the effective role played by the practice of internal audit. This means, the outcome of this variable (effective/ineffective use of financial resources) occurs as the result of certain action played by internal audit. In other illustrative words; in case internal audit is poorly performed, notably, the result into the use of financial resources will tend to be ineffective, and vice versa. Moreover, effective/ineffective use of financial resources is hereunder described as dependent variable simply because it depends on either of the influences from the independent variable (function of internal audit).

iii. Moderating Variable

The moderating variable of this study is the in-action (further action) of internal auditing, whose intervention comes into effect when is put into action and performed to safeguard firm's assets – like; financial resource, etc. Moreover, this variable is termed to be moderating one; simply, because once any firm possesses internal audit, notably action needs to be taken/performed so that they consequently safeguard their resources. In further illustrative terms; when internal audit is in action; that means is considered as a bridge by which resources like financial ones could effectively efficiently be safeguarded (Rajhan, 2010). Likewise, it is so termed, following the reason that, once internal audit is in possession must be put into action and achieves the desired goal (Ibid)

iv. Relationship between Variables of the Study

Based on the figure 2.1, it is up to this stage very concrete that there is strong relationship between variables of this study. The relationship

between variables is in terms of the causal-caused situation between themselves. In simple words, this means, with the existence and performance of internal auditing in any firm (independent variable) on one side, and outcome like; safeguarding firm's assets which will later on leads to effective use of financial resources, (dependent variable) on the other side, elucidate in simple manner the way they correlate.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methodology used in the study. It therefore presented research design; study target area, sample and sample size, data collection and analysis methods, plus all other techniques used in either presenting findings or collecting information from respondents.

3.2 Research Design

This study had employed a case study research design. The choice about this kind of design is chalked out based of the reason that case study design focuses on a single area and consents to variety of data collection method deployed, meanwhile the study in hand focused on a single area which was MORUWASA headquarters. This signified that this type of study design would allow the researcher to intensively explore and analyze information over the life of a single unit such as MORUWASA (Rwegoshora, 2006). On the other hand, Bryman, (2008) state that, case study research is concerned with the complexity and particular nature of the case in question. Case study entails the detailed and intensive analysis of a single case like MORUWASA. However, one major criticism of using case study research design is that; the findings generated from it can be generalized however its generalization can be hasty and thus it is difficult to get magnitude of the problem. But still even though, the study will strive to the level best and make sure the said cons are completely met.

3.3 Target Area of the Study

As mentioned earlier, this study will be conducted at MORUWASA headquarters in Morogoro Municipality.

Morogoro Municipality is one of the Municipal Councils composing the United Republic of Tanzania. MORUWASA is located and operating in Morogoro municipality in the region of Morogoro.

3.4 Population, Sample Size and Sampling Techniques

Currently, MORUWASA has 160 employees spread in three departments. In such, the study considered that there would be a paradoxical consonance, but some instances audible that population would be more accurate to identify than any other activity of the research (Gill & Johnson, 2003). So, specifying population for this study did not eliminate the importance of other elements but it mainly wanted to show the consideration put about all stakeholders of internal auditing in Tanzania as the real universe for this study who are taken and expected to be the source of findings expected to entail the effective achievement of the study. However, this study's target population had included all 160 employees out of which 40 workers of them were intentionally needed from the department of finance, business, and technical, all working with MORUWASA in Morogoro region.

In the focus of maintaining a full representativeness, this study needed 20 respondents from the departments of administration and finance at MORUWASA offices. These 20 respondents were categorized in such a way 10 out of them were accountants and auditors, while other 10 from different functions in the same department. Meanwhile 20 others were taken from the departments of Business and technical. In this regard, the study was expected to derive findings from a total sample size of 40 respondents from various offices of MORUWASA in Morogoro region. The following section detailed how these 40 respondents were categorized, included, and selected during the process of gathering data.

Choosing a study sample is an important step in any research project since it is rarely practical, efficient, or ethical to study the whole populations (Marshall, 1996). This study had utilized purposive sampling.

Purposive sampling specifically, had involved selection of informants based on an important characteristic under study, such as where they lived (at their home, office) position in organization (for example, accountant, auditors etc.), or specific cultural knowledge (for example, direct responsible for form providing financial reports for MORUWASA, etc.). In this regard, this study had opted for purposive sampling in selecting the respondents. Through informal consultations, the researcher had chosen only auditors and accountants who were considered relatively better off in terms of knowledge about international financial reporting standards. Also to ensure knowledge ability of the respondents, priority was put to the department of finance in particular. And these respondents were grouped into the following array.

i. Department of Administration and Finance

This study had required 10 accountants and auditors and 10 others in different sections from the same department of administration and finance to provide reliable information using both questionnaire and interview. The reason for this study to collect data from only 10 auditors and accountants was so done based on the fact that MORUWASA had only 2 auditors and 8 accounts the reason why all were included in both processes of collecting data through interview as well as questionnaire. This arrangement was done in order to allow the study to gather data under a precise time as well as scheduled since it was too tough, cost and time consuming to interview a huge number of respondents within a short time scale taking into account the hereunder fore-mentioned limitations. Moreover, on the basis of these respondents from the department of administration and finance, the study expected to obtain information like; the reason for performing internal

audit, the effectiveness of internal audit on safeguarding financial resources, and problems encountered in performing internal audit. This information was useful as it was used by the study to establish the objective, necessity, and even reason for why internal audit would be performed in MORUWASA.

ii Business and Technical Departments

Likewise the study expected to obtain 20 respondents from technical and business departments in MORUWASA. These respondents were needed just because they were on one way or another, stakeholders of the audit activity at MORUWASA and had important information pertaining to the matter under concern. Moreover, 20 workers from these two departments were needed to provide reliable information in both questionnaire and interview. In this case, 10 of them will be needed for interview, while all 20 were likewise needed for the questionnaire process. The study then expected to collect data from respondents in the departments of technical and business which had told the role of internal auditing on the effective use of financial resources and they had provided recommendations on the performance of internal audit in MORUWASA. However, this information was used by this study to determine the extent to which internal audit can be used to improve the use of financial resources in government agencies. But still both of respondents were haphazardly continuously picked from the field until the study's required sample size was reached.

3.5 Data Collection Methods.

The study had involved questions in the form of questionnaire and interview in collecting data from the field/MORUWASA.

This study in fact, had required large number of (40) respondents. But also this study was done for academic purpose and not otherwise. Based on this explanation therefore; questionnaire was used as one of methods of data

collection. More precisely, questionnaire was used to gather data which had revealed out the role played by internal auditing in consenting the effective use of financial resource, amongst government organizations in Tanzania and had also to determine the effectiveness of internal auditing on improving the use of financial resources of which was obtained through answering pre-set questions by respondents.

Based on types of data and information necessitated by this study, the reason why a direct interaction with respondents was demanded. So, the research had intentionally used interview in which researcher had undergone a face-to-face questioning where respondents were given almost full liberty to express response from the question asked by researcher. In this process, research was giving leading questions and meanwhile recording the response. Interview process was used by asking questions which would intend to collect data which had revealed out reason for why government organizations use internal auditing through oral expression by respondents.

3.6 Types of Data

It is imperative to recognize that this data for this research existed in two forms ruling in; primary and secondary ones as described in the following array.

3.6.1 Primary Data

Primary data involve all data which were for the first instance collected by the researcher for the study in hand. These data were collected using questionnaire and interview. As Gibbons et al. (1994), support this by mentioning that primary data were collected by using research assistance from the field for the purpose of answering the pre-set questions/issue. More precisely, primary data for this study include all data that were gathered from the field using interview, questionnaire of which needed to be analyzed and presented from which all what was expected

in terms of logic detailing the role of internal auditing on effective use of financial resource was found.

3.6.2 Secondary Data

Secondary data for this study had necessarily included all types of data which were obtained from literature sources or collected by other people for some other reason which have provided second hand information upon which the preceding chapters have been chalked out in a desirable manner.

Likewise, such kind of data will on one way or another entail the success of this study as it will be needed to give further written information which will narrate for instance various cases or reports of internal auditing activities undertaken and related role played in consenting the effective use of financial resource in government organizations.

3.7 Data Analysis

In the analysis of data, the process was performed using graph, tables, and charts meanwhile certain procedure were followed to ensure all data were collected and analyzed accordingly. The reason for using tables and chart was because the study considered these techniques as prominent and smooth way of illustrating and comparing data gathered from respondents. But again, these two methods were effective in presenting data since they had allowed the study to segregate responses from respondents in terms of percentages and upon which the study was able to provide analysis and thereon obtain logic about every aspect based on percentage rate.

Likewise in the array of analyzing data, in the first instance, distribution of questionnaire and meeting respondents for interview process were performed as the first step in obtaining necessary data and information from respondents.

Then, afterwards, collection of responses from the interview and questionnaire particular information was undertaken and was followed by presentation and analysis of the data/information gathered from the field, of which had to yield the result known as findings for the study in hand

During the process of analyzing data gathered from the field, particular précised methods were purposively utilized to make sure they were presented according to the manner in which they were collected. Therefore, tables and graphs (pie charts) had constituted proper methods through which all data gathered from the field were presented and summarized which were probably supplemented by percentages which was calculated by taking the total number of respondent in given area divide by total number of sample size in that area times hundred.

$$\% \text{ age} = \frac{\text{no. of respondent in a given area}}{\text{no. of sample size in that area}} \times 100$$

and it was performed by accredited machines such as computers, and calculator using particular programmes ruling in; calculator and Excel as well.

3.8 Ethical Consideration

During the entire process of collecting required data either from MORUWASA or elsewhere from respondents, researcher was given a written recommendation from the academic authority which was presented to the concerned office for approval to collect all necessitated information. So, whatever information given by any respondent will be treated and guarded with a very huge confidentiality to the extent no any piece of information will be taken out of concealment.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter deals with the presentation and analysis of findings. In such, the whole process of presenting and analysis findings was done by mainly focusing on the way data were collected from the field of MORUWASA headquarters in Morogoro Municipality. In simple and clear words, it means the process has required the study to mainly focus on data collected, transcribed, presented and consequently obtained the way forwards to interpret them in such a way the expected solution came into possession.

Initially, it should be noted that, the collection of data was done by respecting the fore-mentioned number of respondents with regard to every data collection technique used. That is to say, on one side, certain information was collected using questionnaire in written form, and other was collected using interview through oral expression by respondents. Hence, the information about the summary on collection of data was presented in table 4.1 below.

Table 4.1: Summary about the Distribution and Collection of Data

Department & Position		Data Collection Technique			
		Questionnaire	Percentage (out of 40 as 100%)	Interview	Percentage (out of 20 as 100%)
Administration & Finance	Accountant	8	20	8	40
	Auditors	2	5	2	10
	Others	10	25	0	0
Technical & Business	Various	20	50	10	50
Total		40	100.0	20	100.0

Source: Research Findings, 2013

Table 4.1 above denotes that the process of collecting data from respondents was 100% successful in the sense that the whole number of respondents proposed by the study was successfully met in both techniques. In the same order, it should be remembered that, all accountants and auditors participated in both processes, while 10 of 20 respondents from the departments of technical and business participated twice, i.e. in both processes of data collection techniques. Hence, the reason why, 40 total numbers of respondents who participated in questionnaire was intentionally used by this study as reference for 100% base in illustrating and presenting data collected through questionnaire. Similarly, 20 respondents as the total number of respondents who participated in the interview process, was likewise used by the study as 100% basis in presenting and illustrating responses collected from respondent through interview.

4.2 Respondents' Characteristics

In the initial stage, the study was interested to find the characteristics of respondents. The main aim of finding respondents' characteristics was just to get sure about some important elements like; age, sex, education background, and so on. In other words, such information was significantly helpful to this study since it was used to determine the consistence, validity, and even reliability of information from respondents which was expected to entail the effective and successful achievement of the study in hand.

4.2.1 Sex Distribution of Respondents

As mentioned earlier, one of the constituents used in finding respondents' characteristics, was sex distribution of respondents. This information was searched just in order to identify whether there was an aspect of gender balance in the running of MORUWASA activities or otherwise. This means, the study was focusing on finding whether MORUWASA as a parastatal employer respected the consideration of gender balance which has always been propagated

by the government of Tanzanian, and meanwhile find whether it was one of the supporters for gender discrimination or not. Thus, with regard to this aspect, respondents were required, each to mention his/her sex on the questionnaire whose results are presented in graph 4.1 below.

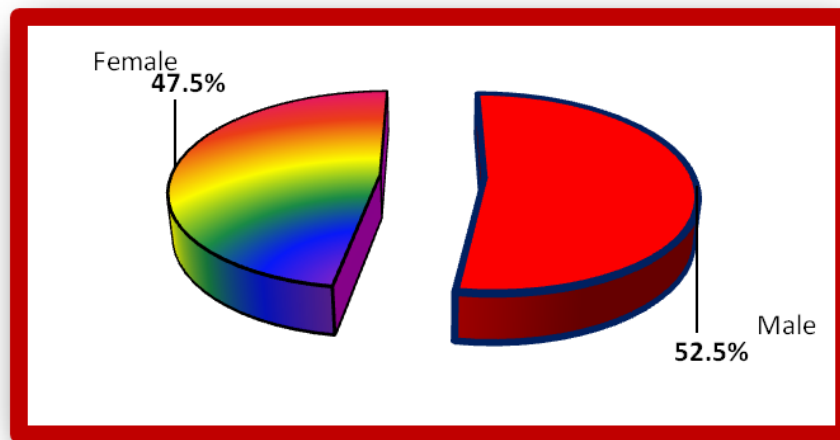


Figure 4.1: Sex Distribution of Respondents

Source: Research Findings, 2013

Based on figure 4.1 above, the study found that it is obvious that there an equal employment opportunity and gender balance at MORUWASA. This was so mentioned just based on the findings presented in graph 4.1 above where it is indicated that there is a very slight discrepancy in terms of percentage where males seem to slightly dominate female by only 5%. And perhaps that was due to several reasons like, males were more ready to participate in the study than female, or the number of male employees at MORUWASA was a bit bigger than females.

4.2.2 Age of Respondents

Another aspect used by the study in finding respondents' characteristics was age. This aspect was searched just to find whether there was a mixing-up of different generations in the running of MORUWASA activities. This was helpful as it gave the study a way forward to ascertain the extent to which MORUWASA considered employee of different backgrounds in terms of age in its activities. However, respondents were studied by questionnaire in which each was required to precisely mention his/her age whose results are presented in table 4.2 below. But, these results show that majority (35%) of all 40 respondents who participated in the questionnaire process indicated to be of the age between 31 and 40 years of age, while the least part (5%) of them indicated to be between 18 and 20 years.

Table 4.2: Age Distribution of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Between 31 and 40 years	14	35	35	35
	Between 18 and 20 years	2	5	10	45
	Between 21 and 30 years	8	20	20	65
	Between 41 and 50 years	10	25	25	85
	51 and above years	6	15	15	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Based on table 4.2 above, it is obvious that MORUWASA is very conscious about equal employment opportunity wherein it was found that almost all generations are involved in the running of its activities. Notwithstanding the fact that there is a very trivial difference in terms of percentage with regard to age distribution, yet still it is evident all generations have confirmed to be in existence in the running of MORUWASA activities. And undoubtedly this

testifies the extent to which a sense of equal employment opportunity is in effect at the said office.

4.2.3 Respondents' Areas of Expertise

The study had further investigated the aspect of areas of expertise possessed by employees in MORUWASA. The aim of investigating this aspect was done based on the consideration that, when an employee has expertise on particular area, that means he/she must undoubtedly possess a certain level of education, and consequently must be considered to have a certain level of awareness about the problem of financial resources use in their working place. Therefore, this implies, when such a consideration is in place that signifies someone is well informed and must possess reliable, valid information, which would necessarily lead the study to draw nice conclusion.

Results about areas of expertise had shown as accurate as it was expected. Because, it was found that, out of all 40 employees studied by questionnaire, 8 of them which make 20% are professional accountants, while only 2 others which make 5% are of finance expertise, and finally the remaining 30 which make 75% are of various areas of expertise such as business administration, engineering, and so on. Hence, in order to precisely show the details about these results, findings are presented in graph 4.2 below.

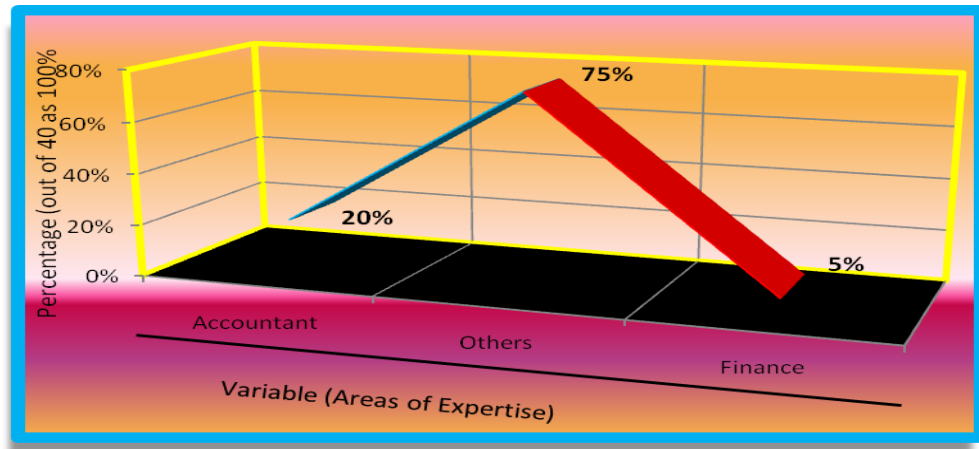


Figure 4.2: Employee Areas of Expertise

Source: Research Findings, 2013

Findings presented in figure 4.2 above elucidate that majority of employees at MORUWASA were of various professions amongst which included; business administration, engineering, etc. while the same results specified that, a few number of employees are professional accountant and finance. in fact, this logic is so, just based on the nature of the job itself whereby it is extensively relating to employ a huge number of technical-related expertise since it deals with water supply and waste water discharge.

4.2.4 Employees' Working Experience in MORUWASA

Another element used by the study in finding respondents' characteristics, was the aspect of experience. Moreover, experience was found through requiring respondents, each to indicate the exact duration he/she has already spent while working with MORUWASA. In such, respondents have been too positive in responding to this query wherein it was found that majority (37.5%) of them mentioned to have spent between 11 to 15 years, while the least part (7.5%) of them mentioned to have spent one year while working with MORUWASA of which are presented in table 4.3. below.

Table 4.3: Employees Experience with MORUWASA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	11 to 15 years	15	37.5	37.5	37.5
	1 year	5	12.5	12.5	50
	6 to 10 years	14	35	35	85
	Above 15 years	0	0	0	85
	2 to 5 years	10	25	25	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Based on table 4.3 above, the study then established that majority of MORUWASA employees had an experience of between 11 and 15 years in their respective work places. Therefore, this signified, majority of respondents involved in the study were potential and meanwhile had reliable, valid and evident information pertaining to whole matter about financial resources use and the intervention played by internal audit in favouring the effective use of such resource at MORUWASA. Even though, there were some few of them, who had not extended experience at MORUWASA.

4.2.5 Times Internal Audit was performed in a Year

In this stage, the study was interested to find how many times internal audit was performed in a year. The main aim of this concern was done based on the fact that, more the performance of internal audit more the possibility of enabling the effective use of financial resources to be in place. In this regard, it was a focus of the study to determine whether internal audit is performed less and the reason for why there is a persistent misbehaviour characterised by inappropriate use of financial resources in MORUWASA. Hence, respondents were studied through questionnaire in which they were required to specifically mention how many

time internal audit is performed in year whose result are presented in graph 4.3 below, where in it was found that majority of (70%) respondents mentioned, 4 times while another group (30%) of them said, they don't know.

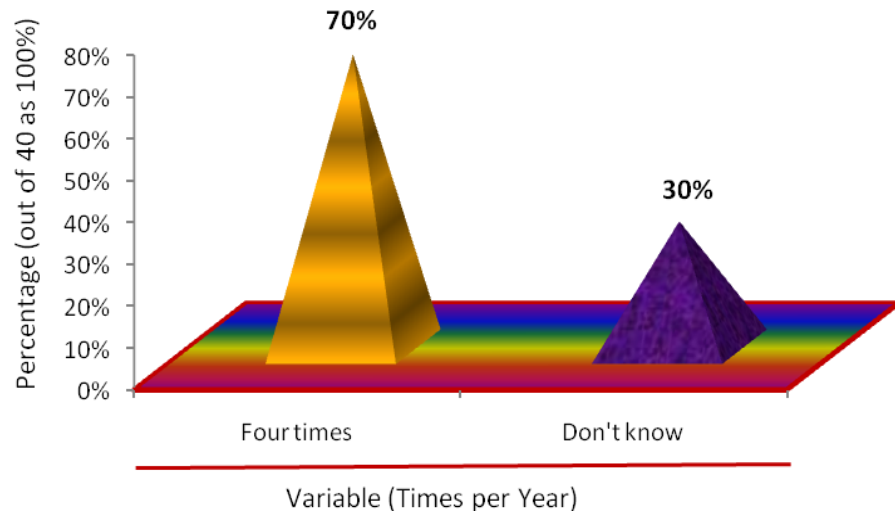


Figure 4.3: Times Internal Auditing Performed in a Year

Source: Research Findings, 2013

Based on findings presented in graph 4.3 above, it is obvious that internal audit at MORUWASA is performed four times in a year. This elucidates that there is an intense action in safeguarding all resources of the firm. Perhaps the only issue to think up to this stance was to find the extent to which internal audit was intervening in making sure resources particularly financial ones are safeguarded and consequently used as well as appropriately.

4.3 Role of Internal Auditing on Effective Use of Financial Resources in Government Agencies

In this section, the study was specifically aiming at studying the role of internal auditing on the effective use of financial resources in government agencies. In

studying the role, the study was on the assumption that internal auditing in today's practice is commonly used as tool by which most of today's firms can safeguard their assets/resources including money. That implied, one of the potential roles of internal auditing in any firm included amongst others, putting measure in such a way that financial resources as one of the prominent assets are effectively used. Hence, a number of aspects were used through which reliable and valid information were obtained through which a clear understanding about this matter was obtained as follows.

4.3.1 Can Internal Auditing Permits the Effective Use of Financial Resources?

One of the elements used by the study in finding the role of internal audits on the effective use of financial resources was whether there was any positive result in financial resources use achieved through the performance of internal audit. This explicated that, the study was focusing on determining whether with the presence of internal audit performance, consequently financial resources could be used as appropriate as allocated either in the budget or in any concerned plan. In order to accordingly find the precise logic about this aspect, the study investigated this information from respondents wherein each, separately, was required to either agree or disagree whether internal auditing can help their agency in permitting the effective use of financial resource or otherwise. Results from this concern were presented in table 4.4 wherein it was found that majority (50%) of MORUWASA employees have agreed, while only 7.5% of them have strongly disagreed.

Table 4.4: Role of Internal Auditing in Permitting the Effective Use of Financial Resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	20	55	50	50
	Disagree	7	17.5	17.5	67.5
	Strongly agree	10	25	25	92.5
	Strongly disagree	3	7.5	7.5	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Based on findings presented in table 4.4 above, the study found that it is obvious that internal audit can be used to successfully achieve effective use of financial resources in any firm including MORUWASA. This was so pointed out based on the whole picture from findings in table 4.4 wherein it was shown that the biggest number (50%) of all employees who responded to the questionnaire were ready to reveal out this information, upon which the study leaned on and considered as the reality governing the matter under concern.

Furthermore, the study further strived to get surer about what was previously found in terms of roles played by internal audit in permitting the effective use of financial resources. In this respect, respondents were interviewed, in which they intentionally required to precisely explain the way internal audit can allow government firms and especially their servants to effectively use financial resources. As well as it was expected, respondents have been of various views/opinions out of which the most common ones included the followings.

... Internal audit helps firms to use financial resources in very effective way in several ways including; it normally intervenes by preventing the misuses of fund since everyone in the company will fear of being disclosed during its performance. Because, it has been very common in our company that during the performance of internal audit all information relating to financial performance is disclosed.

In such internal audit detects by evaluating the way financial performance and other resources were consumed within a well-predetermined period. But also, internal auditing tasks involve; safeguarding all resources including financial ones, and the reason why all what has been consumed would necessarily be evaluated, and in case there is any abnormal behaviour in that use, then result will involve putting charges to responsible of that misconduct ...

Based on information obtained from respondents through interview, this study found that internal audit helps firm use financial resource very effectively just as it placed ways through which the whole compartment manifested during any financial period was openly detected and consequently known. Something, which was very crucial and considerable upon which everyone in the firm must take step to put him/her self in a safe side to avoid being charged of any abnormal financial consumption.

4.3.2 Rank of Internal Audit Role Vis-à-vis the Effective Use of Financial Resources

Furthermore, the study used the ranking procedure to precisely determine the extent to which employees at MORUWASA would rank its role with regard to the effectiveness achieved. In that respect, the study focused on finding reality based on everyone's experience on whether the role of internal audit was perceived as high or otherwise. In simple words, in case the rank would be perceived as being high, in parallel view that means, its role would have been perceived as being high too. Contrarily from the above, then the study would eventually rank it as low, and consequently would not be considered as a tool to safeguard firm resources. The meaning from this was that the higher the rank the higher the role of internal audit in permitting the effective use of financial resources perceived by employees, likewise, the lower the rank, the lower its role perceived and vice versa.

With regard to this matter, respondents were addressed a query, which required them to rank the role of internal auditing vis-à-vis the effective use of financial resources in their company. And results from this concern showed that 18 out of 40 respondents, who fully participated in the questionnaire, which make 45% ranked it as "excellent", while others 11 of them, which make 27.5% ranked it as "satisfactory", whereas 8 others which make 20% ranked it as "unsatisfactory", and finally the remaining 3 others which make 7.5% did not rank anything. These results are presented in graph 4.4 below for further clarification and understanding.

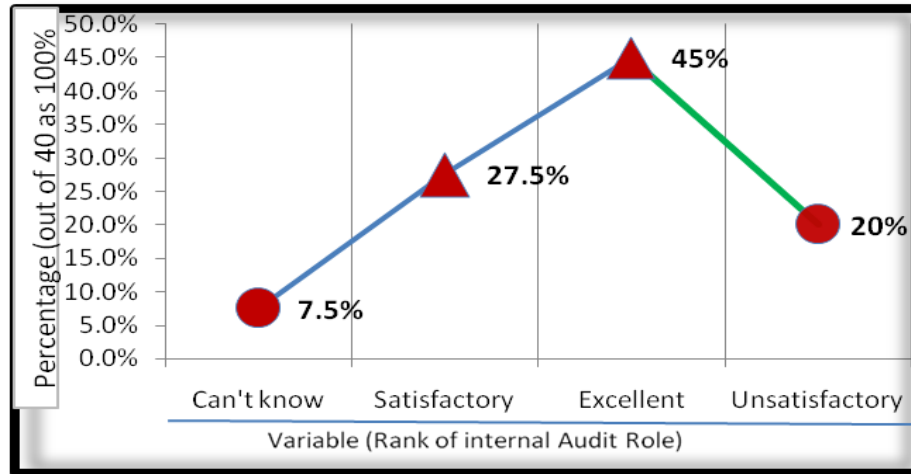


Figure 4.4: Rank of Internal Audit Role Vis-à-vis the Effective Use of Financial Resources

Source: Research Findings, 2013

Based on the findings presented in figure 4.4 above, the study found that the rank of internal audit was as excellent as perceived by majority (45%) of employees at MORUWASA. This was so pointed out just because a huge number of respondents have been ready to show this aspect. The study therefore considered that internal audit is quite a prominent tool through which the effective use of financial resources can be successfully achieved. Based on the same findings, the study also established that the rank of internal audit role is excellent and the reason why it put had afterwards put forward that, the performance of internal audit would be appropriately performed so as to allow the effectiveness of financial resources use be in place.

Furthermore, the study investigated on the same issue, which was about the way employees viewed the intervention of internal audit in allowing the effective use of financial resources in government agencies. In this respect the study used a very straight-forward query which was addressed to respondents by which they

were required to explain why and how the role of internal audit was perceived as excellent.

However, respondents in their views, which had included several opinions including the followings, have provided a number of responses.

... The rank of internal audit is considered excellent just due to the intervention its plays in making sure there is in place the security of firm's resources and through this aspect, consequently financial resources use get practiced effectively. This implies that safeguarding financial resources is one of the critical aspects in any firm and it is on the basis of this situation where emanates the reason for why it is viewed, perceived and consequently ranked as excellent. In other terms, it means, when financial resources are effectively used this doubtlessly explicates that there must be a reason or power behind which has fostered such a result in terms of effective use of financial resources to be in place. And one of the critical tools believed to be effective in achieving this result is nothing else rather than internal auditing ...

The information presented in the form of citation above, had provided a supporting fact for why the study established that internal audit role is excellent and this is due to several reasons amongst which include; because it is a tool through which financial resources can be used as appropriately as effectively. This is being so mentioned simply by refereeing to the situation whereby every financial-related actions must be known, and reason for such would be in place. Majority of presented findings were able to specifically answer the research question, which was reading; what might be the role of internal audit on effective use of financial resources in government agencies? Based on the presented findings, the study thus believed that internal auditing in today's world had massively been used as a common tool for safeguarding firm's assets/resources

including money. Under that thought, it was assumed that the potential roles of internal auditing in any firm include amongst others, putting measure in such a way financial resources as one of the prominent assets are effectively used. And upon specific circumstance, errors, would be prevented, avoided and detected from through which the misappropriating of financial resources by public servants would eventually go absent. Thus, the study realised that, obviously, internal audit can be used to successfully achieve effective use of financial resources in any firm including MORUWASA.

This was so realised based on the picture from findings wherein it was shown that the one of the internal auditing roles is to permit the effective use of financial resources in any firm including parastatal ones.

Likewise, based on the findings, the study realised that internal audit helps firm use financial resource very effectively just as it places standards by which the whole compartment manifested during any financial period must be detected and consequently known. Something, which was very crucial and considerable upon which everyone in the firm must take step to put him/her self in a safe side to avoid being charged of any abnormal financial consumption.

The study had further realised that according to employees perception, the rank of internal audit role was excellent in helping firm to safeguard their resources. This was so realised following the reason that a huge number of findings had shown that internal audit was quite a prominent tool through which the effective use of financial resources can be successfully achieved. Other reasons included amongst included; because it is a tool through which financial resources can be used as appropriately as effectively. Such information was so ascertained based on the fact that every financial-related actions must be known, and reason for such would be in place altogether through the performance of internal audit.

4.4 Reasons of having Financial Resources in Government Agencies

The study was also interested to specifically establish the importance of having effective use of financial resources in government agencies. It should be remembered that financial resources was described by this study as any resource relating to finance or precisely to money. That means, financial resources was precisely viewed as any money available in a firm for specific activity like; spending in the form of cash, liquid securities and credit lines before going into business for specific application with regard to specific activity or task as allocated either in the budget or in any plan/programme. With that description, therefore, the only connotation implied here is that firms hold financial resources just to let themselves capable of meeting various expenses necessitating money in particular. However, with specific focus to the topic dealt with, the study was interested to find the exact objective for why MORUWASA opt for having financial resources in its day-to-day running of activities.

4.4.1 Financial Resources as Source for Firm's Purchasing Power

One of the elements used to determine the objective of having financial resources in government agencies were centred on finding whether it is or not true that one of the objectives is to allow firm to have purchasing power available in the whole business life. The assumption laid down in this stage was intending to understand whether one of the reasons for having financial resources in government agencies was the possibility of having purchasing power whenever any expenditure is to be met. Because, objective of having financial resources may be several and may vary from one entity to another depending on specific tasks intended to met or achieved.

In this respect, respondents were studied by the study with the aim to obtain different views from them, which would specify the reason being sought. They

were then asked to either agree or disagree whether one of the objectives for why MORUWASA possesses financial resources include placing purchasing power always available so that it successfully meet all expenditures and latter achieve all its planned duties. Response about this matter was presented in table 4.5 below, wherein it was found that majority (45%) of them have agreed, while the least part (10%) of them said, can't know.

Table 4.5: Financial Resources as Source for Firm's Purchasing Power

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	18	45	45	45
	Disagree	9	22.5	22.5	67.5
	Can't know	5	12.5	12.5	80
	Strongly agree	8	20	20	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Based on findings presented in table 4.4 above, the study had then established that one of the objectives of having financial resources in any firm is to make sure there was a purchasing power in the firm. This was so established based on the results from findings in table 4.4 where majority of employees have shown the exactness of this reality. This means, firms do possess financial resources to allow themselves to meet all necessitated expenditures and purchasing power as well.

Information presented in the above stage was to some extent sufficient to narrate the whole affair about objective of having financial resources, but the study realised that there was a need to get further precision about the same point of concern. If so, during the interview, employees were interviewed in which they

were required to explain the way financial resources can be used as source for firm's purchasing power. In that scenario, the focus of the study was just to determine or to get more precision about the intervention played by internal audit as means for purchasing power in any firm. Therefore all interviewed employees had many opinions regarding this query. In fact, out of several opinions they had mentioned, the followings were some of the common ones.

... Financial resources is the only resources which can allow not only MORUWASA but even any other entity to meet different expenses like; acquiring different items for the running of the office as a whole, salary basis to employees, and many other financial-related expenses. The reason for why any firm needs to possess financial resources if it has to make certain progressive steps in both its activities as well as its development as a whole. Again, financial resources are a capital basis for any organization regardless of business type or nature...

The above presented information provided very much clear picture about further objective of having financial resources in any firm ruling in government agencies as they were on the main glance. Moreover, according to these findings, the study realised that one of the objectives for why government agencies possess financial resources was nothing else rather than allowing firm to meet daily expenses such as acquiring various elements needed for daily expenses, salary basis to employees, and so on. But also, findings denounced that financial resources may be used as capital basis for any organization regardless of business type and nature.

4.4.2 Financial Resources as Surety of Running Firm’s Activities in a Precise Manner

In this section, the study wanted to exactly find whether it was true that having financial resources could signify having surety of running firm’s activities in precise manner. That is to say, financial resources were to be scrutinised as to whether they could allow any firm to run its activities with surety. In such, respondents were asked to state whether it was true or false that financial resources can help any firm including yours, to possess surety of running activities in a precise manner, whose results showed that 37 respondents which make 92.5% said, it is true, while 3 others which make 7.5% did not answer this question for unknown reason, and finally none of them said, it was false.

Table 4.6: Surety of running any Firm’s Activities with the Availability of Financial Resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	37	92.5	92.5	92.5
	False	0	0	0	92.5
	No response	3	7.5	7.5	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Based on the findings presented in table 4.6, the study established that, truly, financial resource is the basis for why any firm including MORUWASSA can carry its activities with huge surety. This evidence was so stated based on the results from the findings in table 4.6, wherein majority of respondents were ready to put precision about that aspect upon which the study had relied on the real logic about that point of concern.

It is up to this stage very clear that all findings presented in the preceding section were striving to answer another specific research question that read; what are the objectives of having financial resources in government agencies? In such, findings had been able to scrutinise an important aspect wherein they had first described financial resources as any resource relating to finance or precisely to money. Thus, based on that description, the meaning obtained was that, financial resources meant precisely money available in a firm for specific activity like; spending in the form of cash, liquid securities and credit lines before going into business for specific application with regard to specific activity or task as allocated either in the budget or in any plan/programme.

Findings about this point of view have stipulated that, one of the objectives of having financial resources in any firm is to make sure there a purchasing power in the firm. Therefore, based on those findings, the study had then realised that firms do possess financial resources to allow themselves have full purchasing power and consequently meet all necessitated expenditures. The expenditures may be in terms of daily expenses such as acquiring various elements needed for daily expenses, salary basis to employees, and so on. But also, findings denounced that financial resources may be used as capital basis for any organization regardless of business type of nature. Again, the same findings stipulated that with the presence of financial resources, any firm may be capable of having surety of running its activities in a precise manner. Thus, based on this fact, the study had further realised that, another specific objective of having financial resources in many firms included placing the surety of running activities in a precise manner.

4.5 Effectiveness of Internal Auditing on improving the Use of Financial Resources at MORUWASA

Furthermore, the study was again specifically aiming at determining the effectiveness of internal auditing on improving the use of financial resources at MORUWASA. In this respect, what was meant was that internal audit should be termed as effective if and only if the said process resulted into appropriate consumption of money, which should always be marked by the use of financial resources in accordance with the way they were allocated, and expected to be used. The assumption hereunder was that, the result from the use of financial resources in any organization including MORUWASA in particular would explicate the effectiveness of internal audit, according to this study. Interestingly, the study wanted to simply to determine the extent to which effectiveness of internal audit could be explicated by improved use of financial resources in MORUWASA.

4.5.1 Effect of Internal Audit on the use of Financial Resources

In determining the effectiveness of internal auditing on the effective use of financial resources, the study focused on finding the effect of internal audit of the use of financial resources, particularly in government agencies. In this respect, the study wanted just to determine the extent to which once internal audit applied accordingly, what might be the result in terms of either effective or ineffective use of financial resources in any agency including parastatal ones. Therefore, particular results were needed in order to exactly find the logic about this matter. Thus, with regard to that concern, respondents were required to explain what they thought from a list of several items, was the truest about the effect of internal auditing on the use of financial resource. Results were presented in table 4.4 below. Eventually, they said results elucidated that majority (48%) of them mentioned, helps in improving the use of financial resources, while none (0%) of them mentioned that internal auditing increases theft of financial resources.

Table 4.7: The Effect of Internal Auditing on the Use of Financial Resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Improves the use of financial resources	19	47.5	47.5	47.5
	Mitigate the use of financial resources	7	17	17.5	65
	Others (e.g. alleviate misallocation of fund, etc.)	14	35	35	100.0
	Increase theft of fund	0	0	0	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Findings in table 4.4 elucidated that internal audit in any organization including MORUWASA has huge effect especially in consenting the appropriate use of financial resources. In this regard, such an evidence was so found simply based on consideration from respondents, whereby it was shown that majority (47.5%) and others were on the view that internal audit's effect is in several ways among which included; improving the use of financial resources, alleviate misallocation of fund, and so on.

Such has remained as evidence as to what extent internal auditing has effect of the whole matter relating to the use of financial resources in any organization.

4.5.2 Internal Auditing and appropriate Use of Financial Resources

In this section, the study was focusing on finding exact picture which would inevitably describe the extent to which the presence of internal auditing in any organization can be the source from which financial resources would be used very appropriately. All this was just the continuation of finding precise effect of internal auditing on the effective use of financial resources in government agencies by mainly focusing on MORUWASA as the main concern and target point. In similar words, the focus here was to find whether with the presence of internal auditing if really financial users can appropriately use/consume financial resources in an accorded manner. Thus, employees who participated in the questionnaire were required to state whether it is true or wrong that the performance of internal auditing can cause majority of users in any agency including yours to use financial resource very appropriately.

Responses from this concern came out with meandering results as to the fact that there are some of employees who seemed to attach very little consideration on the intervention played by internal in allowing the appropriate use of financial resources. For, it was found that one huge group of respondents with 37.5% said, true, meanwhile another group with the same percentage rate said, wrong, and finally the remaining 25% said, not sure about the fact that performance of internal auditing can cause majority of users in any agency to use financial resources in an appropriate manner. Thus, these results are presented in graph 4.4 below for further comprehension.

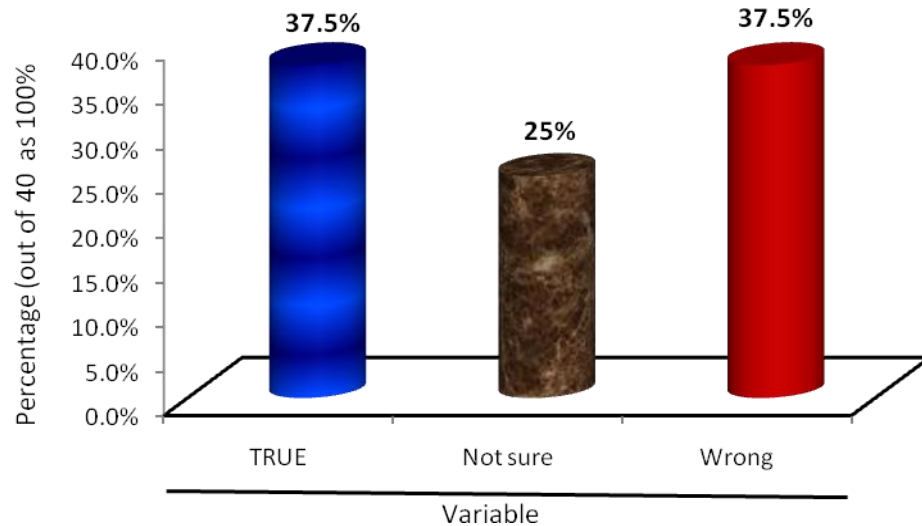


Figure 4.5: Whether Internal Auditing can cause the Appropriate Use of Financial Resources by Users

Source: Research Findings, 2013

Based on the findings in figure 4.5, it is true that internal audit can be the cause for why there may be an appropriate use of financial resources in any firms, ruling in MORUWASA in particular. Because, majority of respondents were ready to reveal out that reality, upon which this study relied on as the real picture concerning this aspect.

Based on findings presented in the preceding stage, the study took further steps to extensively ascertain the exactness of previous information. Having such a focus, interview process had intentionally addressed a question to respondents which was requiring them to explain the reason for why the performance of internal auditing can excite fund users in any organization to use financial resources as appropriately as in accordance with the allocation either in the budget or in any concerned plan. Thus, results from this concern have raised

several arguments from respondents amongst which there were some of them which were very similar and common as presented in citation below.

...Internal audit helps fund users to utilise financial resources very properly as stipulated either in the budget or in the concerned plan just due to its concern by nature. In this regards, with the presence of internal audit performance all people in the firm must be prudent in using financial resources as they must fear of being charged with any abnormal use. This means, in using financial resources all employees must adhere to the norm and procedure of doing so. Because, doing different from this, such misconduct must necessary if not detected that avoided by internal auditing. Therefore, employees will properly use financial resources simply to avoid any charge relating to mal-use of financial resources since they all know that internal auditing is very powerful to detect any kind of such misconduct...

Based on findings presented in citation above, it was then found that internal audit is such powerful tool, which can be used by any firm through which users can use financial resources very appropriately. This means with other reasons that the presence and performance of internal auditing can inevitably stand as an exciter through which employees in any firm must end up using financial resources as well as required and allocated from any means.

Furthermore, the study addressed similar question to respondents as the way to supplement reality to the preceding ones. In that way, respondents were required to either agree or disagree whether internal auditing is always performed by most of today's firms just to allow the effective use of financial resources. The aim of this query was just to get further precision about the preceding presented findings on whether the performance of internal auditing can consequently result into appropriate use of financial resources in government agencies including

MORUWASA in particular or otherwise. Resultantly, responses from this query showed that majority (62.5%) of them have agreed, while 10% others did not provide any response pertaining to this query and are presented in figure 4.6 below for more details.

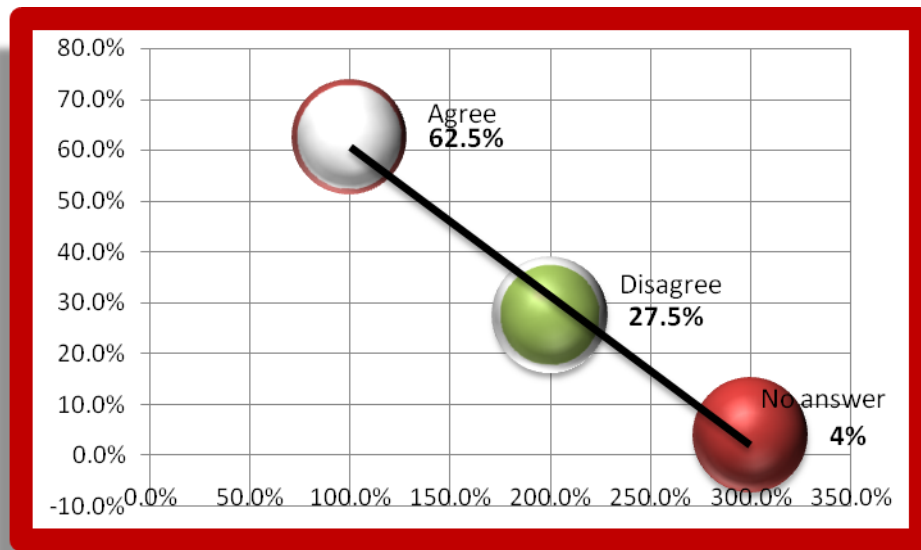


Figure 4.6: Whether the Performance if Internal Auditing can result into Proper Use of Financial Resource.

Source: Research Findings, 2013

Findings in figure 4.6 again, keep on ascertaining the exactness of effect derived from the presence and performance of internal auditing. In such, results précised that majority of respondents have been on the opinion that performance of internal auditing in their agency has been of great help especially by exciting the effective use of financial resources by users. This was to found simply based on findings where majority of employees were ready to reveal out this aspect.

4.5.3 Internal Auditing as a Means for Better Management of Financial Resources

Another element used in finding the effect of internal audit on the effective use of financial resources was, the way internal auditing could be used as a means for better management of financial resources in government agencies. In this respect, the study wanted to precisely establish whether there was any influence through performance of internal auditing upon which, consequently, financial resources might be appropriately managed and afterwards yield a good financial performance.

This means according to the assumption laid by the study, internal auditing was assumed to be one of the catalysts ways by which financial resources can be managed as well as it might be desired by any firm including MORUWASA. In that respect, each respondent, separately, was asked to reveal by stating whether it was true or wrong that internal auditing is performed by most of today's firms just as better way for the management of financial resources, whose result were presented in figure 4.7 below

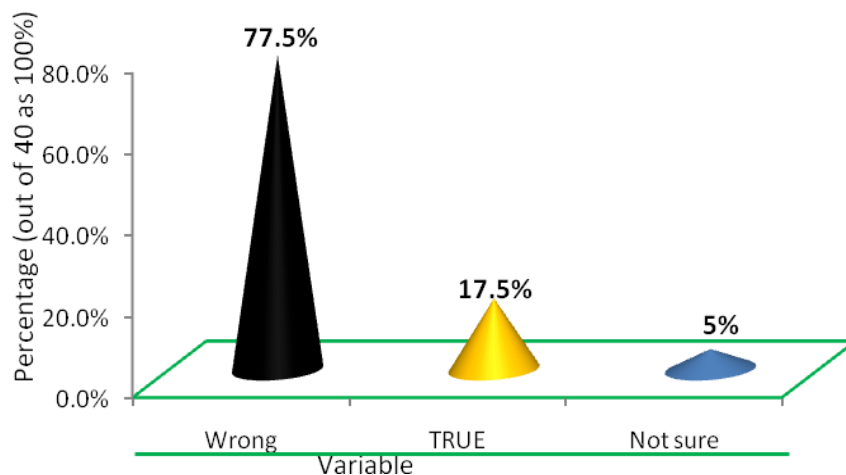


Figure 4.7: Whether Many Firm used Internal Audit to Better Manage of Financial Resources

Source: Research Findings, 2013

Based on findings in figure 4.6, the study established that, internal audits are performed in many of today's firms mainly for them to achieve the appropriate use of financial resources in their entities. This evidence was so mentioned, following the response from respondents presented in figure 4.6, wherein it was found that majority of them said, it is true to say, many firms, today, use internal audit for the better management of their financial resources.

To ascertain the preceding presented information, the study had strived to get more evidence from respondents. In that regard, the study was interested to find the real reason for why many firms including government agencies opted for employing internal audit in their entities.

In such, respondents were intentionally required to explain from everyone experience, and opinion, the way he/she thought was the real reason for why their agency and others use or perform internal auditing. Results showed that 55% said, to place the appropriate way and standards for utilising financial and other resources, 22.5% said, to make sure all procedures in resources utilisation are followed as well as planned, another 12.5% said, to make sure there is a well-directed procurement procedure and other 10% of them said, to mitigate blunders relating to financial utilisation.

Table 4.8: The Reason for using Internal Audit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To place the standards for all resources utilisation	22	55	62.5	62.5
	Procedures in resources utilisation are followed	9	22.5	27.5	90
	To place a well-directed procurement procedure	5	12.5	10	100.0
	To mitigate blunders relating to financial utilisation	4	10		
	Total	40	100.0	100.0	

Source: Research Findings, 2013

Based on table 4.7, the study established that, reasons for why many of today's firms use internal audit are several. But, for the case of government agencies including MORUWASSA in particular, internal audit is performed to allow the appropriate and standards resources utilisation, mitigate all blunders relating to financial utilisation, place well-directed procurement procedure, and other relating aspects. This was so mentioned, following the evidence from findings above, wherein all respondents had shown those points in separate position.

4.5.4 If Many GAs were Able to improve the use of Financial Resources through Internal Audit or Otherwise

In this step, the study wanted to ascertain whether through the performance of internal audit, many government firms were able to achieve the effective use of financial resources in their entities or otherwise. In that stage, the study had asked respondents to accept or refute whether their company was able to improve the use of financial resources through the performance of internal auditing from a list of assertions provided to them. Thus, results about this concern showed that, 31 of them, which make 77.5%, said, yes, while other 7 which make 17.5% said, no, and 2 others as 5% said, they were not sure on whether through the use of internal audit their company was able to improve the use of financial resources.

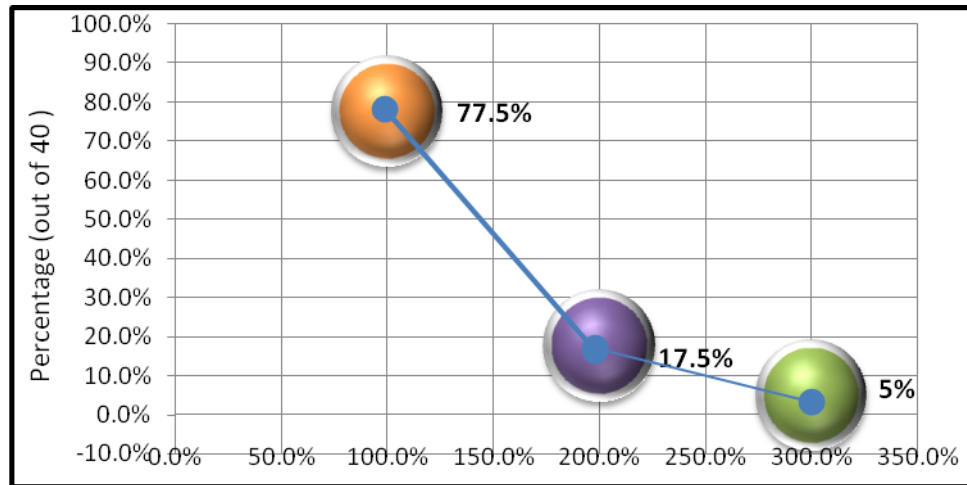


Figure 4.8: Whether Many Firms were Able to improve the use of Financial Resources through Internal Audit

Sources: Research findings, 2013

Findings presented in figure 4.7 denote that many firms including parastatal ones were able to improve the use of financial resources through internal audit. This information was so confirmed, following the fact that, majority (77.5%) of respondents who responded to the questionnaire had ascertained that fact.

The study had afterwards strived to ascertain the preceding information by interviewing respondents using similar query, which required them to explain the way internal audit was the source for why many government agencies were able to improve the use of financial resources. In fact, respondents were of few common responses amongst which they included; through internal audit, everyone in the organization was attentive in using fund as the way to avoid being charged of any relative blunder – the situation, which can inevitably cause anyone one to go penalize or even loose his/her job. Obviously, that opinion from respondents explicated that fear to go penalized and job security were amongst the topmost reasons for why many firms were able to improve the use

of financial resources through the application of internal audit. This means, as every stage in resources utilization would clearly be detected, examined, and monitored by the application of internal audit, everyone on the organization was attentive and eventually, firms could improve the use of financial resources.

In this regard, all findings presented were intentionally aiming at scrutinising the effectiveness of internal auditing on improving the use of financial resources at MORUWASA. That means, impliedly, the study wanted to explicate that internal audit should be termed as effective if and only if the said process has resulted into appropriate consumption of money, the situation, which can be marked by the use of financial resources in accordance with the way they were allocated, and expected to be used. This implies, the assumption hereunder was that effectiveness of internal audit according to this study may be explicated by the result form the use of financial resources in any organization including MORUWASA in particular. Interestingly, the study wanted to simply to determine the extent to which effectiveness of internal audit can be explicated by improved use of financial resources in MORUWASA.

More specifically, findings concerning this aspect elucidated that internal audit's effect was in several ways among which included; improving the use of financial resources, alleviate misallocation of fund, and so on. That means, internal audit in any organization including MORUWASA had huge effect especially in consenting the appropriate use of financial resources.

Similarly, the study had further realised that internal audit is such powerful tool and could be used by any firm through which users can use financial resources very appropriately. This means with other reasons that the presence and performance of internal audit can inevitably stand as an catalyst through which

employees from any firm must end up using financial resources as well as required and allocated by any means.

Findings further elucidated that performance of internal auditing in MORUWASA and other agencies has been of great help, especially by exciting the effective use of financial resources by users. Therefore, the study kept on realising that the effectiveness of internal audit was tangible and could eventually be determined by the changes resulted into the whole aspect of financial use. Because, it was found that, now, there is an aspect of appropriate financial resources use in most of government agencies in Tanzania, with focus on MORUWASA particularly. Similarly, such changes were inevitably the results of internal audits performed in many of today's' firms and what they have been able to achieve the appropriate use of financial resources in their entities. Meanwhile, it was found that many firms, today, use internal audit for the better management of their financial resources, and to allow the appropriate and standards resources utilisation, mitigate all blunders relating to financial utilisation, place well-directed procurement procedure, and other relating aspects.

Furthermore, it was up to here, arguable that internal audit was very much effective as it could extensively be explicated by the result into appropriated and improved use of financial resources. And to that, end, the study had consequently realised that many firms including parastatal ones were able to improve the use of financial resources through internal audit. Likewise, based on the findings, this study had also realised that, fear to go penalized and job security from employees were amongst the topmost reasons for why many firms were able to improve the use of financial resources through the application of internal audit. This means, as every stage in resources utilization would clearly be detected, examined, and monitored by the application of internal audit, everyone in the

organization was attentive, and eventually, firms could improve the use of financial resources as well.

4.6 Challenges encountered by the Internal Audit Department in ensuring Effective Use of Financial Resources in MORUWASA.

The study was further interested specifically to find out problems encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA. The focus in this regard was based on belief about the nature, scope, and responsibilities of internal audit practice. This meant, everyone in the organization will tend to either minimise or even cut off co-operation since many individual interests will not be achieved in a chaos manner – because, no freedom would be given to anyone to appropriate company's fund as he/she wants. More precisely, problems were searched in the following manner.

4.6.1 The Most Common challenge faced when ensuring the Appropriate Use of Financial Resources

In the process of findings specific problems encountered by the IAD in ensuring the effective use of financial resources, the study had thereafter strived to certify whether there was any problem faced by internal auditors in trying to put measure directing the appropriate use of financial resources at MORUWASA in particular. In that scenario, respondents were asked to accept or refute everyone's experience at MORUWASA whether he/she internal audit section faced any problem in trying to put measure that direct the appropriate use of financial resources. And results from that concern showed that a huge number of 34 respondents said yes, while other 7 of them said they could not know, and none of them said, no.

Table 4.9: Whether Internal Audit Section had faced any challenge in ensuring the Appropriate Use of Financial Resources or Otherwise

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	82.5	82.5	82.5
	No	0	0	0	82.5
	Cannot know	7	17.5	17.5	100.0
	Total	40	100.0	100.0	

Source: Research Findings, 2013

In reality, findings presented in table 4.8 were the basis for why this study ascertained that certain specific problem were faced by the internal audit section during the whole process of ensuring the appropriate use of financial resources was in place. This was so confirmed, simply based on those findings in table 4.8 where it was found that majority of respondents were ready to mention that fact, upon which they study relied on as the real logic about this matter.

Having found the preceding information, the study had afterwards strived to identify the common problems encountered specifically by the IAD at MORUWASA during the exercise of ensuring there is a appropriate use of financial resources. In that stage, respondents were addressed a question, which required them to mention from a list of assertions, any items they thought the most common problems internal audit faced in ensuring there is an effective use of financial resources. Very responsively, results showed that, 19 of them which make 47.5% mentioned two items including, lack of co-operation from peers and lack of reliable information. Another group of 12 respondents which make 30% mentioned only lack of co-operation from peers, 5 others which make 12.5% mentioned lack of consistency, 2 others which make 5% mentioned only lack of reliable information and other 2 which make 5% said, they did not know.

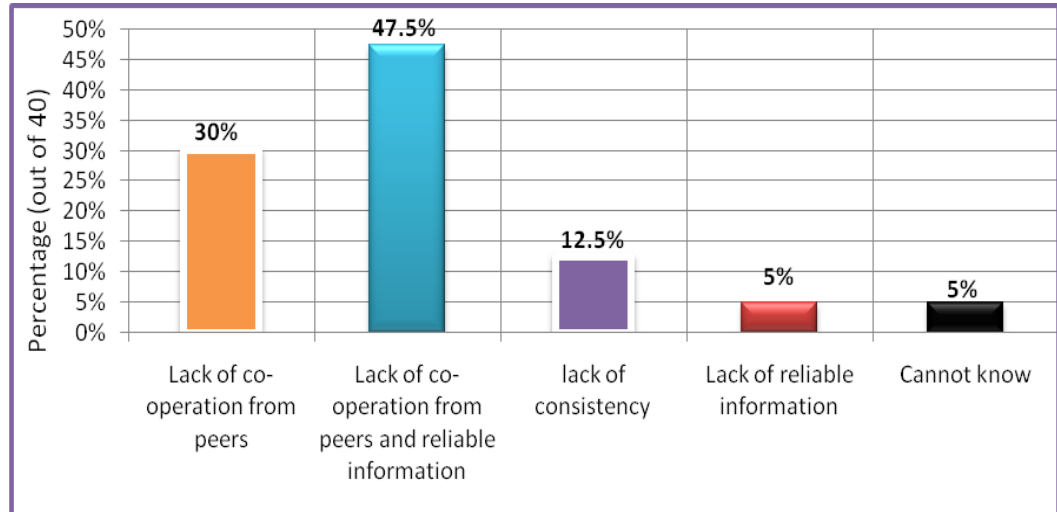


Figure 4.9: Common challenge Faced by Internal Audit Section in ensuring the Appropriate Use of Financial Resources at MORUWASA

Source: Research findings, 2013

Based on the findings presented in figure 4.8, the study established that common problems faced during the process of ensuring the appropriate use of financial resources at MORUWASA had included; lack of co-operation from peers, lack of reliable information, and lack of consistency. This was found exact, since almost all elements provided from question was mentioned by a certain number of respondents.

4.6.2 Basis for the challenge Encountered

In this section, the study wanted to find the base from the problem encountered by IAD when putting measure directing the appropriate use of financial resources at MORUWASA. In other illustrative terms, the study intended to find whether the problem encountered would be associated with what actions, which occurred during that process, upon which the internal audit section encountered the hereunder-meant problems. The only way used in finding the logic about this

aspect was through interview in which respondents were required to explain the actions to which the problem encountered would be associated. Very precisely, responses from this concern were not as different as from the logic found in preceding sections of the study. For, many respondents were on the following views.

...Many of the problems encountered by the IAD at MORUWASA would inevitably be associated with the phenomena from many staffs to not being ready to furnish reliable information pertaining to the use of different resources carried out with any accounting period. Because, the reality was that, many of the resources were utilised and appropriated in a non-predetermined manner to the extent either majority of them would be charged with such misconduct – the situation, which in turn would eventually lead them to lose their job or going penalised. As the results, many of them were not ready to provide any co-operation to internal auditors and consequently most of needed reliable information could not fully be obtained. Even though, still, with the presence and augmenting intervention of internal audit, now, things seemed to be different since majority of the already-mentioned problems are reduced day after day...

Based on the findings gathered from the interview and presented in terms of citation above, the study had then realised that, nothing else would be associated with the encountered problems rather than lack of co-operation from fellow workers to internal auditors. This was found exact in the sense that, it seemed, many of the staffs were responsible of fund misusing and to avoid any charge and penalty, notably, they ended up evacuating the needed co-operation to internal auditor and latter on, the whole process was unable to obtain all needed reliable information for it to be successfully performed.

4.6.3 Comparison about the Effectiveness achieved by Internal Audit on the Effective use of Financial Resource Before, and After its establishment

In this stage, the study was focusing on comparing the trend in the use of financial resources with regard to two periods including; before and after the integration of internal audit at MORUWASA. More specifically, the intention here was to find whether MORUWASA was able to improve the use of financial resources after integrating the application of internal audit or otherwise. In other terms; the aim was to find whether the integration of internal audit was one of the catalysts for why MORUWASA and other government entities were able to achieve the effective use of financial resources as well.

In order to findings the logic about this aspect, respondents were interviewed to make comparison by ranking the actual level of the effective use of financial resources since MORUWASA had integrated the application of internal audit in their entity. In that regards, majority of respondents were on several views amongst which the followings were included.

... Since MORUWASA had established the internal audit function, situation in terms of resources utilisation had changed and marked by improved use of not only financial resources but even any other resource of the company. For, now, every step in resource utilisation is well monitored, and managed to the extent every user in the company is prudent of avoiding being charged of any misconduct relating to financial or any other resource utilisation. One of the tangible example is that, now, every item purchased must be explicated by a receipt, which is often demanded by internal auditors after any activity relating to that kind was undertaken by any staff...

Based on the findings presented in terms of citation above, the study realised that MORUWASA was able to achieve certain changes from ineffective to effective resources utilisation – something, which, inevitably was rendered possible by the integration and application of internal audit. In other terms; before the integration of internal audit, MORUWASA could not achieve as effective use of financial resources as it was now. Also, this means, the integration of internal audit was the mere catalyst for why most of government agencies including MORUWASA could achieve the effective use of financial resources and other resources respectively.

In addition to all, what were presented about what might be the problems encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA, it should be retained that, a lot of issues were presented upon which the following discussion was carried out. Initially, it should be remembered that the focus in this regard was based on belief about the nature, scope, and responsibilities of internal audit practice. That meant, either everyone in the organization will tend to minimise or even cut off co-operation, since many individual interests will not be neither favoured nor achieved in a chaos manner because, no freedom would be given to anyone to appropriate company's fund as he/she wants. More precisely, based on the findings, problems were found and scrutinised in the following array.

In reality, if you look at the findings presented above, you will realize that findings had elucidated that, there were certain specific problems faced by the internal audit section during the whole process when ensuring the appropriate use of financial resources was in place. Based on those findings, the study then realised that common problems faced during the process of ensuring the appropriate use of financial resources at MORUWASA had included; lack of co-operation from peers, lack of reliable information, and lack of consistency.

Meanwhile based on the same findings, the study had further realised that nothing else would be associated with the encountered problems rather than lack of co- operation from fellow workers to internal auditors. This was found exact in the sense that, it seemed, many of the staffs were responsible of fund misusing and to avoid any charge and penalty, notably, they ended up increasing the needed co-operation to internal auditors and latter on, the whole process was able to obtain all needed reliable information for it to be successfully performed.

4.7 Ways towards improving the Use of Financial Resources in GAs

Finally, the study was aiming at specifically furnishing recommendations for improvement in effective use of financial resources in MORUWASA. This aspect was so searched following the reason that much from findings had provided the extent to which there was a need for the active intervention of internal audit to be in place in GAs in Tanzania. Because, a lot of ideas from findings had provided that with the presence of internal audit, notably, many changes would be experienced such as; increased co-operation from peers, availability of consistency and many others relative elements. Nevertheless, above all, the study wanted simply to make sure there is a solution by which most of GAs would go able of improving the use of financial resources in their entities as well.

One of the ways used in furnishing recommendation was by examining whether, the allocated fund can still be misused even in the presence of internal audit or otherwise. In this regard, the study wanted to exactly find whether many of users in the companies could still misappropriate fund without fearing of either being charged of such blunders or even of losing their job at all.

This aspect was so searched based on the evidences from preceding sections, which had massively connoted the way internal audit came and intervened as one

of the catalysts from reducing the misuse of fund in GAs. Therefore, respondents were addressed a query which was requiring them to either agree or disagree whether it is true that, with the presence of internal auditing in their company, none of them can again misuse allocated fund in fearing to be accused of theft-related charge. And results showed that all 40 respondents which make 100% had agreed, which means none of them had disagreed.

Based on that result, the study had immediately established that one of the ways to improve the use of financial resources in any company including parastatal ones; included the appropriate application of internal audit. Ideally, this kind of suggestion was vivid and clear in the sense that, with the presence and application of internal audit, every step and aspect undertaken in any activity relating to resources utilization must necessarily be detected, monitored, assessed, and so no. which means on the other hand, even errors can be either eliminated or avoided in that process.

After finding the above information, the study had further strived to ascertain the accurateness of the above presented information. In that respect, respondents were also interviewed to explain the way it was possible with the presence of internal audit, none in the company can again misuse allocated fund. And respondents were on the views that;

... with the presence of internal audit, everyone in the company will tend to rely on the allocation from budget and all relating steps required in utilizing any resource of the company. Because, different from that way, may will end up going charged of many blunders and consequently penalized or dispelled from their job – it depends on the norms available in every company respectively ...

In reality, it was very evident from the findings above that, still internal audit remained the only tool through which any firm including MORUWASSA can successfully reduce the misuse of fund in their entities. This was so mentioned, following the fact that, many of interviewed respondents had provided common views which had mostly included the presented opinions.

Findings in this final stage of data presentation and discussion, were specifically aiming at furnishing recommendations for improvement in effective use of financial resources in MORUWASA. This aspect was searched, following the reason that much from findings had provided the extent to which there was a need for the active intervention of internal audit to be in place in GAs in Tanzania. Because, a lot of ideas from findings had provided that, with the presence of internal audit, notably, many changes would be experienced such as; increased co-operation from peers, availability of consistency and many others relative elements, responsible for the effective application of internal audit and in turn for the appropriate use of financial resources. Nevertheless, above all, the study wanted simply to make sure there is a solution through which most of GAs would go able of improving the use of financial resources in their entities as well.

Based on the findings, it was found that one of the recommendations furnished by respondents included, either based on the reason that, since many GAs brought in internal audit, consequently, most of the allocated funds could no longer be misused. Because, findings had largely elucidated that many of users in the companies could no longer misappropriate fund as the result of fearing of either being charged of such blunders or even of losing their job at all, which could undoubtedly be reported by the said internal audit performance. So, immediately based on the findings, this study had further provided that, notably, one of the ways to improve the use of financial resources in any company including parastatal ones; included the appropriate application of internal audit.

Ideally, this kind of suggestion was vivid and clear in the sense that, with the presence and application of internal audit, every step and aspect undertaken in any activity relating to resources utilization must necessarily be detected, monitored, assessed, and so on. which means on the other hand, even errors can be either eliminated or avoided in that process.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter dealt with the whole process involved putting forward summary, conclusion and recommendation about the study on the role of internal auditing on effective use of financial resource in government agencies in Tanzania. In that end, all activities relating to summary, conclusion and recommendation were carried out based on the whole picture obtained from the presented and discussed findings.

5.2 Summary of the Findings

The tendency by many public servant to misuse and misappropriate fund remained the core preoccupation for many employers and stakeholders around the globe, since everyone, in particular, thinks of alleviating such problem and above all allow its resources go used as well as desirably planned. Under this connotation, of course, that is why it has become concrete that, internal audit get applied as the mere tool for circumventing that situation. From that recognition, the study was mainly aiming at finding out the role of internal auditing on the effective use of financial resources in local government agencies in Tanzania; the case of Morogoro Urban Water Supply and Sewerage Authority (MORUWASA), Morogoro Region, Tanzania. In the entire process, the study had utilised the methodology that had employed the use of interview and questionnaire as methods for gathering data from the field (sample size) of forty respondents. In the mean position, findings were presented using figures (like; graphs, pie charts) and tables obtained from the SPSS programme, both illustrated by percentage rate in interpreting and drawing discussion from every point involved in the study.

The study was aiming at achieving three specific objectives including: First; to assess the reasons of having financial resources in government agencies, second ; to assess the effectiveness of internal auditing on improving the use of financial resources at MORUWASA. And third; to find out challenges encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA.

Finding One: -The first findings of the study were concerned with scrutinized the role of internal audit on the effective use of financial resources in government agencies. Findings about this matter had included; first; about 97% of respondents ascertained that internal audit plays a potential role in any firm and that is why can be used to successfully achieve effective use of financial resources in any firm including MORUWASA. Another finding about this aspect included; internal audit helps firms to use financial resources in very effective way in several ways including; it normally intervenes by preventing the misuses of fund since everyone in the company will fear of being disclosed during its performance. Another finding concerning the role of internal audit had included; the rank of internal audit was as excellent as perceived by majority (45%) of employees at MORUWASA.

Thus, based on these findings, it was then realized that internal audit plays a significant role in several ways, but the most common one included; putting measure in such a way financial resources as one of the prominent assets are effectively used. And upon specific circumstance, errors, would be prevented, avoided and detected from through which the misappropriating of financial resources by public servants would eventually go absent.

The reason why, the study had put forwards that internal audit should always be used if and only if any firm has to successfully achieve effective use of financial resources.

Finding Two: In the second position of findings, certain issues were addressed concerning this matter from which the main aim was to assess the reason of having financial resources in government agencies. Thus one of the aspects addressed was that, 92.5% of respondents showed that one of the objectives of having financial resources in any firm is to make sure there is a purchasing power in the firm. Another finding about this aspect was that truly, financial resource is the basis for why any firm including MORUWASA can carry its activities with huge surety.

Thus based on the above reality, this study found that financial resources is the only resources which can allow not only MORUWASA but even any other entity to meet different expenses like; acquiring different items for the running of the office as a whole, salary basis to employees, and many other financial-related expenses. The reason for why any firm needs to possess financial resources if it has to make certain progressive steps in both its activities as well as its development as a whole.

Finding Three: - The third findings of the study were concerned with addressing issue relating to the effectiveness of internal auditing on improving the use of financial resources at MORUWASA. Thus, one of the core aspects of finding three showed that internal audit in any organization including MORUWASA has huge effect especially in consenting the appropriate use of financial resources. But also, 77.5% of respondents showed that internal audits are performed in many of today's' firms mainly with the purpose of achieving the appropriate use of financial resources in their entities. Meanwhile, 90% of respondents showed

that reasons for why many of today's firms use internal audit are several. But, for the case of government agencies including MORUWASSA in particular, internal audit is performed to allow the appropriate and standards resources utilisation, mitigate all blunders relating to financial utilisation, place well-directed procurement procedure, and other relating aspects. In that regards, about 77.5% of findings firms including parastatal ones were able to improve the use of financial resources through internal audit.

Finding Four: - The core focus for the findings in this stage was to find out challenges encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA. The focus in this regard was based on belief about the nature, scope, and responsibilities of internal audit practice. One of the sub-findings in this stage showed that 82.5% ascertained that there were certain specific problems faced by the internal audit section during the whole process of ensuring the appropriate use of financial resources was in place. Another high percentage (47.5%) showed that common problems faced during the process of ensuring the appropriate use of financial resources at MORUWASSA had included; lack of co-operation from peers, lack of reliable information, and lack of consistency.

5.3 Conclusion

Findings the way financial and other firm's resources could be fairly used, will always reaming the central activity of any modern organisation. That is why the application of internal audit has become the uniform tool when desiring to effectively achieve such task. Thus, based on the findings, the study concluded that, obviously, internal audit can be used to successfully achieve effective use of financial resources in any firm including MORUWASA. This was so concluded based on the picture from findings wherein it was shown that the one

of the internal auditing roles was to permit the effective use of financial resources in any firm including parastatal ones.

Conclusion One: Conclusion about the role of internal audit on the effective use of financial resources in government agencies: Findings about this matter showed 97% of respondents ascertained that internal audit plays a potential in any firm and that is why can be used to successfully achieve effective use of financial resources in any firm including MORUWASA. In such it allows firms to use financial resources in very effective way in several ways including; it normally intervenes by preventing the misuses of fund since everyone in the company will fear of being disclosed during its performance. Another finding concerning the role of internal audit had included; the rank of internal audit was as excellent as perceived by majority (45%) of employees at MORUWASA. Based on these findings, the study had put forwards the following conclusions.

The study had concluded that internal audit helped MORUWASSA in using financial resource very effectively just as it placed standards by which the whole comportment manifested during any financial period could be detected and consequently known. Something, which was very crucial and considerable upon which everyone in the firm had to take step to put him/her self in a safe side to avoid being charged of any abnormal financial consumption. Likewise, based on the findings, the study had further concluded that according to employees perception, the rank of internal audit role was excellent in helping firm to safeguard their resources. This was so concluded following the reason that a huge number of findings had shown that internal audit was quite a prominent tool through which the effective use of financial resources can be successfully achieved. Other reasons included amongst others; because it was a tool through which financial resources could be used as appropriately as effectively. Such information was so ascertained based on the fact that every financial-related

actions had to be known, and reason for such would be in place altogether through the performance of internal audit.

Conclusion Two: In the second position of findings, certain issues were addressed concerning this matter from which the main aim was to assess the reasons of having financial resources in government agencies. Thus one of the aspects addressed was that, 92.5% of respondents showed that one of the objectives of having financial resources in any firm is to make sure there is a purchasing power in the firm. Another finding about this aspect was that truly, financial resource is the basis for why any firm including MORUWASA can carry its activities with huge surety. Thus, based on these findings, the study had therefore concluded the following.

Based on the findings presented and discussed about the objectives of having financial resources in government agencies, concluded that one of the objectives of having financial resources in any firm is to make sure there a purchasing power in the firm. Therefore, based on those findings, the study had then concluded that firms possessed financial resources just to allow themselves have full purchasing power and consequently meet all necessitated expenditures. But also, based on the same findings, the study concluded that, financial resources could be used as capital basis for any organization regardless of business type and nature. Again, based on the same findings the study concluded that with the presence of financial resources, any firm may be capable of having surety of running its activities in a precise manner. But also, specific objective of having financial resources in many firms included placing the surety of running activities in a precise manner.

Conclusion Three: - The third findings of the study were concerned with addressing issue relating to the effectiveness of internal auditing on improving

the use of financial resources at MORUWASA. Thus, one of the core aspects of finding three showed that internal audit in any organization including MORUWASA has huge effect especially in consenting the appropriate use of financial resources. But also, 77.5% of respondents showed that internal audits are performed in many of today's firms mainly with the purpose of achieving the appropriate use of financial resources in their entities. Meanwhile, 90% of respondents showed that reasons for why many of today's firms use internal audit are several. But, for the case of government agencies including MORUWASA in particular, internal audit is performed to allow the appropriate and standards resources utilisation, mitigate all blunders relating to financial utilisation, place well-directed procurement procedure, and other relating aspects. In that regards, about 77.5% of findings firms including parastatal ones were able to improve the use of financial resources through internal audit.

Initially, the study had realised that, effectiveness of internal audit can be explicated by improved use of financial resources in MORUWASA. Because, findings concerning this aspect elucidated that internal audit's effect was in several ways among which included; improving the use of financial resources, alleviate misallocation of fund, and so on. That means, internal audit in any organization including MORUWASA had huge effect especially in consenting the appropriate use of financial resources. Similarly, the study had concluded that, internal audit was such a powerful tool and could be used by any firm through which users can use financial resources very appropriately. That means with other reasons, the presence and performance of internal auditing can inevitably stand as a catalyst through which employees from any firm must end up using financial resources as well as required and allocated by any means.

Findings had further elucidated that performance of internal auditing in MORUWASA and other agencies has been of great help, especially by exciting

the effective use of financial resources by users. Therefore, the study had then concluded the effectiveness of internal audit was tangible and could eventually be determined by the changes resulted into the whole aspect of financial use. Because, it was found that, now, there is an aspect of appropriate financial resources use in most of government agencies in Tanzania, with focus on MORUWASA particularly. Similarly, such changes were inevitably the results of internal audits performed in many of today's' firms and what they have been able to achieve the appropriate use of financial resources in their entities. But also because, it was found that many firms, today, use internal audit for the better management of their financial resources, and to allow the appropriate and standards resources utilisation, mitigate all blunders relating to financial utilisation, place well-directed procurement procedure, and other relating aspects.

Furthermore, the study concluded that internal audit was very much effective as it could extensively be explicated by the result into appropriated and improved use of financial resources. Due to that reason, that is why the study had then concluded that, many firms including parastatal ones were able to improve the use of financial resources through internal audit. Likewise, based on the findings, this study had also realised that, fear to go penalized and job security from employees were amongst the topmost reasons for why many firms were able to improve the use of financial resources through the application of internal audit. In that scenario, it means, as every stage in resources utilization would clearly be detected, examined, and monitored by the application of internal audit, everyone in the organization was attentive, and eventually, firms could improve the use of financial resources as well

Conclusion Four: - Conclusion about the challenge encountered by the internal audit department in ensuring effective use of financial resources in

MORUWASA. The focus in this regard was based on belief about the nature, scope, and responsibilities of internal audit practice. One of the sub-findings in this stage showed that 82.5% ascertained that there were certain specific problems faced by the internal audit section during the whole process of ensuring the appropriate use of financial resources was in place. Another high percentage (47.5%) showed that common problems faced during the process of ensuring the appropriate use of financial resources at MORUWASA had included; lack of co-operation from peers, lack of reliable information, and lack of consistency. Similarly, 82% from the findings showed that nothing else would be associated with the encountered problems rather than lack of co-operation from fellow workers to internal auditors. This was found exact in the sense that, it seemed, many of the staffs were responsible of fund misusing and to avoid any charge and penalty, notably, they ended up evacuating the needed co-operation to internal auditor and latter on, the whole process was unable to obtain all needed reliable information for it to be successfully performed. Based on those findings, the study realised that certain specific problems were encountered by internal auditors during the practice of internal audit at MORUWASA.

In the process of finding the problems encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA, finding have shown that there were certain specific problems faced by the internal audit section during the whole process when ensuring the appropriate use of financial resources was in place. Based on those findings, the study then concluded that common problems faced during the process of ensuring the appropriate use of financial resources at MORUWASA had included; lack of co-operation from peers, lack of reliable information, and lack of consistency. Meanwhile based on the same findings, the study had further concluded that nothing else would be associated with the encountered problems rather than lack of co-operation from fellow workers to internal auditors. This was found exact in

the sense that, it seemed, many of the staffs were responsible of fund misusing and to avoid any charge and penalty, notably, they ended up increasing the needed co-operation to internal auditors and latter on, the whole process was able to obtain all needed reliable information for it to be successfully performed.

5.4 Recommendations

Many evidences were found from findings whose one of the common connotations had elucidated that, misuse of fund and other firm's resources was the central preoccupation of many firms and of this study in particular. Thus, based on the whole picture from findings, the study had been able to address the following recommendation so that further steps are taken to make sure the hereunder problem is rectified.

Recommendation One: About role of internal audit on the effective use of financial resources in government agencies: Findings about this matter had shown that internal audit plays a potential in any firm especially in allowing the effective use of financial resources in any firm including MORUWASA. The same findings about this aspect showed that internal audit helps firms to use financial resources in very effective way in several ways including; it normally intervenes by preventing the misuses of fund since everyone in the company will fear of being disclosed during its performance. Thus based on these findings, this study recommends that all firms in Tanzania, including government ones, would if not improve that means increase the application of internal audit so that they get rid of various blunders relating to resources misuse. That means, by so doing, they will be able to achieve effective use of financial resources as well as desirable from all angles.

Recommendation Two: About the reasons of having financial resources in government agencies. Findings concerning this aspect showed that one of the

reasons of having financial resources in any firm is to make sure there is a purchasing power in the firm. Another finding about this aspect was that truly, financial resource is the basis for why any firm including MORUWASA can carry its activities with huge surety. Thus based on those findings, this study put recommendation that financial resources would be as well as appropriately used in such a way that they allow not only MORUWASA but even any other entity to meet different expenses like; acquiring different items for the running of the office as a whole, salary basis to employees, and many other financial-related expenses. The reason for why any firm needs to possess financial resources if it has to make certain progressive steps in both its activities as well as its development as a whole, which can be rendered possible by the implementation of effective internal audit.

Recommendation Three: About the effectiveness of internal auditing on improving the use of financial resources at MORUWASA. In the initial stage of findings about this matter, it was found that internal audit in any organization including MORUWASA has huge effect especially in consenting the appropriate use of financial resources. The same findings showed that internal audits are performed in many of today's' firms mainly with the purpose of achieving the appropriate use of financial resources in their entities.

And reasons for why many of today's' firms use internal audit are several. But, for the case of government agencies including MORUWASA in particular, internal audit is performed to allow the appropriate and standards resources utilisation, mitigate all blunders relating to financial utilisation, place well-directed procurement procedure, and other relating aspects. Based on those evidences, this study had recommended that, still internal audit remains on the topmost place as the mere tool that can be used by any firms if and only if it has to achieve the effective use of financial resources and others.

Recommendation Four: - About the challenges encountered by the internal audit department in ensuring effective use of financial resources in MORUWASA. Likewise, findings about this aspect indicated that there were certain specific challenges faced by the internal audit section during the whole process of ensuring the appropriate use of financial resources was in place. One of the common challenge faced during the process of ensuring the appropriate use of financial resources at MORUWASA had included; lack of co-operation from peers, lack of reliable information, and lack of consistency. If so, the study had then recommended all public servants to build co-operation to internal auditors. This was so recommended based on the fact that it seemed, many of the staffs were responsible of fund misusing and to avoid any charge and penalty, notably, they ended up evacuating the needed co-operation to internal auditors and latter on, the whole process was unable to obtain all needed reliable information for it to be successfully performed.

In addition to all recommendations, it should be remembered that inevitably, many public servants had the tendency to misappropriate allocated fund just with the aim to protect their personal interest and ignoring the interests of the nation. Thus, based on that evidence, they herein are recommended to place the priority on the patriotism spirit than to any other aspect. Because, by so doing, they will be able to contribute among others to the development of the nation and eventually, the problem of fund misuse consequently, will be mitigated as well. Likewise, based on the findings, this study further puts recommendation to all GAs by beseeching them to think on improving the use of internal audit to the extent all activities steps involved in the resources utilisation become known as well as followed. But again, they should think of improving all motivational facets, because, that aspect might be one of the causes for why most of their employees engage themselves into financial-related blunders.

5.5 Area for Further Studies

Many reasons may fall in, when the step in recommending areas for further studies need to be addressed, following the nature and scope covered by the study in hand. But, in direct description, it should be remembered that, this study was very much limited in terms of areas, scope, and so many others fore-mentioned in the early stage to the extent the whole universe could not be covered. Based on that researchable fact, further studies are therefore recommended to touch either different area of knowledge or the same area of knowledge. The reason for such recommendation was drawn based on the fact that, by so doing, they will be able to extent, contradict, and even put more illustration about what were found by the actual one. More precisely, other studies could address areas like, role of internal auditing on the effective budget practice amongst public institutions.

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**Appendix A: QUESTIONNAIRE ON THE ROLE OF INTERNAL AUDIT ON
EFFECTIVE USE OF FINANCIAL RESOURCES
MZUMBE UNIVERSITY**

Dear Respondent,

Martha Mollel, the researcher of this study is in final year of her master degree course at Mzumbe University, campus of Morogoro. According to Mzumbe University's requirements, every student in final year must conduct a study of his/her interest and come out with solution to rectify the situation being faced by any community in partial fulfillment of the requirements for the award of Master of Science in Accounting and Finance offered by Mzumbe University. This means in order to attain the above mentioned goal, you are hereby kindly besought to assist the researcher by filling in this questionnaire and submit it back accordingly.

In case you may have any contribution, suggestion, advice, etc pertaining to how the study can be achieved very effectively, please, contact the researcher using the following addresses:

MarthaMollel,

P.O. Box; 5476, Morogoro

Mobile: (+255) 783 375 725, 713 478 462

E-mail: jmarywa2@gmail.com

Instruction

Please, answer this questionnaire by putting a (√) between bracket of an answer you find correct, and likewise answer by writing in a place you are asked to explain, mention, or state.

SECTION ONE

RESPONDENT'S CHARACTERISTICS

Question 1: Indicate your gender in one of the following genders

(a)	Female	<input type="checkbox"/>
(b)	Male	<input type="checkbox"/>

Question 2: Your age falls in which of the following series?

(a) <u>Between 18 and 20 years</u>	→	<input type="checkbox"/>
(b) <u>Between 21 and 30 years</u>	→	<input type="checkbox"/>
(c) <u>Between 31 and 40 years</u>	→	<input type="checkbox"/>
(d) <u>Between 41 and 50 years</u>	→	<input type="checkbox"/>
(e) <u>Between 51 and above years</u>	→	<input type="checkbox"/>

Question 3: Which among the followings is your area of expertise?

(a) Accounting []

(b) Finance []

(c) Other [] if other, please, indicate here:
.....

Question 4: For how long have you been working with MORUWASSA?

(a) One year []

(b) 2 to 5 years []

(c) 6 to 10 years []

(d) 11 to 15 years []

(e) More than 15 years []

Question 5: How often is internal auditing performed at MORUWASSA in a year?

(a) Once []

(b) Twice []

- (c) Thrice []
- (d) Four times []
- (e) More than four times []

SECTION TWO:
ROLE OF INTERNAL AUDITING ON THE EFFECTIVE USE OF FINANCIAL RESOURCE

Question 6: Do you agree or disagree that internal auditing can help your agency in consenting the effective use of financial resource?

- (a) I agree
- (b) I disagree
- (c) I strongly agree
- (d) I strongly disagree

Question 7: With regard to your answer in question 6 above, and from your experience, how can internal control help consent the effective use of financial resource?

Please, explain here:

.....

.....

.....

Question 8: How can you rank the role of internal auditing vis-à-vis the effective use of financial resources in your company?

- (a) Excellent []
- (b) Satisfactory []
- (c) Unsatisfactory []
- (d) Very low []
- (e) Cannot know []

SECTION THREE

REASONS OF HAVING IFNANCIAL RESOURCES

Question 9: Do you think there is any reason for having financial resources in your company?

- a) Yes
- b) No

Question 10: If your answer in question 9 above is yes, or no, what is do you think is the exact reason for why firms possess financial resources? Please, explain here:

.....
.....

Question 11: Is it true or false that financial resources can help any firm including yours, to possess surety of running activities in a precise manner?

- a) False []
- b) True []
- c) Cannot know []

Question 12: With regard to your answer in question 11 above, how can financial resources help firm place securities in the running of business? Please, explain here:

.....
.....

SECTION FOUR

EFFECTIVENESS OF NTERNAL AUDITING ON IMPROVING THE USE OF FINANCIAL RESOURCE

Question 13: Which among the following items, you think is the truest about the effect of internal auditing on the use of financial resource?

- (a) Increases theft of financial resource []
- (b) Mitigates the use of financial resource []

(c) Help in improving the use of financial resource []

(d) It leads to other effect []

If other, please, explain here:
.....
.....

Question 14: With regard to your answer in question 13 above, is it true or wrong that the performance of internal auditing can cause majority of users in any agency including yours to use financial resource very appropriately?

(a) True []

(b) Wrong []

(c) I am not sure []

Question 16: Do you agree or disagree that internal auditing is performed by most of firms just to allow the effective use of financial resource?

(a) I agree

(b) I disagree

Question 17: Is it true or wrong that internal auditing is performed just for a better management of financial resource? Please, explain here:

.....
.....

Question 18: From your experience and opinion, what do you think is the real reason for why your agency and others use or perform internal auditing? Please, explain in the blank space below.

Question 19: With regard to your answer in the above question, was your company able to improve the use of financial resources through the performance of internal auditing?

(a) Yes []

(b) No []

(c) I am not sure []

SECTION FIVE

**CHALLENGES ENCOUNTERED BY INTERNAL AUDIT DEPARTMENT IN
ENSURING THE EFFECTIVE USE OF IFNANCIAL REOURCES**

Question 20: From your experience since you have been working with MORUWASA, do you think internal audit section faces any problem in trying to put measure that direct the appropriate use of financial resources?

- a) Yes []
- b) No []

Question 21: From your experience in MORUWASA, what among the following are the most common problems internal audit face in ensuring there is an effective use of financial resources?

- a) Low cooperation from peers
- b) Lack of reliable information
- c) Lack of consistence

Question 22: Apart from the above answers, what are other problems you think internal audit section face in ensuring the effective use of financial resources in your company?

Please, mention here:

.....

SETION SIX

**RECOMMENDATION FOR IMPROVING THE EFFECTIVE USE OF
FINANCIAL RESOURCES**

Question 12: Do you agree or disagree that with the presence of internal auditing in your company, that none can misuse allocated fund in fearing to be accused of theft-related charge?

- (a) I agree []
- (b) I disagree []
- (c) I strongly agree []
- (d) I strongly disagree []
- (e) I am not sure []

Appendix B: GUIDING QUESTIONS FOR INTERVIEW

1. How do internal audit help firm use financial resources very effectively?
2. Why and how internal audit role is perceived as high/
3. How are financial resources means for purchasing power?
4. How well, your company was able to improve the use of financial resources through the internal auditing?
5. If there were challenges faced by internal auditors during the performance of internal auditors, would they be associated with what cause?
6. Why is it possible with the presence of internal audit, none in the company can again misuse allocated fund?
7. How would you compare the actual level of resources utilization especially Financial one (in terms of effectiveness and ineffectiveness) before and after the integration internal audit function in your company? Please respond by describing whether financial resources are used effectively now than before and vice versa.