

**IMPACT OF INTERNAL AUDIT EFFICIENCY ON  
EFFECTIVENESS OF FINANCIAL MANAGEMENT IN PUBLIC  
SECTOR ORGANIZATIONS:  
A CASE STUDY OF LOCAL GOVERNMENT AUTHORITIES IN  
SHINYANGA REGION**

**By**

**Christian Kitojo**

**A Research Report Submitted in Partial Fulfillment of the Requirements for  
Award of the Degree of Master of Science in Accounting and Finance of Mzumbe  
University**

**2014**

**CERTIFICATION**

We, the undersigned, certify that we have read and hereby recommend for the acceptance by the Mzumbe University a dissertation titled “*The impact of internal audit efficiency on financial management effectiveness in public sector organizations: A Case study of Shinyanga local government authorities*” in partial fulfillment of the requirements for degree of Master of Science in Accounting and Finance (MSc A&F).

**Signature**

---

**Major Supervisor**

**Signature**

---

**Internal Examiner**

**Signature**

---

**External Examiner**

**Accepted by the Board of .....**

---

**DEAN/DIRECTOR, FACULTY/DIRECTORATE/SCHOOL/BOARD**

**DECLARATION  
AND  
COPYRIGHT**

I, **Christian Kitojo** declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature \_\_\_\_\_

Date \_\_\_\_\_

©

This thesis is a copyright material protected, under the Berne Convention, the Copyright Act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.

## **ACKNOWLEDGEMENT**

I would like to extend my sincere gratitude to all those who provide remarkable support in this academic undertaking.. I would like to thank my supervisor, Dr. Kipsha Erasmus, for his guidance and commitment in making this study a success. I wish also to thank Mr. Gambales G and Kinyaduka Bryson for the technical support especially in data analysis and proof reading, respectively.

I would also like to thank my employer and fellow employees at Shinyanga District Council and special thanks should go to former District Executive Director, Marry Qorro for granting me permission to pursue further studies.

Finally yet importantly, my gratitude goes to my family without whose support I would not have completed this Master's degree. Needless to mention are my parents, Mr & Mrs Kitojo W.,) academic group members, Luteli, Katuye, Pulkeria, and Laurencia, Doris(fiancée)

For all the above various people, I owe this achievement and I will forever remain sincerely indebted.

## **DEDICATION**

I dedicate this research to my family, relatives and friends who have been supportive to me economically and especially in funding my education all through. Their support and care have given me a positive altitude and transformation in life and may God bless and be with them forever.

## **ABBREVIATIONS**

CAG	Controller and Auditor General
FME	Financial Management Effectiveness
HODs	Head of Departments
IAE	Internal Audit Efficiency
IAGD	Internal Audit General Division
INTOSAI	International Organisation of Supreme Audit of Institution
ISA	International Standard on Auditing
LAFM	Local Authority Financial Memorandum
LGAs	Local Government Authorities
LGCDG	Local Government Capital Development Grants
NAO	National Audit Office
PCCB	Prevention and Combating of Corruption Bureau
PFA	Public Finance Act
PMO-RALG	Prime minister office Regional Administration and local government
SAI	Supreme Audit Institution
SDC	Shinyanga District Council

## **ABSTRACT**

The motive of this study was to evaluate the impact of internal audit efficiency in improving financial management effectiveness in public sector, specifically just after establishment of the Internal audit General Division (IAGD).

Fifty-eight responses from six district councils at shinyanga region were gathered using questionnaires, interviews and documentations and they were analysed using descriptive analysis, simple and multiple regression from excel and SPSS software programmes.

The findings revealed that there was inefficiency of internal audit units that is two out of six councils had efficiency while the rest were not efficient. In addition, it found that two out of six councils had better in financial management. Moreover, there a positive was relationship between internal audit efficiency and financial management effectiveness in Shinyanga LGAs. It seems to be strong with positive correlation of about 87.3%. Results also revealed that there were many factors that hindered financial management effectiveness these included: poor leadership in finance department, low salary, political interference and inconsistency of government policies. In the meantime, inadequate resources, lack of experience and poor relationship between internal audit efficiency and financial management effectiveness were main factors hindered efficiency of the internal audit.

This study recommends the government and responsible agencies to increase efforts in ensuring the internal audits in public sector are strengthened in order to meet citizen's expectation towards public funds.

## TABLE OF CONTENTS

CERTIFICATION .....	i
DECLARATION .....	ii
COPYRIGHT .....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
ABBREVIATION.....	v
ABSTRACT.....	vi
LIST OF TABLES .....	xii
LIST OF FIGURES .....	xiii
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION AND BACKGROUND INFORMATION .....</b>	<b>1</b>
1.0 Introduction.....	1
1.1 Background of the Problem.....	1
1.2 Statement of the problem .....	2
1.3 Objectives of the study.....	4
1.3.1 General objective .....	4
1.3.2 Specific objectives .....	4
1.3.3 Research question.....	4
1.4 Significant of the study .....	5
1.5 Scope of the study .....	5
1.6 Organization of the study .....	5
1.7 Definition of the key terms .....	6
1.7.1 Internal audit .....	6
1.7.2 Financial Management.....	6
1.7.3 Public Sector .....	6

<b>CHAPTER TWO</b> .....	7
<b>LITERATURE REVIEW</b> .....	7
2.0 Theoretical literature Review .....	7
2.1 Internal audit and financial management theories .....	7
2.1.1 Agency theory .....	7
2.1.2 Theory of inspired confidence .....	8
2.1.3 Financial Planning Cycle theory .....	8
2.1.4 Budgeting theory .....	9
2.1.5 Cost Analysis theory .....	9
2.2 Concept of Internal Audit .....	10
2.2.1 Integrity .....	10
2.2.2 Objectivity.....	11
2.2.3 Confidentiality .....	11
2.2.3 Competency.....	11
2.3 Scope and Objective of Internal Auditing.....	11
2.4 Concept of efficiency and internal audit efficiency .....	12
2.5 The concept of Internal Audit General Division (IAGD) .....	13
2.6 Internal Audit at the Local Government level.....	14
2.7 Internal Audit and Management.....	14
2.8 The concept of financial management .....	15
2.9 Concept of public financial management effectiveness.....	16
2.10 Concept of Internal Control System.....	17
2.11 Concept of Audit Committee .....	18
2.12 Empirical literature Review .....	19
2.13 Conceptual framework and research model .....	21
2.13.1 Introduction .....	21
2.13.2 Independence of Internal Auditors.....	23
2.13.3 Staffing and training.....	23
2.13.4 Management support to internal audit unit .....	24

2.13.5 Due professional care and experience.....	24
2.13.6 Interpersonal relationship.....	24
2.13.6 Advisory services.....	25
2.13.7 Fraud control.....	25
2.13.8 Financial Reporting.....	25
2.13.9 Budget Control.....	26
2.13.10 Allowable Cost.....	26
2.13.11 Cash Management.....	26
2.13.12 Compliance.....	26
2.14 Research hypotheses.....	27
<b>CHAPTER THREE.....</b>	<b>28</b>
<b>RESEARCH METHODOLOGY.....</b>	<b>28</b>
3.0 Introduction.....	28
3.1 Research Approach and Design.....	28
3.2 Study Area.....	28
3.3 Target population.....	29
3.4 Sampling procedure and Sample size.....	29
3.4.1 Sample size.....	29
3.4.2 Sampling techniques.....	31
3.5 Methods of Data Collection.....	32
3.5.1 Primary Data.....	32
3.5.1.1 Interview.....	32
3.5.1.2 Questionnaire.....	32
3.5.1.3 Observation.....	32
3.5.2 Secondary Data.....	33
3.5.2.1 Documentary review.....	33
3.6 Data Processing.....	33
3.6.1 Data Editing.....	33
3.6.2 Data Coding.....	33

3.6.3 Creating Data file .....	33
3.7 Data analysis .....	33
<b>CHAPTER FOUR</b> .....	<b>36</b>
<b>FINDINGS PRESANTATION AND ANALYSIS</b> .....	<b>36</b>
4.1. Introduction .....	36
4.1.1 Data Cleaning.....	36
4.1.2 Validity Test.....	36
4.1.3 Reliability Test.....	37
4.2 Efficiency of the Internal Audit .....	38
4.2.1 Independence of Internal auditors .....	38
4.2.2 Staffing, Training and Resources .....	39
4.2.3 Management Support .....	39
4.2.4 Due Professional Care.....	40
4.2.5 Interpersonal Relationship .....	41
4.2.6 Genera Internal Audit Efficiency .....	42
4.3. Financial Management .....	43
4.3.1 Compliance to Budget.....	43
4.3.2 Political contribution to financial Transactions .....	44
4.3.3 Cash Availability.....	44
4.3.4 Financial transactions compliance to laws and regulations .....	45
4.3.5 General Financial Management Effectiveness.....	46
4.3 Relationship between Internal audit Efficiency and Financial management Effectiveness.....	47
4.4 Factors affecting Internal audit efficiency and Financial Management Effectiveness ..	50
4.4.1 Factors affecting Internal Audit Efficiency.....	50
4.4.2 Factors affecting financial management effectiveness .....	53

<b>CHAPTER FIVE</b> .....	58
<b>DISCUSSION OF THE FINDINGS AND RECOMMENDATION</b> .....	58
5.1 Introduction.....	58
5.2. Assessment of the internal audit efficiency in Shinyanga LGAs.....	58
5.2.1. Independence of the Internal Auditors.....	58
5.2.2. Staffing, Training and Resources.....	59
5.2.3. Management support.....	59
5.2.4. Due professional care and Experience .....	60
5.2.5. Interpersonal Relationship .....	60
5.3 Measurement of the financial management effectiveness in Shinyanga LGAs.....	61
5.3.1. Compliance to budget .....	62
5.3.2. Cash availability.....	62
5.3.3. Political influence towards financial transaction .....	63
5.4. Measurement of relationship between internal audit efficiency and financial Management effectiveness in Shinyanga LGAs.....	63
5.5 Examining factors hindering the internal audit efficiency and effectiveness of Financial Management .....	65
5.5.1 Factors affecting internal audit efficiency.....	65
5.5.2 Factors affecting financial management effectiveness .....	65
<b>CHAPTER SIX</b> .....	67
<b>CONCLUSION</b> .....	67
6.0 Conclusion .....	67
<b>REFERENCES</b> .....	68
<b>APPENDICES</b> .....	73

## LIST OF TABLES

Table 3.1 Population of the selected sample .....	29
Table 4.1: Item-Total Statistics .....	37
Table 4.2: Reliability Statistics .....	37
Table 4.3 Independence of internal audit .....	38
Table 4.4 Staffing, Training and Resources .....	39
Table 4.5 Management Support findings .....	40
Table 4.6 Due professional care findings.....	41
Table 4.7 Mean scores extracted from of all indicators around all LGAs in Shinyanga Region.....	42
Table 4.8 Internal audit efficiency and financial management effectiveness indices.....	47
Table 4.9: t-Test: Paired Two Sample for Mean.....	50
Table 4.10: Correlations.....	51
Table 4.11: Model Summary.....	51
Table 4.12: ANOVA .....	52
Table 4.13: Coefficients.....	52
Table 4.14: Correlation .....	54
Table 4.15: Model Summary.....	54
Table 4.16: ANOVA.....	55
Table 4.17: Coefficients .....	56

## LIST OF FIGURES

Figure 2.1: The Conceptual Framework .....	22
Figure 4.1: Interpersonal Relationship .....	41
Figure 4.2: Compliance to budget .....	43
Figure 4.3 Political contribution to financial transactions .....	44
Figure 4.4: Cash availability .....	45
Figure 4.5: Financial compliance to laws and Regulations .....	46
Figure 4.6: General financial management effectiveness .....	47
Figure 4.7: Relationship between financial management effectiveness and internal audit efficiency .....	49

# **CHAPTER ONE**

## **INTRODUCTION AND BACKGROUND INFORMATION**

### **1.0 Introduction**

This chapter covers on the impact of internal audit efficiency on effectiveness of the financial Management in Tanzania public sectors. It comprises definition of key terms, background and statement of the problem, objectives of the study, research questions, significance of the study and organisation of the study.

### **1.1 Background of the Problem**

There is general awareness all over the world that there is need to pay attention in improving the public sector management. Because it is obvious that, a government constitutes the largest single business entity and her pattern of expenditure through its various parastatals, agencies and commissions stimulates many economic activities.

Because of the government huge involvement in economic activities, initiatives are being taken all over the world towards improving the standards of accounting development of internal auditing departments in governments (Angus & Mohamed, 2011).

In India, Brazil and Colombia, there have been experiences of excessive fiscal deficit due to inefficiency of internal control and audit. This is contrary to other nations such as the United States and the Britain that have championed efforts to improve internal audit system to curb the contemporary public financial management challenges (Baltaci & Yilmaz, 2006). In Nigeria, it has been reported that high level of corruption in the public sector is basically a result of failure of audit ( Hamad, 2013).

According to Commonwealth of Australia better practice guide (2007), in both public and private sectors, internal audit has long been recognised by Better Practice Entities as valuable resource and have given the internal audit function a key role in their governance arrangement.

However, the internal audit efficiency has been questioned over the years now. According to Vanit (2010), of 107 countries in which public expenditure and financial accountability (PEFA) assessment have been undertaken, only 2 countries scored A (A+) and only 4 scored B (B+) for the indicators on internal audit performance indicator. One hundred and one (101) countries scored either C or D for the effectiveness of internal audit, which concludes that globally internal audit efficiency is not yet as firmly established in public sector as external audit.

According to Muro (2010) on Quick Wins for Public Sector Internal Auditors in Tanzania, asserts that, despite recent development of internal audit in public sector and establishment of the Internal Audit General Division in 2011, no internal audit function is immune to the issue of massive misappropriation of public funds presently facing the sectors like those of water, education, health, energy and other services.

However, the findings from the assessment of internal control system of Controller and Auditor General (CAG) show that of two consecutive fiscal years ended 30<sup>th</sup> June 2010 and 2011, there was inadequate performance of internal audit function in local government authorities.

It is against this background, the researcher was motivated to study the presence of Internal Audit Unit and their roles as required by the regulations and laws to find out whether they are effective in enhancing financial management discipline in the public sector.

## **1.2 Statement of the problem**

Internal audit is an integral part of the finance structure of the public sector organizations.

Asare (2009) argues that internal auditing in the public sector it is well structured and it is given the required mandate to perform, improve performances and serve as valuable resource in promoting good governance.

Currently, In Tanzania, internal auditors are given a special identity in the public sector and the roles are recognised. However, their contribution as professionals in public financial management has been hindered by their qualities and capabilities. Internal audit department is too understaffed and under resourced generally to be fully effective. Kilenga, (2013) also discusses this phenomenon in his study on challenges of audit in Tanzania.

The situation of internal audit efficiency in the Local Government Authorities (LGAs) in Tanzania is not promising. This is because 102 (72%) LGAs out of 140 LGAs have poor performance in the internal audit department and about 68 LGAs and other many public offices have been reported to suffer massive theft and misappropriation of financial resources (Rugonzibwa, 22,oct. 2012) and (CAG report, 2013).

It is argued that internal audit profession in public sector is highly misperceived by the majority of the stakeholders. They confuse by comparing the role of internal auditors and those of security guards and police when misappropriation of funds or fraud is reported. The major point here is that, internal audit in Tanzania does not provide any additional value to the stakeholders. These arguments were also supported by the studies of Mwakoba, (2013), Ramachandran, (2012) in their studies on effectiveness of internal audit in Tanzania.

Despite the aforementioned perspectives of the researchers regarding internal auditing in Tanzania, there is no such study examining the impact of internal audit efficiency in the public sector just after the establishment of internal audit general division (IAGD).

In this context, the study has therefore, evaluated the impact of the Internal Audit unit in ensuring effective financial management in Local Government Authorities.

The study provides an opportunity to understand the extent to which Internal Audit Unit can strengthen control and minimise the mismanagement of public funds in LGAs by finding out the factors contributing to inefficient Internal Audit Unit. Also, it provides possible solutions following the amendment of Public Finance Act, 2004 and the establishment of Internal Auditor General Division.

### **1.3 Objectives of the study**

#### **1.3.1 General objective**

The overall objective of this study was to assess the impact of Internal Audit unit efficiency on effectiveness of Financial Management in LGAs. The study specifically evaluated the performance of the Internal Auditing in ensuring the effectiveness of financial management following the amendment of Public Finance Act, 2004 and the establishment of Internal Auditor General Division.

#### **1.3.2 Specific objectives**

The specific objectives that guided this study are:

- a) To assess the efficiency of the Internal Auditors in performing their duties in Shinyanga LGAs
- b) To measure the effectiveness of financial management performance in Shinyanga LGAs
- c) To measure the relationship of internal audit efficiency and the effectiveness of financial management
- d) To examine factors hindering the internal audit efficiency and effectiveness of financial management.

#### **1.3.3 Research question**

The following are research questions used in this study:

- a) What are factors promote the efficiency of the Internal Audit Unit in undertaking its duties?
- b) How effective is financial management at Shinyanga LGA?
- c) How does internal audit efficiency relate to effectiveness of financial management performance?
- d) What factors hinder the internal audit efficiency and effectiveness of the financial management?

#### **1.4 Significant of the study**

The undertaking of this study is justified on the following grounds: -

- a) It has established knowledge to the public, about Internal Audit service within the LGAs.
- b) It has established and assisted the Management on how Internal Audit unit performance may contribute to safeguard government resources within the Local Government Authorities.
- c) To establish other new factors which affect executing the Internal Auditor functions.
- d) It will generate the new knowledge and facts to help the Government particularly policy makers regarding the establishment of the IAGD.

#### **1.5 Scope of the study**

The study focused on examining the impact of internal audit efficiency on financial management effectiveness in the public sector in Tanzania, specifically on local government authorities in Shinyanga region.

#### **1.6 Organization of the study**

This study is organised in six chapters, namely introduction, literature review, research methodology, presentation of the findings, discussion of the findings and the last chapter is conclusion and recommendations from the study experience. Lastly, the study has included references and appendices.

The introduction of the study covers definition of the key terms; background of the problem; statement of the problem; general objective; specific objective; significance and the scope of the study.

The literature review section covers theoretical and empirical parts, conceptual framework and research model.

The research methodology chapter covers on type of the study, study area, study population, unit of analysis, variables and their measurement, sample size and sampling techniques, types and sources of data, data collection methods and data analysis methods.

## **1.7 Definition of the key terms**

### **1.7.1 Internal audit**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve company's operation. It helps an organisation accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process (Savcuk 2007)

### **1.7.2 Financial Management**

Financial management is defined as a planning, organising, directing, controlling and prudent management of organisation's financial resources, including its procurement and utilisation of funds to maximise returns for its owners (or stakeholders). (Nwoko & Anyanwu, 2012)

### **1.7.3 Public Sector**

Institute of internal audit guide (2011), defines it in general terms, that public sector consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Theoretical literature Review**

Recently, due to the business organisation growth in size and operations, the need of Internal Auditors has become more important. This is because many organisations employ thousands of persons and conduct their operation from various locations; hence, need specialists who can review the procedures and operations of various units and report to the Management for necessary actions. This task cannot be left to the External Auditors whose main objective is to verify whether or not the financial statement reflect the true and fair view (Gupta, 1989).

#### **2.1 Internal audit and financial management theories**

##### **2.1.1 Agency theory**

Agency is a name given to the practice by which productive resources owned by one person or a group are managed by another person or group of persons (Millichamp & Taylor, 2008). A general description of an agency relationship states that it is a contract under which one or more principals engage another person or persons as their agent(s) to perform some service on their behalf. To enable this performance, delegation of some decision making authority to the agent is needed (*Jensen et al.*, 1976).

This theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors. Agency theory provides a useful theoretical framework for the internal auditing function. The theory not only helps to explain and predict the existence of internal audit, but it also helps to explain the role and responsibilities assigned to internal auditors by the organisation, and that agency theory predicts how the internal audit function is likely to be affected by organisational change ( Adams, 1994)

Meanwhile the policeman theory by Hayes *et al.*, (2005) which states that an auditor's job is to focus on arithmetical accuracy and on the prevention and detection of fraud, it claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century, this was certainly the case.

However, more recently the focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements.

The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities and improve efficiency of auditors in detecting fraud.

### **2.1.2 Theory of inspired confidence**

The theory of inspired confidence (Theory of rational expectations) (Limperg 1932) addresses both the demand and the supply for audit services. The demand for audit services is the direct consequence of the participation of third parties (interested parties of a company) in the company (for this case public sector). These parties demand accountability from the management, in return for their investments in the company. Accountability is realised through the issuance of periodic financial reports. However, since this information provided by the management may be biased, and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit assurance, Limperg (1932) suggests that the auditor should always strive efficiently to meet the public expectations.

### **2.1.3 Financial Planning Cycle theory**

Effective financial management requires the application of planning and analytical techniques to accommodate the risk and uncertainty that are inevitable in future-oriented decisions. Risk is taken no matter what the decision; even the decision to do nothing involves the risk of lost opportunity.

An effective financial manager, whether in the public or private sector, must be aware of how opportunity, innovation, and risk are interrelated and must be willing to take risks appropriate to his or her level of responsibility where now the presence of internal auditors is so important. ( Steiss, and Nwagwu)

#### **2.1.4 Budgeting theory**

A budget is a control mechanism to assure accountability, financial integrity, and legal compliance. A management tool to achieve operating economies and performance efficiencies; and a planning component to assess the overall effectiveness of government programs in meeting public service needs. Fiscal authority and responsibility can be delegated through the budget process while appropriate central control can be maintained.

The budget process involves executive preparation, legislative review, modification, and enactment; budget administration and post audit and evaluation.

The budget document should provide a clear and concise picture of both the programs to be carried out and the fiscal basis to support these activities. ( Steiss & Nwagwu,)

#### **2.1.5 Cost Analysis theory**

No program decision is free of cost, whether or not it leads to the actual commitment of financial resources. An organisation is likely to encounter many different costs in choosing among alternative approaches to achieve its objectives.

Costs include not only the expenditure of money, but also the consumption of physical resources, the employment of human resources, and the use of time. Factors that influence cost should be considered throughout the financial planning and management process in developing of plans and programs, in preparing budget requests, and after commitments have been authorised, in implementing programs or projects. (Steiss & Nwagwu,)

## **2.2 Concept of Internal Audit**

Internal audit is an additional safeguard for proper financial control in the public sector (Badara, 2012). The internal audit is responsible for the audit of all financial transactions by carrying out a continuous examination of all accounting books and records maintained in the organisation with a view to checking or detecting fraud and correcting errors. It is concerned with the examination of the system and procedures in place to ensure their conformity with the regulation as well as the adequate system of internal control.

The internal auditing is an independent, objective assurance and consulting activity that adds value to and improves an organisation's operations.

It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Institute of Internal Auditors, 1999).

Internal auditor is part of the management team compare with external auditors who are from outside the organisation (Sawyer, 1996). The independent appraisal function established by the management of organisation to review of the internal control system (Millichamp, 2002).

The unit should be independent in terms of budget, programme of work, reporting mechanism, and adequate staffs and competent to be able to perform their function effectively (Kagashe, 2008).

However according to (The Institute of Internal Auditors, 2010) internal audit profession, is guided by the code of ethics for internal auditors which are:

### **2.2.1 Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

### **2.2.2 Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors should make a balanced assessment of all the relevant circumstances and they are not unduly influenced by their own interests or by others in forming judgments.

### **2.2.3 Confidentiality**

Internal auditors are supposed to respect the value and ownership of information they receive and they do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

### **2.2.3 Competency**

Internal auditors are required to apply the knowledge, skills and experience needed in the performance of internal auditing services.

## **2.3 Scope and Objective of Internal Auditing**

According to LAFM (2009) order no 13 and 14, states that an internal audit unit shall be responsible for carrying out an independent appraisal of internal control within the local government by examining and evaluating the effectiveness of such control.

This means that, internal auditor's objective is to protect the assets and interests of the local government through a process of continuous examination of its activities, securing a continuous operation of a sound internal control system within each department, reviewing, and where necessary, making recommendations for improvement of the system, controls and procedures in the local government.

Also it stated that; the internal auditor shall in collaboration with the accounting officer prepare annual work plan including annual risk based plan and submit to the controller and Auditor General, Minister responsible for local government and Regional commissioner.

Millichamp (2000) however, identified the common areas covered by internal auditing, which include among others; reviewing the internal control system with a view to determining its adequacy and effectiveness, reviewing compliance with government regulations and accounting rules and standards. Also checking compliance with policies and procedures, safeguarding the asset of the organisation to prevent and detect errors, frauds and theft, appraising the effectiveness and efficiency in the use of resources.

The unit also needs to ensure that the goals and objectives of the organisation is attained, making recommendations on improvement in the operation of the organisation, acting as in-house consultant on control matters.

On the other hand, he stipulate the essential elements of internal audit such as independence, staffing, training, relationship, due care, planning, controlling and recording, system control, evidence and reporting It can be from these essential elements, no way the internal audit can perform their duties effectively.

#### **2.4 Concept of efficiency and internal audit efficiency**

A general description of efficiency is the degree (including quality) to which established objectives are achieved. The same description can be used for internal audit effectiveness and efficiency that internal auditing should establish performance metrics and related measurement criterion appropriate to its environment of organisation to measure degree (including quality) of achievement of objectives for which the internal activity is established (The Institute of Internal Auditors, 2010).

Internal auditors provide assurance to the company's management that, systems operate effectively; internal controls are effective, laid down procedures are followed, financial and other information being produced are sound and reliable.

However, if the internal audit department is to be effective in providing assurance, it needs to be sufficiently resourced in terms of budgets and people, well organised so that it has well developed work practices, competent staff who receive high quality training, Independent and objective (ACCA 2008)

According to White (1976), the efficiency of internal auditing is determined by the fit between the audit and some set of universal standards extrapolated from the characteristics of IA. These universal standards are interdependence, professional proficiency, the scope of work, the performance of the audit and management of the internal audit department (Sawyer 1988).

Besides, the efficiency of internal auditing is not a computable reality, but rather it is determined by the subjective evaluations assigned to the function by management. In other words, the success of any internal audit can only be measured against the expectations of the relevant stakeholders (Albrecht et al., 1988).

## **2.5 The concept of Internal Audit General Division (IAGD)**

Following the Amendments of the PFA CAP 348 the Government under Ministry of Finance established the Internal Auditor General's Division (IAGD). Before this amendment, all functions of the IAGD were under the Accountant General's Division. Establishment of IAGD aims at increasing independence to 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 and Budget and Payroll Audits.

All these changes aim at improving financial management and accountability for attaining value for money on the public expenditure.

The Internal Auditor General was appointed in April 2011 and the Internal Auditor General's Division was fully in operation from July, 2011 having five sections, namely Quality Assurance Section, Budget and Payroll Audit Section, Technical Audit Section, Local Government Authority Audit Section, Risk Management Systems and Control Section. ([www.mof.go.tz/index](http://www.mof.go.tz/index).)

## **2.6 Internal Audit at the Local Government level**

Internal audit stipulated by the LAFM (2009) order No 13 section 48 of the Local Government Finance Act that every Council shall employ its own Internal Auditors who shall work closely with the Heads of Departments and shall report directly to the accounting officer.

In this order, internal audit is an independent appraisal of internal control within a LGA. The main function is to examine and evaluate the effectiveness and adequacy of internal control.

## **2.7 Internal Audit and Management**

It is important to note that; the Management determines the nature and scope of operations and the status of an Internal Auditors and differs among organisations. This is normally based on the needs and perceptions of different managements (Millichamp, 2002 & Gupta, 1989).

The management is responsible for laying ground of strong internal audit unit so as be effective toward enhancing financial management. The absence of the Management support will result in ineffectiveness of the internal audit unit.

On the other hand, Badara (2012) cites a study of Thompson, saying, internal auditing should not be restricted to financial transaction only. He believes that internal auditors can equally assist management by ensuring that adequate financial and management controls are implemented and operate effectively or by identifying the weaknesses in such system and making recommendations toward their improvement, which include among the others; with internal audit, errors are more likely to be discovered in their early stages. Existence of assets are verified to protect the assets of the organisation, errors in account and can be corrected early once detected by the internal auditor.

It acts as moral influence on the staff and promotes efficiency by compelling the officers to keep their books of account entered up to date, a detailed examination of the financial account submitted by contractors is facilitated, cash disbursement, such as for wages and salaries, may be checked before they are cashed.

Internal Auditor's function should be independent in order to review properly internal control system regardless of their establishment by the Management of an organisation. They examine, evaluate and report of all adequate information as a contribution to the proper, economic efficient and effective use of resources (Millichamp, 2002). LAFM stipulates that the accounting officer is responsible for the establishment of an effective internal audit unit for the appraisal of the internal control system and ensure that the internal audit is functioning properly.

## **2.8 The concept of financial management**

Financial management is among key functional areas, which are used to evaluate the performance measure of the LGA. Financial management means the entire managerial efforts devoted to the management of finance, both its sources and uses of the enterprises (Maheshwari, 2008). On the other hand, "financial management is concern with the efficiency use of important economic resources" (work of Solomon as cited by Maheshwari). This means that, it is concerned with the managerial decisions that result in the acquiring and financing credits for the organisation.

Light, as cited in Ojo (2009) has given a more elaborated definition by saying that "financial management is a method of showing and ascertaining the financial position of government or business from time to time on how to use funds efficiently". Thus, financial management is mainly concerned with the proper management of funds towards achieving the organisation's goals.

“The finance manager must see that the funds are procured in a manner that the risk, cost and control considerations are properly balanced in a given situation and there is optimum utilisation of fund through ensuring maximum operational efficiency by efficient and effective utilisation of finances as well as financial discipline in the organisation”<sup>1</sup>.

## **2.9 Concept of public financial management effectiveness**

Public financial management is the system by which the financial aspects of the public services’ business are directed, controlled and influenced, to support the delivery of the sector’s goals (The chartered Institute of Public finance Accountancy, 2009)

Public Financial Management (PFM) is about ensuring that public money is used well, and it is made to stretch as far as possible. It provides leaders and managers with information to make decisions and to know if they are using resources effectively. Managing finances in the public sector, it is about much more than accountancy; it is an integral part of bringing services to people. (The chartered Institute of Public finance Accountancy, 2009).

The effectiveness of the PFM system in any country depends on a network of interlocking processes, within a framework of institutions at global, regional, national and sub-national level. The quality of PFM depends on how well the individual institutions work, the quality of inputs provided to the system, the feedback and control mechanisms that ensure a focus on objectives, and on how well the system functions as a whole.

It is influenced by factors such as culture, people skills, the political economy, leadership, environmental and systems related issues. (The chartered Institute of Public finance Accountancy, 2009) Langlois *et al.*, 1998 as cited by Fjeldstad, *et al.*, 2004), emphasise the element of financial management by saying that “sound financial management system is element of the effectiveness of auditing system”.

---

<sup>1</sup> “Management accounting and financial control” by Dr S. N. Maheshwari page D4

Thus, the financial management in LGA is evidence of the impact of the strengthening internal audit unit.

### **2.10 Concept of Internal Control System**

Management of the organisation has the responsibility of establishing internal control system so that its activities operations are in an efficient and well-ordered manner (Roger & Simpson, 1990). This means, a good internal control system increases efficiency to the organisation. On other hand, Millichamp (1996) defines internal control system as a “whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard assets and secure as far as possible the completeness and accuracy of the records”.

Also, Institute of internal auditors (1999) define internal control as “any action taken by management, board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. It is further added that management plan, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved”.

The Internal Audit Manual 2005 of Local Government Authorities in Tanzania, defines internal control system as a set of system operated by the Council or unit to ensure that financial and other records are reliable and complete.

Moreover, that they are to adhere to management policies, and that they are orderly and efficient in the conduct of the Councils or Unit’s business, and ensure proper recording and safeguarding of assets and resources.

From the above definitions, internal control is the duty of the management of an organisation. It has established in order to enhance prudent management resources and transparency in the accounting process. It also includes other administrative issues and organisation strategies in order to improve efficiency and productivity.

The internal audit unit shall review the soundness, adequacy and application of internal control for both financial, management and the use of resources.

Internal auditor shall appraise the soundness and application of accounting, financial and operational control in review and report on compliance with financial and operational procedures laid down in any written law, instruction and good accounting practice as defined by the Ministry from time to time in order to ensure sound financial practices<sup>2</sup>. Review of internal control is a useful exercise as it provides quality information to management on safeguarding assets, reliability of records, promotion of operational efficiency and monitor adherence to policies and directives.

### **2.11 Concept of Audit Committee**

According to the Circular No.3/215/01 of November 2007 issued by PMO – RALG as well as Order No 12 of the LAFM (2009) require each Local Government Authority to establish an Audit Committee. This Audit Committee shall be composing of not more than five and not less than three members. Of whom at least two members shall be nominated from the Heads of Department within the Council and other three from Institutions outside the Council.

The main responsibilities are stipulated as per order No 12 (5) of the LAFM (2009) as follows:

- To approval the Internal Audit annual programme and strategic audit plan of the Council.
- To review all internal and external audit reports involving matters of concern to senior management of the entity and identification and dissemination of good practices.

---

<sup>2</sup>Local Authority Financial Memorandum, order no 14 (4) (b) page 12 issued by PMO RALG, 2009.

- To provide advice to the Accounting officer on action to be taken on matters of concern rose in report of the internal auditor or in a report of the controller and auditor general concerning the entity.
- Coordinate audit programme conducted by internal auditors and the programme conducted by the Controller and Auditor General

## **2. 12 Empirical literature Review**

It is now widely accepted that Internal Audit unit is necessary for survive of any organisation because of creating good performance to the public. This is because, the work of the internal audit unit is evaluated by examining how they are able to detect and prevent errors within the organisation.

However, efficiency of the Internal Audit Unit and effective internal control structure is evidence of good corporate governance as well as competitive advantage of the organisation (Mulinda, 2010).

Internal control system (as a major responsibility of internal audit unit) is affected by business environment. The effectiveness of the internal control system depends on the size of the company and nature of the organisation, that is, if it is fast growing or not (Noorvee, 2006).

It is easier to develop a good internal control system in smaller size organisation due to less personnel, more personal contact and less administration whereas on the fast growing organisation the lack of effective internal control system might become an issue in future.

On the other hand, however, there are studies that indicate obstacles facing Internal Audit unit in organisation, which leads to the weakness of the internal control system on ensuring financial management.

Their major findings includes; lack of proper independence, lack of professional proficiency thus fails to comply with general standards, lack of capacity such staff and resources in kind and lack of expertise and experience (Badara, 2012; Unegbu & Kida, 2011; Samagwa, 2010; Mwakyonga, 2009).

Sepsey ( 2010) observes that, Internal audit applied by local government does not fulfill its functions and in reality it does not contribute to the proper, regulated, economical, efficient and effective financial management of local governments. In the majority of local governments, internal audit has a systemic attitude, which consistently fails to assess and to develop the effectiveness of the financial management and controlling procedures of local government.

Moreover, a study by Kagashe (2008) reveals that many aspects including lack of management support mostly contribute to inefficiency and ineffectiveness of internal audit unit. This also proved by Kunze (2010) when assessing the impact of organisation structure on Internal Audit function in public organisation in Tanzania. Her concern is on the clear line of the reporting system of the findings to the same management that perform the duties as a result cause internal audit unit to be under-utilised.

Therefore, she reveals that management has seen internal auditors as enemies, thus, they are not ready to establish strong internal audit unit as required by the LAFM; hence, it is stumbling block on internal audit functions.

Azza (2012), when assessing the perceived effectiveness of the internal audit function in Libyan public enterprises, discovered that, IA in Libyan public enterprises is not perceived as value-adding or having the capacity to improve an organisation's operations. IA may not play an important role in assisting organisations to minimise wastage, maximise employment levels, increase wage rates, and production levels, and minimise capital devaluation as much as possible under the circumstances.

The study indicates that there are weaknesses in specific elements relating to co-operation between the internal and external auditor. There is dissatisfaction regarding top management support to internal audit departments, inadequate awareness of the benefits of effective internal auditing within Libyan public enterprises. Also, narrow scope of IA work, limits the use of career internal audit staff, and lower organisational status of IA departments.

Likewise, to other studies, Gansberghe (2005) also examined the effectiveness of internal audit. According to his perspective, perceptions and ownership, organisation and governance framework, legislation, improved professionalism, conceptual framework and resources are revealed as basic factors influencing internal audit effectiveness.

## **2.13 Conceptual framework and research model**

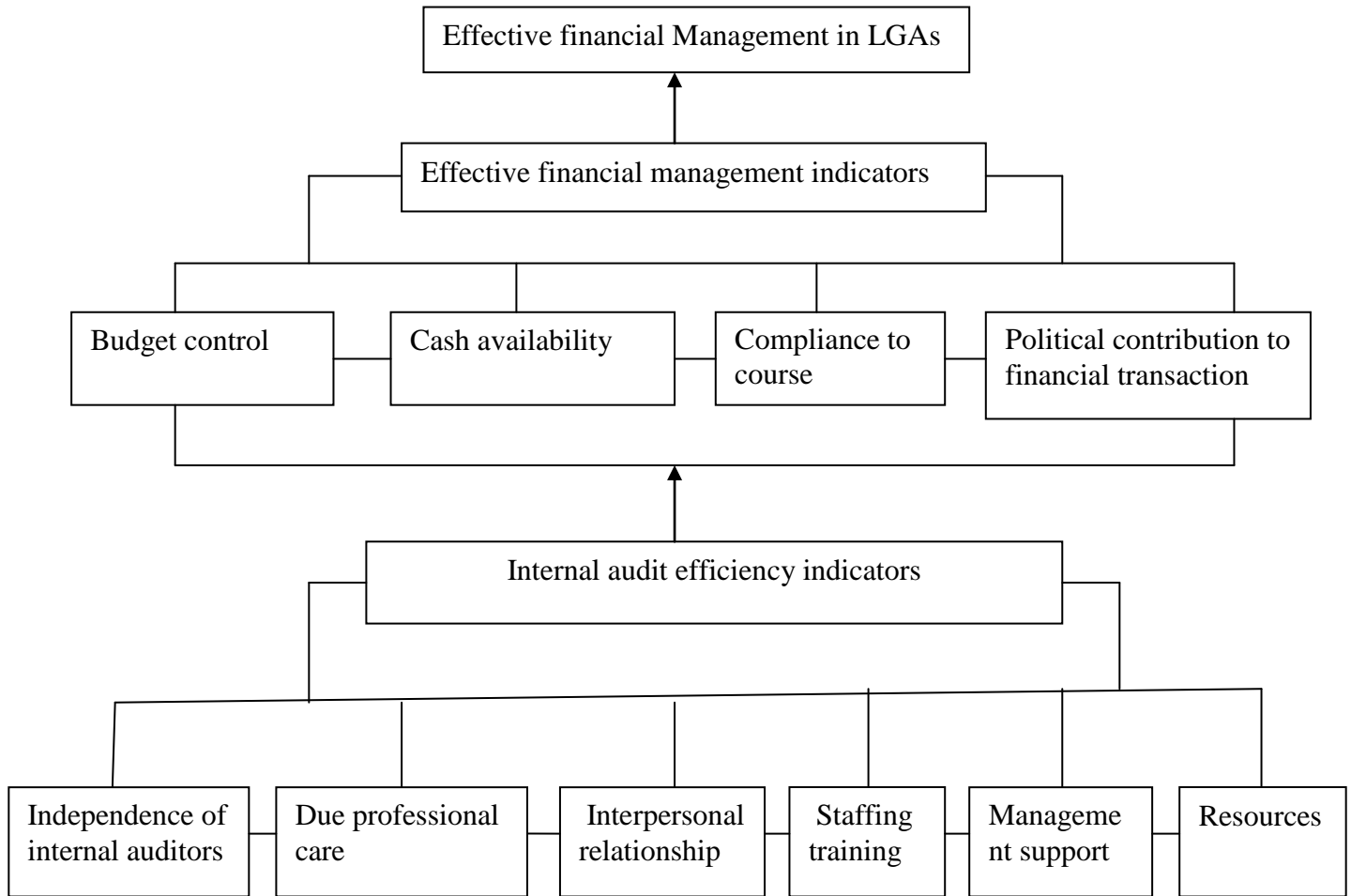
### **2.13.1 Introduction**

This part address the development of the research model into two main variables, namely independent and dependent. Independent variables are those factors that influence the dependent variables.

In this study, independent variables include independence of internal auditor, staffing and training, due professional care, experience, incentives, resources, interpersonal relationship and management support.

Dependent variables are those factors that depend on other variables to reflect a target situation by a researcher (financial management indicators for this case). The relationship between independent and dependent variables is that, independent variables (as in the study) has direct impact to Internal auditing on ensuring effectiveness of financial management.

**Figure 2.1 Conceptual Framework**



**Source:** Researcher's modeling (2013)

### **2.13.2 Independence of Internal Auditors**

Internal Audit needs to operate independently and to be objective observer to provide the accounting officer the kind of substantial feedback that most people in the organisation cannot or will not provide. This is to say, therefore, role and charter of the effective internal audit service unit will depend on what degree of independence the Internal Audit Unit has in assisting Accounting officers in achieving their objectives. This is considered as a fundamental principle of audit, without which the audit function would be rendered ineffectively. It stems not from departmental independence, but from the independence of the scope, access, report, activity, personnel and mind (Buttery & Simpson, 1990).

Internal Auditors, therefore, should have independence in terms of organisational status and personal objectivity that permits the proper performance of his duties (INTOSAI audit standard). Independence is achieved through the organisational status of the internal audit and the objectivity of the Internal Auditor.

### **2.13.3 Staffing and training**

Internal auditor should have qualifications and experience as well as auditing and managerial skills. The unit should have adequate staff both in numbers of workers and quality. The minimum number of internal auditors in one district council should be three up to five regarding the size of the council concerned. (The Local Government Authorities, Internal Audit Manual.)

According to INTOSAI, the internal audit unit should have appropriate staff in terms of numbers, qualifications and experience given its responsibilities and objectives. The aim is to ensure that the staffs appointed have appropriate background and personal qualities and potentials to perform the intended duties. Internal audit manager who should be suitably qualified accountant possessing a wide experience of internal audits and its management should manage internal audit department.

It is the responsibility of organisation to ensure that the internal auditor receives the training necessary for performance of the full range of duties.

#### **2.13.4 Management support to internal audit unit**

Internal audit units are effective instruments of quality control and safeguard of entity's resources. In order to be effective, management must support internal audit units.

The LAFM stipulates that the Director of a Council is responsible for directing the work of the Internal Audit section, receiving their reports and after consultation with relevant head of departments, ensuring recommendations, acted upon, and submitted to relevant authorities.

#### **2.13.5 Due professional care and experience**

The internal auditor should not be expected to give total assurance that weaknesses do not exist. In order to demonstrate assurance, due care should be exercised by the internal auditor to show that his work has been performed in a way which is consistent with auditing guideline. (Supreme Audit Institute Standard No. 88).

The internal auditor should be aware of the relevant law and regulations, which govern his responsibilities. ISA 610 (using the work of internal auditor), state that, due professional care, it is to state whether activities of the internal audit function are properly planned, supervised, reviewed and documented.

#### **2.13.6 Interpersonal relationship**

The concept of interdependence and interaction is the cornerstone of the internal audit work. The way internal auditor interact to client, is the key process to obtain more evidence of what he/she is looking for. Also in the organisation management, no one work for his/her own, they depend on each other; hence, in order for the internal audit to succeed, they need to have good relationship to other personnel in the organisation. (The institute of internal audit research foundation, 2010.)

### **2.13.6 Advisory services**

Internal audit can also provide valuable advice to entity management and staff to assist them in managing the entity's risks in respective programmes, systems, and processes, risk management processes and fraud control.

Such advisory activities can take a variety of forms including, advice on systems of internal control, processes, procedures and policies, attending management meetings as an observer, training managers and staff or providing informal advice in response to ad hoc management requests ( Australian National Audit office [ANAO], 2007).

### **2.13.7 Fraud control**

Responsibility for managing the risk of fraud, like responsibility for managing all risks, rests with management as part of its ongoing responsibilities. However, internal audit can assist an entity to manage fraud control by providing advice on the risk of fraud and/or by advising on the design or adequacy of internal controls to minimise the risk of fraud occurring. It can assist in detecting fraud by considering fraud risks as part of its audit planning and being alert to indicators that fraud may have occurred (ANAO, 2007).

### **2.13.8 Financial Reporting**

Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements. Financial reporting requirements stem from a variety of sources, and financial reports serve many purposes. For example, they serve as tools for use by managers to control their organisations and to monitor the extent to which management's objectives are being achieved. They also provide information to external parties on an organisation's financial operations and compliance with a variety of requirements ( [www.dhs.wisconsin.gov](http://www.dhs.wisconsin.gov))

### **2.13.9 Budget Control**

Financial information must be related to performance or productivity data. The budget sets amounts and sources of revenue on one hand and amounts and purposes of expenditures on the other. The accounts, in summary and detail, should record both the planned revenues and expenditures and the actual transactions during the accounting cycle. Finally, actual expenditures or outlays must be compared with budgeted amounts.

### **2.13.10 Allowable Cost**

For each type of organisation, there is a set of common principles for determining allowable costs, and allowable costs are determined in accordance with the cost principles applicable to the organisation incurring the costs ( [www.dhs.wisconsin.gov](http://www.dhs.wisconsin.gov))

### **2.13.11 Cash Management**

The cash management function of any organisation is responsible for establishing and maintaining a set of policies and procedures with the dual purpose of ensuring that funds are available to cover payments made for program purposes while also ensuring that neither state/ public funds have been drawn unreasonably in advance of when they are needed to pay for program expenses ([www.dhs.wisconsin.gov](http://www.dhs.wisconsin.gov) )

### **2.13.12 Compliance**

Governmental generally accepted accounting principles require compliance with applicable laws and regulations. Specifically, the accounting system should be designed to determine and demonstrate compliance with finance-related legal and contractual provisions ([www.dhs.wisconsin.gov](http://www.dhs.wisconsin.gov))

## **2.14 Research hypotheses**

In order to achieve the stated objectives, the researchers stipulated the following hypotheses.

- H1. The greater professional proficiency and enough number of internal auditors, the more efficient the internal audit unit to perform their audit work.
- H2 Financial management performance in Shinyanga LGAs is effective enough
- H3 Efficient internal audit unit is the key factor for effectiveness of the financial management in LGAs
- H4 There are many obstacles facing internal audit efficiency and financial management effectiveness.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methods that used during the study to analyse and interpret data gathered. It includes the research approach, study area, study population, units of analysis, variables and measurements, sample size and sampling techniques. It also provides information about data collection methods and instruments as well as procedures and processes followed during data collection.

#### **3.1 Research Approach and Design**

This study used case study design because it was flexibility for data collection and it allowed a researcher to retain the holistic characteristics of real-life events while investigating empirical events.

#### **3.2 Study Area**

The study was conducted at Shinyanga region District Councils in six district councils, namely Shinyanga municipality, Shinyanga district council, Kishapu district council, Kahama town council, Ushetu district council and Msalala. (Shinyanga region profile, 2013)

Shinyanga district Councils was seleted as a case study because it was one of the region in Tanzania which received funds from different sources for public development projects yet, it was unable to realise people's needs and expectations.

Shinyanga region as whole did not have adequate health services, education facilities, quality road infrastructure and other services as compared to other regions, which drew attention to many development stakeholders.

In addition, the scandal of funds misappropriation reported at Kishapu district council was among the motives a researcher was interested to study whether there was effective internal audit in the entire region.

### 3.3 Target population

The targeted population of the study included: staffs of the Internal Audit unit, members of finance committee, head of departments, members of audit committee and accounts staff. The unit of inquiry specifically consisted the District Executive Directors (DED), District Treasurers (DT), District Internal Auditors (DIA), District Planning Officers (DPLO), District Human Resource Officers (DHRO), Staff of Internal audit unit, member of Audit Committees, member of the finance committees, Accounts staff. The selection of the unit based on the identified persons who were the key players in performing, supporting and evaluating internal Audit services.

### 3.4 Sampling procedure and Sample size

#### 3.4.1 Sample size

The study involved 165 populations who were the direct key players of internal audit services. A sample sample size of 62 people drawn from a total number of 165 populations as shown in Table 3.1.

**Table 3.1 Population of the selected sample**

Unity of inquiry	Population	Sample size
DED	6	6
District Treasurer	6	6
District Internal Auditor	6	6
District Planning officer	6	6
District Human Resources officer	6	6
Staff of Internal Auditors	16	4
Accounts Staff	47	11
Member of Audit Committee	30	7
Member of Finance Committee	42	10
<b>Total</b>	<b>165</b>	<b>62</b>

**Source:** Researcher's selection (2013)

In order to minimise error, the sample size has been obtained as follows:

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where:

- n = Sample size
- N = Population (170)
- C = Coefficient of variation (10%)
- e = Sampling error (1%)

Hence

$$n = \frac{(165)(10\%)^2}{(10\%)^2 + (170-1)(1\%)^2}$$

$$n = 62$$

For the stratum the sample size was obtained through the following formulae

$$N_i = n \cdot p_i$$

Where:

$N_i$  is sample size of the stratum

N is total sample size

$P_i$  is proportional of population included in the stratum.

$$N = 63 - 30(\text{of the purposive sample}) = 33$$

$$N_{16} = 33 \times 16 / 170 - 30 = 4$$

$$N_{47} = 33 \times 47 / 170 - 30 = 11$$

$$N_{30} = 33 \times 30 / 170 - 30 = 7$$

$$N_{42} = 33 \times 42 / 170 - 30 = 10$$

### **3.4.2 Sampling techniques**

The sampling technique used was purposive sampling and stratified simple random sampling.

The choice of purposive sampling based on knowledge and experience on the application of internal audit service while stratified simple random techniques applied randomly from the respective targeted stratum population.

The purposive technique applied to District Executive Directors, District Treasurers, District Internal Auditors, District Planning Officers and District Human resource officers while Staff of Internal Auditors, members of Audit and Finance Committee, Accounts staff obtained through stratified simple random sampling.

The selected sample size chosen was due to the following reasons:

Finance committee members selected due to the fact that, they are responsible for controlling and supervising the finances of the council, within the procedures described by the minister and any other procedures.

A director of the Council selected because he/she is the accounting officer and responsible of the council as stipulated into order No. 7 of LAFM (2009).

The District treasurer was the Council Chief Financial Officer and he/she was responsible for advising the Council on all financial matters. Account staffs were there to support district treasurer activities.

Internal Auditors were selected because they were key players on this study especially on ensuring the Council interests were obtained while audit committees were selected because they were the ones who took control over all internal audit activities.

DPLO and DHRO were considered as a sub-accounting officer to the Director in managing all financial matters delegated to the department.

### **3.5 Methods of Data Collection**

The data collection methods used in this study were:, Questionnaire, Interview, Observations and Documentary review.

The major method of data collection was structured interviews followed by questionnaire, observations and finally documentary review.

#### **3.5.1 Primary Data**

##### **3.5.1.1 Interview**

Both structured and unstructured interview were the major methods of data collection on this study because of the nature of the study itself. The researcher expected detailed view of the respondents concerning internal auditing matters. This method included a face-to-face interaction with a respondent to get more information and avoid bias during investigation and used a phone call to some of the respondents who were away during data collection.

##### **3.5.1.2 Questionnaire**

Structured open and closed ended questions were used to supplement interview method to some of the respondents who were inevitably busy with other responsibilities.

##### **3.5.1.3 Observation**

With accompany from some staffs in their routine works, the method used to collect information personally from the source concerned. It enabled a researcher to get some proof of information from the field. It also helped the researcher to control whom to answer the question with guidance to variables.

### **3.5.2 Secondary Data**

#### **3.5.2.1 Documentary review**

The researcher had a chance to pass through some of the councils documents such as audit reports from the CAG and internal audit reports with response from the management, reports from Local Authority Auditing Committee (LAAC). This method helped the researcher to know whether management worked on auditors reports.

### **3.6 Data Processing**

#### **3.6.1 Data Editing**

A researcher checked the consistency and completeness of responses from questionnaires in order to smooth the coding process. During the process of data cleaning, some of the responses were missing some value and was assigned. There were 4 respondents discarded due to their unsatisfactory responses.

#### **3.6.2 Data Coding**

After editing, the researcher coded all responses for data analysis. a five-point Likert response scale (Likert, 1932) that ranged from “strongly agree” (scored as 5) to “strongly disagree” (scored as 1) were used in all responses.

#### **3.6.3 Creating Data file**

Defined variables were edited and coded, a researcher created a data files through excel and SPSS software programme.

### **3.7 Data analysis**

Before analysis, data were screened to check for data errors and they were cleaned. The process involved checking errors, checking the errors in the data files and correcting errors in the data file using SPSS software programme.

A researcher applied different data analysis tool according to the objective requirements. Descriptive data analysis (mean) was used to assess the efficiency of internal audit unit and financial management effectiveness. A mean score 3 and above represented efficiency and effectiveness while a mean score below 2.5 represent no efficiency of internal audit and effectiveness of the financial management.

$$IAE = \sum_{i=1}^n \frac{X_i}{n} \text{ for internal audit efficiency}$$

$$FME = \sum_{i=1}^n \frac{X_i}{n} \text{ for financial management effectiveness}$$

A regression modal were used to analyse data for objective three and four. In the meantime, simple linear regression equation using excel data analysis programme software was deployed to assess the relationship between internal audit efficiency and financial management effectiveness as it shown below.

$$Y = b_0 + ax$$

Where Y= financial management effectiveness

$b_0$ = constant

a= coefficient number

x=internal audit efficiency.

A multiple regression modal was used to analye data for objective four. In the meantime, multiple regression equation using SPSS software programme was applied to determine factors that affected internal audit efficiency and financial management effectiveness.

$$IAE = B_0 + Ax_1 + ax_2 + ax_3 + ax_4 + ax_5.$$

Where IAE=Internal Audit Efficiency

B= Constant

A=coefficient of correlation

$X_1$ =lack of experience

$X_2$ = no personal integrity

$X_3$ =no resources

$X_4$ =no independence

$X_5$ =corruption

$X_6$ =inadequate personnel

Financial management effectiveness

$$FME = B_0 + Ax_1 + ax_2 + ax_3 + ax_4 + ax_5 + ax_6 + ax_7 + ax_8$$

Where FME= financial management Effectiveness

B= Constant

A=coefficient of Correlation

$X_1$ = understaffed

$X_2$ =lack of profession

$X_3$ =no motivation

$X_4$ = government policies

$X_5$ =low salary

$X_6$ =political influence

$X_7$ =poor leadership

$X_8$ =culture

## **CHAPTER FOUR**

### **FINDINGS PRESENTATION AND ANALYSIS**

#### **4.1. Introduction**

This chapter presents research findings and its analysis of each objective of the study. Tables and figures are used to present results followed by the analysis to each table and figure.

##### **4.1.1 Data Cleaning**

A researcher checked the consistency and completeness of responses from questionnaires in order to smooth the coding process. During the process of data cleaning, some of the responses were missing some value and was assigned, there were 4 respondents discarded due to their unsatisfactory responses.

##### **4.1.2 Validity Test**

The table 4.1 shows the Cronbach's Alpha coefficient of scale corrected Item- total correlation to show how these factors (data) are valid to internal audit efficiency and financial management effectiveness. If the figure obtained from the SPSS software programme is below 0.3, signifies invalid and if the figure is above 0.3, justify the validity of the data. Therefore, the results from Cronbach's Alpha show that all variables are valid.

**Table 4.1: Item-Total Statistics**

	Corrected Item-Total Correlation
Lack of experience	.374
No resources	.424
no motivation	.302
No good relationship	.313
Inadequate personnel	.403
No independence	.345
Corruption	.301
No professionals	.130
Understaffed	.304
Lack of professional	.324
No motivation	.342
Low salary	.303
Political influence	.413
Government policies	.305
Poor leadership	.309
Culture influence	.304

**Source:** SPSS, (2014)

#### 4.1.3 Reliability Test

**Table 4.2 Reliability Statistics**

Cronbach's Alpha	N of Items
.790	16

**Source:** SPSS, (2014)

To be sure if all variables were measuring the same construct, a researcher used Cronbach's Alpha coefficient of scale to the reliability of the data.

From the table above, Cronbach's Alpha is 0.790 from the SPSS program and the criteria of the Cronbach's Alpha that should be equal or 0.7. Therefore, the data collected by the researcher were reliable since all were above 0.7.

## 4.2 Efficiency of the Internal Audit

The objective was to assess the efficiency of the Internal Auditors in performing their duties in Shinyanga LGAs.

Respondents asked to indicate their degree of agreement or disagreement with each indicator on efficiency of internal audit.

For all indicators, mean response was obtained from 58 respondents. A positive mean response more than 2.5 suggests agreement/good with the statement, a positive mean response less than 2.5 implies disagreement/poor and a mean response close to 2.5 indicates indecision or offsetting differences.

### 4.2.1 Independence of Internal auditors

From the table 4.3, result shows that the independence of internal auditors was not efficiency since 4 councils out of 6 in the region scored below 2.5 which means there is no independence of internal auditors. Only Shinyanga Municipality and Ushetu scored 2.6667 respectively while Shinyanga DC, Kahama Town and Msalala scored 2.3333 and Kishapu the least scored 2. The overall results on independence of Shinyanga region (2.38) shows there is no independence of the internal auditors.

**Table 4.3 Independence of internal audit**

LGA	X1	X2	X3	$\sum_{c=1}^n \frac{X_i}{n}$
KISHAPU DC	3	1	2	2
SHINYANGA DC	3	2	2	2.3333
SHINYANGA MC	4	2	2	2.6667
KAHAMA TC	3	2	2	2.3333
MSALALA DC	3	2	2	2.3333
USHETU DC	3	3	2	2.6667
REGIONWISE	3.1	2	2	2.3888

**Source :** Excel , data analysis

Where x1 is independence on preparation of action plan

x2 is authority to access documents

x3 is independence on reporting

#### 4.2.2 Staffing, Training and Resources

Results from the table 4.4 show that Kishapu, Shinyanga DC and Shinyanga Municipal, scored 3, and 2.6667 respectively suggesting that they had adequate staff, training session and adequate resources. In the meantime, Kahama Town, Ushetu and Msalala councils scored 2.3333 each suggesting that in those councils there was inadequate staff, training and resources and as a region, the results (2.55) show that situation was not good at all since it was just at the margin line of inefficiency.

**Table 4.4 Staffing, Training and Resources**

LGA	X1	X2	X3	$\sum_{i=1}^n \frac{X_i}{n}$
KISHAPU DC	3	3	3	3
SHINYANGA DC	3	2	3	2.6667
SHINYANGA MC	3	2	3	2.6667
KAHAMA TC	2	2	3	2.3333
MSALALA DC	2	2	3	2.3333
USHETU DC	1	3	3	2.3333
REGIONWISE	2.33	2.33	3	2.55

**Source :** Excel , data analysis

where x1 is number of staff

x2 is number training session

x3 is adequate resources

#### 4.2.3 Management Support

From the results in Table 4.5, Shinyanga, Kahama Town and Ushetu councils, scored 3 which means the management gave enough support to the internal audit unit.

In the mean time, Kishapu and Shinyanga Municipalities (2.8333) also this shows that there was no management support on internal audit. Only msalala district council had 2.6667 which means there was insufficient management support on internal audit unit and region wise shows there was management support in internal audit by 2.888.

**Table 4.5 Management Support findings**

LGA	X1	X2	X3	x4	$\sum_{c=1}^n \frac{X_i}{n}$
KISHAPU DC	3	2	3	3	2.8333
SHINYANGA DC	3	4	2	3	3
SHINYANGA MC	2	3	3	3	2.8333
KAHAMA TC	3	3	3	3	3
MSALALA DC	3	3	2	3	2.6667
USHETU DC	3	3	3	3	3
REGIONWISE	2.8333	3	2.6667	3	2.8883

**Source :** Excel , data analysis

where x1 is management structure

x2 is proper review of audit work

x3 is audit report reviewed by audit committee

x4 is motivation

#### **4.2.4 Due Professional Care**

Table 4.6 shows that Ushetu district council led by scoring 3.8 which shows there was adequate high qualified internal auditors, followed by Shinyanga Municipal 3.5, Msalala district council 3 and Shinyanga district Council 2.8. in the meantime, Kahama Town was the only with the least score of 2.5 showing the inadequate professional in the internal audit unit. Generally the average mean score of 3 for region, represent the better position of due professional care in the Shinyanga region.

**Table 4.6 Due professional care findings**

LGA	X1	X2	X3	x4	$\sum_{c=1}^n \frac{X_i}{n}$
KISHAPU DC	2	2	3	3	2.5
SHINYANGA DC	3	2	3	3	2.8333
SHINYANGA MC	3	4	3	4	3.5
KAHAMA TC	3	2	2	3	2.5
MSALALA DC	3	2	3	4	3
USHETU DC	3	4	4	4	3.8333
REGIONWISE	2.8333	2.6667	3	3.5	3.01

**Source :** Excel , data analysis

where x1 is compliance to audit general standards

x2 is audit ethics

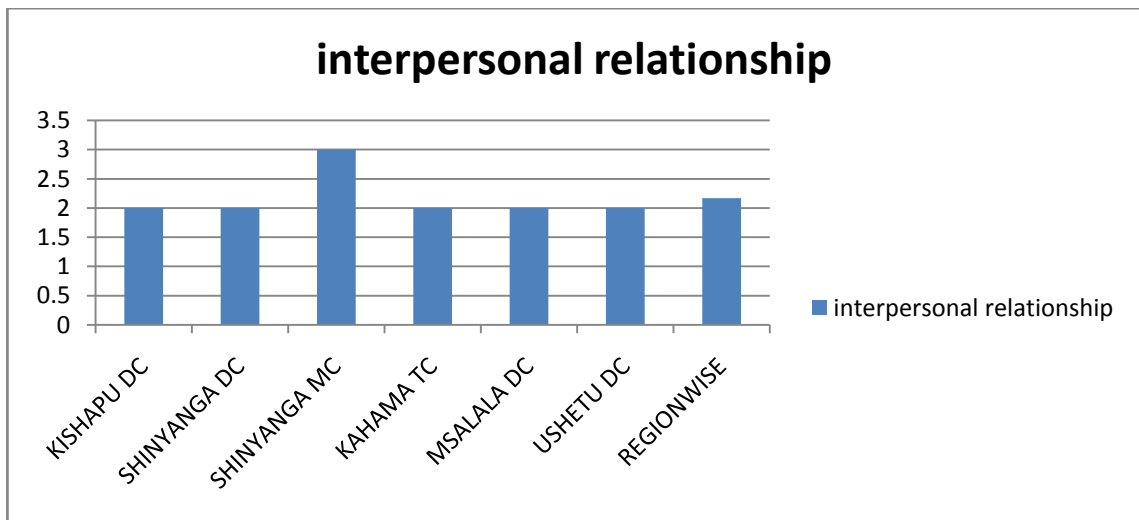
x3 is working experience

x4 is professional education

level

#### 4.2.5 Interpersonal Relationship

**Figure 4.1: Interpersonal Relationship**



**Source :** Excel , data analysis

Results from Figure 4.1 show that 5 councils out of six scored 2 which means there was bad relationship between internal auditors and other staffs. These were: Kishapu, Shinyanga, msalala, Kahama Town and Ushetu councils. In the meantime, only Shinyanga municipality had good interpersonal relationship by scoring 3. The general result of the region range just above 2 showing there was no good interpersonal relationship.

#### 4.2.6 Genera Internal Audit Efficiency

**Table 4.7 Mean scores extracted from of all indicators around all LGAs in Shinyanga Region.**

LGA	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	$\sum_{c=1}^n \frac{X_i}{n}$
KISHAPU DC	2	3	2.83333	2.5	2	2.466666
SHINYANGA DC	2.33333	2.66667	3	2.8	2	2.55
SHINYANGA MC	2.66667	2.66667	2.83333	3.5	3	2.933334
KAHAMA TC	2.33333	2.33333	3	2.5	2	2.433332
MSALALA DC	2.33333	2.33333	2.66667	3	2	2.466666
USHETU DC	2.66667	2.33333	3	3.8	2	2.75
REGIONWISE	2.388888	2.55556	2.888888	3	2.167	2.6

**Source :** Excel , data analysis

Where

X<sub>1</sub> is Independence of Internal Auditors

X<sub>2</sub> Is Staffing, Training and resources

X<sub>3</sub> Is Management Support

X<sub>4</sub> is Due professional Care

X<sub>5</sub> is Interpersonal Relation

Results from Table 4.7 show that Shinyanga municipality and Ushetu district councils were the only councils with efficiency of internal audit with a score of 2.94 and 2.75 respectively. Shinyanga district council 2.5, Msalala and kishapu 2.46 and Kahama Town 2.43, represent that there was no efficiency in internal audit. Results of the region show 2.6 meaning that there was inefficiency of the internal audit at Shinyanga LGAs .

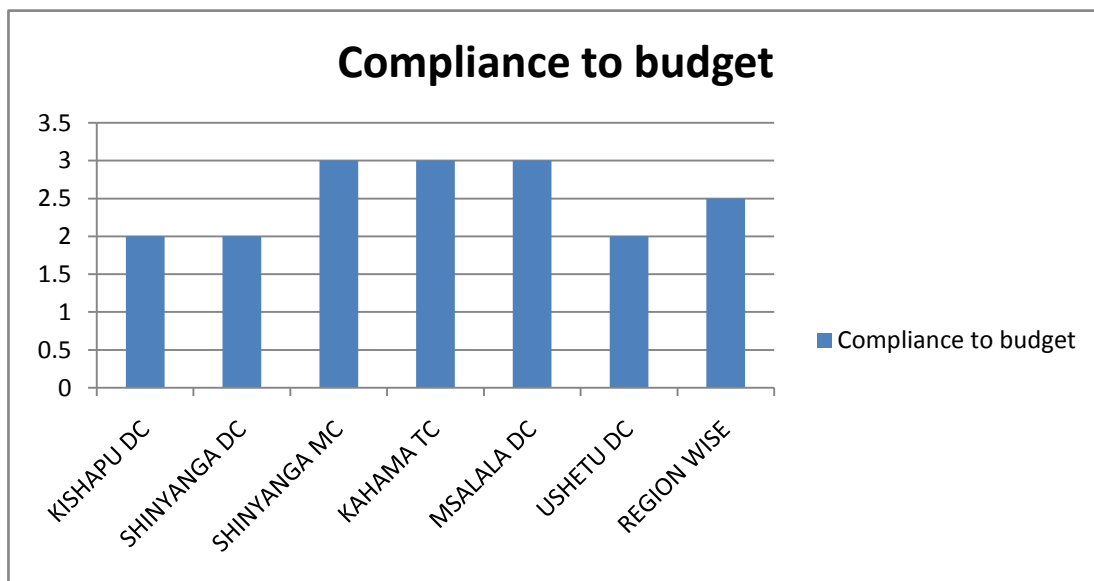
### 4.3. Financial Management

The objective was to measure the effectiveness of financial management performance in Shinyanga LGAs. The same Respondents (58) indicated their degree of agreement or disagreement with each of the four indicators on a five-point Likert response scale (Likert, 1932)

#### 4.3.1 Compliance to Budget

From Figure 4.2, results show that Shinyanga Municipality, Kahama Town and Msalala were the only councils which had effectiveness on compliance to budget by scoring 3 mean respectively while the remaining councils, Ushetu, Kishapu and Shinyanga councils has scored 2 respectively meaning that there was poor compliance to budget. In a region generally, the results show (2.5) meaning that there was no positive convincing that there was good compliance to budget.

**Figure 4.2 Compliance to budget**



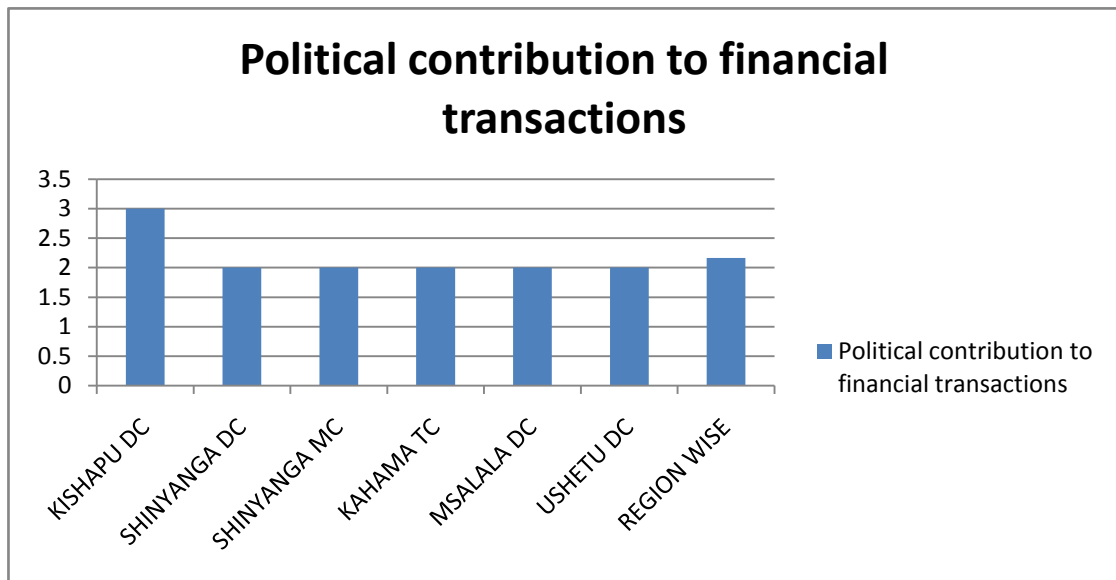
**Source :** Excel , data analysis

### 4.3.2 Political contribution to financial Transactions

From Figure 4.3, result show that only Kishapu Council scored 3 meaning that it was the only council with better performance in financial management.

While the remaining Shinyanga municipal, Shinyanga, Msalala, Kahama and Ushetu councils, were the worse councils scoring 2, respectively, and the overall average of the region was 2.16667 which means there was poor contribution of political in financial transactions.

**Figure 4.3 Political contribution to financial transactions**

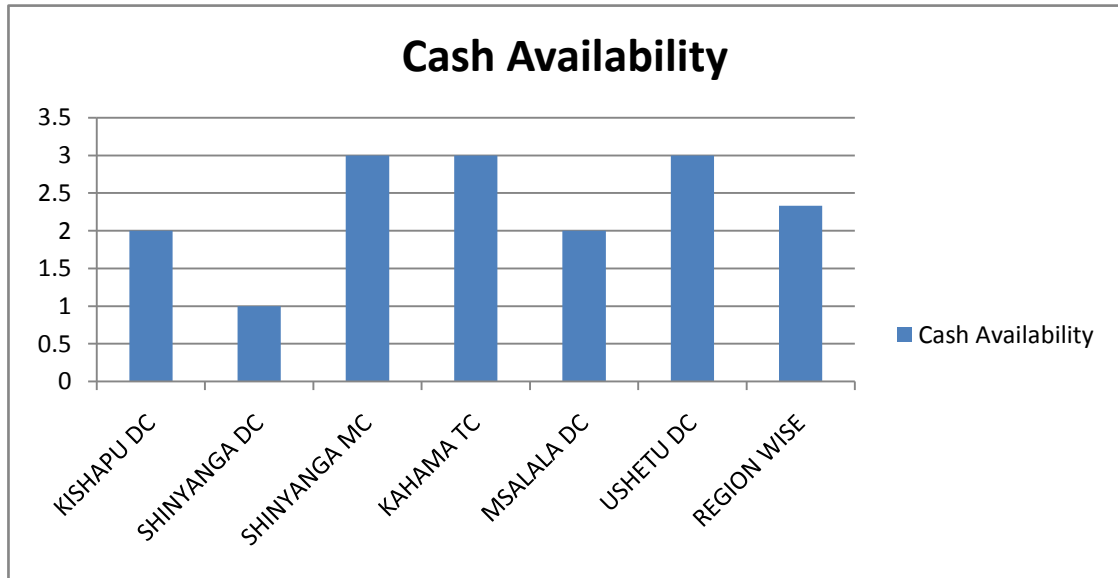


**Source :** Excel , data analysis

### 4.3.3 Cash Availability

From Figure 4.4, Shinyanga, Kahama and Ushetu scored 3, which reveals that there was adequate availability of cash to solve their arising problems. In the meantime, Kishapu and Msalala councils scored 2, Shinyanga council scored 1, revealing that they did not have enough cash to solve their problems as they emerge. In general, the results just above 2 this reveals that at Shinyanga district councils there was inadequate cash to manage their matters in time

**Figure 4.4: Cash availability**

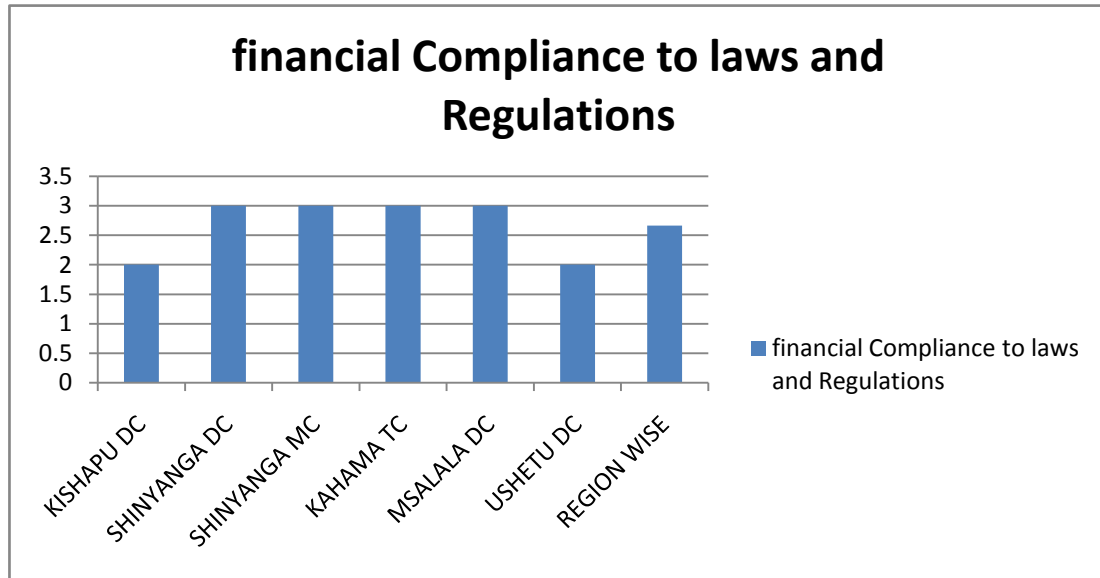


**Source :** Excel , data analysis

#### **4.3.4 Financial transactions compliance to laws and regulations**

Results from Figure 4.5 reveal that most of the councils did not comply to the laws and regulations, this was supported by scores shown by Shinyanga, Shinyanga Municipality, Kahama and Msalala councils scoring 3 each one. In the meantime, Kishapu and Ushetu scored 2, meaning that they had problems with compliance to laws and regulations. The overall council's performance shows that there was no convincing result (2.667) just above 2.5 in compliance to laws and regulations.

**Figure 4.5 Financial compliance to laws and Regulations**

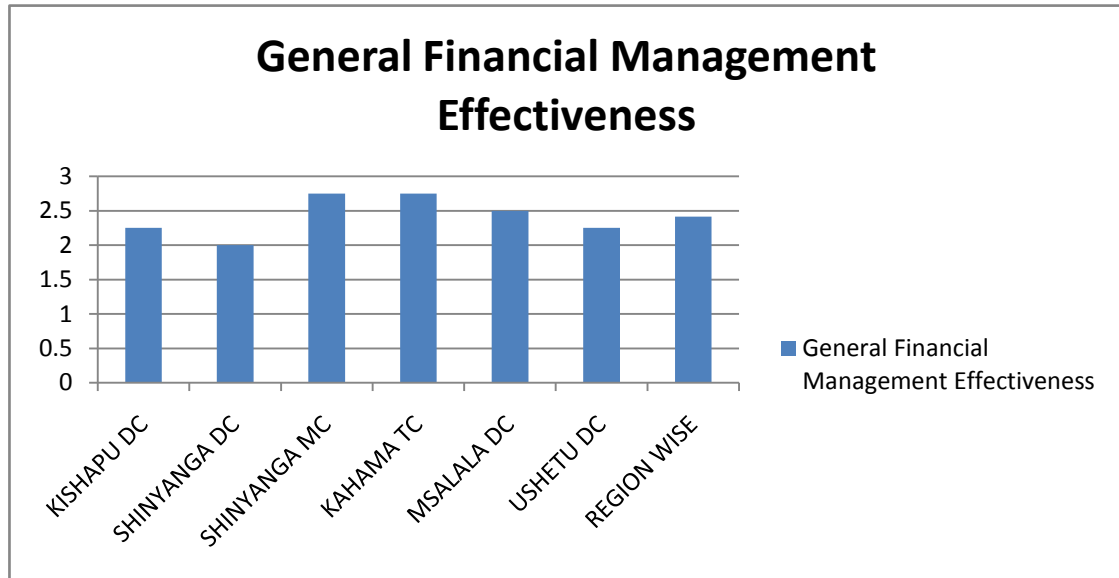


**Source :** Excel , data analysis

#### **4.3.5 General Financial Management Effectiveness**

On the other hand, Figure 4.6 shows that, the overall performance of the region on financial management effectiveness was generally poor by scoring range of below 2.5. This was caused by overall poor performance at Kishapu, Shinyanga, Msalala and Ushetu all scores ranged below 2.5. in the meantime, Shinyanga municipality and Kahama Town were the only councils which scored just above 2.5 representing a little bit effectiveness of financial management.

**Figure 4.6: General financial management effectiveness**



Source : Excel , data analysis

### 4.3 Relationship between Internal audit Efficiency and Financial management Effectiveness

Objective three intended to measure the relationship between internal audit efficiency and the effectiveness of financial management at Shinyanga Region LGAs.

The internal audit efficiency and financial management effectiveness mean score indices from six councils obtained from objectives one and two were used here to test the relationship between them.

**Table 4.8 Internal audit efficiency and financial management effectiveness indices**

LGA	IAE Index	FME Index
KISHAPU	2.46667	2.25
SHINYANGA DC	2.55	2
SHINYANGA MC	2.93333	2.75
KAHAMA TC	2.43333	2.75
MSALALA	2.46667	2.5
USHETU	2.75	2.25

Source: Field data 2014

A simple regression model was used to test the relationship between these two variables, whereby excel data analysis software programme was used to run the regression equation below;

Results from excel sheet data analysis

□

## SUMMARY

### OUTPUT

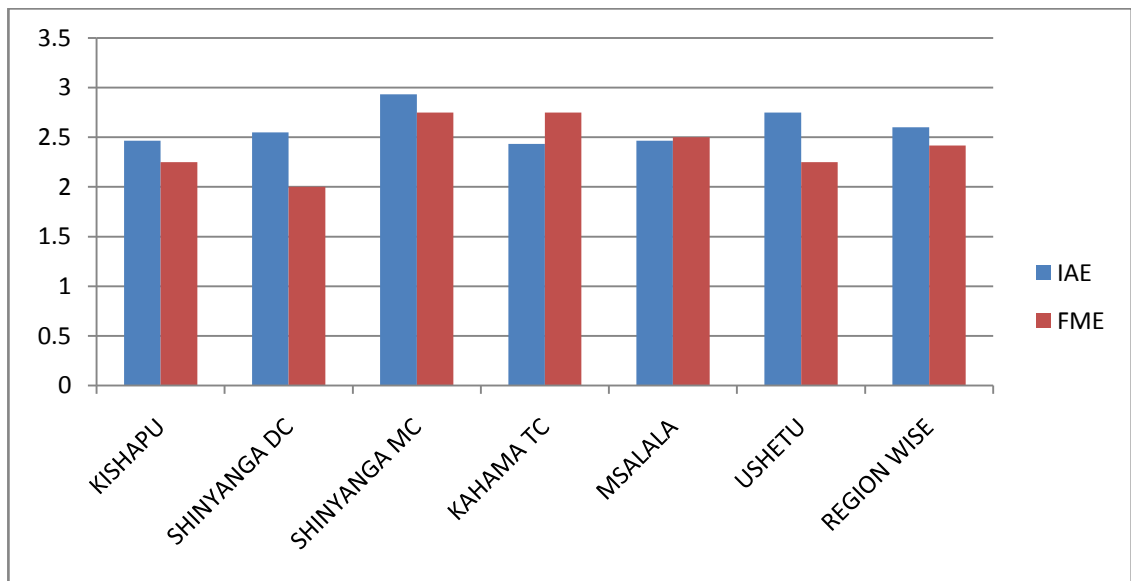
Regression Statistics	
Multiple R	0.89154332
R Square	0.87315816
Adjusted R Square	0.73315816
Standard Error	0.35798867
Observations	5

ANOVA								
	Df	SS	MS	F	Significance F			
Regression	1	29.92487644	29.92488	233.5037	0.00060866			
Residual	4	0.51262356	0.128156					
Total	5	30.4375						
		<i>Standard</i>			<i>Lower</i>	<i>Upper</i>	<i>Lower</i>	<i>Upper</i>
	<i>Coefficients</i>	<i>Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>95%</i>	<i>95%</i>	<i>95.0%</i>	<i>95.0%</i>
Intercept	1.543629523	1.885982	0.818475	0.459042	-3.6927	6.779956	-3.6927	6.779956
X Variable 1	0.337224677	0.726633	0.464092	0.666714	1.68023	2.354681	1.68023	2.354681

The multiple correlation coefficients R are 0.89154332, which indicates that the correlation among the independent and dependent variables is positive. While the coefficient of determination,  $R^2$ , is 87.3% means that, the variation in the dependent variable (financial management ineffectiveness) may be caused by the independent variables (internal audit inefficiency) by 87.3% at a significance level of 0.001.

A bar chart drawn from excel sheet, also shows the relationship between these two variables as shown in Figure 4.7.

**Figure 4.7 Relationship between financial management effectiveness and internal audit efficiency.**



**Source:** Excel sheet (2014)

From Figure 4.7, internal audit efficiency and financial management effectiveness are both close to 2.5 mean score in region wise which represent the inefficiency of internal audit and financial management ineffectiveness; also, the difference between these two variables in each district was so minimal as it is shown by the blue and red color which implies that there is close relation between the two variables.

Testing for the hypothesis three, which states that efficient internal audit unit, is the key factor for effectiveness of the financial management in LGAs.

A t-test from excel data analysis was used and the table below shows the results.

**Table 4.9: t-Test: Paired Two Sample for Mean**

	<b>Variable 1</b>	<b>Variable 2</b>
Mean	2.416666667	2.6
Variance	0.091666667	0.039888311
Observations	6	6
Pearson Correlation	0.206711242	
Hypothesized Mean Difference	0	
Df	5	
t Stat	-1.37571398	
P(T<=t) one-tail	0.113670398	
t Critical one-tail	2.015048372	
P(T<=t) two-tail	0.227340796	
t Critical two-tail	2.570581835	

**Source:** Excel data analysis sheet.

The criterion of t-test paired two samples for mean to reject the null hypothesis is if the  $t_{Stat} < -t_{Critical \text{ two-tail}}$ , or  $t_{Stat} > t_{Critical \text{ two tail}}$ . From the above table, results show that  $t_{Stat}$  (-1.376) is less than  $t_{Critical \text{ two-tail}}$  (2.571) so the null hypothesis is not rejected.

#### **4.4 Factors affecting Internal audit efficiency and Financial Management**

##### **Effectiveness**

##### **4.4.1 Factors affecting Internal Audit Efficiency**

The respondents asked to identify factors that affected most into their organisation by using Likert scale score 1 for strongly disagree to 5 for strongly agree. Thereafter, data were processed through multiple regression modal and the results were shown in the tables below.

**Table 4.10: Correlations**

		IA efficiency	Lack of experience	No resource	no motivation	No good relationship	Inadequate personnel	No independence	Corruption	No professionals
IA efficiency	Pearson Correlation	1	.074*	.078**	-.146	.136**	.031*	.028**	-.112*	-.214
Lack of experience	Pearson Correlation	.074**	1	.274*	.024	-.114	.350**	-.213	.522**	-.211
No resource	Pearson Correlation	.078**	.274*	1	.004	-.117	.184	.103	-.084	.204
no motivation	Pearson Correlation	-.146	.024	.004	1	.354**	.304*	.026	-.064	.344**
No good relationship	Pearson Correlation	.136**	-.114	-.117	.354**	1	.215	.366**	-.165	.024
Inadequate personnel	Pearson Correlation	.031*	.350*	.184	.304**	.215	1	-.086	.077	.274*
No independence	Pearson Correlation	.028**	-.213	.103	.026	.366**	-.086	1	-.189	-.136
Corruption	Pearson Correlation	-.112*	.522*	-.084	-.064	-.165	.077	-.189	1	.074
no professional	Pearson Correlation	-.214	-.211	.204	.344**	.024	.274*	-.136	.074	1

Source: SPSS, (2014)

**Table 4.11: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482	.732	.616	.470

Source: SPSS, (2014)

**Table 4.12: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.518	8	1.190	2.005	.034
Residual	31.450	53	.593		
Total	40.968	61			

Source: SPSS, (2014)

a. Predictors: (Constant), lack of experience, no resources, no motivation, no relationship, understaffed, no independence, corruption, no professional

b. Dependent Variable: Internal audit efficiency

**Table 4.13: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.921	.931		4.214	.000
Lack of experience	-.123	.149	-.135	-.826	.013
No resources	.210	.158	.182	1.330	.039
no motivation	-.306	.104	-.395	-2.942	.405
No interpersonal relationship	-.026	.119	-.032	-.215	.030
Understaffed	.124	.123	.142	1.005	.019
No independence	-.040	.137	-.040	-.291	.022
Corruption	.140	.133	.157	1.049	.149
No professional	-.266	.133	-.249	-1.994	.251

Source: SPSS, (2014)

Table 4.8 shows the regression R, value of 0.732 indicates that internal audit efficiency and the factors predict very well. 73.2% explained in the internal audit efficiency, which can be predicted by the combination of all factors.

The regression model that is used to explain the relationship between IA efficiency and IA factors is;

$$IAE_f = .074_{exp} + .078_{res} - .146_{mot} + .136_{rel} + .031_{per} + .028_{ind} - 0.112_{corr} - .214_{prof} + \varepsilon \dots equation$$

The coefficient of correlation explains that lack of experience, understaffed, lack of independence, lack of resources, and relationship had positive association to the efficiency of the internal audit. However, motivation, corruption and professional were not significant indicated that is, it did influence IA efficiency.

Lack of experience, no resources, no good relationship, understaffed and lack of independence had the positive association to internal audit efficiency; therefore, it supported hypothesis four. Motivation, corruption and unprofessional, did not support the hypothesis because their significance level was higher than the criterion (5%); hence, they have significant relationship with internal audit efficiency.

#### **4.4.2 Factors affecting financial management effectiveness**

The respondents asked to identify factors that affect most into their organization by using Likert scale score 1 for strong disagree to 5 for strong agree. Thereafter, data were processed through multiple regressions model and the results are shown in the tables below.

**Table 4.14: Correlation**

		financial management effectiveness	understaffed	lack of profession	no motivation	low salary	political interference	government policies	poor leadership	culture influence
financial management effectiveness	Pearson Correlation	1	-.097*	-.300	.073**	.236*	-.185**	.310	.237**	-.056*
Understaffed	Pearson Correlation	-.097*	1	.292*	.030	-.140	.367**	-.292*	.504**	.036
lack of profession	Pearson Correlation	-.300	.292*	1	.002	-.108	.188	.142	-.065	-.055
no motivation	Pearson Correlation	.073**	.030	.002	1	.359**	.289*	.020	-.058	-.156
low salary	Pearson Correlation	.236*	-.140	-.108	.359**	1	.205	.340**	-.211	-.197
political interference	Pearson Correlation	-.185**	.367**	.188	.289*	.205	1	-.122	.088	.008
government policies	Pearson Correlation	.310	-.292*	.142	.020	.340**	-.122	1	-.309*	-.076
poor leadership	Pearson Correlation	.237**	.504**	-.065	-.058	-.211	.088	-.309*	1	.051
culture influence	Pearson Correlation	-.056*	.036	-.055	-.156	-.197	.008	-.076	.051	1

**Source:** SPSS, (2014)

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table 4.15: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482	.682	.616	.470

**Source:** SPSS, (2014)

a. Predictors: (Constant), culture influence, government policies, political interference, poor leadership, lack of profession, no motivation, low salary, understaffed

**Table 4.16: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.518	8	1.190	2.005	.027
	Residual	31.450	53	.593		
	Total	40.968	61			

**Source:** SPSS, (2014)

a. Predictors: (Constant), culture influence, government policies, political interference, poor leadership, lack of profession, no motivation, low salary, understaffed

b. Dependent Variable: financial management effectiveness

**Table 4.17: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.921	.931		4.214	.000
Understaffed	-.123	.149	-.135	-.826	.213
lack of profession	.210	.158	.182	1.330	.039
no motivation	-.306	.104	-.395	-2.942	.005
low salary	-.026	.119	-.032	-.215	.030
political interference	.124	.123	.142	1.005	.019
government policies	-.040	.137	-.040	-.291	.022
poor leadership	.140	.133	.157	1.049	.049
culture influence	-.266	.133	-.249	-1.994	.151

**Source:** SPSS, (2014)

a. Dependent Variable: financial management effectiveness

The test results in Table 4.15 show the significant (p value < 0.027) relationship of predictors with the criterion. Table 4.14 shows the regression R, value of 0.682 indicates that financial management effectiveness and the factors predict very well. 68.2% explained in the internal audit efficiency, which can be predicted by the combination of all factors.

The ANOVA table is useful in explaining how well the model fits by looking at the significance test value. The value less than critical value will mean that the model fits well in explaining the relationship among factors. In this study, the significance test value from ANOVA table is less (<0.027) than the critical value (0.05) which mean that at 5% type I error rate or at 95% confidence interval, the model fits well in explaining the relationship that exist among the factors.

The regression model used to explain the relationship between financial management effectiveness and its factors is;

$$fmE_f = -.097_{under} - .300_{unprs} + .073_{mot} + .236_{sarl} + .185_{pol} + .310_{gvp} + 0.237_{lead} - .0056_{cult}$$

*ε.....equation*

The coefficient of correlation explains lack of motivation, low salary, political influence, and government policies and leadership, had positive association to the effectiveness of the financial management. Though, understaffed, lack of professional and culture were not significant indicated that it did influence financial management effectiveness.

Lack of motivation, low salary, political interference, government policies and leadership, had positive association to financial management effectiveness; therefore, supporting hypothesis four. Understaffed, lack of professional and culture, did not support the hypothesis because they had negative coefficient correlation; hence, they had no significant relationship with financial management effectiveness.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion of the study findings. It discusses what was revealed after analysing the data in relation to the research topic, conceptual framework and literature review. It further gives an interpretation of the study findings.

#### **5.2. Assessment of the internal audit efficiency in Shinyanga LGAs**

As stated from the findings, the efficiency of internal audit units at Shinyanga LGAs, researcher looked critically on the indicators of the internal audit efficiency. These indicators were: independence of the internal audit unit, Staffing, Training and resources, Management Support, Due Professional care and Experience, and Interpersonal relationship.

##### **5.2.1. Independence of the Internal Auditors**

This indicator comes across on the level of freedom in preparation of audit action plans, authority and freedom to access all transaction documents and the independence on report preparation and presenting.

The results show that, at Shinyanga councils, there is no independence of internal auditors represented by only 2.4 mean score out of 5. Results also show that Kahama and Ushetu councils are the only which have scored just above 2.5, which also does not represent better performance. Kishapu, Msalala, Shinyanga and Shinyanga Municipality show very poor in this indicator. This implies that there is low clear understanding on independence of internal audit and its impact on their performance, so more sensitisation should be made to the entire senior staffs of LGAs.

### **5.2.2. Staffing, Training and Resources**

The researcher interest was to see whether there was adequate internal audit staff, adequate training of the internal auditor and adequate resources such as stationeries, transport facilities, furniture, electronic equipments and internet services to facilitate their daily duties. Results show that staffing, training and resource are not convincing to allow the auditor to work efficiently.

Region wise, the indicator score is only 2.6 out of 5 high score, while Kahama, Ushetu and Msalala scoring 2.3 to each. The worse situation of these three councils has been caused by splitting the former Kahama District council into three councils ( Kahama town, Ushetu and Msalala) without improving resources and number of employee. In the meantime, the remaining councils showing unconvincing mean score on this indicator, which generalise that government, need to put more efforts in staffing, resources provision and increase training session to internal auditors.

### **5.2.3. Management support**

The study investigated whether there was management support to internal audit activities by looking on management structure, management critical review and response to the internal audit report and management motivation on hardship and risk work of the internal auditors.

Results shows that there is management by 2.8 mean score in the entire indicator and implies that the situation is good. Kahama, Ushetu and Shinyanga councils has 3 mean score while Kishapu and Shinyanga municipal has 2.9 mean score and the last one Msalala with 2.67. The study has revealed that management support to internal audit unit at Shinyanga region is reasonable good though, they need to put more emphasis especially at Kishapu, Shinyanga municipality and Msalala councils.

#### **5.2.4. Due professional care and Experience**

The researcher here was interested to know whether internal auditor at Shinyanga LGAs had adequate experience and due professional care in performing their duties.

This indicator measured by focusing on education level of internal auditor's that is, degree level or above in accounting, finance or audit field and/or Certified Public Accountant (CPA), Working experience of three years or above in the same auditing field, and compliance to the audit standards.

A mean score of 3 from the findings, reveal that most of audit staffs do have professional qualifications with a degree, master's level and CPA. However, there is problem with experience and compliance to audit standards.

Ushetu, Shinyanga municipal and Msalala councils lead by scoring 3.8, 3.5 and 3, respectively, followed by Shinyanga 2.8, Kahama and Kishapu 2.5. This suggests that the problem of inexperience has been caused by transfers of audit staff and resigning from work due to hardship and risk to adopt environment of those councils.

Therefore government or responsible agencies, need to focus on how they can retain the experienced employees. The issue of not to comply with general audit standards the respondents suggest that there are inconsistency of government policies and its implementation which affect the planning and work of the internal auditors. Therefore, the Government needs to have consistency and long-term policies.

#### **5.2.5. Interpersonal Relationship**

From this indicator, the researcher wanted to know the personal relationship between internal auditors and other senior staffs within the council. Out of six councils, only one scored 3, while the rest scored 2 which means there is poor relationship between the internal auditors and other staffs. The respondents suggest that it is difficult to have good relationship with the ones who monitor and report others mistakes.

From this view, the researcher has revealed that there is negative perception concerning the internal audit work; therefore, there is a need to responsible agencies, government and auditors themselves to conduct regularly sensitisation education about the role and contribution of the internal auditors in the councils.

Generally, the results reveal that there is no efficiency in internal audit performance at Shinyanga LGAs, this result is similar to the study of (Badala, 2012) on ‘The Role of Internal Auditors in Ensuring Effective Financial Control at Local Government Level’ in Nigeria and his major findings from the study includes:

lack of proper independence, lack of professional proficiency thus fails to comply with general standard, lack of capacity such staff and resources in kind and lack of expertise and experience.

Moreover, (Azza, 2012), on his study “Perceived effectiveness of the internal function in Libyan public enterprises, IA in Libyan public enterprises is not perceived as value-adding or having the capacity to improve an organisation’s operations due to inefficiency of the IA unit. A study by Kagashe (2008) reveals that many aspects including lack of management support mostly contribute to inefficiency and ineffectiveness of internal audit unit. This also is proved by Kunze (2010) when assessing the impact of organisation structure on Internal Audit function in public organisation in Tanzania.

### **5.3 Measurement of the financial management effectiveness in Shinyanga LGAs**

As it is analysed from the findings, the study aimed at knowing the effectiveness of the financial management in Shinyanga LGAs through the following indicators: compliance to budget, cash availability, political influence towards financial transaction and compliance to General Financial laws and regulations.

### **5.3.1. Compliance to budget**

The researcher interest was to know the degree of LGAs towards adherence to their own budget they prepared. Results show that, only three councils have adhered to their budget represented by 3 score, while the rest of councils have poor adherence to their own budgets by scoring 2 out 5 mean score and the average score of the region is also not good, 2.5.

This poor result, respondents suggest that the major causes are poor deliverance of funds from the central government, that sometimes funds are not completely sent to LGAs or late delivery. So councils decide to manipulate budget according to fund delivered.

In addition, many government policies are created and need to be implemented without considering the prevailing budget. Such policies are like big result now and kilimo kwanza policy.

From this view, the has found that apart from other things the central government is suppose to deliver funds in time, and the LGAs should stick with what has been budgeted.

### **5.3.2. Cash availability**

The study was enthusiastic to discover how technically solvency the LGAs has, to solve the arising matters within the organisation. From the findings, it is shown that Kahama, Shinyanga municipality and Ushetu councils are better on this indicator scoring 3. On the other hand, Msalala, Kishapu and Shinyanga council have poor results.

This is because there is no petty cash to most of the councils while other councils have petty cash with a minimal amount of cash. This results implies that ability of Shinyanga LGAs to deal with financial matters as they arise, is not adequate and hence, they need to restructure the petty cash policy in order to overcome this problem.

### **5.3.3. Political influence towards financial transaction**

The aim of this indicator was to evaluate the contribution of the full councilors towards the financial management effectiveness practice.

From the findings, the results show there is poor contribution of the councilors towards financial management effectiveness.

Five councils got below 2.5 and only one got 3 ( Kishapu). Most of the respondents said that councilors do not have enough understanding on financial issues; hence, they fail to give constructive advice.

Likewise, some of councilors do initiate payments of sitting allowances, unproductive study tours and financing political issues out of the budget.

The study reveals that, there is a problem to the councilors, which need to be addressed effectively by the government to empower them specifically into the financial issues.

Having surveyed those indicators, the study discovered that there is financial management ineffectiveness at Shinyanga LGAs.

This result is similar to the study done by Ojo (...) on his study of efficient Financial Management for Local Governments in Nigeria revealed that local government has performed below expectations as a result of poor fund management.

### **5.4. Measurement of relationship between internal audit efficiency and financial Management effectiveness in Shinyanga LGAs**

The researcher was interested to know the relationship between these two variables because, the aim was to discover whether there was direct proportion or inverse proportion between the efficiency of internal audit unit and effectiveness of the financial management, eventually to discover the impact of the internal audit efficiency to financial management effectiveness.

A regression model deployed and the findings shows the R square 87.3% and significance coefficient of 0.001. This result means that they relate to each other by 87.3% at significance level of 0.001.

Also multiple R 0.89154332, which indicates that the correlation among the independent and dependent variables is positive, this justifies that there is strong relationship between these two variables.

Therefore, the results from the objective two which reveal that there is financial management ineffectiveness in Shinyanga LGAs, might be caused by the inefficiency of the internal audit unit is revealed in the objective one by 87.3%.

This relation means that the impact of internal audit efficiency to the financial management effectiveness in Shinyanga LGAs is high as 87.3% level and supported by multiple correlation coefficients R by 0.89, which means that there is positive relation as internal audit efficiency increase, the effectiveness of the financial management increases and vice versa.

Though the results do not show there is 100% relationship between the efficiency of the internal audit and effectiveness of the financial management, meaning that there are other factors, which contribute to the ineffectiveness of the financial management. Generally this is concluded that the inefficiency of internal audit has major contribution to the ineffectiveness of the financial management in Shinyanga LGAs.

The similar result has been revealed by some researchers like Hamad, (2013) on his article of 'public sector finance assurance' In Nigeria, who reported that the high level of corruption and poor performance of finance in the public sector is basically as a result of failure of internal audit.

The study by ( Sepsey 2010) on his paper 'Internal Audits at Local Governments' said that, Failure in financial management is a result of failure in internal audit plans.

Internal audit applied by local government does not fulfill its functions and in reality it does not contribute to the proper, regulated, economical, efficient and effective financial management of local governments.

## **5.5 Examining factors hindering the internal audit efficiency and effectiveness of Financial Management**

The aim of the study was to examine factors affecting the efficiency of the internal audit and financial management effectiveness. The two variables were separated during analysis in order to get specific factors for each.

### **5.5.1 Factors affecting internal audit efficiency**

Results from analysis suggest 73.2% of all factors the respondents asked, affect the internal efficiency in Shinyanga LGAs. Inexperience of internal auditors, understaffed, lack of independence and inadequate resources, are major problems of internal audit efficiency. While motivation, professional and corruption seem not having much impact on efficiency of internal audit in Shinyanga LGAs. The study does not conclude that these are the only factors affecting internal audit efficiency since the results showed only 73.2% support these factors and the remaining 26.8% might be due to other factors.

The similar studies from (Aarom & Sayag, 2012) on *The Effectiveness of Internal Auditing in Israel*, (Al-Matari Al-Swidi ) on *The Effect of the Internal Audit and Firm Performance* in Malaysia came with the similar factors as effecting the internal audit unit. The best way proposed by the respondents to overcome those factors is by responsible organs to invest more in auditing field by restructuring the system internal audit unit in LGAs.

### **5.5.2 Factors affecting financial management effectiveness**

From the analysis, results suggest that the proposed factors by the researcher at Shinyanga LGAs, affect the financial management effectiveness by 68.2% which constitute lack of motivation, low salary, political interference, government policies and leadership, while understaffed, lack of professional and culture has less or has no effect

on financial management effectiveness. The remaining 31.8% might be caused by other factors.

A similar study by The chartered Institute of Public finance Accountancy (2009) reveal that financial management effectiveness is influenced by factors such as culture, people skills, the political influence, leadership, environmental and systems related issues. Ojo on his study of efficient Financial Management for Local Governments in Nigeria revealed the similar factors affecting the financial management effectiveness.

## **CHAPTER SIX**

### **CONCLUSION**

#### **6.0 Conclusion**

The internal audit department is very important inside the local government authorities whereas, the internal audit is regarded as the key element in ensuring good financial management of the council is effective and this in turn, helps in evaluating the work of the organisation entirely. The internal audit is considered as the backbone of the organisation as it is the section that monitors the internal control system of the council.

This study, has answered the researcher's prior questions properly. It has revealed that the internal audit units in Shinyanga LGAs is inefficiency; financial management is not effective; there is strong relationship between financial management effectiveness and internal audit efficiency, and there are many factors that hinder the internal audit efficiency and financial management effectiveness.

This study has revealed that, there is still much effort to be made in improving the internal audit unit in public sector specifically in LGAs even if the government established the Internal Audit General Division (IAGD) in 2011 to curb the inefficiency of internal audit, yet there are still many challenges facing this field.

Since the internal audit unit in LGAs seems to be, inefficient despite efforts made to improve the audit unit in material things, there is a need to look at professionals needed in the unit because audit should not deal with financial management compliance only. Rather, it should deal with risk-based audit in all aspects LGAs involved like health, infrastructure constructions,, agriculture matters and other. Today the profession qualification needed to internal auditors is accounting or finance only, which makes them difficult to link matters out of their profession. It is against this concept; the researcher would like other studies to work on it.

## REFERENCES

- ACCA. (2008). *Audit and assurance Essential text: Paper F8 INT*. Kaplan Financial Limited UK.
- Adams M, (1994). "Agency Theory and the Internal Audit", *Managerial Auditing Journal*, Vol. 9 Iss: 8, pp.8 - 12
- Albrecht, W.S., Howe, K.R., Schueler, D.R. and Stocks, K.D. (1988). *Evaluating the Effectiveness of Internal Audit Departments*, Institute of Internal Auditors, Altamonte Springs, FL.
- Australian national audit office. (2007). *Public Sector Internal Audit*. Australian National Audit Office: Author
- Azza, A.W. (2012). "Perceived effectiveness of the internal audit function: A case study Libyan public enterprises
- Badara, S. (2012). "The Role of Internal Auditors in Ensuring Effective Financial Control at Local Government Level: A case of Alkaleri LGA", *Research Journal Finance and Accounting*, Vol. 3 No 4, 2012, Nigeria.
- Buttery, R. and Simpson, K. R. (1990). "Audit in the public sector", Woodhead Faulkner Ltd, England.
- Gabriel Sayag & Aaron Cohen (2012) *The Effectiveness of Internal Auditing: An Empirical Examination of its Determinants in Israeli Organisations*.
- Gupta, K. (1989). "Contemporary Auditing" 3<sup>rd</sup> Edition, Tata McGraw-Hill Publishing Company Limited, New Delhi India

- Jensen, M. and Meckling, W. (1976). *Theory of a firm: managerial behavior, agency costs and ownership structure*. Journal of Financial Economics 3:4, 305–360.
- Kagashe D.B. (2008). ”*Thesis on effectiveness of the internal audit service unit in safeguarding public resources in Local Authorities: A case of Kibaha District Council*, Unpublished MBA Thesis, Mzumbe University.
- Kothari C. R. (2004). “*Research Methodology*”, 1<sup>st</sup> edition 1985, reprint 2005, published by New Age International (P) Ltd, publisher
- Kunze D.K. (2010). “*Assessment of the impact of organization structure on Internal Audit functions in public organisation in Tanzania*” – Unpublished Msc (A&F) Thesis, Mzumbe University.
- Limperg, T. (1932). *Theory of Inspired Confidence*. University of Amsterdam
- Millichamp A. H (2002), “*Auditing*” 8<sup>th</sup> edition, Book power, UK
- Millichamp A. H. (1996). “*Auditing:An Instruction manual for Accounting students*”, 7<sup>th</sup> edition, DP Publication, London
- Millichamp A. H. (2000). “*Auditing*”, 7<sup>th</sup> edition, Continuum, London
- Millichamp, A. H. and Taylor, J. R. (2008). *Auditing*, 9th edition, Book power.
- Mulinda R.R. (2010). “*The role of Internal Auditing in Risk management: A case of Muhimbili National Health*” Unpublished Msc (A&F) Thesis, Mzumbe University.

- Mwakyonga L.S (2009). “*The assessment of effectiveness of auditing in non-profit organizations:A case of Institute of Adult Education*”, Unpublished MBA Thesis, Mzumbe University.
- Noorvee, L. (2006). “*Evaluation of the effectiveness of internal control over financial reporting*” – Published thesis of masters in economic, University of Tartu
- Norusis, M., 1990, *SPSS/PC + Statistics 4.0*, SPSS Inc., United States of America
- Nunnally, J. C. (1978). *Psychometric theory* (2nd ed.), New York, McGraw-Hill.
- Nwoko, C. and Anyanwu, K. (2012). Public Financial Management in Nigeria [escuelapnud.org/biblioteca/pmb/opac\\_css/doc\\_num.php?explnum\\_id...](http://escuelapnud.org/biblioteca/pmb/opac_css/doc_num.php?explnum_id...)  
(Accessed dec 10, 2013)
- Odd Helge Fjeldsta et al., (2004). “*Local government finances and financial management in Tanzania*”, working paper presented at Chr. Michelsen Institute Development Studies and Human Rights
- Olu Ojo (2009). “*Efficient Financial Management for Local Governments: The Nigerian Experience*”, Vol. LXI, No 2/2009.
- Report of the Controller and Auditor General of Tanzania for the financial year ended 30<sup>th</sup> June 2010.
- Report of the Controller and Auditor General of Tanzania of Kibaha District Council for the financial year ended 30<sup>th</sup> June 2007.
- Robert K. Y. ( 1984). *Case Study Research: Design and Methods*,; Newbury Park, Sage Publications, page 23

- Samagwa, A.M. (2010). *“Improving Internal Audit function efficiency for effectiveness risk management control in the Government Agencies: A case of TPSC”* Unpublished Msc (A&F) Thesis, Mzumbe University.
- Sawyer L.B. and Dittern Hoefer (1996). *“the practical of modern internal auditing”*, 4<sup>th</sup> edition, Florida: Institute of Internal Auditors.
- Sawyer, L.B. (1973). *The Practice of Modern Internal Auditing*, Institute of Internal Auditors, Altamonte Springs, FL.
- Sepsey, T. (2010). *Internal Audits at Local Governments* Audit Experiences of the State Audit Office of Hungary
- Steiss A.W. and Nwagwu C.O.C, *Financial Planning and Management in Public Organizations*. [www-personal.umich.edu/~steiss/page4.htm](http://www-personal.umich.edu/~steiss/page4.htm) accessed 16/2/2014;11:30 a.m
- The chartered Institute of Public finance Accountancy, (2009). *Public Financial Management and the PFM International Architecture– A Whole System Approach*.
- The Institute of Internal Auditors Guidance of 2010
- The Institute of Internal Auditors Guidance of 2011
- The Institute of Internal Auditors, (2010). *Measuring internal audit effectiveness and efficiency*. Ippf- practice Guide.
- The International Organization of Supreme Audit Institutions (INTOSAI)
- The Local Authority Financial Memorandum (2009)
- The Local Government Act No. 7 of 1982.

The Local Government Authorities, Internal Audit Manual of 2005.

The Local Government Finance Act No. 9 of 1982

Unegbu, A and Kida, M. (2011). “*Effectiveness of Internal Audit as Instrument of improving public sector Management*”, Journal of Emerging trends in Economics and Management Science 2 (4): 304-309, Nigeria.

White, A.W. (1976). ‘*The Essentials for the Effective Internal Audit Department*’, Internal Auditor, April: 30–33.

## APPENDICES

### APPENDIX I: QUESTIONNAIRES TO THE KEYS INFORMANTS

Dear interviewee

You are kindly requested to answer the set of questions here below by giving relevant information. This research is conducted looking forward the impact of internal auditing efficiency on financial management effectiveness in LGA's. This study will help to improve efficiency of internal audit services, therefore with due respect, you are requested to make your contribution towards this end by kindly and honestly filling these forms.

Name of your section and /or department .....

#### Part 1: The efficiency of the Internal Auditors in performing their duties in

##### Shinyanga LGAs

Tick the state that fit to your organization:

**Table 1**

	<b>Independence of the internal audit unit</b>	<b>very poor</b>	<b>poor</b>	<b>good</b>	<b>very good</b>	<b>Excellent</b>
1	In which state do there is independence on preparation of internal audit action plan?					
2	Is the internal audit unit having authority to access the documents as they plan?					
3	Are the internal audit unit reports independently as they observed?					

**Table 2**

	<b>Staffing, training and Resources</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	How many staff do Internal audit unit have?					
2	How often per year, do internal audit undergo any professional training?					
3	How adequate resources are given by the management on performing audit work?	<b>Very poor</b>	<b>poor</b>	<b>Good</b>	<b>Very good</b>	<b>excellent</b>

**Table 3**

	<b>Due professional care and experience</b>	<b>Very poor</b>	<b>poor</b>	<b>good</b>	<b>Very good</b>	<b>excellent</b>
1	How do internal audit comply with general standards?					
2	How long have you been working in internal audit field unit?	1year	2years	3years	4years	5years
3	What level of professional education does internal audit staff have?	cert	diploma	degree	masters	Masters + cpa

**Table 4**

	<b>MANAGEMENT SUPPORT</b>	<b>Very poor</b>	<b>Poor</b>	<b>Good</b>	<b>Very good</b>	<b>excellent</b>
1	How Is the management well structured to facilitate the internal audit unit?					
2	In which state do the management reviews audit work properly?					
3	How do internal audit findings and regulations acted upon timely by the management?					
4	The state of internal audit reports tabled and discussed by the Council management committee is?					
5	The state of internal audit reports tabled and discussed by the Audit committee quarterly is?					
6	In which manner Does management motivate internal audit staffs					

**Table 5**

<b>Interpersonal relationship</b>	<b>Very poor</b>	<b>poor</b>	<b>good</b>	<b>Very good</b>	<b>excellent</b>
In which state do internal auditor's relationship have with other staffs?					
comment the improvement of the internal audit unit after establishment of Internal Auditor Division					

**Part: effectiveness of financial management performance in Shinyanga LGAs**

	<b>Financial Management effectiveness</b>	<b>Very poor</b>	<b>poor</b>	<b>good</b>	<b>Very good</b>	<b>excellent</b>	
1	comment on financial transactions made in accordance to the budget						
2	How does political influence /contribute to ineffective financial payments?	Very little	little	average	much	Very much	
3	How do cash available meet and solve the arising financial matters as they happen?						
4	comment on financial transactions compliance with applicable laws and regulations						

**Part 3: Factors that hinders the internal audit efficiency and effectiveness of the financial management in Shinyanga LGAs**

	<b>Tick on how do factors hinder the effectiveness of the financial management performance in your council</b>	<b>No Effect</b>	<b>Average</b>	<b>More Effect</b>	<b>Most Effect</b>
	1. Understaffed				
	2. lack of professionals				
	3. no motivation				
	4. low salary				
	5. political influence				
	6. Government Policies				
	7. culture				
	8. leadership				
	<b>Tick on how weaknesses of the internal audit unit in your organization are?</b>	<b>no effect</b>	<b>average</b>	<b>more affect</b>	<b>most effect</b>
	1. Lack of experience				
	2. No good relationship				
	3. No auditors ethics				
	4. No resources				
	5. Inadequate personnel				
	6. No independence				
	7. Personal integrity				
	8. Corruption				

## **APPENDIX 2: INTERVIEW GUIDE**

### **Section A: Structured Interview**

- a) Is there any improvement of the internal audit unit following the establishment of Internal Auditor General Division?
- b) What is your view on the independence of the Internal Auditors in performing their functions?
- c) What are the problems facing the internal auditors during their course of work?
- d) What do you think should be done to improve the efficiency of internal audit service unit?
- e) Is the management giving necessary attention to internal auditor's recommendation?
- f) Does the internal audit unit perform their work in a more professional manner?
- g) Does the internal audit unit have necessary skilled and knowledgeable personnel?
- h) Does the internal audit unit achieve their planned programme of work?
- i) Do you think internal auditors have good relationship with other staff?
- j) Is internal audit unit contributing to the effectiveness of financial management in this council?

### **Section B: Unstructured Interview**

- a) Independence of the Internal Audit unit and its personnel
- b) Quality of internal audit work
- c) Organization structure
- d) Political influence to internal audit unit
- e) Establishment of Internal Auditor General Division after amendment of the Public Finance Act, 2004 in 2010.
- f) Professionalism, skills and experience of internal auditors
- g) Management support
- h) Effectiveness of Audit Committee.