

# Factors Influencing Effectiveness of Internal Auditing in the Public Sector in Tanzania

## A Case of Tanzania Coffee Board

Ambalize Sanga

[ambalizesanga@yahoo.com](mailto:ambalizesanga@yahoo.com)

College of Business Education, Dar es Salaam, Tanzania

Dr. Allen Mrindoko

[allenmrindoko@gmail.com](mailto:allenmrindoko@gmail.com)

College of Business Education, Dar es Salaam, Tanzania

<https://doi.org/10.51137/ijarbm.2023.4.3.5>

**Abstract** – The study assessed factors influencing effectiveness of internal audit in the public organizations in Tanzania. The study was guided by four predicting variables tested on effectiveness of internal audit as the dependent variable namely management support, independence and objectivity, auditors competence and information technology usage. Explanatory design was used to describe the relationship between study variables whereas the facts collected as data were obtained from the employees from selected case from the sample of 50 respondents. The data were gathered through structured questionnaires with the findings being processed and clustered quantitatively using SPSS data sheet version 23.0. Descriptive statistics were generated to describe the profile of the respondents while inferential analysis specifically correlation and multiple regression were used to describe the relationship between study variables. Findings revealed that three predicting variables namely management support, independence and objectivity and auditors competence have been generated positive with significant effect statistically on effectiveness in internal audit. However, information technology usage was found insignificant towards effectiveness in internal audit as the dependent variable. The implication of the results is that effectiveness of internal audit in public organizations in Tanzania is strongly influenced with management support, independence and objectivity, and auditors' competence.

**Keywords** – Internal Audit, Internal Auditing, Public Sector, Public Organizations, Tanzania, Audit

*Submitted: 2023-11-15. Revised: 2023-11-27. Accepted: 2023-11-29.*

## 1 Introduction

Internal audit is an important practice and aspect to be undertaken in an organization regardless of the sector since it consists of an independent examination and assessment of the accounts, vouchers, books and statutory records of an organization to describe the reality pertaining to the reflection of the financial statements and non-financial disclosures present the truth and actual reality of the organization in that manner (Wood, 2021). The practice also seeks to ensure that accounts and financial records including the books are consistent with the requirements of the law on several accounts such as regulations where necessary, tax compliance and others (Sawyer, 2021).

Internal audit is a practice which is useful in ensuring organization stability and sustainability as the business entity and non-business entity regardless of the sector provided that it is well performed and the recommendations are well observed (Frigo, 2020). Since that is the case, internal audit is done internally within the organization though the external audit which is also referred to as independent audit has adequate credibility than internal audit because sometimes the auditor and the management may collaborate to hide certain information and trend on the business or financial affairs for maximizing their gains which makes the independent audit report to be viable and credible than the internal audit (Ahmad, 2018).

In that regard, it is important practice in entities residing in all sectors with great significance to the public sector entities because they are large and complex organizations engaged in service delivery with high level of complexity with performance in resources management and utilization is certain to be attained (Abidin & Ismail, 2017). Public organizations are complex and constitute large amount of resources with the requirement to attain value for money in the tasks respectively (Wood, 2020). In that case, internal audit is very important since it assures the systematization of practices, control, monitoring and management of tasks from the external overseers within the entity.

Internal audit is executed well in the manner that the auditor is employed in the organization and operate with high degree of autonomy to foster successful conduct of the duties and assure fulfilment of the organization goals and objectives (Jones, 2021). Despite that, the auditors as individual hired should be competent and highly skilled in the practice to practice, assess, trace, identify issues and advice the management on the best course of action as the way forward (Rajagopalan & Zhang, 2018).

Additionally, with advanced technology practitioners are advised to possess adequate information and communication technology (ICT) skills to assure that they perform in accordance to the skills and conditions suits the practices (Sawyer, 2021). Moreover, it is essential for the management to support the practices and practitioners to exercise duty in the manner that is impartial to assure the expected goals and objectives are well attained respectively.

The practice is reflected all over the globe both in the developing and developed states in public and non-public organizations (Wood, 2021). Howev-

er, internal auditing is highly essential in public organizations since they are vested with complex task of service delivery to the public whereas value for money is very important to be attained in terms of performance and efficiency (Power, 2019). Internal auditors are essential actors in the practice through thorough assessment of the organization activities and recommendations they give on the way forward.

Tanzania in particular constitute public sector which is complex in terms of operations, divisions, functions, projects, programs, management systems and others to serve the public. On top of that, it consists of the central and local governments with both legally operating with autonomy in facilitating the service delivery process to the public (Lawrence, 2018). The central government consist of execution of policies in the country through the Executive. Also, it consists of the mandate of making and passing laws through the legislature; and finally, to adjudicate the laws through the judiciary (Jones, 2019).

In that case, internal audit is essential in facilitating examination and assessment on the functions, programs, projects, operations and others towards assuring effectiveness and efficiency on the tasks with regard to the supplied and utilized resources (Wairagala, 2015). With the public sector entities size internal audit is very essential in the organizations. Despite that, the performance of the entities has been limited and poor with regard to the attainment of goals and objectives in the Ministries, departments, and other units.

This has brings about the concern with regard to the public sector entities because with internal auditing practices and practitioners still outcomes with regard to performance has been a challenge with the situation still persisting pose a concern that needs further inquiry. Therefore, the study is undertaken to address the situation in Tanzanian environment with regard to the public sector entities.

## **2 Literature Review**

### **2.1 Theoretical Literature review**

The study is guided with institutional theory which is the management that was propagated with DiMaggio and Powell (1983) and further developed by Forgarty (1996). The theory suggests that adequate management and administrations in the organizations are composed of adequate rules, regulations and procedures that are set in place to foster behaviour generation and conduct of tasks and activities for sustainability, performance and continuity (Lenz, 2013).

The theory suggest that adequate rules, regulations and procedures fosters successful institutional settings which defines the organizations and the machineries responsible (Abu-Azza, 2012). The theory is credited towards assuring success in the practices and initiatives in the organizations that they are well enforced provided that the pattern of institutionalism is ade-

quate and discreet. This is the actual practice all over which fosters high degree of uniformity in principle (Owodo, 2016).

The theory is relevant to the study on the ground that internal audit as the practice in public organizations and others is well effected and executed based on the institutional arrangements and settings. This is the case because institutionalization in the audit practices entails that management support is certain in the activity, including impartiality, competence and information and communication usage are described through institutions. As they are at stake with respect to performance the study is necessary to be undertaken to address the concern.

## 2.2 Empirical literature review

Several studies have been articulated on the issue including Gebre (2018) conducted a study on factors influencing internal audit effectiveness in public sector offices in Eastern zone Shewa Ethiopia. The study employed survey design with results revealed that the application of technology has no favorable impact on the efficacy of internal audit. However, the study used a small number of population so the results cannot be generalized to measure factors affecting effectiveness of internal audit. This study is expected to use large population where questionnaire will be sent to all relevant and some select staff at Tanzania Coffee Board.

Doan (2022) carried out a study on investigating the factors affecting internal audit effectiveness in Vietnam. The researchers conducted quantitative and qualitative evaluations, including a logistics regression model and other analyses, using SPSS software. Through semi-structured in-depth interviews and an online survey, 144 responses were obtained from internal Vietnamese auditors of nonfinancial companies listed on the Vietnamese stock market in 2021. After processing the data, the results revealed that management support for internal audit has a positive influence on internal audit effectiveness. This fosters the need to envisage further in the area because the study seeks to articulate in line with the Tanzanian environment.

Eulerich *et al* (2020) assessed the effect of technology-based audit techniques on the impact of effectiveness of internal audit in England. The study used survey design with the results indicated that the degree to which technology-based audit techniques are used is positively related to efficient and effectiveness of audit and with more perceived reliance on audit results. This fosters the need to envisage further in the area to assure the response in Tanzanian environment.

## 2.3 Conceptual Framework

This consist of the model that comprise the description of the study variables as being the predictors and the dependent ones. In that case, the variables are well illustrated using figure 1 below.

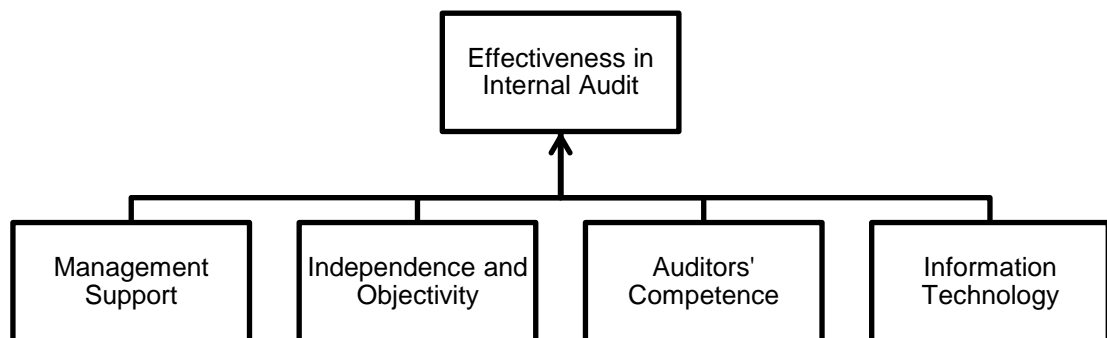


Figure 1: Conceptual Framework

The framework described the study on factors influencing effectiveness in internal audit in public organizations in Tanzania. The study was guided with the assumption that effectiveness in internal audit in public organizations is influenced with several factors whereas the predicting variables have been identified and stated as follows.

**H1:** Management support positively influence effectiveness in internal audit in public sector in Tanzania.

**H2:** Independence and objectivity positively influence effectiveness in internal audit in public sector in Tanzania.

**H3:** Auditors competence positively influence effectiveness in internal audit in public sector in Tanzania.

**H4:** Information technology usage positively influence effectiveness in internal audit in public sector in Tanzania.

### 3 Methodology

The study employed explanatory design since knowledge generation was undertaken using relationship testing between study variables. The study gathered facts through primary data that were obtained from Tanzania Coffee Board from the sample of 50 respondents among employees using structured questionnaires. Purposive sampling was employed with the results computed in SPSS software to generate statistical test to describe the results as findings. Multiple regression analysis was used to describe the relationship between study variables. Therefore, the study is described using the model that is described as follows.

$$EIA = \beta_0 + \beta_{1MS} + \beta_{2IO} + \beta_{3AC} + \beta_{4ITU} + e$$

whereby

*EIA* = Effectiveness in Internal Audit

$\beta_0$  = Constant factor

$\beta_{1MS}$  = Management Support

$\beta_{2IO}$  = Independence and Objectivity

$\beta_{3AC}$  = Auditors Competence

$\beta_{4ITU}$  = Information Technology Usage

*e* = Random variable

## 4 Results and Discussions

The description of the relationship between study variables is described using the multiple regression analysis whereas table illustrates the results as follows.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. error	Beta		
(constant)	-13.364	5.732		-1.251	.000
Management Support	.164	.107	.574	12.623	.006
Independence and Objectivity	.136	.083	.529	12.274	.029
Auditors Competence	.104	.116	.542	12.419	.015
Information Technology Usage	.058	.056	.071	9.383	.119

The results on the analysis describes the outcome pertaining to regression analysis that three predictors out of the four tested namely management support, independence and objectivity, and auditor's competence have been generated significant statistically on effectiveness of internal audit with  $p < 0.05$ . However, information technology usage on the other hand as the predictor has been found insignificant statistically on effectiveness of internal audit with  $p > 0.05$ . The implication is that effectiveness of internal audit in public organizations in Tanzania is strongly influenced with management support, independence and objectivity, and auditors' competence.

The assertion is further supported with Chiggai (2016) stating that internal audit is essential in the performance of the organization both public and private entities. However, it can be well affected provided that the management of the organization is supportive to the practices in terms of strict profession-

al practice. The opposite practice pertaining to the support by the management may not be effective and efficient.

Also, Farouk and Hassan (2015) suggest that internal audit practices are well executed in the organization based on the assurance in the autonomy of the auditors respectively. This is essential because the practice requires objectivity for clarity and assurance in the practice in the manner that assures positive results respectively. Despite that, Mwenda (2015) suggest that efficiency in the internal audit practices in the organizations regardless of the ownership lies on the competence of the auditors as the professional practitioners.

This is the case because ability to deliver adequate results, opinions and strong advice to the entities and identifying projections and way forward relies on the competence of the auditors as the professional practitioners. Abidin and Ismail (2017) suggesting that internal audit is currently executed in the operations using the information technology facilities but efficiency depends on the individual person in the tasks undertaking and not the technology as it is.

## **5 Conclusion**

It is certain that effectiveness in internal audit specifically in public organizations in Tanzania is influenced with management support, independence and objectivity, and auditors' competence. This is the reality on the ground in the sense that for internal audit to be well affected in Tanzania government entities the concerns noted as variables generated significant should be executed. However, the challenge has been the execution of the issues in the manner that is effective and efficient in fostering performance in the practices.

## **6 Recommendations**

The study recommend that the entities as public organizations should be well composed with management that is willing to adhere towards ethics and good practices. This automatically fosters the support and performance in internal audit measures that may foster the organizations to attain efficiency. The study also recommend that the practitioners as internal auditors should be autonomous and objective as practitioners to have independent opinions that assures performance in the organizations. This is the case because the auditors are supposed to exercise authority in that manner for effectiveness to be realized. Moreover, the study recommend that the internal auditors are supposed to be competent and skilled to be able to perform their duties with the aim of assuring effectiveness in the practices in the public organizations.

## 7 References

- Abidin, Z.A. and Ismail, A.N. (2017). Perceptions towards the importance and knowledge of Information Technology among Auditors in Malaysia. *Journal of Accounting and Taxation*, Vol. 1 pp. 61-69.
- Ahmad, B.O. (2018). The Effect of Internal Audit on Organizational Performance: An Empirical Exploration of Selected Jordanian Banks. *Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.9, No.14, 2018*
- Aikins, S. (2011), An Examination of Government Internal Audits' Role in Improving Financial Performance. *Public Finance and Management*, 11(4): 306-337, 2011.
- Amin, M. E. (2005). *Social Science Research on Conception, Methodology and Analysis*. Kampala: Makerere University Printer.
- Butcher K., Harrison, G. and Ross, P. (2015). Perceptions of Audit service quality and Auditor retention: *International Journal of Auditing*, Vol. 17, 54-74.
- Chiggai, H.O. (2016). The effect of internal audit system on organization performance with focus to regulatory bodies in Kenya. KCA University.
- Farouk, M.A., and Hassan, S.U. (2015). Impact of Audit Quality and Financial performance of Quoted Cement Firms in Nigeria. *International Journal of Accounting and Taxation*, 01-22.
- Frigo, M. L. (2020). A Balanced Scorecard Framework for Internal Auditing Departments. IIA Research Foundation. Altamonte Springs, FL.
- Frings, P. A. (2022). A Descriptive Study of Factors Associated with the Internal Audit Function Policies Having an Impact: Comparisons Between Organizations in a Developed and an Emerging Economy. *Turkish Studies*. 14 (3): 581–606.
- Gramling, A.A (2015). Role of Internal Audit Function in Corporate Governance, A Synthesis of the Extent Internal Auditing Literature and Directions for Future Research. *Journal of Accounting Literature*, Vol. 23, pp.263-78
- Mwenda, B. (2015). Effectiveness of Internal Audit as Instrument of Improving Public Sector Management: The Case of the Institute of Adult Education. Mzumbe University.
- Nyakundi, D.O., Nyamita, M.O., and Tinaga, T.M. (2016). Effect of internal control system on financial performance of small and medium scale business enterprises in Kisumu City Kenya. *International Journal of Social Sciences and Entrepreneurship*, 276-309.
- Sawyer, L. (2021). Sawyer's Internal Auditing 5th Edition. Institute of Internal Auditors. Routledge.
- Wood, D. A. (2020). Internal Audit Quality and Earnings Management. *The Accounting Review*. 84 (4): 1255–1280.
- Wood, D. A. (2021). Corporate Managers' Reliance on Internal Auditor Recommendations. *AUDITING: A Journal of Practice & Theory*. 31 (2): 151–166.