

EFFECTIVENESS OF INTERNAL AUDIT ON THE PERFORMANCE OF PUBLIC SECTOR IN SELECTED PUBLIC SECTOR IN SINGIDA IN TANZANIA

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ABSTRACTS

Internal audit effectiveness is a very important tool to monitor and control all activities within the organization. Therefore, this study intended to investigate the effectiveness of the internal audit on the performance of the public sector in Tanzania. The study used qualitative data which were collected using questionnaires from the sample of 64 respondents. Furthermore, inferential statistics were involved to establish the relationship between constructs. The study found that the main challenges facing internal audit control in a public organization include a lack of sufficient resources in audit departments, lack of manpower incentives, and poor remuneration leading to fraudulent and poor performance and a lack of sufficient internal audit knowledge and sufficient staff. The regression result has shown the existence of a positive and significant relationship between internal audit opinion consideration in the financial management of public sectors, internal audit effectiveness, and public sector performance. The researcher recommended that all public organizations must have an internal audit control department to ensure their financial statement are accurate and the process and entries being made to generate are reliable.

Keywords: *Internal Audit, Internal Control, Public Sector, Performance, Auditor*

INTRODUCTION

Internal audit is an integral part of the finance structure of public organizations. The scope of internal auditing within an organization includes various activities such as the review of the effectiveness and efficiency of operations, investigation fraud, the reliability of financial reporting, risk assessment, and compliance with laws, and safeguarding of assets and regulations (Bubilek, 2017). However, the government ministries, departments and agencies are supposed to maintain the accuracy and reliability accounting record for the purpose of auditing and future use. This means that all transactions should be properly authorized, executed and recorded. Funds are expended for legitimate purposes in appropriate ways and financial record reflect true and fair organization's financial condition. In addition, the sound financial management control should be in place which includes allocation of the fund according to stipulated objectives, clear rules of responsibilities, ensuring the expenditure according to the set budget and procedures. For instance, in Tanzania the Internal Audit Unit performs activities related to planning, execution, and organization of tasks related to internal auditing, making analysis and assessment of all business functions of the sector in accordance with the best professional practice and internal audit standards, complying with international standards of professional internal auditing practice and Code of Ethics of internal (Tanzania Atomic Energy Commission, 2022). However, the mission of Internal Audit (IA) is to help ensure that the enterprise's operations are conducted according to best practices and the highest standards by providing an independent, objective assurance and advisory function (Bank of International settlements, 2021). Furthermore, Poor performance of the public sector is caused by poor remuneration among majority of public sectors. In line to this employee in the public sector do not have the liberty to exercise the unbiased and independent attitude (Safrihana, et al., 2018). Therefore, the study intended to assess the effectiveness of internal audit on the performance of public sector in Tanzania using a case of selected public sectors in Singida region.

LITERATURE REVIEW

The study reviewed the theory of Inspired Confidence to explain the effectiveness of internal audit on the performance of public sector in selected public sector in Singida, Tanzania. The theory was developed in the late 1920s by the Dutch professor Theodore Limperg who intended to tackle the demand and supply of audit services. According to Limperg, the involvement of outside stakeholders in the organization has a direct impact on the demand for audit services. However, in consideration of their contributions to the organization, these stakeholders seek justice from the management. Therefore, the effectiveness of an internal audit is necessary for organization's performance because it is only through audit the management may remove the biases caused by the potential conflicts between management's interests and those of external stakeholders. Further, the auditor should meet public expectations (Hayes *et al*, 2005). However, this theory is relevant to this study since it clarifies the significance of internal audit effectiveness on public sector performance. The theory suggests that all institutions provide a conducive environment for efficiency auditing.

According to the theory of the study, various studies were reviewed.

The study of Boateng and Zoiku (2021), on the effectiveness of Internal Audit in promoting good governance in the public sector in Ghana found the presence of relationship between internal systems for risk management, compliance and consulting, and internal controls and corporate governance. It was discovered that internal audit greatly influences consultancy, risk management, and compliance. According to the study's findings, there had been improvements in responsibility, independence, personal accountability, and fairness. With a descriptive cross-sectional design method, the study is both quantitative and qualitative.

The study of Postula *et al.* (2020) on the internal Audit as a tool to improve the efficiency of public service found that there is a statistically significant association between internal effectiveness measurements and the metrics for the accomplishment of public service duties by standard of performance offices. The indicator describing audit plan completion with respect to checks is one of the internal audit effectiveness metrics that has a significant impact on the performance of organizations. The study recommended that Managers in the public skateboard should decide to increase the performance budget and decide to link it to an internal audit. Internal audit should concentrate more on assessing the effectiveness of government operations and, to a smaller extent, only enhance the examination of the decision-making process.

The study of Unegbu and Kida (2011) on the effectiveness of internal audit as instrument of improving public sector management found that the Internal audit can effectively check fraud and fraudulent activities in the Public Sector and that Public Sectors in Kano State have significant numbers of Internal Audit Departments to function effectively. It is therefore recommended that Government should provide an adequately equip staff with electronic data processing and also maintains an environment within which internal auditors can have sufficient freedom to accomplish their task efficiently.

Methodology

The study adopted the cross-sectional research design, enabling the researcher to collect data from 64 respondents drawn from the target population of 176. The study employed a non-probability sampling design to get sampling units.

Findings and Discussion

Effectiveness of Internal audit on the Performance of Public Sector

The study examined the effectiveness of internal audit on enhancing the public sector performance where

SA = Strongly-Agree, A = Agree, D=Disagree, SD = Strongly-Disagree as shown in Table 1.

Table 1 Effectiveness of Internal Audit

STATEMENT		SA	A	D	SD
Effectives management and internal audit communication may contribute to public sector performance	Count	20	39	5	1
	RowN%	31.3	59.4	7.8	1.6

The performance of the public sector is challenged by management slow response to audit queries and comments.	Count	28	32	2	2
	RowN%	43.8	50.0	3.1	3.1
The performance of the public sector is challenge by management slow response to improve public sector performance.	Count	30	29	3	1
	RowN%	46.9	45.3	4.7	1.6
The internal audit staff has enough expertise and experienced workers to improve public sector performance	Count	32	28	0	4
	RowN%	50.0	43.8	0	6.4
Supporting management in performance duties of internal audit helps the audit effectiveness	Count	24	36	3	1
	RowN%	37.5	56.3	4.7	1.6
Regular training and quality leadership to the internal audit staff, management and committee help to improve organization performance	Count	35	25	2	2
	RawN%	54.7	39.1	3.1	3.1

Source: Field Data 2022

The findings indicated that in case there is an internal department that focus specifically with the audit will improve the performance of the organization. Also, through qualitative question most of respondents agree on the fact that the effectiveness management and internal audit communication contribute to public sector performance, whereby 59.4 percent of the entire respondents equivalent to 39 respondents agree on that while 50 percent equivalent even agree on the fact that the performance of the public sector is challenged by management slow response to audit queries and comments, in case there is no internal audit. On the performance of the public sector is challenge by management slow response to improve public sector performance, 46.9 percent of respondents strongly agreed on that, this is equivalent to 30 respondents, taking into consideration of the 32 respondent equivalent to 50 percent of the respondents agree on fact that internal audit staff has enough expertise and experienced workers to improve public sector performance. Supporting management in performance duties of internal audit helps the audit effectiveness as well as regular training and quality leadership to the internal audit staff, management and committee help to improve organization performance most the respondents on these facts strongly agree with 56.3 percent equal to the 36 of the total respondents and 54.7 percent equivalent to the 35 respondents , only few respondents disagree with those facts about 6.4 percent equivalents to 4 respondents. Due those facts the study concludes that every public sector supposed to have the internal audit department for effective operations of activities.

Further, the study conducted correlation analysis where by the findings indicated that the effectiveness of the internal audit control had correlation coefficient of ($r = 0.607$, $p = 0.000$) signifying that there is a positive linear relationship between the effectiveness of internal audit department and the performance of public sector with a correlation coefficient of 60.7**. Moreover, this relationship is statistically significant at 5% level of significant with a probability value of 0.000 which is less than 0.05 level of significant as presented in Table 2.

Table 2. Correlation Analysis

		PERFORMANCE
AUDIT EFFECTIVENESS	Pearson Correlation	.607**
	Sig. (2-tailed)	.000
	N	64

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

Furthermore, the study used multiple regressions model, to indicate the influence between independent variable and dependent variable as shown in Table 3.

Table 3. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.248	.321		.772	.443
	Effectiveness	.613	.095	.652	6.474	.000

a. Dependent Variable: performance

Source: Field Data, 2022

The results found that there is a positive and significant relationship between audit effectiveness and the public sector performance. For instance, the researcher found that, there is existence of positive and significant relationship between audit effectiveness and public sector performance, in a way that, any unit increase in audit effectiveness will leads to 0.652-unit increase in organization performance, holding other factors constant. This means that, in any public organization with an effective internal audit department, its performance are more likely to be effective compare to those which as no such department or non-effective audit department.

Conclusion

The study found that the main challenges facing internal audit control in public organizations include lack of sufficient resources in audit departments, lack of manpower incentives and poor remuneration leading to fraudulent and poor performance and lack of sufficient internal audit knowledge and sufficient staff. Also, the study assessed the effectiveness of internal audit and found that, most the respondent agrees on the fact that effectives management and internal audit commutation may contribute to public sector performance whereby 59.4 percent of the entire respondents equivalent to 39 respondents agree on that while 50 percent equivalent even agree on the fact that the performance of the public sector is challenged in case there is no internal audit.

Moreover, the extent to which the audit opinion is considered in the organization, the findings shows that, in public sectors with internal audit departments, audit opinions are being considered to a high extent.

Recommendation

The study recommends that the all public organization must have the internal audit control department so that to ensure their financial statement are accurate and the process, entries are being made to generate are reliable. Further, all public organization needs to have internal audit so that to prevents un-necessary frauds. Then, the public organization must have the internal audit control so that to protect the company's interest and ensure that companies complies with the federal and state law and regulation of the management financial data. Inline to this the opinion given by the internal auditor must be taken seriously so as to offset any gaps that may result into losses and improve the public sector performance.

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