



Influence of audit function in promoting good governance in local government authorities in Tanzania: A case of Kyerwa district council

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Abstract

The objective of the study was to assess the influence of audit functions/services on promoting good governance in Local Government Authorities in Tanzania. The study used a sample size of 80 respondents from a population of 100 staffs and non-staff of Kyerwa District Council. The data was analyzed using both descriptive and inferential statistics. The study revealed that the audit function was a sufficient tool in promoting good governance including improvement of accountability and good management. The study concluded that, a combined force of audit functions and audit committee can work well to promote good governance, accountability and sound management. Audit functions such as Vouching, Risk Management, Internal Control and auditor's report is about promoting transparency, Efficiency and effective, Accountability, rule of law to administrations of Kyerwa District council to meet its established and defined objectives. In view of the findings, the study recommends that Audit functions should be improved at Kyerwa District Council in order to strengthening good governance by making sure audit function are considered positively as grassroots of promoting good Governance.

Keywords: audit function, good governance, local government authorities, accountability, risk management, internal control, transparency, efficiency and effectiveness

Introduction

In Local Government of Tanzania public funds sometimes are misallocated. The Government budgeting tends to be undisciplined (Rosen and Gayer, 2014). Despite of various financial regulations and directives from Government on how to use public funds, yet some of Municipal/District Executive Directors losing their position after obtaining adverse or disclaimer audit reports of their financial statements due to misuses of public funds. The Local Authority Financial Memorandum of (2009), order No 13; cited Section 48 of the Local Government Finance Act requires every Council to employ its own Internal Auditors so as to examine and evaluate the effectiveness of the financial management in the Local Government Authorities. The local Government Act No. 9 of 1982 requires the accounts of all Local Government Authorities to be audited by internal and external auditors. Despite of these financial directives, rule and regulation, some of Local Government Authority are still getting adverse or disclaimer audit opinion reports based on their Financial Statements as a result of the respective Directors lose their jobs. Examples are what happened in Ujiji Municipal, Kigoma District Council and Pangani District Council in the financial year ended 30 June 2016/2017.

On Good Governance, the internal audit must assess and make appropriate recommendations for improving the good governance process by accomplishment of the following objectives:-promoting appropriate ethics and values within the organization, ensuring effective organizational performance management and accountability, communicating risk and control information to appropriate areas of the organization

and coordinating the activities of and communicating information among the board, external and internal auditors and management. That is, according to International Professional Practices Framework (IPPF) 2013 pp 29.

An audit function has vital contribution on promoting good governance in Local Government Authorities and other organization where public funds are spent and ensures the growth and good standard of living to the community of Kyerwa District Council.

Despite the fact that Kyerwa District Council suffers some problems such as lack of research to find out what are causes of misuses of public funds, lack of resources, dependent, shortages of staff, Shortages of office equipment, unbudgeted spending, unbanked spending, and unevaluated asset, poor community participation in development projects are critical challenges facing audit units in Kyerwa District Council. Beside of performing audit function in recent years 2017/2018, there has been increasing level of good governance which caused by improving of audit function.

So far too little attention has been paid on influence of audit functions on promoting good Governance in Local Government Authorities in Tanzania. The objective of this study was to examine the influence of Audit function on promoting good governance a case study of Kyerwa District Council.

Purpose

The purpose of this study was to assess influence of Audit functions/services on promoting good governance in local government Authorities in Tanzania, based on audit functions

(Vouching, risk management, internal control and reporting) in relation to principals of good governance(Transparence, Rule of Law, Accountability Effectiveness and Efficiency).

Methods

Questionnaires and interviews were used in collecting primary data whereby documentary was used to collect secondary data. The data analysis involved descriptive statistics with regard to the extent to which various aspects of audit functions take

place in institutions under investigation; the study covered 61 respondents out of 80 sample size of targeted population of 100.

Results and Discussion

Research Question One

What is perception of respondents on the extent to which vouching takes place in Kyerwa District?

Table 1: Perception of Respondents on Vouching

SN.	Perception of Respondents of Vouching	Mean	Interpretation
1.	There is transparency in vouching	4.31	Agree
2.	Section of documents is done on time	4.21	Agree
3.	Auditors inspect the use of supporting evidences in the vouchers	4.16	Agree
4.	System verification is done	4.04	Agree
5.	The documents are being well inspected	3.86	Agree

This research question sought to establish the perception of respondents on the extent to which vouching takes place in institutions under investigation. As observed in Table 1, the mean score for all items in the questionnaire section ranged between the zone of 3.50 and 4.49. According to our scale of interpretation, this zone denotes agreement. Therefore, respondents agreed that there is transparency in vouching (4.31), section of document is done on time (4.21), auditors inspect the use of supporting evidences in the vouchers (4.16), system verification is done (4.04) and the documents are being well inspected (3.86). However majority of the respondents agreed that there is transparence in vouching in that particular

organization, this mean therefore that transparence has an effective influence on good governance in local government authorities. The study concurs with the study conducted by Mwakyonga (2009) which examined effectiveness of auditing in Public sector in Tanzania. The study revealed a number of factors constraining Internal Auditors work to include vouching.

Research Question Two

What is perception of respondents on the extent to which Risk Management takes place in Kyerwa District?

Table 2: Perception of Respondents on Risk Management

SN.	Perception of Respondents of Vouching	Mean	Interpretation
1.	The organization offers training on risk management	4.34	Agree
2.	Employees are involved in the risk management process	4.19	Agree
3.	The office has the system if risk detection	4.13	Agree
4.	Risk are managed on time	4.10	Agree
5.	The organization has risk control components	3.93	Agree

This research question sought to establish the perception of respondents on the extent to which vouching takes place in institutions under investigation. As observed in Table 1, the mean score for all items in the questionnaire section ranged between the zone of 3.50 and 4.49. According to our scale of interpretation, this zone denotes agreement. Therefore, respondents agreed that there is transparency in vouching (4.31), section of document is done on time (4.21), auditors inspect the use of supporting evidences in the vouchers (4.16), system verification is done (4.04) and the documents are being well inspected (3.86). However majority of the respondents agreed that there is transparence in vouching in that particular

organization, this mean therefore that transparence has an effective influence on good governance in local government authorities. The study concurs with the study conducted by Mwakyonga (2009) which examined effectiveness of auditing in Public sector in Tanzania. The study revealed a number of factors constraining Internal Auditors work to include vouching.

Research Question Three

What is perception of respondents on the extent to which Internal Control takes place in Kyerwa District?

Table 3: Perception of Respondents on Internal Control

SN.	Perception of Respondents of Vouching	Mean	Interpretation
1.	The procedures are observed during audit	4.34	Agree
2.	The auditors follow the organization policy	4.31	Agree
3.	The auditors observes organization norms and values	4.18	Agree
4.	The auditors observes culture of the organization	4.16	Agree
5.	The auditors observes attitude of the organization	4.08	Agree

This research question sought to establish the perception of respondents on the extent to which internal control takes place in institutions under investigation. As observed in Table 3, the mean score for all items in the questionnaire section ranged between the zone of 3.50 and 4.49. According to our scale of interpretation, this zone denotes agreement. Therefore, respondents agreed that the procedures are observed during audit (4.34), the auditors follow the organizational policy (4.31), and the auditors observe organizational norms and values (4.18), the auditors observe culture of the organization (4.16) and that the auditors observe the attitude of the organization (4.08). This study concurs with that of Dessalegn and Yismaw (2007) which assessed internal audit in public sector and revealed that the internal audit office of the organization studied needed to enhance the technical proficiency of the internal audit staff and minimize staff turnover and foster audit effectiveness. Most of the employees have a short term employment contract and need to upgrade

their competencies to enable them to provide high quality services. Internal audit offices do not prepare strategic plans hence leads their recommendations not afforded enough attention.

Hypothesis Testing

This section deals with testing existing relationship among variables under investigation. It was guided by the hypothesis which stated that “There is no significant correlation between various aspects of Audit function and Good Governance”. The hypothesis was tested by Pearson product Moment Correlation Coefficient as observed in Table 4. Nature of possible existing correlations among variables was either positive or negative and was interpreted based on the following criteria:

≥.70= strong relationship; ≥.50 = moderate relationship ≤.50= weak relationship. Table 4 shows correlation between Good Governance and Audit Functions.

Table 4: Correlations between Good Governance and Audit Functions

		Vouching	Risk Management	Internal Control	Good Governance
Vouching	Pearson Correlation	1	.787**	.595**	.505**
	Sig. (2-tailed)		.000	.000	.000
	N	61	61	61	61
Risk Management	Pearson Correlation	.787**	1	.753**	.632**
	Sig. (2-tailed)	.000		.000	.000
	N	61	61	61	61
Internal Control	Pearson Correlation	.595**	.753**	1	.777**
	Sig. (2-tailed)	.000	.000		.000
	N	61	61	61	61
Good Governance	Pearson Correlation	.505**	.632**	.777**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	61	61	61	61

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

As observed in Table 4, there is a moderate correlation between Good Governance and vouching (r=.505, Sig. =.000) and between Good Governance and Risk Management (r=.632, Sig. =.000). Furthermore, there is a strong correlation between Good Governance and Internal Control (r=.777, Sig. =.000). Since this correlation is positive, the dependent variable (Good Governance) is positively influenced by the Dependent variables (vouching, Risk Management and Internal Control). Therefore, it is concluded that vouching, Risk Management and Internal Control positively influence Good Governance. The null hypothesis is therefore rejected and it is inferred that there is a significant positive correlation between Good Governance and Audit Functions. This is relevant with the study by Samagwa (2010) study to explore the efficiency of internal audit in risk management control identified lack of internal audit charter and performance gap of the audit function department as challenges facing internal auditors on assessing risk management in Tanzania. Studies conducted outside Tanzania were also reviewed. Furthermore, it is interesting to note existing interrelationship among the Independent variables. Particularly, there is a significant positive and strong correlation between vouching and Risk Management (r=.787, Sig. =.000) and moderate correlation between vouching and Internal Control (r=.595, Sig. =.000). Therefore, internal control is a good predictor of

proper vouching. The research findings is consistent to that of Samagwa (2010) study to explore the efficiency of internal audit in risk management control identified lack of internal audit charter and performance gap of the audit function department as challenges facing internal auditors on assessing risk management in Tanzania. Studies conducted outside Tanzania were also reviewed.

Finally, there is a significant and strong correlation between Risk Management and Internal Control (r=.753, Sig. =.000). Therefore, Risk Management is a good predictor of Internal Control. This is similar to the study by Mulinda (2010) examined the role of audit in risk management and revealed that most of internal audit personnel lacked basic Information Technology (IT) skills; quality assurance machinery was lacking, and monitoring

Conclusions

The objective of the study was to establish influence of audit functions on promoting good governance in Local Government Authorities Case study of Kyerwa District council. The findings indicate that an Audit function contributes 93.75 on promotion of good governance. Vouching, Risk management, Internal Control and auditor’s report is about promoting transparency, Efficiency and effective, Accountability, rule of law to administrations of

Kyerwa District council to meet its established and defined objectives. Audit function promoting systems and structures of operating and Controlling operations with a view to achieving long term strategic goals that satisfy the Citizens, the government and financiers while complying with legal, regulatory and, meeting environmental and society needs and an efficient process of value creating and value adding (PSICG, 2002).

Audit Functions reduces costs and improves efficiency and effectiveness. It also controls risks and helps in the preparation of final account as resulted of unqualified audit opinion (clean) of an organization as well as improvement of good governance.

Recommendations

The government should establish and maintain independent, adequately resourced and completely staffed internal and external auditors who will perform well audit functions and present to management and audit committee for assessment of risk management, control and good governance promotion.

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