

Investigation of the Current Internal Audit Processes and Procedures within Morogoro Municipal Council

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Abstract:- This study focused on investigating the current internal audit processes and procedures within Morogoro Municipal Council. A descriptive research design and quantitative approach were utilized, targeting Morogoro Municipal Council staff and internal auditors with a sample size of 74 respondents selected via simple random and purposive sampling methods, respectively. Data was gathered through questionnaires for staff and interviews for auditors, supplemented by secondary data from relevant documents. While most respondents agree that the internal audit processes are well-documented, effectively communicated, and robust enough to address risks, there are concerns about adherence, resource adequacy, and the independence of the audit function. To improve effectiveness, it is recommended that the Council enhance adherence to procedures, allocate adequate resources, strengthen the independence of the audit function, and ensure regular updates to audit procedures. These steps will better support governance, accountability, and overall organizational efficiency.

Keywords:- Internal Audit Processes and Internal Audit Procedures.

I. INTRODUCTION

Local Government Authorities (LGAs) in Tanzania are instrumental in the provision of public services and the stewardship of fiscal resources, contributing significantly to the nation's development and poverty alleviation goals (Rugeiyamu et al., 2019). These entities are tasked with the management of public funds, the execution of development projects, and the safeguarding of community well-being. Given the importance of these responsibilities, the prudent and transparent management of financial resources within LGAs is crucial for sustainable development. Internal auditing emerges as a key mechanism in fostering fiscal responsibility and organizational efficiency within these entities.

Internal auditing involves a systematic and objective review of an organization's financial and operational processes (Daniela (2023). Its primary aim is to offer independent assurance and consulting services that enhance organizational effectiveness and efficiency. In the Tanzanian

context, internal auditing plays an essential role in bolstering fiscal responsibility. It ensures accountability, detects and prevents financial irregularities, and strengthens transparency by identifying weaknesses in financial systems and facilitating corrective actions (Mpochohwa & Kagoro, 2021). This process not only aids in preventing fraud and mismanagement but also fosters trust among stakeholders, including citizens, donors, and development partners.

In Tanzania, a robust framework of financial regulations and laws governs public fund management. Internal auditors are pivotal in verifying compliance with these regulations, helping organizations avoid legal repercussions, financial penalties, and reputational damage that could result from non-compliance. Additionally, internal auditing helps identify inefficiencies in resource allocation and utilization. By offering recommendations for improvements in budgeting, procurement, and financial management, auditors contribute to the effective use of public funds and enable LGAs to achieve their development goals more efficiently (Mpochohwa & Kagoro, 2021).

The insights derived from internal auditing are valuable for informed decision-making within public organizations. Auditors provide critical information on areas that may require increased investment or cost-cutting measures (Khamis, 2016). This facilitates strategic choices that align with fiscal responsibility objectives.

While previous research has highlighted the importance and challenges of internal auditing in LGAs, such as the efficiency of financial management (Kitojo, 2014), the need for clear recommendations and management support (Katuli, 2019), and limitations faced by auditors (Shio, 2019), there remains a need for a detailed examination within specific LGAs. This study builds upon existing research by focusing on Morogoro Municipal Council, aiming to investigate the current internal audit processes and procedures in this particular LGA.

Recent reports, such as the Annual General Report of the Controller and Auditor General (CAG) for LGAs for the fiscal year 2020-2021, have revealed significant financial scandals, including unbanked funds and revenue losses due to unauthorized adjustments in information systems. For

example, the council reported unbanked funds amounting to Tsh. 84,142,117 and unresolved miscellaneous defaulters totaling Tsh. 533,706,011. These issues underscore the urgent need to address fiscal responsibility and accountability concerns within Morogoro Municipal Council.

This study aims to address these challenges by investigating the role of internal auditing in enhancing fiscal responsibility within the Morogoro Municipal Council. By evaluating the current state of internal auditing practices, identifying potential shortcomings, and assessing their impact on fiscal accountability, the study seeks to provide actionable insights and recommendations. Ultimately, this research aspires to contribute to improved governance and financial management practices at the local level in Tanzania.

➤ *Theoretical Underpinnings*

Agency Theory provided a useful framework for analyzing the internal audit processes within Morogoro Municipal Council by exploring the relationship between principals (those who delegate authority) and agents (those entrusted with decision-making and management). According to Jensen and Meckling (1976), Agency Theory emphasizes the potential conflicts of interest that arise when agents do not perfectly align their actions with the interests of the principals. In the context of LGAs, such as Morogoro Municipal Council, the principals are the taxpayers and local government authorities, while the agents include municipal officials and internal auditors.

One of the strengths of Agency Theory is its focus on the role of internal auditing as a mechanism to reduce agency costs. The theory posits that internal auditors help ensure that municipal officials act in accordance with the principles of accountability, transparency, and fiscal responsibility (Jensen & Meckling, 1976). By conducting regular audits, internal auditors can mitigate the risks of financial mismanagement and misalignment between the council's goals and the actions of its officials. This helps to align the interests of the municipal council with those of the taxpayers, thereby enhancing governance and reducing conflicts of interest.

Agency theory is highly relevant for studying the internal audit processes and procedures within Morogoro Municipal Council because it addresses the dynamics between principals (the municipal council stakeholders) and agents (the internal auditors and management). This theoretical framework helps analyze how effectively the internal audit function aligns with the interests of the stakeholders and mitigates issues of agency conflict, such as potential mismanagement or inefficiency. By examining the internal audit processes through the lens of agency theory, the study can assess whether the audit procedures adequately monitor and control managerial actions, ensure accountability, and uphold transparency, thereby revealing how well the council's internal mechanisms safeguard stakeholder interests and improve overall governance.

II. METHODOLOGY

➤ *Study Area*

This study was conducted at Morogoro Municipal Council. Conducting a study on this municipality is justified due to its potential to address a critical issue in public financial management. Effective fiscal responsibility is essential for the efficient allocation of resources and the delivery of public services. The study can provide insights into how internal auditing practices impact financial accountability, transparency, and ultimately, the overall fiscal health of Morogoro Municipal Council.

➤ *Design*

Research design is defined as the conceptual structure within which research is conducted (Kumar, 2011). The study employed descriptive research design. Descriptive research design is a type of research methodology focused on systematically gathering and presenting factual information about a subject, group, or phenomenon without manipulating variables or attempting to establish causal relationships. This design was preferred since the study aim to explore, describe, or understand a particular situation as it naturally occurs in its real-world context.

➤ *Target Population*

Target population refers to a group of individuals or a group of organizations who are characterized with common features that can identify and study (Creswell, 2012). In this study, the target population include 88 staffs and 2 internal auditors from Morogoro Municipal Council.

➤ *Sample Size*

Sample size refers to the number of items selected from the universe to constitute a sample (Kothari, 2004). For the purpose of this study, the sample size for staffs of Morogoro Municipal Council was 72 respondents. This sample size was obtained by using the proposed formula by Yamane (1961) as presented below.

$$N = \frac{N}{1 + N(e)^2}$$

Where by: n = Sample size; N = Population; e = Level of Precisions (Level of tolerance 5% = 0.05); and 1 = Constant. The sample size for internal auditors from Morogoro Municipal Council obtained by using a census method was used. Through this method qualitative data were collected from all 2 internal auditors.

➤ *Instruments*

Primary data was gathered from Morogoro Municipal Council staff through questionnaires and semi-structured interviews with internal auditors, leveraging questionnaires for their efficiency in collecting large volumes of data and interviews for in-depth clarification. The aim was to ensure the accuracy and relevance of the information collected. Additionally, secondary data was obtained through extensive reviews of documents such as official reports, audit findings, and regulatory guidelines. This documentary review provided a comprehensive historical and contemporary context,

validating and complementing the primary data by offering deeper insights into institutional frameworks, operational practices, and challenges related to internal auditing and fiscal management within the council.

➤ *Validity and Reliability*

Validity in the study was ensured by employing multiple data collection methods, including questionnaires, interviews, and documentary reviews, designed to thoroughly measure participants' attitudes and opinions on the research problem (Taherdoost, 2016). The involvement of the supervisor throughout the research process further supported this validity. Reliability, reflecting the consistency and repeatability of the research tools, was assessed using Cronbach's Alpha, which yielded a score of 0.788, indicating acceptable internal consistency (Cronbach, 1951). A pilot study was also conducted to identify and address any potential weaknesses in the research approach (Kumar, 2011).

➤ *Ethical Considerations*

Ethical considerations in research are crucial for maintaining integrity and respecting participants' rights,

guiding researchers in their interactions with subjects and affected parties (Saunders et al., 2007). In this study, ethical standards were upheld by securing approval from Jordan University College and obtaining a research permit from the Director of Morogoro Municipal Council, ensuring legal and ethical compliance. Confidentiality and anonymity were rigorously maintained, with stringent measures to protect sensitive information and using pseudonyms to safeguard participants' identities. Participants were fully informed about the study's aims and procedures, fostering transparency and enabling informed consent, thus upholding ethical principles throughout the research process.

III. RESULTS AND DISCUSSIONS

Table 1 presents an evaluation of the current internal audit processes and procedures within Morogoro Municipal Council. This assessment aims to identify deficiencies that may contribute to fiscal irresponsibility and inefficiencies. By scrutinizing these processes, the study seeks to highlight areas needing improvement to enhance governance and financial stewardship within the municipality.

Table 1 The Current Internal Audit Processes and Procedures

Items	Strongly Disagree	Disagree	Agree	Strongly Agree
The internal audit processes and procedures are clearly defined and documented.	2 (2.8%)	5 (6.9%)	40 (55.6%)	25 (34.7%)
The internal audit processes and procedures are effectively communicated to all relevant stakeholders.	5 (6.9%)	10 (13.9%)	42 (58.3%)	15 (20.8%)
The internal audit processes and procedures are consistently followed by the Council.	10 (13.9%)	18 (25%)	30 (41.7%)	14 (19.4%)
The internal audit processes and procedures are sufficient to identify and address risks within the Council.	8 (11.1%)	12 (16.7%)	36 (50%)	16 (22.2%)
The internal audit processes and procedures are regularly reviewed and updated to reflect changes in the Council's operations.	6 (8.3%)	14 (19.4%)	32 (44.4%)	20 (27.8%)
The internal audit processes and procedures are adequately resourced in terms of staff and technology.	15 (20.8%)	20 (27.8%)	27 (37.5%)	10 (13.9%)
The Council's management provides adequate support and cooperation to the internal audit function.	12 (16.7%)	18 (25%)	30 (41.7%)	12 (16.7%)
The internal audit function is independent and free from undue influence or interference.	10 (13.9%)	15 (20.8%)	30 (41.7%)	17 (23.6%)
The internal audit reports are timely and provide valuable insights to the Council's management.	5 (6.9%)	10 (13.9%)	40 (55.6%)	17 (23.6%)
The internal audit function has a positive impact on the overall governance and accountability of the Council.	8 (11.1%)	12 (16.7%)	35 (48.6%)	17 (23.6%)

Source: Field Data (2024)

The survey results indicate a strong consensus among Morogoro Municipal Council staff regarding the clarity and documentation of internal audit processes. A significant majority, totaling 90.3%, either agree or strongly agree that these processes are clearly defined and documented. This high level of agreement suggests that there is a foundational understanding of the procedural framework governing internal audits within the Council. Clear and well-documented processes are essential for ensuring consistency and transparency in auditing practices, which are crucial for effective governance and accountability.

Effective communication of internal audit processes to relevant stakeholders emerges as a critical area for improvement. While a majority (78.1%) agree or strongly agree that procedures are effectively communicated, a notable proportion (20.8%) either disagree or strongly disagree. This discrepancy highlights a potential gap in ensuring comprehensive understanding and buy-in across all levels of the Council. Improving communication channels and strategies could enhance awareness and adherence to audit procedures, fostering greater accountability and alignment with organizational goals. The findings are

consistent with Stakeholder Theory as it emphasizes the need for transparency and engagement with stakeholders to ensure that their concerns and interests are adequately addressed, thereby enhancing trust and accountability within the organization.

The survey reveals a mixed response regarding the consistent adherence to internal audit procedures within Morogoro Municipal Council. Only 61.1% of respondents agree or strongly agree that these processes are consistently followed. This finding underscores the importance of reinforcing compliance mechanisms and monitoring frameworks to ensure that audit procedures are consistently applied across all departments and activities. Consistency in adherence not only strengthens internal controls but also enhances the Council's ability to identify and mitigate risks effectively. The findings concur with study by Nugraha and Susanto (2017) which found that, government internal auditor has not arranged risk-based audit plan includes objectives identification of the audit objects and the audit procedures in mitigating fraud risk.

A notable concern highlighted by the survey is the adequacy of resources allocated to the internal audit function. Less than half (51.4%) of respondents agree or strongly agree that these processes are adequately resourced in terms of staff and technology. Insufficient resources can hinder the effectiveness and efficiency of audits, potentially limiting their scope and impact. Addressing resource gaps through strategic investment in training, technology, and staffing could significantly enhance the Council's audit capabilities and overall governance framework.

Maintaining the independence and impartiality of the internal audit function is crucial for its effectiveness and credibility. While a majority (65.3%) agree or strongly agree that the function operates free from undue influence, a substantial minority (34.7%) express concerns in this regard. Ensuring independence involves not only organizational support but also clear policies and practices that safeguard auditors from external pressures or conflicts of interest. Strengthening independence can enhance trust in audit findings and promote a culture of accountability within the Council. The findings concur with study by Adedokun and Oluwakemi (2019) which found that, internal audit independence was considered as the most fundamental and critical in ensuring effectiveness of internal audit in any tertiary institution of higher learning in Nigeria.

Despite challenges, there is recognition among staff that the internal audit function has a positive impact on governance and accountability within Morogoro Municipal Council. A majority (72.2%) agree or strongly agree that internal audit reports provide valuable insights to management, contributing to better decision-making and accountability practices. This underscores the critical role of internal audits in identifying areas for improvement, enhancing transparency, and ultimately, supporting the Council's mission to serve the community effectively. The findings concur with study by Bilal et al. (2018) which

establishes a significant positive relationship between internal audit and effective corporate governance.

IV. CONCLUSION AND RECOMMENDATIONS

The evaluation of Morogoro Municipal Council's internal audit processes highlights several strengths and areas for improvement. While a majority of respondents confirm that the audit processes are well-documented, communicated effectively, and sufficiently robust to address risks, there are concerns about adherence to these procedures and the adequacy of resources allocated to the internal audit function. Additionally, issues related to the independence of the audit function and the perceived level of management support suggest that there are gaps that need addressing to ensure that the internal audit can perform its role effectively.

To enhance the effectiveness of the internal audit processes, it is recommended that the Council implement measures to improve adherence to procedures and increase the allocation of resources, including staff and technology. Strengthening the independence of the internal audit function by establishing clearer protocols and enhancing management support are also crucial. Regular reviews and updates of audit procedures will ensure they remain relevant and capable of addressing new risks. By focusing on these areas, the Council can better support governance, accountability, and overall organizational efficiency.

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