



Performance and Attributes of the Internal Audit Function at the Local Government Level



2021

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“

Whenever the advance of civilisation brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent.

”

Richard Brown
(1968),
A History of
Accounting and
Accountants.

ABBREVIATIONS & ACRONYMS

AC	Audit Committee
CAG	Controller and Auditor General
CIA	Certified Internal Auditor
COSTECH	Tanzania Commission for Science and Technology
CPA	Certified Public Accountant
ERM	Enterprise Risk Management
GARI-ITS	Government Audit Recommendation Implementation-Information Tracking System
GFS	Government Finance Statistics
GIZ	German Corporation for International Cooperation
IA	Internal Auditor
IAG	Internal Auditor General
IAGD	Internal Auditor General's Division
ICT	Information and Communication Technology
IIA	Institute of Internal Auditors
INTOSAI	International Organisation of Supreme Audit Institutions
IPPF	International Professional Practices Framework
ISA	International Standards on Auditing
LGA	Local Government Authority
MDAs	Ministries, Departments, and Agencies
MTEF	Medium-Term Expenditure Framework
PEFA	Public Expenditure and Financial Accountability
PO-RALG	President's Office – Regional Administration and Local Government
PPRA	Public Procurement Regulatory Authority
PSE	Public Service Entity
RS	Regional Secretariat
SAI	Supreme Audit Institution
SDC	Swiss Agency for Development and Cooperation

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To all of you, we say asanteni sana.

Irenei Kiria,
Executive Director of Sikika

EXECUTIVE SUMMARY

The Tanzania Development Vision 2025 identifies “good governance and the rule of law” as a key driving force for the promotion and realisation of development. To reduce record-keeping errors, asset misappropriations, or waste of resources, the public financial management system depends on a strong internal audit function that helps the country to achieve its development objectives.

Since 2018, the Ministry of Finance and Planning and other national stakeholders have been working with development partners on a “National Strategy for the Further Development of the Internal Audit System in the Public Sector of Tanzania” to ensure that the internal audit function conforms with the International Professional Practices Framework 2017. These international standards require altering the internal auditors’ organisational status and scope from an “audit for management” to an “audit of management” approach. Such a strategic reorientation is a great challenge with profound implications on existing power relationships at the local government level. The standards also have to be applied to the country’s state of decentralisation and public financial management.

This research study aims to contribute to the reform dialogue process by comparing stakeholders’ views on the performance and attributes of the internal audit function at the local government level with international standards and by providing recommendations to policy-makers on how the internal audit function may conform with these standards.

Methodology

The study follows the International Professional Practices Framework’s idea that performance and attributes of the internal audit function are related. Selected performance and attribute standards were subjected to an explorative, cross-sectional survey that included internal audit units, audit committees, and finance committees of six Local Government Authorities. These authorities were selected to form a geographically balanced sample including Arusha, Babati, Dodoma, Mbeya, Mwanza, and Korogwe. At the central government level, the survey included only the Internal Auditor General’s Division as the National Audit Office and the President’s Office – Regional Administration and Local Government (PO-RALG) did not respond to interview requests. This means we do not learn about the external auditors’ views on the internal audit function’s independence and objectivity, and we also learn little about how the PO-RALG receives and follows up on communications from internal auditors on significant deficiencies in internal controls that may call into question the integrity or competence of the LGA management. The answers of all target group respondents were compared to see where the different stakeholders of the internal audit function agree or disagree on performance issues, attribute issues, and recommendations.

Findings

The internal audit function adds value to the country’s public financial management system as it considers organisational objectives and expectations of management. It offers consulting services to enhance governance, risk management, and controls to stakeholders at the local and central government level. However, more value may be added by considering the Local Government Authorities’ circumstances, such as erratic financing conditions or regulatory misfit, which can be a root cause for the Local Government Authorities’ management not adhering to internal controls.

Internal audit plans are based on a documented risk assessment, but resource limitations and weak coordination and cooperation with the external audit function prevent better audit coverage and cause duplication of efforts.

Audit engagements are subject to internal and external quality assurance, and internal auditors are provided with competent advice and assistance to conform to international standards. But ad-hoc activities and staff development programmes are overstraining the Local Government Authorities’ available resources.

Untimely communication between internal auditors at the local government level and central government authorities hinders the due consideration of audit results. Moreover, the presence of management during meetings with the full council’s finance committee may discourage internal auditors from reporting significant deficiencies that may call into question the management’s integrity or competence.

There is a formal follow-up process for audit recommendations, but unclear management responses may impede the controlling of risks that are unacceptable to the organisation.

Conclusions

The study findings show that the internal audit function's scope is wide, but it is constrained by resource limitations: the funding and number of internal auditors are not enough to complete planned activities and ad-hoc engagements in time. Another challenge is the internal audit function's lack of independence: internal auditors are functionally reporting to an audit committee that is mainly composed of senior management members advising the accounting officer, who is representing the auditee. This means the system still follows the traditional "audit for management" approach.

Recommendations

The following recommendations may contribute to the in-depth and long-term reform dialogue process on the further development of the internal audit system to conform with international internal audit standards.

Add value by improving the coordination between local and central government authorities.

- The internal audit function lacks adequate staffing, knowledge, or expertise in various risk areas. One should discuss how the outsourcing of internal audit activities to other experts can be financed considering Local Government Authorities' slim own-source revenue base.
- The Local Government Authority's risk management coordinator should advise if the central government's input to the planning process is also a Local Government Authority's priority based on its documented risk assessment.
- Internal auditors need more training on performing root cause analysis. If a root cause is an actor at the central government level, the internal auditor should address the appropriate party which is responsible for the implementation of the audit recommendation through the Internal Auditor General's Division.

Strengthen the planning process to ensure that internal audit plans are well-resourced and coordinated with the external audit function.

- The risk management unit should be provided with adequate funding and more extensive training.
- Internal auditors and the Local Government Authority's oversight body should ensure that the scope of the internal audit work plan is commensurate with the available resources.
- Internal auditors should functionally report to the Local Government Authority's oversight body to ensure its organisational independence and the trust of the external audit function.

Strengthen the audit engagement process to accommodate ad-hoc activities and ensure internal auditors' proficiency and due care.

- The International Professional Practices Framework should become part of the curriculum for accountants, while internal auditors should receive continuous training about the ongoing changes of the International Professional Practices Framework.
- Internal audit plans and budgets should 'expect the unexpected' and provide for a contingency allowance to accommodate ad-hoc engagements.
- Internal auditors should communicate the results of the quality assurance and improvement programme to the finance committee, which may bring the implied resource requirements to the attention of the full council when the Local Government Authority's annual budget is debated and approved.
- One should discuss the possibility of developing an integrated planning, monitoring and evaluation system of staff development initiatives at the local and central government level to strengthen their coordination and ensure that the internal audit cadre's knowledge and expertise match the priority risk areas.

Strengthen the reporting process to ensure that audit results are given due consideration by the oversight function.

- The Internal Auditor General's Division and other central government authorities should use a communication schedule to coordinate their responses to audit recommendations from the local government level.
- Internal auditors should functionally report to the full council's finance committee, which is responsible for controlling and supervising the Local Government Authority's finances.
- Internal auditors should have the authority to submit the internal audit report to the finance committee if the management's response is pending without proper justification.
- Internal auditors should meet with the finance committee without the management being present to ensure the internal auditor's independence and objectivity.
- Internal auditors should receive guidance on legal or regulatory requirements to report identified or suspected non-compliance with laws and regulations or fraud.
- One should discuss how members of the finance committee can be provided with more information and training to understand audit matters and how they affect their responsibility of controlling and supervising the Local Government Authority's finances.

Strengthen the follow-up process to ensure that risks are reduced to an acceptable level.

- Internal audit reports should analyse the risk rating of the recommendations that were reported as implemented, partially implemented, or not implemented.
- The Local Government Authority's oversight body should compare the risk rating of partly implemented or not implemented recommendations with the management's purportedly rational explanations to assess if the risk is acceptable to the organisation, and the oversight body should take appropriate administrative or disciplinary measures against individuals or institutions.
- One should discuss if the Internal Auditor General's Division can conduct a systematic cost-benefit analysis of audit recommendations.

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1 Introduction

1.1 Internal Auditing

The demand for auditing is based on an organisation's need of having independent means of verification to reduce record-keeping errors, asset misappropriations, or waste of resources. Traditionally, internal auditors performed a rather modest role in the organisation and often assisted external auditors in the reviewing of financial transactions or other accounting-related functions. But decentralisation and a widening distance between managerial and operational decision-making required organisations to change their structures, improve risk management, and establish a series of controls. That development also changed the internal auditors' organisational status and scope from an "audit for management" emphasis to an "audit of management" approach.¹

Today, the Institute of Internal Auditors defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.² The entrenchment of sound governance processes, such as assigning clear roles and responsibilities, is important to ensure that individual interests and decisions are aligned with the organisation's objectives. Risk management is an important process to identify potential events that may have a negative impact on the organisation's objectives, such as the inefficient use of financial or human resources, the violation of laws and regulations, or misstatements that undermine the trust in the organisation's financial reporting. To reduce such risks to an acceptable level, the organisation establishes various internal controls, such as asset management systems, procurement systems, human resource management systems, accounting systems, and other control systems.

The roles and responsibilities of internal auditors and external auditors are complementary and sometimes similar, but there are distinct differences that are often not appreciated or even confused. Internal auditors are employed by the organisation, but they need to be independent of the activities that they audit to avoid conflict of interest. To ensure the internal auditors' independence, they should have direct and unrestricted access to those responsible for oversight of the organisation. Internal auditors must conform to the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors. On the other hand, external auditors have no vested interests because they are not employed by the audited organisation. They are only active annually and, therefore, less able to generate as wide and deep insights to advise on how things need to change. External auditors must conform to the International Standards on Auditing (ISA) issued by the International Federation of Accountants. Despite these differences, internal and external auditors should coordinate their work to ensure adequate audit coverage and to avoid duplication of efforts. They may give each other access to audit plans and reports and hold periodic meetings to discuss matters of mutual interest. Importantly, an external auditor is responsible for assessing the efficiency and effectiveness of the internal audit activity and its conformance to professional standards.

1.2 The Internal Audit Function at the Local Government Level

Internal auditors are employed by Local Government Authorities (LGAs) and form a separate service unit in their organisational structure. They are responsible for "appraising the soundness and application of accounting, financial and operational controls", follow-up on the management's response to internal audit reports, and assisting management in the implementation of internal and external audit recommendations.³ Internal auditors have a dual reporting relationship: i) to facilitate day-to-day operations of the internal audit activity, they report administratively (directly) to the accounting officer, who is also the LGA's executive director; and ii) they also report functionally (indirectly) to the audit committee as well as the Internal Auditor General.⁴

¹ Sridhar Ramamoorti (2003), Chapter 1 Internal Auditing: History, Evolution, and Prospects, The Institute of Internal Auditors Research Foundation, p. 4f.

² Institute of Internal Auditors (2017), International Standards for the Professional Practices of Internal Auditing (Standards), p. 23.

³ Public Finance Regulations (2004), section 34.

⁴ Prime Minister's Office – Regional Administration and Local Government Authority, Korogwe District Council, Charter for Internal Audit Services, p. 7.

The **audit committee** is composed of at least two (internal) heads of department (who are appointed by the accounting officer) and two (external) members from outside the council. The audit committee is responsible for approving the internal audit strategic plan and annual work programme, reviewing internal and external audit reports, and for advising the accounting officer on actions to be taken. The audit committee also coordinates internal audit work plans with the Controller and Auditor General.⁵

The **finance committee** is a standing committee of the full council, which is responsible for all decisions of the LGA, including the oversight of executive management. The full council's finance committee is responsible for controlling and supervising the LGA's finances.⁶ In that governance function, it establishes a system of internal controls through written procedures which the executive director must distribute to all responsible officers. After the appraisal of internal controls, the internal auditor submits the internal audit report to the executive director who then forwards it to the finance committee.⁷

The **Internal Auditor General's (IAG) Division** in the Ministry of Finance and Planning is responsible for developing internal audit policies and guidelines as well as for monitoring compliance with laws and regulations. The IAG Division has a Local Government Authorities Audit Section that provides capacity building to the LGAs' internal auditor cadre and audit committees. The IAG Division also compiles audit reports to prepare a summary report with major audit observations and recommendations and follows up on corrective actions.⁸

The Office of the **Controller and Auditor General (CAG)** is responsible for the external audit of all government entities including LGAs. The CAG receives internal audit reports for better coordination and cooperation with LGAs' internal auditors. As the country's supreme audit institution, the CAG is also responsible for the external assessment of the internal audit function.

The **President's Office – Regional Administration and Local Government (PO-RALG)** provides resources, directives, and capacity development to internal auditors⁹ and is also responsible for overseeing the executive management of LGAs. For that purpose, the Inspectorate and Finance Tracking Unit conducts routine inspections and finance tracking of funds remitted to LGAs and follows up on the implementation of recommendations of the CAG.¹⁰ The PO-RALG appoints the executive directors of LGAs,¹¹ and, therefore, has the power to sanction inadequate responses to internal and external audit recommendations.

5 Local Government Financial Memorandum (2009), section 12.

6 Local Government Financial Memorandum (2009), sections 5 and 6.

7 Local Government Financial Memorandum (2009), sections 11 and 14.

8 Public Finance Act (2010), section 38.

9 Ministry of Finance and Planning and Good Financial Governance Programme (2019), Strategy for the Further Development of the Internal Audit System in the Public Sector of Tanzania, p. 4.

10 President's Office – Public Service Management and Good Governance (2022), Approved Functions and Organisation Structure of the President's Office – Regional Administration and Local Government, p. 22.

11 Note that executive directors of city councils are appointed by the President.

1.3 Reforming the Internal Audit Function

The Tanzania Development Vision 2025 identifies “good governance and the rule of law” as a key driving force for the promotion and realisation of development. “Good governance must be cultivated by promoting a culture of accountability and by clearly specifying how incentives are provided for and related to performance and how sanctions are imposed.”¹² In pursuit of the development vision, the third Five-Year Development Plan (2021/22 – 2025/26) emphasises the importance of a functioning monitoring and evaluation system that uses existing financial control measures and internal audit reports from MDAs, LGAs and RS to evaluate the proper use of financial resources.¹³ The Public Financial Management Reform Programme V (2017/18 – 2021/22) also describes the strengthening of internal controls and the internal audit function as a key reform challenge.¹⁴

The Sub-National (Local Government) Public Expenditure and Financial Accountability (PEFA) Assessment (2016) observed various systemic and structural challenges to the internal audit function at the local government level, such as internal audit charters not customised to the council’s environment; human, financial and physical resources limitations; and ineffective audit committees who are focussing on endorsing decisions rather than scrutinising and advising the council management.¹⁵ These observations were also confirmed by other reports and studies such as the PEFA Assessment 2017, the Annual General Report of the National Audit Office (2019), and analyses conducted by development partners, such as the Japan International Cooperation Agency and the Good Financial Governance Programme. To reduce record-keeping errors, asset misappropriations, or waste of resources, the public financial management system depends on a strong internal audit function that helps the country to achieve its development objectives.

1.3.1 The International Professional Practices Framework (IPPF)

Over the recent decades, there has been substantial progress in reaching an international consensus on the question which internal audit standards governments should meet. The most comprehensive ones are documented by the International Standards for the Professional Practice (Standards) promulgated by the Institute of Internal Auditors (IIA). These Standards and a Code of Ethics are both mandatory elements of the International Professional Practices Framework. The Standards comprise two main categories:

- **Attribute Standards** that address the attributes of organisations and individuals performing internal auditing.
- **Performance Standards** that describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.

In 2017, the National Board of Accountants and Auditors approved the replacement of the International Professional Practices Framework (IPPF) 2011 and made it obligatory for all internal auditors in Tanzania to apply and conform to the IPPF 2017.

1.3.2 The Strategy for the Further Development of the Internal Audit System

Since 2018, the Internal Auditor General’s Division of the Ministry and Finance and Planning and other national stakeholders have been working with development partners¹⁶ on a National Strategy for the Further Development of the Internal Audit System in the Public Sector of Tanzania (henceforth referred to as the Strategy). The first step of the process comprised a ‘stock-taking and assessment’ of the statutory framework, policy documents, and technical literature to provide an overview of what has been done so far. During this assessment, ‘recurrent issues’ were identified. In a second step, a stakeholder consultation workshop was held to conduct a joint ‘root cause analysis’ to understand and address the ‘recurrent issues’. In a third step, technical working groups were formed to discuss the matter and formulate a vision for each ‘recurrent issue’, which will be realised through sets of goals and various activities, such as reviewing the statutory framework of the internal audit function, adjusting administrative processes and procedures, and conducting capacity building and sensitisation workshops to relevant stakeholders for implementation.

¹² Planning Commission, (no date), Tanzania Development Vision 2025, section 4.3.

¹³ Ministry of Finance and Planning (2021), The Third National Five-Year Development Plan 2021/22 – 2025/26, p. 150.

¹⁴ Ministry of Finance and Planning (2017), Public Financial Management Reform Programme V, p. 7.

¹⁵ PriceWaterhouseCoopers (2016), Consolidated Sub-national Government PEFA Assessment report, p. 82ff.

¹⁶ The Good Financial Governance Programme is funded by the European Union, the German Corporation for International Cooperation (GIZ), and the Swiss Agency for Development and Cooperation (SDC).

Table 1: Result Matrix of the Strategy for the Further Development of the Internal Audit System

	Recurrent Issues	Root Causes	Goals
1	Non-motivating scheme of service.	Insufficient involvement of internal auditors (IAs) when designing scheme of services The legal framework is not supportive Knowledge gap	1. Internal audit is a multi-disciplinary cadre. 2. The existing scheme of service for internal auditors is aligned with the requirements of the IPPF. 3. Improved incentives for IAs working in public service entities (PSEs) are in place.
2	Insufficient performance and missing independence of audit committees (ACs).	Legislative limitations Limited awareness of AC roles and responsibilities Gaps in AC reporting structure Insufficient (financial) resources	1. Oversight audit committees are established in PSEs. 2. Audit committees in all PSEs are independent and effective. 3. Accountability of the audit committee is enforced in all PSEs.
3	Inadequate risk management.	Human and cultural factors (Inadequate support from top management) Lack of legal and regulatory framework Missing administrative structures for risk management practices Lack of support system (ICT) Inadequate integration of risk management in internal processes	1. A supportive environment for risk management is institutionalized in all PSEs. 2. Supportive governance structures for risk management are enhanced in all PSEs. 3. Risk management practices are integrated into strategy setting, strategy execution (planning, budgeting, and performance processes) and review in all PSEs.
4	Dysfunctional coordination and cooperation of control actors.	Inadequate arrangements among control actors Gaps in implementation	1. Working mechanism arrangements among control actors for effective coordination are established.
5	Insufficient submission of internal audit reports to the Internal Auditor General's Division (IAGD).	Missing legal requirements Inadequate feedback	1. Legal framework conditions on the submission of IA reports to the IAGD are established. 2. IA process is automated to ensure timely submission of reports to the IAGD. 3. Adequate feedback to PSEs on submitted IA reports is provided and followed up by the IAGD in a timely manner.
6	Inadequate monitoring and follow-up mechanisms.	Insufficient technical capacity Inadequate commitment by top management Root causes in reports are not identified	1. Quality of IA processes to support effective follow-up of audit recommendations are established. 2. Effective systemic follow-up mechanisms of audit recommendations are established. 3. The accountability of individuals in PSEs for the follow-up and implementation of audit recommendations is enhanced and institutionalized.

The Strategy provides an aggregate plan for the further development of the internal audit system in the public sector of Tanzania. Its successful implementation will go along with an in-depth and long-term stakeholder dialogue process to ensure that the internal audit function conforms with international internal audit standards.^{17,18} These standards will require altering the internal auditors' organisational status and scope from an "audit for management" to an "audit of management" approach that will strengthen oversight functions and put an end to self-review. Such a strategic reorientation is a great challenge with profound implications on existing power relationships at the local government level. Moreover, the standards will have to be applied to the country's state of decentralisation and public financial management. The Strategy's political economy and reform context motivated the soliciting of stakeholders' different views on concrete reform ideas to ensure that the internal audit function's organisational status and scope enjoy broad support.

1.4 Study Objectives

The aim of this research study on the internal audit function at the local government level is to contribute to the in-depth and long-term stakeholder dialogue process on the further development of the internal audit system to conform with international internal audit standards by achieving two study objectives.

1. To compare stakeholders' views on **performance** and **attributes** of the internal audit function at the local government level with international standards.¹⁹
2. To provide recommendations to policy-makers on how the internal audit function may conform with international standards.

1.5 Report Structure

The remainder of this report is structured as follows: the second chapter describes the study's methodology including a description of its design, research process, and limitations. The third chapter summarises the findings comparing stakeholders' views on performance and attributes of the internal audit function supported by evidence from internal audit plans and reports that were made available to the researchers. The fourth chapter discusses the findings to answer the research questions and put them into the context of the ongoing reform agenda and other available studies and reports. The fifth chapter concludes the achievements and remaining challenges of the reform process, and the sixth chapter makes recommendations on how those challenges may be resolved.

17 Ministry of Finance and Planning and Good Financial Governance Programme (2019), Strategy for the Further Development of the Internal Audit System in the Public Sector of Tanzania, p. 21.

18 Public Finance Regulations (2004), provision 29.

19 Note that the East African Community Secretariat's Report on the Internal Audit Function in the Public Sector of Tanzania used a similar methodology by analysing compliance with IPPF based on the IAAs Quality Assessment Methodology. The present research study, however, relies mostly on interviews with stakeholders at local and central government level to identify areas of agreement and disagreement on performance and attribute issues as well as concrete reform suggestions.

2 Methodology

2.1 Preparation

The preparation of this research started with a literature review of relevant laws and regulations that specify the roles and responsibilities of various stakeholders of the internal audit function in Tanzania. The review included literature on the broader policy environment for the development of the Strategy as well as secondary literature of technical nature including recent assessments of the public financial management system, reports by the Controller and Auditor General, several studies implemented by the Good Financial Governance Programme, as well as international standards and guidelines for auditing:

- IIA, International Standards for the Professional Practices of Internal Auditing (Standards).
- IIA, Code of Ethics.
- INTOSAI GOV 9140, Internal Audit Independence in the Public Sector.
- INTOSAI GOV 9150, Coordination and Cooperation Between SAIs and Internal Auditors in the Public Sector.
- ISA 260, Communicating with Those Charged with Governance.
- ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance.

The conceptual framework of the study loosely follows the IPPF’s idea that the performance and attributes of the internal audit function are related. The **performance** is assessed in terms of its added value to the organisation. This requires the internal audit function’s effective management through risk-based planning, a systematic, disciplined approach to the audit engagement, the reporting of audit results to appropriate parties, and effective follow-up by those charged with governance.²⁰

Figure 1: Conceptual Framework



The performance is influenced by the **attributes** of the organisation and its individuals including the scope of the internal audit activity, the proficiency of the internal audit cadre, as well as their independence and objectivity. An improved understanding of these attributes can be useful during a stakeholder dialogue about the required resources to finance the audit engagement and the development of a proficient cadre as well as the necessary rearrangements of the organisational structure to ensure internal auditors’ independence and objectivity.

Based on the literature review and the conceptual framework, related performance and attribute issues were selected to be part of an explorative, cross-sectional survey that includes the internal audit units, audit committees, and finance committees of six LGAs. The LGAs were selected to form a geographically balanced sample including Arusha, Babati, Dodoma, Mbeya, Mwanza, and Korogwe. At the central government level, the survey included the Internal Auditor General’s Division, the Controller and Auditor General, and the President’s Office – Regional Administration and Local Government (PO-RALG). Each survey question was put to two or more of these target respondents depending on the subject matter and their specific role in the internal audit system.

²⁰ The Performance Standards 2200 and 2300 which are covering the planning and performing of the audit engagement were excluded from the study because compliance with these standards had already been examined. Compare Good Financial Governance Programme (2019), Compliance Verification of Internal Audit Reports of Selected Institutions in the Tanzanian Public Sector, Mid-Term Review Report.

Quality assurance of the research concept and the selection of concrete performance and attribute issues was provided by a Tanzanian internal audit expert of the Good Financial Governance Programme. Moreover, ethical research clearance was obtained from the Tanzania Commission for Science and Technology (COSTECH), and permission to conduct research at the local government level was obtained from PO-RALG.

Based on the research design, semi-structured questionnaires were produced for each target respondent with various types of closed-ended questions (dichotomous, multiple-choice, checklist, rating scale, and rank order) and open-ended questions. Quality assurance was provided by a Tanzanian Certified Internal Auditor. The questionnaires were then translated to Swahili, while quality assurance was provided by the Institute of Internal Auditors Tanzania.

2.2 Field Work

Data collectors were trained on the administration of the survey questionnaire together with a Tanzanian Certified Internal Auditor. After the training, the data collectors conducted interviews with the respondents at the local and central government level. The target was to conduct interviews with each LGA's internal audit unit, the audit committee, and the full council's finance committee.

Table 2: Survey Sample

Target Respondent	Targets Number of Interviews	Actual Number of Interviews
LGA Internal Auditor	6	6
LGA Audit Committee	6	5
LGA Finance Committee	6	6
Internal Auditor General's Division	1	1
National Audit Office	1	0
PO-RALG	1	0
Total	21	18

The data collectors also requested copies of internal audit units' terms of reference to assess their scope and existing provisions to safeguard their independence and professionalism. Moreover, internal audit annual work plans and reports as well as audit committee meeting minutes were used to assess the internal audit planning, reporting, and follow-up process and to compare these documents with the survey responses. From the six LGAs, the data collectors obtained two internal audit charters, three work plans, two reports, and two terms of reference.

2.3 Analysis

The hand-written questionnaires were translated from Swahili to English and coded in a machine-readable format. The answers to closed-ended questions were analysed by calculating relative frequencies of agreement or disagreement among a target group of respondents; the open-ended questions were subjected to qualitative content analysis to look for general concepts among the responses of a target group. Then, the answers of all target group respondents were compared to see where the different stakeholders of the internal audit function agree or disagree on performance issues, attribute issues, and recommendations.

2.4 Limitations

The sample size at the local government level is small because of the research study's resource constraints. For that reason, the results should be interpreted as an explorative research study with the purpose to identify attribute issues (a deviation from international standards) that may partly explain performance issues; but the study results cannot be conclusive. Despite its small sample size, the survey can identify areas of tentative agreement and disagreement among the stakeholders. Those areas with large agreement may be adopted by the Strategy, while areas with small agreement may become subject to further research and in-depth stakeholder discussions.

At the local government level, all target respondents except one audit committee answered the survey questions. At the central government level, the Internal Auditor General's Division participated in the survey, but the National Audit Office and PO-RALG did not respond to interview requests. The missing participation of the National Audit Office means we do not learn about the external auditors' views on the internal auditors' independence and objectivity, which is an important factor to determine whether the external auditors are able to coordinate and cooperate with internal auditors and to what extent they can use the work of the internal auditors to ensure proper coverage and minimize the duplication of efforts.²¹ The missing participation of PO-RALG means that we learn little about how the Ministry receives and follows up on communications from internal auditors on significant deficiencies in internal control which may call into question the integrity or competence of the LGA management. It would also be interesting to learn how the Ministry responds to cases where the LGA management has accepted risks that may be unacceptable to the organisation.

²¹ INTOSAI 9150, section 2.1.

3 Findings

3.1 Added Value

According to the Institute of Internal Auditors, the purpose of the internal audit activity is to add value and improve an organisation's operations. This requires the internal audit activity to consider objectives, strategies, and risks when it provides assurance and consulting services to the organisation.

Does the internal audit function add value to the organisation and its stakeholders?

All respondents at the local and central government level agreed that the benefits of the internal audit function outweigh the costs for the public financial management system as a whole.

One strategic question for the development of the internal audit function is which public financial management objectives it should consider to add value to the organisation. Some countries impose strict controls to ensure fiscal discipline and compliance with legislative authorisation, while others allow for more managerial flexibility to stimulate better performance in public service delivery. Most respondents at the local government level found that the internal audit function is equally geared towards the two public financial management objectives 'reliability of the annual accounts and compliance' and 'efficiency and effectiveness', while 'fiscal discipline' seemed to be a smaller concern. The common view was that the internal audit function is focussing on the right public financial management objectives.

The internal audit function also needs to focus its resources on the right risk areas. The Internal Auditor General's Division (IAGD) and most (3 of 5 responding) internal auditors agreed that the 'evaluation of internal control systems, risk management, and governance systems', 'payroll and human resource management' as well as 'procurement and contract management' are among the current top 5 priority risk areas (compare Table 3 below). While their views on the priority of other risk areas differed, the IAGD and most internal auditors also agreed that refocusing internal audit resources on 'asset management' would offer higher added value. Unfortunately, most internal auditors assessed the available staffing and expertise in all risk areas as inadequate. This particularly applies to the 'evaluation of development and other projects' as well as 'procurement and contract management'. In situations with scarce manpower, one may argue that the development of a proficient internal audit cadre is more efficient with a centralised approach to avoid local staff being stretched over too many different duties reducing their proficiency.²² However, most respondents rejected the idea of forming centralised special teams to conduct special audits because these teams may create additional costs, lead to the duplication of work, or they would not be able to timely respond to day-to-day transactions. According to the IGAD, the guidelines allow the outsourcing of activities to other experts if no officer with the required skills is available.

²² Allen, Hemming, Potter (2013), *The International Handbook on Public Financial Management*, p. 385.

Table 3: Restructuring Work Practices to Risk Areas with Higher Added Value

Priority risk area	Current top 5 priority risk area? (Approval)		Priorities with higher added value? (Approval)		Adequate staffing and expertise?
	IAGD	Internal Auditors	IAGD	Internal Auditors	Internal Auditors
Budget preparation and execution	No	60%	No	20%	30%
Evaluation of internal control system, risk management, governance system	Yes	60%	No	40%	20%
Payroll and human resource management	Yes	60%	No	0%	20%
Evaluation of development and other projects	Yes	20%	No	20%	0%
Procurement and contract management	Yes	100%	No	20%	0%
Expenditure management	Yes	20%	No	0%	20%
Revenue management	No	60%	Yes	0%	20%
Asset management	No	20%	Yes	60%	20%
Follow-up on external auditor recommendations	No	60%	No	0%	20%

Does the internal audit function consider the input of senior management?

According to the IPPF performance standard 2010.A1, internal auditors must prepare a risk-based annual audit plan consistent with the organisation’s objectives, and the input of senior management and the board must be considered in this process.

Besides input from the LGA’s management and audit committee, most interviewed internal auditors also receive inputs from other government authorities, such as the IAGD and the CAG, and these inputs are usually consistent with the documented risk assessment for the Local Government Authority. However, there may be situations where these inputs are a central government priority and not a local priority. All (6 of 6 responding) internal auditors and (4 of 4 responding) audit committee members supported the idea that the LGA’s risk management coordinator should advise in such situations whether the suggested activity is consistent with the council’s risk profile and should, therefore, be financed by the LGA; but the IAGD did not share this view.

Does the internal audit function offer consulting services to enhance governance, risk management, and control processes?

The IPPF performance standard 2100 emphasises that the internal audit function adds value by offering consulting services to enhance the organisation’s governance, risk management, and control processes. The nature of the consulting service – such as council, advice, facilitation, and training – and its scope are usually performed at the specific request of an engagement client.

All interviewed internal auditors confirmed that they provide consulting services to enhance the organisation’s governance, risk management, and control processes. Their main clients at the local government level are

the audit committee and the finance committee; the main client at the central government level are the IAGD and sometimes also the PO-RALG or Regional Secretariat. The internal auditors and the IAGD also confirmed that the Public Financial Management Reform Programme's Joint Steering Committee as well as the LGA Programme Implementation Committee both discuss problems in governance, risk management, and control processes, and they make strategic recommendations where the internal audit function can add value to government operations by providing consultancy services.

Does the internal audit function provide assurance objectively?

The IPPF performance standard 2420 explains that internal audit reports must be objective and the result of a balanced assessment of all relevant facts and circumstances. Moreover, IPPF performance standard 2440.A1 requires internal auditors to communicate audit results to the appropriate parties who can ensure that the results are given due consideration.

Internal auditors and the IAGD both agreed that internal audit reports generally present a balanced assessment of all facts and circumstances. They also confirmed that the Internal Audit Manual and Reporting Template provides for addressing the appropriate authority at the local or central government level which is responsible for the root cause and the implementation of the audit recommendations.

However, the LGA's circumstances can also be a root cause for weak controls. For example, the analysis of internal audit reports shows a query over the failure to use 2% (in words: two percent) of the received funds to implement development activities contrary to the Local Authorities Financial Memorandum. Further, the report recommends reviewing the budget to rethink the implementation of budget items, and the council should disburse the approved funds without delay. But the report does not mention that 47% of the budget funds were not received from the central government and donor-funded projects disrupting the delivery of services to beneficiaries. This example indicates that the identification and addressing of root causes at the central government level – which are part of the LGAs' circumstances – may need more attention from internal auditors.

3.2 Planning

Risk-based internal auditing provides the organisation with assurance that it manages risks and controls effectively in relation to its risk appetite. To perform this function, the internal auditor requires sufficient resources to accomplish the plan. Further, the internal and external auditors should coordinate their planned activities to ensure proper coverage of the audit universe and to minimise the duplication of efforts.

Does the internal audit function use risk-based work plans?

The IPPF performance standard 2010.A1 requires internal audit plans to be based on a documented risk assessment undertaken at least annually.

Most of the interviewed internal auditors and members of the audit committees agreed that internal audit plans are based on maintained risk registers. They also agreed that the LGA risk managers' responsibilities are clearly defined and that they are held accountable; but external factors, such as a lack of resources as well as systemic issues and political influence affect risk managers' performance. Internal auditors and members of the audit committees both emphasised that risk managers need more capacity building. As LGAs lack the required resources, audit committees suggested that the training should be provided by experts from the Regional Secretariat's office.

Is the internal audit function sufficiently resourced?

The IPPF attribute standard 1130 explains that the independence or objectivity of the internal audit activity may be impaired in fact or appearance through resource limitations, such as funding. The attribute standard 1110 requires the internal auditor to disclose such interference to the board and discuss the implications. The board should then make appropriate inquiries of management to determine whether there are inappropriate scope or resource limitations.

The interviews with internal auditors and members of the audit committees showed wide agreement that internal audit units are not sufficiently funded, and they estimated the current funding shortage between 40% and 50%. Some (2 of 5 responding) audit committee members reported that the resource limitations sometimes lead to a narrowed audit scope, which can cause duplication of efforts as the external auditor audits the same area again with very similar findings. The audit committee and the finance committee

members confirmed that the internal auditor communicates the impact of resource limitations, and the finance committees make inquiries if these limitations are appropriate.

The International Organisation of Supreme Audit Institutions' guidance for good governance INTOSAI Gov 9140 on the Internal Audit Independence in the Public Sector suggests that a legislative requirement to establish an internal audit activity helps to protect its funding and independence.

The members of the audit committees and the finance committees both confirmed that the internal audit unit has a legal mandate with a clear purpose, and the council's strategic plan includes objectives, targets, and a separate budget head ('vote') for the internal audit activity. The planning and budgeting guidelines include provisions to ensure sufficient funding; however, one audit committee member admitted that they are not always adhered to. Two internal auditors commented that the budget ceiling is too small, and the Permanent Secretaries of the Treasury and PO-RALG should review the budget ceilings.

Does the internal audit function coordinate its activities with the external audit function?

The IPPF performance standard 2050 states that internal auditors should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize the duplication of efforts.

The internal auditors explained that they regularly share their reports with the Controller and Auditor General. There are also guidelines and procedures which allow external auditors to participate in audit committee meetings, but only some internal auditors regularly meet with members of the external audit function to discuss their reports and avoid the duplication of efforts. They also explained that members of the internal and external audit function do not share training or exchange staff.

The INTOSAI GOV 9150 on the Coordination and Cooperation between Supreme Audit Institutions (SAIs) and Internal Auditors in the Public Sector explains that an internal auditor's independence and objectivity are important factors for the external auditors to consider when determining whether they will be able to coordinate and cooperate with an internal auditor and to what extent they can use the work of the internal auditor.²³ Both the supreme audit institutions (in Tanzania, that is the CAG) and the internal auditors have their own independence standards. The IPPF attribute standard 1100 requires the internal audit activity to be independent and objective, which requires the internal auditor to have direct and unrestricted access to senior management and the board. Attribute standard 1110 requires the internal auditor to report functionally to the board, and he or she must confirm to the board, at least annually, the organisational independence of the internal audit activity.

In the Tanzanian context, the 'board' is the full council and its finance committee, which is responsible for controlling and supervising the LGA's finances. During the interviews, most internal auditors agreed that they confirm their organisational independence to the finance committee. This claim was reaffirmed by most members of the finance committees.

3.3 Audit Engagement

The audit engagement must be conducted in conformance to the International Professional Practices Framework (IPPF), and they must be properly supervised to ensure that the audit objectives are achieved, quality is assured, and staff is developed.

Does the internal audit function obtain competent advice and assistance to conform to international standards?

The IPPF attribute standard 1210 requires that the internal audit function collectively possesses the knowledge, skills, and other competencies or obtains competent advice and assistance to perform all or part of the engagement.

In 2016, the Internal Auditor General issued a revised Internal Audit Handbook and an Internal Audit Handbook-Aid (the 'Handbook Set') to supplement the Internal Audit Manual as guidelines during the internal audit process. The Handbook and the Handbook-Aid are both aligned with the IPPF and Tanzanian laws and regulations. All interviewed internal auditors confirmed that they use the Handbook set 'most of the time', and almost all of them considered their competence level as 'expert', while there was only one 'beginner'.

²³ INTOSAI GOV 9150, section 2.1.

The IPPF attribute standard 1322 requires internal auditors to disclose non-conformance to the IPPF to senior management and the board if it impacts the overall scope or operation of the internal audit activity.

All members of the audit committees and most members of the finance committees confirmed during the interviews that internal auditors disclose such non-conformance to the IPPF, and they provide action plans to address significant non-conformance issues. However, sufficient knowledge of the IPPF is not a basic qualification requirement during the recruitment of internal auditors. While the IAGD and most audit committee members supported the view that such knowledge should be a basic qualification requirement, the internal auditors disagreed and recommended that the IPPF should become part of the curriculum for accountants. The internal auditors also recommended continuous on-the-job training and capacity building to ensure that they are familiar with the ongoing changes in the IPPF standards. The IAGD also shared this view.

Are there challenges to the achievement of audit engagement objectives?

The IPPF attribute standard 1130 explains that scope limitations; restricted access to records, personnel, and properties; or resource limitations, such as funding, may impair the independence or objectivity of the internal auditor, and he or she must disclose such impairments to the appropriate parties.

Most of the interviewed internal auditors experienced challenges in the achievement of audit engagement objectives due to shortages of internal audit staff, funding shortages, and time-consuming paperwork as most operations are not using computer software. Most internal auditors affirmed unrestricted access to properties, personnel, and records. However, one of the analysed internal audit reports showed that five documents were requested but not submitted for auditing purposes causing scope limitations.

A more common difficulty that impedes the orderly implementation of audit plans is the accommodation of ad-hoc requests (unplanned activities). Such requests are usually sent to the accounting officer and the audit committee for discussion and approval before they are integrated into the internal audit work plan. Because not all authorities provide funding for their ad-hoc requests, some activities cannot be fully implemented. While two of three of the analysed internal audit plans do not provide any time for ad-hoc engagements, the third one has a 'contingency allowance' including five percent of the available man-days.

Members of the finance committees confirmed that internal auditors communicate any significant difficulties encountered during the audit, and the councillors claimed they make appropriate inquiries of management and the chief internal auditor to determine whether there are inappropriate scope limitations. One internal auditor and an audit committee member explained that, in few cases, scope limitations may lead to a modification of the auditor's opinion, but they do not lead to a withdrawal from the audit.

Are there challenges to quality assurance?

The IPPF attribute standard 1300 requires the internal audit function to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme must include both internal and external assessments. The internal assessment should be part of the ongoing monitoring and supervision and be incorporated into the routine policies and practices to manage the internal audit activity. The external assessment should include operational and strategic comments and be made by a qualified and independent external assessor (in Tanzania, the external assessment is performed by the Controller and Auditor General). The internal auditor must communicate the results of the internal and external assessment including conclusions and corrective action plans to senior management and the board.

In 2018, the Good Financial Governance Programme developed a Self-Monitoring Tool to ensure that work papers conform to the IPPF. During the interviews, all internal auditors explained that they use the Self-Monitoring Tool 'most of the time'. The most common challenge to ongoing internal monitoring and supervision of internal audit staff is the large workload of the supervisor followed by challenges with supervision tools and the supervision process. Most operational and strategic comments from the external assessment have been implemented, but the lack of resources constrains their complete implementation. The results of the internal and external assessment including conclusions and corrective action plans are always communicated to the audit committee and in most (4 of 6) cases also to the finance committee and the Internal Auditor General.

Are there challenges to staff development?

The IPPF attribute standard 1210 explains that internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor (CIA) designation and other designations offered by the Institute of Internal Auditors and other appropriate professional organizations.

Among the interviewed internal auditors, only a minority was a Certified Internal Auditor (CIA) while the majority was a Certified Public Accountant (CPA). Most of them did not pursue a CIA certificate – mostly because it is not a prerequisite, and only half of them pursued a career as an internal auditor in the public sector because the official career path is to be an accountant, and auditing is only a part of the accountancy curriculum. One internal auditor said that there is a need for change.

All internal auditors indicated that funding shortages are the biggest challenge to improve their proficiency through continuous staff development programmes. While LGAs are using their own resources to promote staff development, the IAGD and the PO-RALG also provide funded training programmes, in particular when they establish new internal control systems at the local government level. Most internal auditors agreed that the career development process is linked to their individual training needs, but they also say that there is no monitoring and evaluation process for the training.²⁴

3.4 Reporting

Internal auditors must report the results of audit engagements completely and timely to the appropriate parties who can ensure that the results are given due consideration.

Are the results of audit engagements communicated in a complete and timely manner?

The IPPF performance standard 2060 requires internal auditors to report periodically to senior management and the board. The standard explains that the frequency and content of reporting are determined collaboratively by the chief internal auditor, senior management, and the board.

Most members of the audit committees and the finance committees confirmed that internal auditors generally submit their internal audit reports in time based on a communication schedule. Quarterly and annual reports are to be submitted 15 days after the end of the quarter or year to the accounting officer for onward transmission to the full council's finance committee. Copies of the reports are sent to the Controller and Auditor General, the Internal Auditor General, the President's Office – Regional Administration and Local Government, and the Regional Secretariat.²⁵ If the internal audit reports are not submitted in time, it is usually because of budgetary issues that delay the implementation of planned internal audit activities. Most of the interviewed internal auditors agreed that they should have the authority to submit the internal audit report to the finance committee if the management's response is pending without proper justification.

Is there a summary report of major audit observations and recommendations?

The Public Finance Act 2010 requires the Internal Auditor General to scrutinize and compile the audit reports from public authorities and donor-funded projects and prepare a summary report with major audit observations and recommendations.

The Internal Auditor General's Division explained during the interview that they produce a summary report based on the internal audit reports from Local Government Authorities. But the production of the summary reports is made difficult due to the late submission of some reports and nonconformance to established formats and standards. The summary report includes responses with actions to be taken by central government authorities, but some central government authorities submit their feedback late, and sometimes there is no feedback at all.

Does the internal audit unit communicate results to appropriate parties?

The IPPF attribute standard 1110.A1 requires that the internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

²⁴ One of the three analysed internal audit plans allocates 19% of the internal audit unit's budget for staff development, while the other two plans allocate two weeks of training for each internal auditor (the documents do not include any budget estimates). Moreover, one analysed internal audit charter requires the Head of the Internal Audit Unit to continuously liaise with the Internal Auditor General for appraisal, staffing needs, training needs, and technical and professional development.

²⁵ Local Government Financial Memorandum (2009), section 14.

Most of the interviewed internal auditors explained that they 'never' experienced a situation in their career where they were directed to suppress, or significantly modify, a valid internal audit finding or report. Only some internal auditors experienced such interference on rare occasions.

The IPPF attribute standard 1100 explains that organisational independence can be achieved through a dual reporting relationship where the chief internal auditor reports administratively to senior management and functionally to the board.

Internal auditors do have a dual reporting relationship: they report administratively to the accounting officer, who is also the LGA's executive director; but they report functionally to the audit committee and the Internal Auditor General²⁶ and not to the LGA's board/oversight body. All interviewed internal auditors and all members of the finance committees supported the idea that the internal auditor should functionally report to the full council's finance committee. But most members of the audit committees did not support the idea; one of them explained that it may cause misunderstandings between the council management and the finance committee.

Is the internal auditor invited to regularly attend meetings?

Following the International Standards on Auditing (ISA) 260 (Revised) on Communication with Those Charged with Governance, good governance principles suggest that the auditor should be invited to regularly attend the meetings with those charged with governance, which should also meet with the internal auditor without management present at least annually.²⁷

All stakeholders at the local government level confirmed that the chief internal auditor is invited to regularly attend meetings of the audit committee and the finance committee. The audit committee's terms of reference require meeting with the internal auditor without the management being present. But the full council's finance committee does not meet with the internal auditor without management being present, and most local government stakeholders think that the situation should not change. However, most internal auditors agreed that they should be invited to attend meetings at the central government level to discuss issues (such as root causes and actions to be taken by central government authorities).

Are deficiencies in internal control communicated to the appropriate level of management?

The International Standards on Auditing (ISA) 265 require the auditor to communicate significant deficiencies in internal control to those charged with governance and management. But it would be inappropriate to communicate deficiencies in internal control directly to management if the deficiencies may call into question the integrity or competence of management. For example, there may be evidence of fraud or intentional non-compliance with laws and regulations by management, or the management may exhibit an inability to oversee the preparation of adequate financial statements that may raise doubt about the management's competence.²⁸

Most internal auditors communicate such deficiencies to the audit committee (their functional reporting line) and not to the full council's finance committee. One internal auditor explained that such deficiencies cannot be reported to the finance committee because the internal auditor reports administratively to the accounting officer, who is also the council executive director and secretary of the finance committee.²⁹

The International Standards on Auditing (ISA) 260 (Revised) on Communication with Those Charged with Governance note that, in some jurisdictions, the auditor may be required by law or regulation to notify a regulatory or enforcement body of certain matters communicated with those charged with governance.³⁰

The interviewed internal auditors were evenly divided over the question of whether there are legal or regulatory requirements for them to report identified or suspected noncompliance with laws and regulations or fraud. They mentioned various authorities to be notified such as the full council's finance committee, the Regional Secretariat, the Controller and Auditor General (CAG), the Public Procurement Regulatory Authority (PPRA), and the Prevention and Combating of Corruption Bureau (PCCB).

26 Prime Minister's Office – Regional Administration and Local Government Authority, Korogwe District Council, Charter for Internal Audit Services, p. 7. Interestingly, the internal audit charter (section 14) states that it is to be approved by the accounting officer and the full council.

27 ISA 260 (Revised), paragraph A7.

28 ISA 265, paragraphs 9, 10 and A20.

29 Local Government Financial Memorandum, section 7.

30 ISA 260 (Revised), paragraph A44.

Do those receiving the audit results ensure that they are given due consideration?

Following the International Standards on Auditing (ISA) 260 (Revised) on Communication with Those Charged with Governance, the auditor should evaluate whether the two-way communication process between the auditor and those charged with governance has been adequate.³¹

Most of the interviewed internal auditors agreed that members of the audit committee are able to comprehend matters raised by the internal auditor, for example, by probing issues and questioning recommendations, and they are also aware of how those matters affect their responsibilities. However, only half of the internal auditors believed that members of the finance committee are able to comprehend audit matters and how they affect their responsibilities. Moreover, only 50% of the members of the audit committees and only 40% of the members of the finance committees affirmed that they received information and training on how matters discussed with the internal auditor affect their responsibilities. Most of the committee members said that the LGA's executive director should be responsible for providing such information and training.

3.5 Follow-Up

After the results of the audit engagement have been reported, the internal auditor needs to monitor how the management takes action and reduces risks to a level that is acceptable to the organisation.

Does the internal audit function monitor the effective implementation of management actions?

The IPPF performance standard 2500 requires internal auditors to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

Most interviewed internal auditors explained that formal follow-up processes are in place to monitor the effective implementation of audit recommendations and directives of internal and external auditors, the audit committee, and the finance committee; some internal auditors also mentioned other entities such as the Internal Auditor General, the Public Procurement Regulatory Authority, and the parliamentary Local Authorities Accounts Committee. One of the internal auditors was concerned that the current follow-up system is not user-friendly.

The IAGD explained that the Government Audit Recommendation Implementation-Information Tracking System (GARI-ITS) integrates recommendations and directives from the internal and external auditor, the Public Procurement Regulatory Authority, and the parliamentary Public Accounts Committee. But technical challenges and stakeholders' lack of training are impeding the follow-up process.

Does the internal audit function discuss risks accepted by management with those charged with governance?

The International Standards on Auditing (ISA) 265 on Communicating Deficiencies in Internal Control to Those Charged with Governance and Management explain that where action has not been taken to remedy a significant deficiency, the auditor may ask management or those charged with governance why the significant deficiency has not yet been remedied. A failure to act, in the absence of a rational explanation, may itself represent a significant deficiency.

All members of the audit committees confirmed during the interviews that internal auditors ask the management why previously communicated audit recommendations and directives have not been implemented, and all internal auditors confirmed that the management provides rational explanations why they have not been implemented.³² However, the analysis of internal audit reports raises questions concerning the validity of these interview responses. One internal audit report expects the LGA management "to build the behaviour of fully responding to the matters rose by adhering to all recommendations given by auditors. Therefore, responses for matters so far still outstanding are still awaited." Another analysed internal audit report recommends the council's management "to exert more effort to complete implementation of the outstanding queries." These two examples indicate that internal auditors may not always take management's rational explanations into account when they follow up on the implementation of previously communicated audit recommendations and directives.

³¹ ISA 260 (Revised), paragraphs 22 and A51.

³² Note that the Mbeya City Council's internal audit charter (page 7) requires the management's response to include a timetable for anticipated completion of action to be taken and an explanation for any recommendation not addressed.

The IPPF standard 2600 states that if the internal auditor concludes that the management has accepted a level of risk that may be unacceptable to the organisation, the internal auditor must discuss the matter with senior management. If the internal auditor determines that the matter has not been resolved, the internal auditor must communicate the matter to the board.

Only half of the interviewed internal auditors said that they communicate such cases to the full council's finance committee. One internal auditor noted that the management does not clearly explain whether it has decided to accept a certain risk. Most members of the finance committees agreed that they are responsible for determining whether the management has accepted risks that are unacceptable to the organisation. They also agreed that they can take administrative and disciplinary actions against individuals, and they may also take institutional consequences. One member explained that the finance committee would organise a meeting without the council executive director and report the matter to the Regional Secretariat and PO-RALG for further action. All finance committee members confirmed that the job performance evaluation of the accounting officer is linked to overseeing the effective implementation of audit recommendations and directives.

4 Discussion

4.1 Added Value

The internal audit function adds value to the country's public financial management system as it considers organisational objectives and expectations of management. It offers consulting services to enhance governance, risk management, and controls to stakeholders at the local and central government level. However, more value may be added by considering the LGA's circumstances, such as erratic financing conditions or regulatory misfit, which can be a root cause for the LGA management not adhering to internal controls.

The internal audit function's scope is wide

The research findings indicate that the internal audit function adds value to the organisation and all its stakeholders. The universal support of all stakeholders is important as the success of public financial management reforms is not only a technical issue but also a matter of political economy.

The common view is that 'compliance and financial regularity' and 'performance' are both greater public financial management priorities than ensuring 'fiscal discipline'. These results show that the internal audit function's scope is wide and promotes the efficient and effective use of resources.

The IAGD and internal auditors have largely similar views on current priority risk areas (compare Table 3) and both sides agreed that refocusing internal audit resources on 'asset management' would offer higher added value. But refocussing the audit activity to other risk areas is difficult if the available level of staffing and expertise is inadequate. The idea of forming centralised special teams to conduct special audits has been rejected by the IAGD and internal auditors. The guidelines allow the outsourcing of activities to other experts if no officer with the required skills is available; however, this option may not be viable for most cash-strapped LGAs.

The internal audit function considers input from senior management

Most, but not all, internal auditors consider strategic priorities through input from other authorities such as the Internal Auditor General and the Controller and Auditor General, and these inputs are usually consistent with the LGA's risk assessment. This consistency is important to ensure that LGAs value the results of the audit engagement and ensure effective follow-up. To safeguard the LGA's ownership and independence, internal auditors should have the authority to consider, and possibly decline, requests from central government authorities that are not consistent with the LGA's documented risk assessment.

Consulting services enhance governance, risk management, and control processes

All internal auditors have a wide mandate and offer consulting services to different clients at both local and central government level. It is also important that internal auditors consider strategic input from the Public Financial Management Reform Programme Joint Steering Committee and the LGA Programme Implementation Committee to ensure that policy-makers at the central government level are well-informed and understand local realities.

Assurance services do not consider all root causes

Internal audit reports are to be the result of a balanced assessment of all relevant facts and circumstances. However, internal auditors and members of the audit committees seem to be not aware of circumstances where central government actors are the root cause for the LGA management not adhering to internal controls.

In Tanzania's decentralised government system, Local Government Authorities are responsible for delivering public goods and services to citizens, while the central government is responsible for regulating and financing most of those goods and services. This dependence can create situations in which weak compliance or performance at the local government level is caused by decisions made at the central government level. For instance, the Local Government Public Expenditure and Financial Accountability (PEFA) assessment 2016 found that cash rationing by the Treasury (whereby funds are not disbursed as budgeted) led some LGAs to enter expenditure commitments outside the computerised management system causing payment arrears. This behaviour may be explained by a Treasury prioritising fiscal discipline and LGA management prioritising

efficient service delivery over compliance.³³ Another example is that central government budget guidelines do not consider the state of public financial management at the local government level; they require LGAs to prepare revenue and expenditure estimates for the next three years (a Medium-Term Expenditure Framework (MTEF)) as per Government Finance Statistics (GFS). For the sake of complying with the budget guidelines, the LGAs prepare estimates for three years without any scientific analysis and then use the previous year's approved budget as a ceiling for the following fiscal year. As a result, the MTEF cannot effectively support strategic resource allocation and performance budgeting.³⁴ These two examples and the mid-term review report by the Good Financial Governance Programme to assess the quality of internal audit reports indicate that the identification of root causes (such as erratic financing conditions or regulatory misfit) is a weakness.³⁵

4.2 Planning

The internal audit function has risk-based work plans, but resource limitations and weak coordination and cooperation with the external audit function prevent better audit coverage and cause duplication of efforts.

The internal audit function uses risk-based work plans

The CAG noted in 2019 that 30% of the 33 audited LGAs lacked an approved risk management policy, 81% did not perform a risk assessment, and 21% did not maintain risk registers.³⁶ Moreover, the mid-term review report by the Good Financial Governance Programme (2019) on the quality of internal audit reports also found that most surveyed MDAs and LGAs did not undertake a risk assessment, or there was a weak linkage between the identified risks and the annual audit plan.³⁷

In contrast to these assessments from 2019, the LGAs' internal auditors and members of the audit committees explained during the interviews that the internal audit plans are based on maintained risk registers and that the risk managers are held accountable. They called for more funding for risk management activities and more extensive training commensurate with the risk manager's roles and responsibilities.

The Strategy has the vision to embed Enterprise Risk Management (ERM) in all public service entities, and it provides a comprehensive action plan to strengthen quality assurance of risk management and capacity building, review its governance structure, and integrate risk management practices into the budget management process. One of the key tasks will be to ensure that risk management units are provided with adequate funding and more extensive training.

The internal audit function is not sufficiently resourced

The CAG found in 2019 that 86% of the audited LGA internal audit units are not sufficiently resourced and lack funding, computers, or other items. The survey findings confirm this assessment and estimate the funding shortage of the internal audit function at about 40%-50% leading to delays or a narrowed audit scope. This large funding gap may be explained by two reasons: firstly, a widened scope of the internal audit function that includes not only the reviewing of financial transactions and statements but also the examination of a large variety of control systems; the second reason may be an incremental budgeting process that is largely based on the previous year's budget with attention given to a narrow range of increases or decreases. By its nature, incremental budgeting is not well suited to accommodate a discrete change in the internal audit function's scope and related workload.

The Strategy acknowledges that internal audit units and audit committees have inadequate budget allocations undermining their organisational independence. There needs to be a discussion about how the gap between a wide scope and pervasive resource constraints should be narrowed. One may leave that decision to individual LGAs, or one may consider setting a central standard that is financed by the central government. The latter approach would, however, undermine the LGAs' ownership of the internal audit function.

33 PriceWaterhouseCoopers (2016), Consolidated Sub-National Government PEFA Assessment report, p. 79.

34 PriceWaterhouseCoopers (2016), Consolidated Sub-National Government PEFA Assessment report, p. 60.

35 Good Financial Governance Programme (2019), Compliance Verification of Internal Audit Reports of Selected Institutions in the Tanzanian Public Sector, Mid-Term Review Report, p. 29.

36 National Audit Office (2019), Annual General Report on the Audit of the Local Government Authorities (LGAs) for the Financial Year 2017/2018, appendix 27.

37 Good Financial Governance Programme (2019), Compliance Verification of Internal Audit Reports of Selected Institutions in the Tanzanian Public Sector, Mid-Term Review Report, p. 6.

Lack of independence inhibits coordination and cooperation with the external audit function

The Stock-Taking and Assessment by the IAGD and the Good Financial Governance Programme (2018) mentioned that the relationship between the external and internal auditors is characterised by mistrust.³⁸ During the interviews, most internal auditors claimed that they confirm their organisational independence to the finance committee. But this view is at odds with the fact that the internal auditor reports functionally to the audit committee, which is not the LGA's oversight body. The audit committee only advises the accounting officer/executive director of the LGA, who is representing the auditee. The Stock Taking and Assessment by the IAGD and the Good Financial Governance Programme (2018) also assert that "considering the current legal set-up, audit committees are unable to fulfil their role as an independent advisory and oversight body".³⁹ This means there is universal agreement among stakeholders that the functional reporting relationship with the audit committee undermines the internal auditor's independence; this may explain external auditors' mistrust inhibiting the effective coordination and cooperation with the internal audit function.

4.3 Audit Engagement

The internal audit function is subject to internal and external quality assurance and obtains competent advice and assistance to conform to international standards, but ad-hoc activities and staff development programmes are overstraining the LGAs' own-source revenues.

The internal audit function obtains competent advice and assistance to conform to international standards

The study findings show that most internal auditors use the Internal Audit Handbook and the Internal Audit Handbook-Aid issued by the Internal Auditor General, and they are disclosing non-conformance to the IPPF together with action plans to audit committees and the finance committee. However, these responses are somewhat inconsistent with the mid-term review report by the Good Financial Governance Programme (2019) on the quality of internal audit reports, which observed that most annual reports do not indicate if the internal audit unit conformed to the IPPF; on the other hand, the report does not indicate if the observation applies to MDAs or LGAs. Further enquiry may reveal whether the reporting templates require disclosing nonconformance to the IPPF and if some internal auditors are either not aware of their nonconformance or if they are anxious to report it.

Resource shortages and ad-hoc activities impede the achievement of audit engagement objectives

The study findings confirm previous reports and studies indicating that resource shortages are pervasive. In such a deprived environment, additional ad-hoc activities pose a major challenge to the achievement of audit engagement objectives as budgets are not always adjusted to the added workload. In an environment with small or no fiscal space, the audit plan must be sufficiently flexible to accommodate ad-hoc activities. Furthermore, the mid-term review report by the Good Financial Governance Programme (2019) on the quality of internal audit reports also recommends that the outcome of ad-hoc audits should be reported as such, and not as consultancy engagements in conformance to the Institute of Internal Auditors' standards.⁴⁰

Quality assurance includes internal and external assessments

The mid-term review report by the Good Financial Governance Programme (2019) on the quality of internal audit reports noted that the pilots were yet to start utilising the Self-Monitoring Tool. The study findings indicate that the Tool is very useful to support ongoing internal monitoring and supervision of internal audit activities. But erratic communication of the quality assurance and improvement programme's results to the IAGD may impede the effective coordination and facilitation of corrective action plans by the central government.

38 Good Financial Governance Programme (2018), Strategy for the further development of the Internal Audit System of the Public Sector of Tanzania, Phase I: Stock Taking and Assessment and Phase II: Root Cause Analysis, p. 30.

39 Good Financial Governance Programme (2018), Strategy for the further development of the Internal Audit System of the Public Sector of Tanzania, Phase I: Stock Taking and Assessment and Phase II: Root Cause Analysis, p. 29.

40 Good Financial Governance Programme (2019), Compliance Verification of Internal Audit Reports of Selected Institutions in the Tanzanian Public Sector, Mid-Term Review Report, p. 60.

Staff development programmes are constrained by funding shortages

Despite efforts by both local and central government authorities to address existing training needs, internal auditors are concerned that staff development programmes are constrained by funding shortages. According to section 38 of the Public Finance Act 2010, the IAGD is responsible for facilitating the development of the audit cadre through budget planning, review and appraisal, as well as the preparation of technical reports on development initiatives. Integrated planning, monitoring and evaluation of staff development initiatives at the local and central government level would help to coordinate all training efforts and ensure that the internal audit cadre's knowledge and expertise match with the priority risk areas.

4.4 Reporting

Untimely communication between LGA internal auditors and central government authorities hinders the due consideration of audit results. Moreover, the presence of management during meetings with the finance committee may discourage internal auditors from reporting significant deficiencies that may call into question the management's integrity or competence.

The communication of audit results is delayed by budget execution problems

The mid-term review report by the Good Financial Governance Programme (2019) on the quality of internal audit reports found that delayed issuance of audit reports was caused by delayed management responses and delayed audit committee meetings.⁴¹ The study findings indicate that delays are also caused by budget execution problems that affect the implementation of internal audit engagements.

The production of the summary report is complicated by slow-responding stakeholders

The Sub-National (LGA) Public Expenditure and Financial Accountability (PEFA) assessment (2016) indicated that internal audit reports are not always submitted in time to external authorities – including the CAG, IAG, and PO-RALG or RS.⁴² The study findings indicate that the LGAs' internal auditors submit the reports late and not always in conformance to established standards and formats. Another challenge that complicates the production of a summary report is delayed responses by central government authorities. The slow responses by stakeholders at the local and central government level may partly explain why the IGAD does not give adequate feedback to internal auditors as required by the Public Finance Act 2010.

The internal audit unit does not communicate audit results to appropriate parties

The Local Government Financial Memorandum (2009), section 13, determines that the internal auditor reports administratively to the accounting officer, while the functional reporting line is the audit committee (section 12). The Sub-National PEFA assessment (2016) noted that the focus of audit committee meetings was on endorsing decisions rather than scrutinising and advising the council management.⁴³ The Strategy acknowledges that the audit committee gives only advice to the accounting officer and is, therefore, not an oversight body. For that reason, it set the goal to establish 'oversight audit committees' in all public service entities.

But the LGAs already have an oversight body responsible for controlling and supervising the LGA's finances: the full council and its finance committee. As noted earlier, the adoption of IPPF standards and a modern conception of the internal audit function requires altering the internal auditors' organisational status and scope from an "audit for management" to an "audit of management" approach. The study findings indicate that a change of power relationships is not supported by members of the audit committees, who are concerned that a functional reporting relationship between the internal auditor and the finance committee may cause misunderstandings.

Internal auditors do not meet with the finance committee without the management being present

The study findings show that most local government stakeholders are comfortable with the fact that the internal auditor does not meet with the full council's finance committee without the management being present. On the other hand, they are supportive of the internal auditor meeting with the audit committee

41 Good Financial Governance Programme (2019), Compliance Verification of Internal Audit Reports of Selected Institutions in the Tanzanian Public Sector, Mid-Term Review Report, p. 8.

42 PriceWaterhouseCoopers (2016), Consolidated Sub-National Government PEFA Assessment report, p. 85.

43 PriceWaterhouseCoopers (2016), Consolidated Sub-National Government PEFA Assessment report, p. 82.

without the management being present.

The Local Government Financial Memorandum (2009) requires two members of the audit committee to be nominated from outside the council.⁴⁴ However, the members of the audit committee are only performing an advisory function, while the oversight of the LGA management is performed by the full council's finance committee. Meeting the finance committee with the management being present may impair the internal auditor's independence in fact or appearance since the internal auditor reports administratively to the accounting officer, who is representing the auditee.

Significant deficiencies in internal control are not communicated to the appropriate level of management

Internal auditors do not report significant deficiencies that may call into question the integrity (such as intentional non-compliance with laws and regulations or fraud) or competence of management (such as the inability to oversee the preparation of adequate financial statements) to the full council's finance committee because the accounting officer is also the council executive director and secretary of the finance committee. For that reason, the internal auditors report significant deficiencies to the audit committee, which performs an advisory function but not an oversight function.

The *Strategy* formulated the vision "to institutionalise independent and effective oversight audit committees in the Tanzanian public sector through principal legislation".⁴⁵ To achieve compliance with international auditing standards, the question is whether these newly established 'oversight audit committees' would be charged with governance, and how their role would compare with the already existing full council finance committees, which are in charge of "controlling and supervising the finances of the council".⁴⁶

Members of the finance committee need more information and training

The *Strategy* set the goal to make all audit committees independent and effective. While the members of the audit committee seem able to comprehend audit matters and how they affect their responsibilities, members of the finance committee need more information and training to perform their responsibility of controlling and supervising the council's finances. As most LGAs lack adequate resources and expertise to provide seminars and training to their staff and officials, one may discuss how the PO-RALG and IAGD will ensure that the finance committees are adequately facilitated to perform their roles and responsibilities effectively.⁴⁷

4.5 Follow-Up

There is a formal follow-up process for audit recommendations, but unclear management responses may impede the controlling of risks that are unacceptable to the organisation.

Monitoring the effective implementation of management actions needs technical support

The study's findings indicate that there is a formal follow-up process at the local government level, but the monitoring of audit recommendations at the central government level is still facing technical challenges. To resolve this issue, the *Strategy* includes an activity to "enhance the existing tracking tool for audit recommendations (GARI-ITS) to monitor the closure of audit recommendations and operationalise in MDAs, RSs, and LGAs."

Risks accepted by management may be unacceptable to the organisation

The analysis of internal audit reports suggests that some internal auditors expect the management to adhere "to all recommendations given by the auditors". While lacklustre management responses to audit recommendations are a well-known problem, it would be wrong to assume that all audit recommendations should be implemented in the presence of rational reasons not to do it.⁴⁸

44 Local Government Financial Memorandum (2009), section 12.

45 Ministry of Finance and Planning and Good Financial Governance Programme (2019), *Strategy for the Further Development of the Internal Audit System in the Public Sector of Tanzania*, p. 10.

46 Local Government Financial Memorandum (2009), section 6.

47 Note that, in 2019, the PO-RALG and the IAGD accepted the CAG's recommendation that they "will continue to ensure that internal audit committees are adequately facilitated to undertake their roles and responsibilities effectively." Compare National Audit Office (2019), *Annual General Report on the Audit of the Local Government Authorities (LGAs) for the Financial Year 2017/2018*, p. 277f.

48 For instance, the implementation of additional control measures may require hiring additional staff in the face of a tight budget constraint for human resources.

There are cases, however, where the management has decided to accept a certain risk that may be unacceptable to the organisation. Internal auditors should communicate such cases to the full council's finance committee, which is responsible for controlling and supervising the LGA's finances. However, the mid-term review report by the Good Financial Governance Programme (2019) on the quality of internal audit reports found that the internal audit reports of all pilots did not cover an analysis of the risk rating of the recommendations that were reported as implemented, partially implemented, or not implemented.⁴⁹

⁴⁹ Good Financial Governance Programme (2019), Compliance Verification of Internal Audit Reports of Selected Institutions in the Tanzanian Public Sector, Mid-Term Review Report, p. 54.

5 Conclusions

The achievement of Tanzania's development objectives depends on a strong internal audit function that enhances governance, risk management, and controls to reduce record-keeping errors, asset misappropriations, and waste of resources.

The International Professional Practices Framework (IPPF) was approved by the National Board of Accountants and Auditors in 2017. It includes a definition of internal audit, a mandatory Code of Ethics as well as Attribute and Performance Standards that apply to all internal audit services in the country. To ensure internal auditors' independence and objectivity, these standards require altering their organisational status and scope from a traditional "audit for management" emphasis to a modern "audit of management" approach. Such a strategic reorientation is a great challenge, but the IPPF provides clear guidance on how things need to change.

The study findings show that the internal audit function's scope is wide: it provides assurance and consulting services to clients at the local and central government level to enhance governance, risk management, and various control systems. However, the wide scope is constrained by resource limitations: the internal audit function does not have adequate funding and enough proficient internal auditors to complete the planned activities and ad-hoc engagements in time. Another challenge is the internal audit function's lack of independence: internal auditors are functionally reporting to an audit committee that is mainly composed of senior management members advising the accounting officer, who is representing the auditee. This means the system is still following the traditional "audit for management" approach. As a consequence, internal auditors are reluctant to report significant deficiencies that may call into question the management's integrity or competence to the full council's finance committee, which is responsible for controlling and supervising the LGA's finances. The lack of independence also inhibits the coordination and cooperation with the external audit function to ensure adequate audit coverage and avoid duplication of efforts.

Besides these structural challenges to conforming to international internal audit standards, the study also noted issues of political economy and reform context which may affect the further development of the internal audit system in the public sector. Firstly, the interviewed members of the audit committee did not support the idea of establishing a functional reporting relationship between the internal auditor and the full council's finance committee. Secondly, in a decentralised system, the design and financing of staff development programmes need to be better coordinated between central and local authorities to ensure that the internal audit cadre's knowledge and expertise match with the LGAs' diverse priority risk areas. Thirdly, since most local operations are financed and regulated by various central government authorities, the communication between LGA internal auditors and central government authorities needs to be strengthened to ensure that audit results are given due consideration.



6 Recommendations

The following recommendations may contribute to the in-depth and long-term reform dialogue process on the further development of the internal audit system to conform with international internal audit standards.

Add value by improving the coordination between local and central government authorities

- The internal audit function lacks adequate staffing, knowledge, or expertise in various risk areas. One should discuss how the outsourcing of internal audit activities to other experts can be financed considering Local Government Authorities' slim own-source revenue base.
- The Local Government Authority's risk management coordinator should advise if the central government's input to the planning process is also a Local Government Authority's priority based on its documented risk assessment.
- Internal auditors need more training on performing root cause analysis. If a root cause is an actor at the central government level, the internal auditor should address the appropriate party which is responsible for the implementation of the audit recommendation through the Internal Auditor General's Division.

Strengthen the planning process to ensure that internal audit plans are well-resourced and coordinated with the external audit function

- The risk management unit should be provided with adequate funding and more extensive training.
- Internal auditors and the Local Government Authority's oversight body should ensure that the scope of the internal audit work plan is commensurate with the available resources.
- Internal auditors should functionally report to the Local Government Authority's oversight body to ensure its organisational independence and the trust of the external audit function.

Strengthen the audit engagement process to accommodate ad-hoc activities and ensure internal auditors' proficiency and due care

- The International Professional Practices Framework should become part of the curriculum for accountants, while internal auditors should receive continuous training about the ongoing changes of the International Professional Practices Framework.
- Internal audit plans and budgets should 'expect the unexpected' and provide for a contingency allowance to accommodate ad-hoc engagements.
- Internal auditors should communicate the results of the quality assurance and improvement programme to the finance committee, which may bring the implied resource requirements to the attention of the full council when the Local Government Authority's annual budget is debated and approved.
- One should discuss the possibility of developing an integrated planning, monitoring and evaluation system of staff development initiatives at the local and central government level to strengthen their coordination and ensure that the internal audit cadre's knowledge and expertise match the priority risk areas.

Strengthen the reporting process to ensure that audit results are given due consideration by the oversight function

- The Internal Auditor General's Division and other central government authorities should use a communication schedule to coordinate their responses to audit recommendations from the local government level.
- Internal auditors should functionally report to the full council's finance committee, which is responsible for controlling and supervising the Local Government Authority's finances.
- Internal auditors should have the authority to submit the internal audit report to the finance committee if the management's response is pending without proper justification.

- Internal auditors should meet with the finance committee without the management being present to ensure the internal auditor's independence and objectivity.
- Internal auditors should receive guidance on legal or regulatory requirements to report identified or suspected non-compliance with laws and regulations or fraud.
- One should discuss how members of the finance committee can be provided with more information and training to understand audit matters and how they affect their responsibility of controlling and supervising the Local Government Authority's finances.

Strengthen the follow-up process to ensure that risks are reduced to an acceptable level.

- Internal audit reports should analyse the risk rating of the recommendations that were reported as implemented, partially implemented, or not implemented.
- The Local Government Authority's oversight body should compare the risk rating of partly implemented or not implemented recommendations with the management's purportedly rational explanations to assess if the risk is acceptable to the organisation, and the oversight body should take appropriate administrative or disciplinary measures against individuals or institutions.
- One should discuss if the Internal Auditor General's Division can conduct a systematic cost-benefit analysis of audit recommendations.

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