

Role of Procurement Internal Audit on Compliant Procurement Practices in Tanzania: A case of Iringa Rufiji Basin

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Abstract

The purpose of the study was to assess the role of procurement internal audit on complaint procurement practices in Tanzania. Three specific objectives guided the studies were, firstly to assess contribution of internal auditor's scope of work in enhancing compliant procurement practices; secondly to determine the contribution of internal auditors' competency in enhancing compliant procurement practices and third to find out the contribution of implementing internal auditors' recommendations in enhancing compliant procurement practices. The study adopted a cross sectional research design and applied quantitative research approach, questionnaire and documentary reviews were the main data collection methods and obtained data from the sample size of 61 respondents obtained by using stratified sampling. Both primary and secondary data were collected and targeted all members of internal audit unit, procurement department and the management and data was analyzed by descriptive statistics. The study findings revealed that, there is a positive association between internal audit and compliant procurement practices and that the internal auditors are competent and skilled to enhance procurement compliance. Also it has found that found that the advisory and assurance services of internal auditors do effectively cover procurement compliance issues. It is concluded that, the scope of work of the internal auditors, the competency of internal auditors and the implementations of the recommendations of internal auditors plays important role n enhancing compliant procurement practices. The government is recommended to put more emphasis in making the public procurement entities to effective establish and use the services of the internal audit so as to enhance compliance with the public procurement laws and procedures.

Keywords: Procurement Internal Audit, Compliance, government Institution

1.0 Introduction

Globally, procurement is recognized as a vital service and it accounts for a big proportion to total expenditure (Makabira and Waiganjo, 2014). Given its importance, legal frameworks have been created and have established audit requirements for public bodies to undergo audit to determine their compliance with set procedures. The internal audit (IA) is used to ensure organizations comply with the policies and rules set (IIA, 2008).

In developed and developing countries, the internal audit history is traced back in the centuries before Christ (B.C) which were utilized by kings and merchants to prevent theft and other improprieties in their trading activities. However, the establishment of the modern day internal audit profession is linked with the birth of the Institute of Internal Auditors (IIA) founded in United States in 1941 (Reding et al., 2013).

For most of its history, it served as a simple administrative procedure focusing on financial auditing. However its role and scope have evolved throughout the years towards a strategic, trusted adviser and value-added function (Azharudin, 2016).

In Africa, the need of internal audits multi-skilled to facilitate auditing on procurement cycle in LGAs is highly emphasized. It has been applied as a tool for checking non conformities and as a main source for preventive and corrective measures to provide value to management (Ugarak, 2015). Internal audit function should provide information that brings value for money in procurement. Audit can facilitate the whole organization to work as a team towards achieving an acceptable Procurement assignment. Effective procurement assignment involves compliance with procurement laws, minimization of costs, accountability of procurement funds and quality of procured goods, works and services (Njeru, 2015).

In Tanzania, public procurement is being governed by the Public Procurement Act, 2011 and its regulations (2013) together with their amendments (2016). The Act requires all procurement entities to comply with it fully in conducting public procurement. It also requires head of the Internal Audit Unit to submit quarterly reports to the head of procuring entity (Accounting Officer) concerning compliance with the Act. Within the entity, IA activity has a responsibility of auditing the procurement and reporting the same to 5 respective authorities (URT, 2011).

Although the internal audit function in an organization is broadly well known, the key question that demands keen explanation is its contribution on discharging procurement assignments in public entities (Ali, 2016; Prawitt et al., 2009). Due to the role of internal auditing and the trend of mismanagement of procurement in the public sector, there has been a debate on whether internal audit function performs its work appropriately or not (Matto, 2017; Shamki and Amur, 2017). Scholars such as Azharudin (2016) and Meskerem (2019) acknowledge that internal auditing plays great role in assuring good corporate governance. However, despite of the increasing attention on IA role towards preventing fraud, very little have been done concerning its ability to enhance compliant procurement practices (Sarens, 2011).

1.1 Statement of the Problem

In Tanzania every procuring entity is required by the Public Procurement Act (2011) as amended in 2016, to establish the internal audit unit so as to provide advisory services on how effective performance and compliance to the established rules can be improved. But in reality, despite of this requiring and the internal audit units being established, compliance to procurement procedures (PPA) are still not satisfactory as there has been indicated by almost all Controllers and Auditor General and the Public Procurement Regulatory Authority (PPRA). Every year the PPRA reports poor compliance on procurement rules which lead to loss of taxpayer's money (CAG, 2018/19; PPRA, 2018). It was still not known on how the internal audit enhances procurement activities to be conducted as per the Act. Aspects of internal auditor's scope of work, their competency on procurement and management's actions on internal auditor's reports are not clearly established and known as having influence on procurement compliant practices. This study aimed at addressing this problem.

1.2 Research Objectives

1.2.1 General objective

The general objective of the study was to assess the role of procurement internal audit on complaint procurement practices in Tanzania.

1.2.2 Specific objective

1. To assess the role of internal auditor's scope of work in enhancing compliant procurement practices at Rufiji basin
2. To determine the role of internal auditors' competency in enhancing compliant procurement practices at Rufiji Basin
3. To find out the role of implementing internal auditors' recommendations in enhancing compliant procurement practices at Rufiji Basin

2.0 Literature Review

2.1 Theoretical Literature Review

2.1.1 Agency Theory

The theory's roots can be traced to the 1960s, when economists started exploring risk sharing (Eisenhardt, 1989). It was expounded by Alchian and Demetz (1972) and further developed by Jensen and Meckling (1976). The theory seeks to provide explanations on the way the apparent chaos of conflicting objectives is organized and brought to equilibrium to maximize the value of the entity (Jensen and Meckling, 1976). It defines the relationship which exists when one party (called the principal) delegates work to another party (called the agent). The theory suggests that, as a result of information asymmetries and self-interest, principals do not trust their agents and will put in place mechanisms to align its interests with those of the agents.

According to the theory, principal (s) hire agents for day-to-day transactions and supervision on their behalf and they delegate the authority to make decisions to agents. An agent will make decisions that may affect the principal because the theory assumes the interests of principal and an agent are not always guaranteed to be compatible. It assumes both the principal and the agent are motivated by self-interest. This assumption of self-interest dooms agency theory to inevitable inherent conflicts. Thus, if both parties are motivated by self-interest, agents are likely to pursue self-interested objectives that deviate and even conflict with the goals of the principal.

The theory will help the researcher in understanding the relationship that exists within the public procurement system and how controls employed safe-guide the principal's interests. The public procurement system represents a principal-agent relationship, whereby the government viewed as a principal; delegate's authority and responsibilities to the procuring entities (who are viewed as the agents) to undertake public procurement. The legal role of an internal audit comes from the contract that is from the Agency theory (Adams, 1994). The contract needs effective performance of an internal audit (agent), on behalf of the owner (government). To perform effectively an internal audit must be independent, competent, and use proper procedures when performing their assignment. The PEs must comply with the procurement rules and procedures where the internal audit (IA) is used as the mechanism to ensure compliance

2.1.2 Profession Development Theory

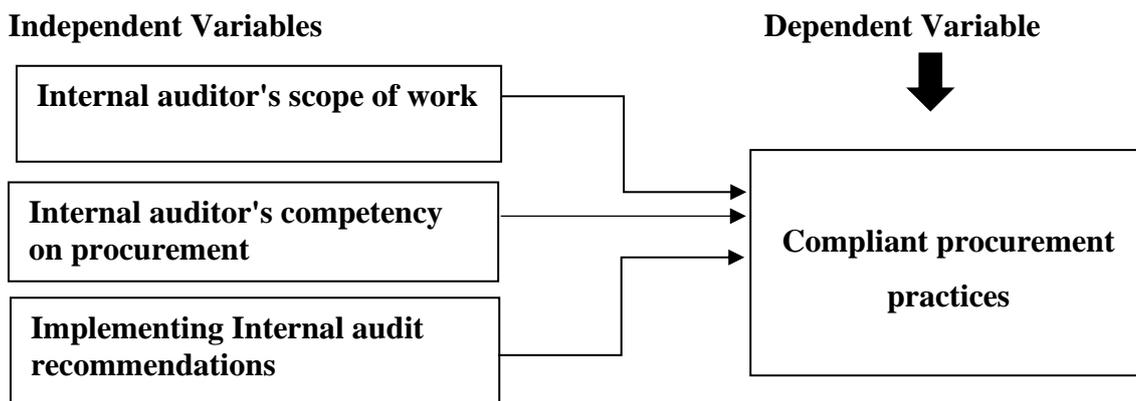
This theory developed by Allen in 2010. This theory states that, the Procurement activities need more professional rather than rules or regulation because the strong or competent professional will create the strong procurement regulation. Due to the increased of technology and globalization in the world the organization require the strong competent professional in order to increase the efficiency of the organization. Professionalism in public procurement relates to the levels of education and qualifications

of the workforce and also to the professional approach in the conduct of procurement activities. If the workforce is not adequately educated in procurement matters, serious consequences including, breaches of codes of conduct occur (Raymond 2008).

The lack of high degree of professionalism in public procurement leads to corruption which ultimately impedes compliance. Procurement officers must be trained and aware about all regulations in relation to procurement and related procedures (Basheka,2008) stated that the level of professionalism in public procurement in Nigeria is low or rather non-existent. Therefore, noncompliance in public procurement is attributable to lack of purchasing professionalism in the public sector. Thus, purchasing professionalism increases public procurement compliance. The relevance of this theory to the study is that, it provides the opportunity for the competent professional to control and manage the procurement regulation. It provides an understanding on how professionalism in procurement can enhance compliance with the procurement laws and regulations in the public sector. However, the theory focuses only on professionalism and does not consider other factors such as rules.

2.3 Conceptual Framework

Can be defined as a structure of concepts and or theories which are put together as a map for the study and it shows the relationship of research variables (Mugenda, 2008).



Source: Designed by the researcher (2023)

3.0 Research Methodology

3.1 Study Area

The study was conducted at the Iringa Rufiji basin offices. The area has been selected because it is one of the public procuring entities in Tanzania where compliant procurement practice is a matter of concern hence it is expected that relevant data were collected from the relevant participants. The Iringa Rufiji Basin operates within the framework of government policies and regulations. The selection of the University of Iringa as the research site was driven by the researcher’s familiarity with the location and prior experience, which created an advantageous environment for conducting the study, considering factors such as time and economic considerations.

3.2 Research Approach

According to Kothari (2008) research approach refers to an in-depth and multi-facet exploration of complex issues in a real-life situation. Basically, there are two types of research approach, namely,

quantitative and qualitative research approaches. The quantitative approach involves the generation of data in quantitative form which can be subjected to quantitative analysis in a formal and rigid fashion while qualitative approach is concerned with subjective assessment of attitudes, opinions and behavior. For the purpose of this study, a mixed research approach was used concurrently. The choice of this approach is twofold; first it is capable of yielding quantitative information that can be summarized through statistical analysis and secondly, the survey method is an effective tool for getting cause- and- effect relationships and hence is the most frequently used in almost all.

3.3 Research design

Kothari (2008) defines research design as the arrangements of the conditions and factors for effective collection and analysis of the data in such a way that it is done and completed at low cost and accuracy in procedures. For the purpose of this study, a cross sectional research design was employed. This is because data was collected at one point in time to fulfill the study objectives. Also this design was adopted because it is capable of collecting large data from a relatively large number of participants at a particular time.

3.4 Population Study

According to Goretti 2008 , defined a population as a total collection of elements about which the conclusion or inferences are made and it is the elements which are the interest of the study. The study's target population was members of internal audit unit, procurement department, finance department and the management at the Iringa Rufiji basin.

3.5 Sampling Frame

According to Sarstedt, Mooi, and Straub (2021), a sampling frame is "a list or other device used to define the population from which a sample is to be drawn. It serves as a reference for selecting the sample and is critical for ensuring that the sample is representative of the population of interest. The researcher obtained the sampling frame from the human resource director at the study area so as to be able to prepare and obtain the sample size.

3.6 Sampling Procedures

3.6.1 Sampling strategy

According to Saunders et al (2007) sampling is defined as the process of selecting a given number of the subjects or elements from the population as the representation of that population. For this study the sample was obtained by using stratified and purposive sampling. The researcher used stratified sampling to identify and select respondents from different departments at the area of the study from which respondents belong. Then from each department a purposive sampling technique was applied to select respondents who are specifically involved with internal auditing, procurement activities and management decisions.

3.6.2 Sample Size

The sample size of the study was obtained by using Yamane's formula (1967) for calculating sample size, which is;

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

Where, **n** is sample size, **N** is the population size and **e** is the level of precision.

For the target population of 70 staffs at the area of the study, assuming 95% confidence level, and with a precision of 5%, we get the sample size as,

$$N = \frac{70}{1 + 70(0.05)^2}$$

$$= 66.7$$

$$= 67$$

Therefore, the study expected to collect data from the sample size of 67 respondents

Table1: Sample proportion from each stratum

s/n	Category /stratum	Sample size
1	Procurement department	20
2	Internal audit	5
3	User department	30
4	Finance department	5
5	Management and directors	7
	Total	67

Source: Field data (2023)

3.7 Validity and Reliability Analysis

3.7.1 Validity of the study

Validity means the quality of an instrument that is to be used in research to be accurate, correct, true, and meaningful and right (Kothari, 2008). The validity in research seeks to address the question as to whether a study truly measures what it is supposed to measure. In this study a pilot study was conducted prior to the actual research. A pre-test of all instruments was done with some of the respondents so as to ascertain the suitability of the instruments in obtaining information required.

3.7.2 Reliability of the study

For a researcher to be reliable, it must demonstrate that, if it would be carried out on a similar group of respondents in a similar context, then similar results would (Kothari, 2008). To ensure reliability, the researcher designed questionnaires in a simple language, short, and not boring format so as to avoid respondent's confusion. Also, the researcher conducted a pilot test to the questionnaire to test whether they will generate the sought data before final data collection. Moreover, multiple data collection methods were employed by the researcher.

4.0 Data Analysis

Kombo and Tromp (2011) defined data analysis as the process of examining the data that has been collected and then making deductions and inferences. This study has used quantitative method of data analysis. Quantitative data was analyzed by using descriptive statistics in which the frequency tables and percentages were to indicate aggregate opinions of respondents per each research question before the analysis data were cleaned, edited, coded and entered into the computer. The statistical package for social sciences (SPSS) version 25 programs and Microsoft excel 2007 were used as analytical tool to analyze quantitative data.

Data were collected from the administered 67 questionnaires in total and they were administered whereas the researcher managed to obtain 61 completed questionnaires giving 89.7% response rate. The findings were obtained from respondents with different characteristics. The respondents’ general characteristics were assessed in terms of their gender, age, education and experience as presented in the subsection.

4.1 Response Rate

A total of 67 questionnaires were self-administered and distributed to the respondents out of which 61 usable questionnaires were successfully filled and returned giving a response rate of 89.7%. This response rate was a representative of the population which is supported by Mugenda (2008) who stipulated that, a response rate of 70% and above is excellent for the study.

Table 2: Response rate

Category	Frequency	Percentage (%)
Returned questionnaires	61	91
Unreturned questionnaire	6	9
Total	67	100

Source: Field data (2023)

4.2 General information of respondents

The study sought to determine the general information of the respondents. The information was assessed in terms of gender, age, education level and experience of the respondents. The demographic data are presented in subsection 4.2.1 to 4.2.4 as follows;

4.2,1 Gender of respondents

Category	Frequency	Percent
Male	33	54.1
Female	28	45.9
Total	61	100.0

Source: Researcher’s Field data (2023)

These findings imply that, most of the activities at the study area are performed by both gender although majority of the people at the study area are males compared to females. Also the findings imply that the most of the activities are conducted by both the males and females staffs as far as the internal auditing and procurement activities are concerned.

4.2.2 Respondents’ ages

Category	Frequency	Percent
Between 18 - 25 years	13	21.3
Between 26-35 years	25	41.0
Between 36-45 years	23	37.7
Total	61	100.0

Source: researcher’s field data (2021)

These findings imply that, most of the procurement activities and the internal auditing activities at the study area is composed largely by youth who are matured to undertake different business activities. Youth are the main and major workforce of any nation as they have energy to carry out different activities in both in the country. This is due to the fact that, people who are at old ages cannot work for long and at a desired efficiency and effectiveness. These findings are supported by Burton (2013) who indicated that; older workers are ordinarily thought to be less productive compared to the youth and younger ones.

4.2.3 Education level of Respondents

Category	Frequency	Percent
Certificate level	6	9.8
Diploma level	18	29.5
Degree level	36	59.0
Masters level	1	1.6
Total	61	100.0

Source: researcher's field data (2023)

These findings suggest that, employees at the organization have acquired formal education at least from the certificate level to higher level of education. This also suggests that the employees at the organization have the required skills and knowledge concerning the conductance of the internal auditing and the public procurement activities.

4.2.4 Respondents' experience

Category	Frequency	Percent
Less than one year	14	23.0
Between 1 and 5 years	19	31.1
Between 6 and 10 years	23	37.7
Over 10 years	5	8.2
Total	61	100.0

Source: Researcher's field data (2023)

These findings indicate that, the majority of respondents who participated in this study were experienced in matters related to the conducting the roles of procurement internal audit on complaint procurement practices. Similarly, Shah and Alotaibi (2018) indicated that experienced respondents have greater depth and real scenarios in answering the study questions due to their vast experience in this field.

5.0 Discussion of findings

The main focus of the study was to assess the roles of procurement internal audit on complaint procurement practices in Tanzania. Three specific objectives guided the study which were, firstly to assess roles of internal auditor's scope of work in enhancing compliant procurement practices; secondly to determine the roles of internal auditors' competency in enhancing compliant procurement practices and third to find out the roles of implementing internal auditors' recommendations in enhancing compliant procurement practices

The study adapted a cross sectional research design and applied mixed research approach. Questionnaire and documentary review methods were the main data collection methods and obtained data from the sample size of 61 respondents obtained by using stratified sampling. Both primary and secondary data were collected and used by the study and targeted all members of internal audit unit, procurement department and the management at the Iringa Rufiji basin. The data collected were processed and edited so as to eliminate errors and omissions and then descriptive statistics method was applied to analyze data aided and assisted by using the statistical package for social sciences (SPSS) version 25.

5.1 Summary of the major findings on specific objectives

This section presents on the summary of the major findings per each objective as follows;

5.1.1 Internal auditor's scope of work in enhancing compliant procurement practices

The first objective of the study aimed at assessing the roles of internal auditor's scope of work in enhancing compliant procurement practices.

The study findings revealed that, internal auditors work is sufficient to review procurement process. Further the study has found that internal auditor's methodology is complicated to effectively assess procurement process and that the internal auditor has important roles in procurement auditing so as to enhance compliant procurement practices. Also, it has found that, there is a positive association between internal audit and compliant procurement practices and that the internal auditor is moderately involved in enhancing compliant procurement practices.

5.1.2 Internal auditors' competency in enhancing compliant procurement practices

The second objective of the staff was to determine the contribution of internal auditors' competency in enhancing compliant procurement practices.

The findings indicated that, the internal auditors are competent and skilled to enhance procurement compliance. Also, it has found that trainings and workshops are usually conducted to internal auditor on current procurement laws and procedures. Again the study revealed that education of internal auditor does not relate with procurement profession to enhance staff compliance to it and that the internal auditors need to undergo special trainings on matters related to procurement laws and procedures as to enhance organizations compliance to it. Finally, the study found that procurement audit is a complicated activity and difficult for internal auditors to enhance compliance.

5.1.3 Implementing internal auditors' recommendations and compliant procurement practices

The third objective of the study was to assess the influence of special group's awareness programs in enhancing their participation in public procurement.

Findings revealed that, the management always implement the recommendations of internal audit to enhance compliant procurement process and that the internal auditors often provide reports on time for the management to take actions. Also, the study found that the management views internal auditors report as not effective to enhance compliant procurement process and that always corrective and preventive measures regarding procurement are taken as a result of internal audit reports. Moreover, it has been revealed by the study that, the advisory and assurance services of internal auditors do effectively cover procurement compliance issues.

5.2 Conclusion of the study

Based on the findings, the study made the following conclusion;

As per the first research objective which aimed to assess contribution of internal auditor's scope of work in enhancing compliant procurement practices, it is concluded that, the scope of work of the internal auditors is sufficient to enhance the compliant procurement practices of the public sector entities.

As far as the second objective is concerned which aimed at determining the contribution of internal auditors' competency in enhancing compliant procurement practices, the study concluded that, the competency of internal auditors as far as procurement is concerned, it is an important factor to enhance compliant procurement practices.

Also as per the research objective number three which focused on finding out the roles of implementing internal auditors' recommendations in enhancing compliant procurement practices, the study concludes that effectively implementing the recommendations of the internal auditors is necessary to enhance the compliant procurement practices in the organizations.

5.3 Recommendation of the study

The study made the following recommendations;

The government should put more emphasis in making the public procurement entities to effectively establish and use of the services of the internal audit so as to enhance compliance with the public procurement laws and procedures. The public organizations need to ensure that the internal audit unit is empowered, enhanced and ensure that it is involved in each of the stage in the procurement stage so as to identify weaknesses, non-compliance and miss procurement and thus suggest improvements. The policy makers should ensure that public procurement processes are carried out with much integrity by stakeholders of procurement system. The government should through PCCB make sure that they punish those individuals caught taking bribe in procurement of goods and services. In order for the performance of procurement practices to be efficient and effective, the procurement system should be understood by the practitioners. The researcher recommended that conducting regular seminars and workshops could be the best way to minimize poor performance of procurement functions and shape individual into a profession manner.

5.4 Recommendation for further studies

The study recommends future researcher to focus and investigate on how the internal audit procedures can be improved to effectively enhance the compliant procurement practices on another geographical location. Also, the same can be investigated by focusing on the private sector or any other public institution since this study was based at Rufiji Basin Iringa

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