

Contribution of Internal Audit Functions to the Operational Performance of Government Institutions in Tanzania: A Case of Selected Higher Learning Institutions

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Abstract: This study explores how Internal Audit Functions (IAFs) influence the operational performance of higher learning institutions in Dodoma City, Tanzania. Specifically, it examines the role of risk management, governance processes, and internal control systems. The study adopted a qualitative case study methodology where by 12 internal auditors were purposively selected from three higher learning institutions. Data were gathered through semi-structured interviews and analyzed thematically. The findings show that all three elements i.e., risk management, governance processes, and internal controls significantly affect institutional performance. Risk management, however, remains a relatively new and developing practice. Governance processes would benefit from restructuring audit units to include professionals beyond finance, while strict adherence to internal controls emerged as a key driver of improved performance. These findings are interpreted through agency theory (emphasizing accountability between principals and agents) and institutional theory (highlighting conformity to regulatory and societal expectations). The study recommends strengthening IAFs through robust risk management frameworks, multidisciplinary audit teams, stronger compliance mechanisms, and integration of internal audit into strategic governance. These measures, if institutionalized, will enhance operational efficiency and accountability, and contribute to the realization of Tanzania Development Vision 2050.

Keywords: Internal Audit Functions, Risk Management, Governance, Internal Control, Operational Performance, Qualitative Case Study, Higher Education Audit.

INTRODUCTION

Internal audit functions are not just about checking financial records rather, they are vital in ensuring operational efficiency, compliance, and strategic alignment in public institutions. By providing independent assurance, they help organizations assess whether risk management, internal controls, and governance processes are working effectively.

Traditionally, internal audit has been linked mostly to financial oversight. However, its influence on operational performance is now gaining wider recognition. Much of the existing research has focused on fraud detection or verifying financial statements, leaving its broader role in institutional performance less explored (Prawitt *et al.*, 2019; Khdir & Rahman, 2020).

The revised International Standard on Auditing (ISA) 315 (2019) broadens this view, defining internal audit as a process that supports governance, risk management, and internal controls, all aimed at helping an organization meet its strategic and operational objectives. The Institute of Internal Auditors echoes this, highlighting that internal audit improves operations through systematic evaluations of these components.

In Tanzania, despite these global developments, many public institutions continue to grapple with operational inefficiencies. The Controller and Auditor General (CAG) has repeatedly flagged

weak quality assurance systems and infrastructure gaps in higher learning institutions, leading to less-than-optimal performance (CAG, 2021). This study therefore investigates how internal audit functions can enhance operational performance in selected Tanzanian higher learning institutions (Suthari *et al.*, 2025).

The specific objectives are;

- Determine the influence of risk management on operational performance.
- Assess the impact of governance processes on operational performance.
- Examine the role of internal controls in supporting operational performance.

THEORETICAL FRAMEWORK

Two key theories underpin this study:

Agency Theory: Agency theory explains the relationship between principals (e.g., boards and government oversight bodies) and agents (e.g., institutional managers and internal auditors). In public institutions, information asymmetry often arises when managers pursue interests that do not fully align with the expectations of oversight bodies. Internal audit functions serve as monitoring mechanisms that reduce this asymmetry, enhance transparency, and ensure accountability (Adams, 1994).

Institutional Theory: Institutional theory emphasizes that formal structures, norms, and

external pressures shape organizational behavior. In Tanzanian higher learning institutions, compliance with regulatory frameworks from the CAG, Treasury Registrar, and TCU exerts coercive pressure that encourages the institutionalization of audit practices. Internal audit, therefore, not only enforces accountability but also strengthens legitimacy by aligning institutional practices with societal expectations (Josh & Karyawati, 2022).

By combining these two perspectives, we understand that internal audits improve operational performance not only by aligning managerial actions with oversight expectations but also by embedding institutions within a broader framework of societal and regulatory legitimacy.

LITERATURE REVIEW

Research consistently points to the Internal Audit Function (IAF) as a cornerstone for strengthening risk management, governance, and internal control systems within organizations. According to the Institute of Internal Auditors (IIA, 2017), internal audit offers independent assurance that these three pillars are functioning as intended, directly enhancing efficiency, accountability, and the responsible use of resources.

Empirical evidence from different contexts supports this view. For example, Mustapha and Abidin (2017) found that Malaysian public universities with well-structured audit units experienced improved risk awareness and stronger internal controls, leading to more efficient operations. In Tanzania, Mpocholwa (2021) observed that at the Institute of Accountancy Arusha, risk management and internal controls had a positive impact on performance. However, governance processes lagged behind, highlighting the need for a more integrated approach to institutional oversight.

Similar findings emerge from neighboring countries. In Kenya, Wanjiru (2020) showed that internal control mechanisms on their own do not significantly boost performance unless accompanied by strong audit engagement and proactive management involvement. Likewise, Geda (2018) in Ethiopia emphasized that auditor competence, adequate resources, and clearly defined mandates are critical for enabling internal audits to fully support governance. These findings resonate with Alzeban and Gwilliam's (2014) study in the Middle East, which identified management support and auditor independence as

decisive factors for realizing the full value of internal audits.

The global perspective also reinforces these conclusions. Goodwin (2014) noted that in higher education institutions, internal audits strengthen accountability and protect public resources through rigorous compliance checks and performance evaluations. Mihret and Yismaw (2007) further argued that in developing countries, the effectiveness of internal auditing depends heavily on organizational culture, leadership commitment, and the extent to which audit recommendations are implemented. In other words, simply having audit structures in place is not enough, real impact comes when institutions actively act on audit findings.

In the African context, the integration of IAFs into strategic decision-making has been slow, often hindered by capacity gaps and a limited appreciation for non-financial audit areas such as IT security, environmental compliance, and strategic risk assessment (Kagoro & Nkundabanyanga, 2021). However, as higher learning institutions broaden their scope and diversify activities, internal audits are increasingly taking on advisory roles, helping institutions not only comply with regulations but also achieve strategic goals.

Overall, the literature makes it clear that IAFs can significantly enhance operational performance when applied in a comprehensive and integrated manner across risk management, governance, and internal control systems. Their effectiveness is not just a matter of technical competence; it also relies on institutional culture, committed leadership, multidisciplinary expertise, and alignment with broader strategic objectives. These factors are especially relevant for Tanzanian higher learning institutions seeking to improve efficiency and accountability.

METHODOLOGY

A qualitative case study design was adopted to investigate the role of internal audit in three higher learning institutions namely; the Institute of Rural Development Planning (IRDP), the College of Business Education (CBE), and the Local Government Training Institute (LGTI).

Using purposive sampling, 12 internal auditors were selected based on experience and position. Data were collected through semi-structured interviews, allowing in-depth discussions while

focusing on core themes of risk management, governance, and internal controls.

Data Analysis

Interview transcripts were coded and analyzed thematically. Themes were directly tied to research objectives. Quotations were selected to illustrate both consensus and divergent perspectives among participants.

FINDINGS

Risk Management

Respondents agreed that risk management improves institutional awareness and supports proactive decision-making. However, it remains an emerging practice.

“Risk management is still at a very basic level here. Most staff see it as paperwork rather than a process that guides decision-making.” (Auditor, Institution A)

“We now prepare quarterly risk registers, and management has started to act on them. It is a positive step, though not consistent across departments.” (Auditor, Institution B)

Governance Processes

Majority of respondents stressed that effective governance requires diverse audit expertise and clear communication with boards.

“Governance improves when we engage the board directly, but often communication stops at the management level.” (Auditor, Institution C)

“Our unit is full of accountants. When issues arise in IT systems or compliance, we lack the expertise to properly audit them.” (Auditor, Institution A)

However, few respondents defended finance dominated teams:

“Finance is at the heart of governance. Even if we diversify, we cannot ignore that budgets drive most institutional decisions.” (Auditor, Institution B)

Internal Controls

All respondents emphasized the centrality of internal controls for efficiency, compliance, and fraud prevention.

“Internal controls are the backbone. Without them, fraud and misuse would be rampant.” (Auditor, Institution C)

“Once we enforced strict controls on procurement, delays reduced and resources were used more efficiently.” (Auditor, Institution B)

Yet others warned against rigidity:

“Sometimes, too many approval layers frustrate staff. We need controls, yes, but also flexibility for timely decisions.” (Auditor, Institution A)

These findings highlight that while internal controls are valued, their strictness requires careful balancing.

DISCUSSION

The findings confirm that internal audit functions significantly influence operational performance. Risk management, though nascent, improves resilience when properly integrated. Governance improves when audit teams are multidisciplinary and communicate effectively with boards. Strong internal controls safeguard efficiency and compliance but must be balanced with operational flexibility. These findings also echo earlier studies (Shamimuh, 2017; Chen *et al.*, 2022; (Puthiya, 2025) showing that internal audit works best when risk management, governance, and internal control are all well integrated.

Through agency theory, the findings illustrate how internal audits reduce information asymmetry and align managers’ actions with institutional goals. For example, risk registers and compliance reviews provide principals (boards, regulators) with monitoring tools to hold managers accountable (Diaz Munoz, 2025).

Through institutional theory, the findings show how internal audits respond to regulatory and legitimacy pressures. The emphasis on compliance, risk frameworks, and governance reflects not only efficiency concerns but also the need for conformity with CAG standards, Treasury Registrar directives, and international best practices (Gollapudi, 2024; Ratnayake, 2025).

Together, these perspectives show that internal audits serve as both performance enhancers and legitimacy enablers for Tanzanian higher learning institutions (Benneh, 2025).

CONCLUSION AND RECOMMENDATIONS

This study concludes that internal audit functions make a clear and measurable contribution to the operational performance of higher learning institutions in Tanzania. Risk management enhances resilience, governance improves with diverse audit expertise, and internal controls safeguard efficiency and compliance. To strengthen these contributions, the study recommends:

Institutionalize Risk Management; Ministry of Education, Science and Technology (MoEST), CAG, and the Treasury Registrar should issue national guidelines for risk management in higher learning institutions. Institutional Councils should establish Risk and Audit Committees with quarterly reporting requirements. Additionally, Tanzania Commission for Universities (TCU) and National Council for Technical and Vocational Education and Training (NACTVET) should integrate risk management into staff development and leadership training.

Diversify Audit Expertise Beyond Finance; Multidisciplinary audit teams should be supported through recruitment policies, accreditation standards, and targeted training in IT audit, compliance, and risk management.

Strengthen Compliance and Monitoring; CAG audits should evaluate the implementation of recommendations, and digital platforms should track progress. Governing Councils should produce annual Governance and Audit Effectiveness Reports.

Embed Internal Audit in Strategic Governance; Audit Committees should actively participate in strategy discussions, and audit responsiveness should be a KPI in higher education performance frameworks.

By implementing these measures, Tanzanian higher learning institutions can improve operational efficiency, strengthen accountability, and contribute to the Tanzania Development Vision 2050. Internal audits thus emerge not merely as compliance tools but as strategic instruments for long-term socio-economic transformation.

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