

Auditing Practices and Organizational Efficiency in Local Government Authorities: A Case Study of Tanzania

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Abstract The study investigated and adds to our understanding of auditing practices and their contributions towards organizational efficiency in the context of Local Government Authorities (LGAs) in emerging and less developed countries. The research explored the manner and extent to which auditing practices interact in a multiple stakeholder scenario. The research was conducted in four local government authorities in Tanzania. The findings of this research revealed that there was a Wrestling for internal efficiency in the LGAs. Wrestling for internal efficiency is a product of the perceived dream of having LGAs which are efficient, effective, transparent and accountable. Despite a persistent decline in the performance of the LGAs, various LGAs' actors believed that effective LGAs could be attained if the internal actors in LGAs played their parts effectively and efficiently. The study contributes to the existing debate posed by Power (1994) about whether audits can deliver what they promise in the form of greater accountability, efficiency or quality, or whether they, in fact, fuel the problems? In addition, the study provides practical evidence about how auditing can be used as an instrument to foster organizational efficiency. From the substantive theory of wrestling for internal efficiency, it was observed that auditing has a substantial role to play in achieving organizational efficiency. For example, the research uncovered that audit has increased interactions among actors, through participatory audits and the use of audit reports by various stakeholders. It was also revealed that in the LGAs, auditing was found to be a catalyst for a number of reforms and measures introduced by the Central Government, including migrating to the use of International Public Sector Accounting Standards (IPSASs) and the appointment of an Internal Auditor General in Tanzania. Furthermore, the external overseeing bodies, particularly the Local Authorities Accounting Committee (LAAC) and the External Auditor, emerged as the most useful overseeing bodies to make the LGAs' actors perform. The close relationship between the LAAC's and the External Auditor's functions were found to increase Executives' accountability in the LGAs.

Keywords: *auditing practices, organizational efficiency, auditing contributions. local government authorities, accountability*

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1. Introduction

Local Government Authorities (LGAs), as branches of the Central Government, play crucial roles in economic, political, and social life. In order to ensure that important services, such as education, health, water, and other services, reach the majority in the country, many governments delegate most of their functions to LGAs. LGAs also consume a significant proportion of government revenues. In Tanzania, for example, local government authorities collect roughly 5 percent of all public revenues and are responsible for about 21 percent of public sector spending, (URT, 2009).

Given the resource constraints faced by many African governments, it is the duty of legislature to ensure that

these limited resources are equitably distributed, used effectively and efficiently, and that value for money is obtained. Concern has been raised about the accountability and performance of local governments in many countries, (Ng 2002, Nyman, Nilsson and Rapp, 2005). Audit is described as one of the crucial accountability mechanisms, both in public and private sector entities, as it provides assurance to various stakeholders of the effectiveness of accountability, (Ng 2002; Robinson 2003; Nyman et al., 2005).

In local governments' auditing, as in corporate auditing, auditors are charged with examination of not only finances, but also performance, with regard to appropriateness, effectiveness and productivity. It is also suggested that audit can contribute to improvements in accountability. In order to enhance accountability and ensure that scarce resources are utilized efficiently and effectively, a proper

and workable audit mechanism must be enforced, (Ng 2002).

The question is: What, and how, can audit contribute towards organizational efficiency in the public sector, given the complex accountability relationships? This paper explains the interactions between auditing practices and organizational efficiencies in a multiple stakeholder situation in the context of Local Government Authorities in Tanzania.

1.1. Literature Review

Audit has traditionally been associated with notions of external verification, independence and public accountability. Public sector audit has experienced considerable expansion throughout the world. It has evolved from merely providing an independent and professional assurance that governmental resources are managed properly in accordance with the law, and that no fraud has taken place, to forming opinions on a range of management matters, including value for money, and the efficiency and effectiveness of audits of performance by various government units (English & Guthrie, 1991; Yves & Cooper, 2001). The reason for expansion is closely related to changes in the structure of government and concern for more accountable and transparent governance (Salawu & Agbeja, 2007).

Power (1994) posed a question about whether audits can deliver what they promise in the form of greater accountability, efficiency or quality or whether they, in fact, fuel the problems? Power has stimulated a debate about the relationship between audit, organizational efficiency and accountability.

Studies that have focused on public sector audit and matters related to accountability have explored several issues. These include the independence of state auditors, the influence of public sector audit on perceptions of accountability, the impact of contracting out public services and the use of private finances in public sector audit, tensions between various state audit entities, introduction of market competition into public sector audit, and internal audit (Gendron et al., 2001; Grasso and Sharkansky, 2001; Broadbent and Laughlin, 2003; Funnel, 2003; English, 2003; Pallot, 2003; Bowerman et al., 2003; Everett, 2003; Humprey, 2007; Schwartz and Sulitzeanu-Kenan, 2002). Some of audit and accountability studies are briefly explained below.

Funnel (2003), drawing from practical experience in Australia, observed that privatization and the contracting of public services to private sector entities, accompanied by the limited access and scope of the state audit, diminished the accountability of government to citizens. Pallot (2003) demonstrated how emphasis on different types of accountability contributed to tensions between the Treasury and the Audit Office in New Zealand as regards the nature of public sector reforms. She observed that the former emphasized managerial accountability rather than public accountability, which was advocated by the latter. Everett (2003) used a critical approach to investigate the use of value for money audit (VFM) in the Canadian public sector and its implications for accountability. He observed that VFM audit tends to focus on managerial accountability rather than political accountability. Gendron et al (2001), based on analysis of the annual

reports of state auditors in Alberta, Canada, and interviews with auditors, noted that the auditors favored and promoted performance accountability.

Some studies have looked at how reforms in auditing have affected accountability. For example, English (2003) evaluated the major reforms of the state audit in Australia in 1998, which had changed the role of the Auditor-General to one of facilitation and supervision, and the reporting of audits undertaken by contracted private auditors. English (2003) argued that the reforms represented a threat to public accountability, because economic incentives were more likely to limit the 'scope, quality and impartiality' of audit undertaken by private-sector auditors. Bowerman et al (2003), in support of the above argument, argued that weaknesses in the legislation in the UK, especially with respect to the power of public sector audit bodies, affected the ability of those institutions to operate independently from the government and to effectively discharge public accountability. Tower (1993), on the other hand, considered the audit function to be a necessary condition for the advancement of accountability.

Nyman, Nilsson and Rapp (2005) surveyed and analyzed the chain of accountability to be reviewed by auditors. Nyman et al. (2005) used a Principal-Agent theory to understand and structure the complex accountability situation in local governments. They highlighted that it is the opinion of most people that an agent who fails in the performance of her/his mission should be held accountable. Nyman et al. (2005) identified the problems that may arise when holding persons accountable in complex accountability situations where there is more than one principal agent link. They revealed that neither better accounting systems, nor better auditing methods, will make it easier to determine accountability.

Furthermore, Ng (2002) revealed that, in the government sector, audit is more than the auditor's opinion of the fairness of the financial statements; rather, the objective is to provide assurance about the government entity's internal controls, and compliance with laws and regulations. Ng (2002) explained how audit can bring about accountability and he compared Stewart (1984)'s five tiers of accountability with categories of performance audit.

Salawu and Agbeja (2007), on the other hand, examined the procedures and guidelines employed in the audit of public sector accounts in line with statutory and professional requirements in Nigeria. Their study revealed that the internal controls of public sectors were very weak, audit procedures were ineffective and that there was political interference. They concluded that audit in the public sector did not enhance accountability.

While most of the studies of auditing and accountability have concentrated on external audit, Schwartz and Sulitzeau-Kenan (2002) looked at internal audit and argued that, despite professional internal auditors and academic observers seeing internal audit as a tool of internal accountability, internal audit can be exploited for external accountability, issues of transparency, and provides the opportunity to hold senior management to account.

2. Methodology

The study employed interpretive procedures and a grounded theory method to address the problem. Contrary to the positivistic approach, there were no predefined dependent and independent variables, but focus was put on the full complexity of a specific context (Charmaz, 2006). The grounded theory method was chosen because the method provides opportunities for generating a theory that explains the phenomena under study (Strauss and Corbin, 1998). The method also involved systematic analytical procedures and strategies that ensured a rigorous research process (Charmaz, 2000; Chicchi, 2000).

2.1. The Grounded Theory Process

The grounded theory process in this study started with the identification of the broad topic, auditing and accountability. The broad topic was later narrowed down to auditing practices and organizational efficiency. The

literature review of auditing and accountability research allowed the researcher to identify the research problem and the setting of broad initial research questions, issues, or topic guides (Strauss and Corbin, 1998).

The general research problem for this study was to investigate how, and what, audit can deliver towards control, transparency and, hence, accountability in the public sector, given the complex accountability relationships. The purpose was to theorize inductively from data about the phenomena. The research aimed to explore the phenomenon of audit mechanism towards enhancing organizational efficiency, given the complex accountability relationships in the LGAs, from the participants' perspectives. Figure 1 below shows Strauss and Corbin (1990, 1998)s' grounded theory procedures, which were applied in this study:

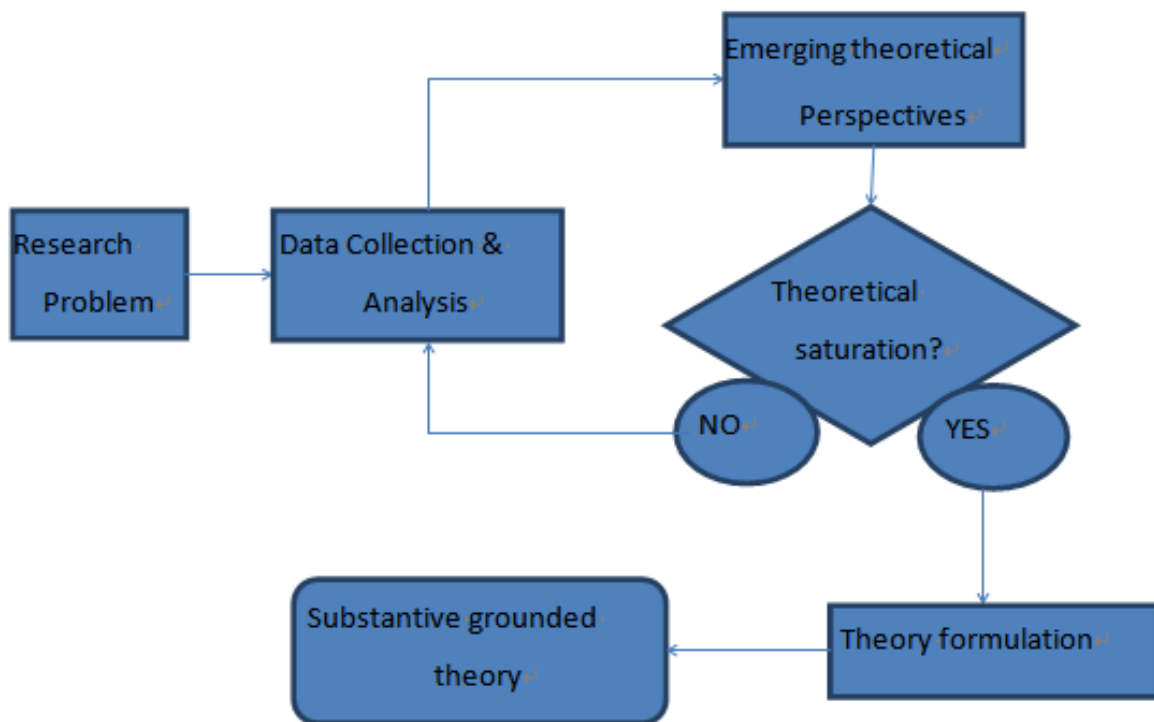


Figure 1. Research Process to build a grounded theory

2.2. Research Sites, Selection and Sampling

The study was done in mainland Tanzania and involved four LGAs: one City Council, one Municipal Council, one Town Council and one District Council. The purpose of the study was to develop theoretical explanations of the phenomena through in-depth interpretive case studies. Hence, in the case studies, combinations of types of LGAs were sought to achieve the study objective. Prior research suggests that multiple case studies provide greater opportunities for the development of more rigorous theories (Abdul-Rahman and Goddard, 1998; Goddard and Assad, 2005). The researcher's immediate understanding of the environment and the possibility of obtaining full accessibility to research sites (Patton, 2002) was the main rationale for choosing the country of the study.

There were 134 LGAs in the 21 regions of mainland Tanzania during the data collection period. However, the

LGAs had increased to 162 by the year 2012, as a result of the formation of four new regions and an additional 19 District Councils formed in mainland Tanzania. The initial visit was made to the National Audit Office (NAO) to study how the 134 LGAs were audited. From this initial visit it was found that, for the purpose of auditing, the 134 LGAs in the 21 regions were divided into five zones. For consistency purposes, the study was undertaken in one zone. A zone that had all four LGAs categories was sought for the study, and so the coastal zone was selected. The second step involved selection of 4 LGAs, one from each category from the list of 25 LGAs in the coastal zone. Audit opinions over four years 2005/2006 to 2008/2009 were analyzed, aiming to select a sample of LGAs with mixed audit opinions, and thus Dar es Salaam City Council (CC), Mtwara Municipal Council (MC), Lindi Town Council (TC) and Mtwara District Council (DC) were selected from the LGAs in the coastal zone.

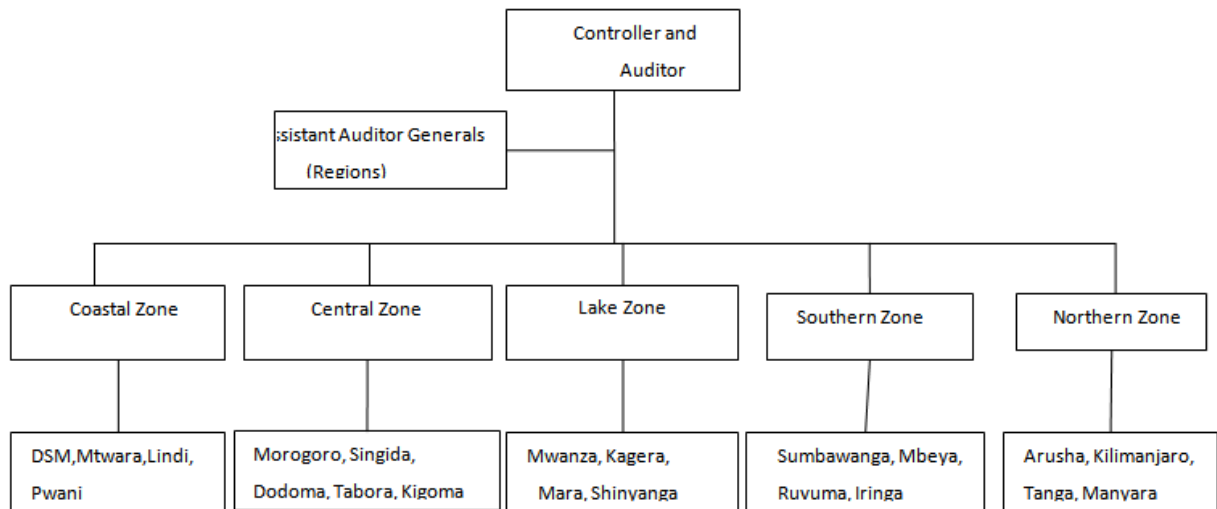


Figure 2. Zonal Regional Compositions (Source: CAG's 2010/2011 annual audit report.)

Furthermore, empirical data was also collected from other sites, including the NAO, the Regional Administrative Secretary (RAS)'s office, the Local Authorities Accounts Committee (LAAC), Kisarawe DC, Bagamoyo DC, Singida MC, Babati TC, Kibaha DC, Kibaha TC, Korogwe TC and Moshi MC. While the NAO was used as an entry point for data collection, the RAS offices and the LAAC were visited as a result of emergent theoretical perspectives.

2.3. Data Collection

Research methodologists have advocated the use of a combination of methods in gathering data. For example, Patton (2002) proposed that the complex nature of the behaviour of human beings necessitates the use of multiple methods to enhance the chances of obtaining better understanding of how they construct their lives. This study used three main methods to collect data: in-depth interviews, observation and documents' review.

2.4. In-depth Interviews

Initially, the researcher interviewed the most likely informants in the search for information. However, as theoretical insights started to emerge, further respondents, situations, and events were incorporated, on the basis of such emergent patterns. For example, more internal auditors were interviewed as a result of the theoretical insight that started to emerge in the early stage of data collection. This type of sampling is known as theoretical sampling, which is defined as sampling on the basis of emerging concepts and theoretical ideas, and by varying situations, to maximize differences (Strauss and Corbin 1998).

The interviews conducted were flexible, as there were no specific questions prepared in advance although the issues to be studied were decided in advance for the purpose of controlling the interview process. However this did not limit interviewees from providing information outside the identified topics.

2.5. Observations

Observation is a method of collecting data which is often used to complement interviews. A complete

observer strategy was adopted, mainly due to the nature of the events studied and time constraints. This involved recording, as a passive observer, relevant activities, events, actions, and behaviour, as well as the meanings of the observations from the perspectives of the participants (Patton, 2002). Formal observations were made through attendance at meetings relevant to the research, such as Committee and Council meetings, as well as LAAC hearing meetings and site visits.

2.6. Documentary Review

Public and internal documents that contained information relevant to the research subject were collected and analyzed. As far as possible, such documents were studied prior to the fieldwork. This was because textual analysis is likely to provide information that can be useful during the interviews (Goulding, 2005). The documents collected comprised laws, regulations and policies governing LGAs, CAG's audit reports, internal auditors' reports, management reports, Minutes of meetings of Committees and Councils, and annual project reports submitted by LGAs to LAAC. Documentary data contributed greatly throughout the study, as it not only played an important role in selection of the sample case studies, but also continued to do this right up to the final stages of the study.

2.7. Data Recording

Digital sound recording was the main medium used to capture data during interviews and meeting observations. In addition, traditional note-taking was used to make records, replicating the interview as far as possible, and these were reviewed when similar issues were noted from different sources. All interviews were recorded, as advised by Straus (1987), because the accuracy of interviewees' own words is important in order to grasp and understand the meaning of the words and concepts used by interviewees, for the purpose of building a theory.

2.8. Data Analysis

The research adopted Strauss and Corbin (1990; 1998) s' grounded theory procedures throughout the entire process of collecting and analyzing data. Data analysis in

this research involved the three analytical processes of open, axial and selective coding (Strauss and Corbin 1998). Open coding involved the conceptualization and labeling of phenomena relevant to the research subject which emerged as significant to the participants (Locke, 2001). This analytical process resulted in open categories, which are concepts generated from data that describe phenomena emerged as important to participants. In this study, 22 open codes were generated from the data. The 22 open codes were: Roles of LGAs' internal audit units: Roles of LGAs' audit committees as overseeing organs: Conflicting personal interests: Government interference: Outdated Laws and Frameworks governing LGAs' administration and finances: Contradicting and misleading regulations and circulars: Capacities of LGAs' internal audit units: Functionality of the LGAs' Councils: Adoption and implementation of accounting reforms: Initiation and impact of audit reforms: Devolution of powers to Lower Local Governments Authorities: Collusions and manipulations: Roles of Local Authorities Accounts Committee in LGAs: Roles of external audit in LGAs: Substandard outputs: Ineffective internal overseeing organs: Executives' relations with other actors and implications for LGAs' performances: Implications of reforms on LGAs' performances: Impacts of internal overseeing organs on LGAs' performances: Beliefs in Internal Efficiency: Measures towards increasing LGAs' actors' performances, and Challenges faced by LGAs in increasing Performances.

Axial coding reassembled the data fractured during open coding to form more precise and complete explanations about the observed phenomena and relationships among the categories (Strauss and Corbin, 1998). The above 22 open categories were assembled in the axial coding process into 10 axial (main) codes: Structural limitations: Cultural practices: Rules and regulations governing LGAs: Internal overseeing organs deficiencies: Adoption and implementation of reforms: Collusions and manipulations: Actors' prioritizations: Low productivity: Improved disclosures: interactions and performances: and Wrestling for internal efficiency.

The final analytical process in grounded theory analysis is selective coding, which builds on open and axial coding. This involved identification of the main category that emerged as the central category, relating it systematically to the other categories, validation of those relationships, and description of the emergent substantive grounded theory. A central category may evolve from the list of existing categories, or a researcher may come up with another more abstract term or phrase under which all the other categories can be subsumed (Strauss and Corbin 1998). In this study the Wrestling for internal efficiency category emerged as a central category, and was obtained from the 10 axial categories built into the axial coding process.

2.9. Towards the Grounded Theory of Wrestling for Internal Efficiency

Wrestling for Internal Efficiency emerged as a main (central) code in this study. The central core code was the product of relating, directly or indirectly, axial codes found in the axial coding process.

2.10. An Overview of a Grounded Theory Paradigm

The relationship that links codes, in terms of why, where, how, and with what consequences, to the central phenomenon that occurred, is referred to as a grounded theory paradigm. A paradigm is a perspective, a set of questions that can be applied to data to help the analyst draw out contextual factors, and identify relationships between context and process (Corbin and Strauss, 2008). After identifying the main code, (the code that relates to all other codes) the other codes are linked to this Central core code, in terms of how they influence, facilitate, moderate or are an outcome of, the main core code.

The code that emerged as the main code in this study was Wrestling for Internal Efficiency. It was obtained from the axial codes developed in the axial coding process. This code became the central code in this study as it had strong relationships with the remaining core codes, and kept on occurring in the actors' perceptions throughout the study. Furthermore, this central code gave a summary of what was going on in the LGAs, with the hope of increasing the performance of the actors. This focal core code is explained later in the context of its relationship with three other paradigm components: conditions, strategies/interactions and consequences, of the central phenomenon.

Four core codes, *Structural Limitations; Cultural Practice; Rules and Regulations Governing LGAs and Internal Overseeing Organs Deficiencies*, emerged as conditions which caused wrestling for internal efficiency to occur. The conditions were the first paradigm component, providing answers to the questions what, why, where, and how a central phenomenon happens.

The second paradigm component was strategies or interactions, which referred to responses made by individuals or groups to situations, problems, happenings and events. Three core codes, *Adoption and Implementation of Reforms; Collusions and Manipulations and Actors' Prioritizations* emerged as strategies of the central phenomenon. While adoption and implementations of reforms appeared as a positive strategy of the central phenomenon, collusions and manipulations, and actors' prioritization strategies defeated efforts towards achievement of the central phenomenon.

Two core codes, *Low Productivity and Improved Disclosures, Interactions and Performances* emerged as consequences of the central phenomenon. Consequence is the third and last paradigm component, which refers to the outcomes of interactions or responses to the events (Corbin and Strauss, 2008). While, improved disclosures, interactions and performances were responses to the events, low productivity appeared to be an outcome of the central phenomenon.

3. Wrestling for Internal Efficiency – The Central Phenomenon

The central phenomenon "Wrestling for internal efficiency" explains the struggle to enhance LGAs' internal efficiency. It was perceived that internal efficiency was the only road map towards effective LGAs.

Despite the slow pace of some executives to implement measures taken by various LGAs' actors to improve performance, internal efficiency in LGAs was perceived as mandatory. Measures introduced from time to time by various bodies responsible to LGAs to overcome inefficiencies, and the challenges faced, are referred to in this study as "wrestling for internal efficiency".

Wrestling for internal efficiency was a product of the perceived dream of having LGAs which were efficient, effective, transparent and accountable. Despite persistent decline in performance in the LGAs, various LGAs' actors believed that effective LGAs would be attained if internal actors in the LGAs played their parts effectively and efficiently.

"Wrestling for Internal Efficiency" in the context of this study refers to the continuous struggle and efforts put in by LGAs' internal and external actors to increase the internal actors' effectiveness, regardless of how slowly improvements were implemented. Both external and

internal actors were involved in the wrestling for internal efficiency. The internal actors were LGAs' executives and internal overseeing bodies. External actors were the Ministry responsible for LGAs and external overseeing bodies. While some of the actors were observed to be positive towards the wrestling, others were observed to be negative. While external actors were perceived to be more active in, and positive towards, the wrestling, the internal overseeing bodies were perceived to be slow participants in the wrestling. However, it was perceived that if the two groups co-operated, it may bring about changes in LGAs. Executives were perceived to be the main actors in the wrestling. They were also perceived to be the negative group and intervened with the wrestling. The active, positive external actors pushed the less active internal actors and the executives to move towards the common goal of achieving effective LGAs. This is what is referred to in this study as "Wrestling for Internal Efficiency".

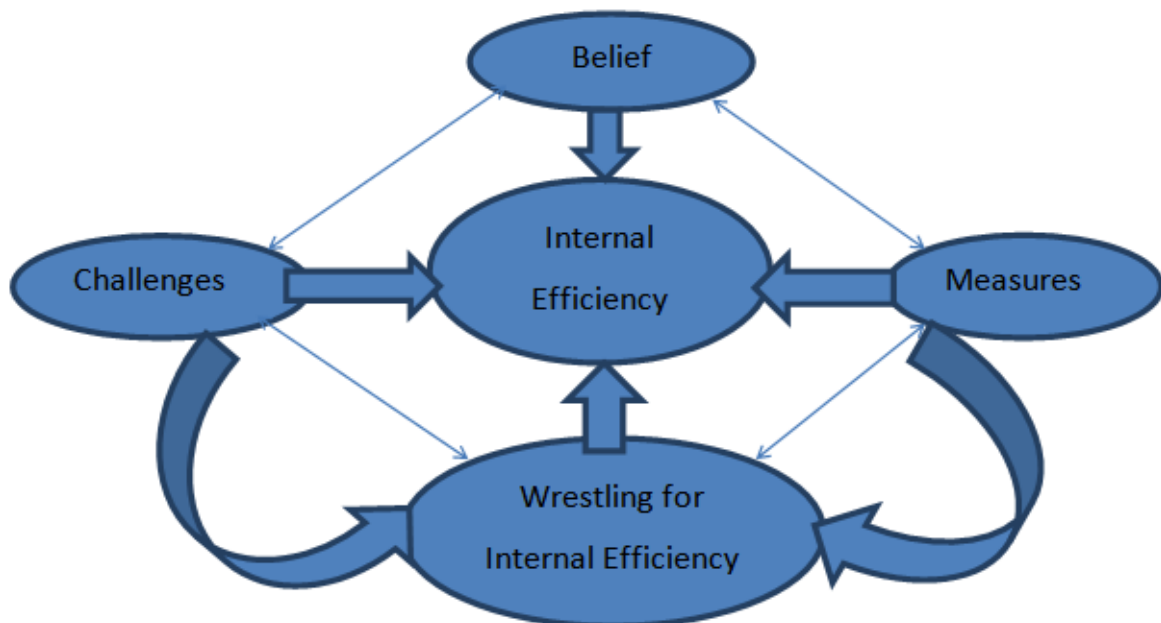


Figure 3. Wrestling for Internal Efficiency: A Central Phenomenon

Belief in internal efficiency led to wrestling for internal efficiency. The ongoing reforms reflected belief in attaining effective LGAs. Most of the reforms were geared towards increasing the efficiency of LGAs' internal actors. Some examples of government initiatives aimed to improve internal actors' efficiency were D by D reform, appointment of an Internal Auditor General, and the issuance of guidelines and directives to overcome shortcoming in the LGAs.

Despite the slow pace of improvements in the LGAs, it was believed that effective internal actors in LGAs could change LGAs into effective and efficient bodies. Effective Internal Audit Units, effective Councils and effective Audit Committees, as internal overseeing bodies, were perceived by LGAs' actors to be the crucial factors towards effective LGAs. The three internal overseeing bodies, when performing their duties effectively, may eventually make executives perform. The following quotations reflect the belief in effective internal overseeing bodies bringing efficiency to the LGAs:

[...] If Internal Auditors in LGAs work effectively and efficiently, we external auditors could have very little

work to do, In fact I can say, we will be jobless; it will be just rubber stamping [interview notes - NAO, Official].

All efforts to improve LGAs' performances were geared towards LGAs' Executives, who were the main actors in LGAs. It was perceived that, if executives in LGAs perform well, effective LGAs would be attained. However, the lack of seriousness and non-commitment of some Executives became challenges and hurdles to efforts to attain effective, efficient and transparent LGAs. The following quotation reflects the struggle to change LGAs' ineffective executives, showing wrestling for internal efficiency:

[...] In order to strengthen the Council's management, the appointing authority should shift from the permanent and pensionable employment system to contract and renewable employment system. Such a system will allow the Government to weed out the non-performers before they cause too much damage to the Councils they are serving. This will expectedly make the top managers fully responsible for coming up with the workable strategies and plans which will bring an

obvious impact to the society being served this will also put into practice the D by D philosophy of the government [CAG audit report, 2010 pp. xxv].

Accounting and auditing were perceived to play very big role in the wrestling. It was observed that it was the statutory responsibility of each Council to prepare and present fair financial statements. Apart from the responsibilities of preparation of the financial statements, Sect.49 of the Local Government Finances Act No. 9 of 1982 (revised 2000) required every LGA to publish audited financial statements within their areas of jurisdiction. The financial reports prepared by the Councils' management were audited by the CAG, before being published. It was observed that the CAG, during his audit, unearthed anomalies, mismanagement and other shortcomings. Furthermore, it was observed that the LAAC picked up on the CAG's report and tasked executives about the anomalies found. Some of the CAG's findings were observed to necessitate reform of practices. The PMO-RALG picked up from the two external overseeing bodies and initiated reforms or issued directives to rectify the shortcomings found by the CAG. One example of a reform which resulted from CAG recommendations was the issuance of a single guideline for the preparation of financial statements by PMO-RALG, which resulted in the adoption of IPSAs by LGAs from the financial year 2008/2009.

Wrestling for Internal Efficiency's Strategies

Three strategies were used in wrestling for internal efficiency. The first strategy was adoption and implementation of reforms, which was observed to be a positive strategy used by the LGAs' actors in wrestling to push executives to increase their efficiency. Executives responded by using two strategies, collusions and manipulations, and actors' prioritization strategies to intervene with the wrestling efforts undertaken by active, positive actors.

Adoption and implementations of reforms, collusions and manipulations, and actors' prioritization were the three main categories which emerged as strategies used by actors either to increase or to intervene with internal efficiency. While the collusions and manipulations strategy intervened with the wrestling, the adoption and implementation of reforms was a strategy employed by external overseeing bodies to push internal actors to perform. On the other hand, executives responded to the wrestling by prioritizing stakeholders. The strategies were interactions made by individuals or groups to respond to situations, problems, happenings and events (Corbin and Strauss, 2008). The three strategies are discussed below.

Adoption and Implementation of Reforms

This strategy was employed by the Government and overseeing bodies in the wrestling for internal efficiency. Accounting, auditing and other reforms introduced into the LGAs were all geared towards improvement of internal efficiencies in the LGAs.

One of the components of the governance and accountability system in the public sector, including LGAs, was the preparation of financial statements using accepted accounting standards, which could be understood and relied upon for making economic decisions.

Transparent and understandable financial statements were perceived by actors to be an important way for LGAs to demonstrate their accountability to the citizens and Donors, who funded them through taxes and other donations. Two major reforms were made in the accounting system in the LGAs, moving from manual accounting to a computerized accounting system, and migrating to International Accounting Standards. The decision to use a computerized accounting system in the LGAs was perceived to be one of the bold accounting reforms taken in the wrestling for internal efficiency, as the manual systems were not reliable for the production of accurate and timely information.

Furthermore, it was observed that, resulting from the CAG's recommendations about the reported multi practices in the preparation and presentation of financial reports in 2007/2008, the PMO-RALG responded by issuing a directive dated 28th September 2009 instructing all LGAs in the country to prepare their accounts in accordance with the International Public Sector Accounting Standards (IPSAS). This was one of the major reforms in accounting perceived to be made by the government for the purpose of improving reporting efficiency in LGAs, reflecting the wrestling for internal efficiency.

Preparation of annual accounts, using accrual based IPSAS and starting from the financial year 2008/2009, was perceived to be a product of the accounting reforms in the LGAs. Adoption of IPSASs was perceived to make LGAs produce more competent financial reports, accompanied by increased disclosure, which was very useful to users for their decision making. This was also noted by the CAG in his 2008/2009 audit report, as shown by the quote below:

[...]A single guideline for the preparation of financial statements for 2008/2009 was issued by PMO-RALG as opposed to the 2007/2008 when LGAs experienced multiple conflicting and contradicting guidelines from different unreliable sources [CAG audit report, 2010, Pp. xviii].

In addition to accounting reforms, auditing reforms were perceived to be another strategy used in the wrestling for internal efficiency. In order to assist LGAs' management to discharge their responsibilities, auditing reforms, such as the appointment of an Internal Auditor General, the introduction of audit committees and widening the scope of audit, were introduced. Shortcomings in the internal audit units in LGAs, such as lack of independence, dependency, and collusions, made LGAs' internal audit systems very weak and unreliable. In the wrestling for internal efficiency, the Government was perceived to respond to the internal audit systems' shortcomings by appointing an Internal Auditor General on 1st June 2011, to be overseer of all government internal auditors.

Furthermore, to strengthen internal control in LGAs for the purpose of reaching effective LGAs, the PMO-RALG instructed all LGAs to formulate effective audit committees. The introduction of audit committees to the LGAs indicated the wrestling for internal efficiency, as shown by the following quotation:

[...] The PMO-RALG Guideline with reference No.CHA:3/215/01 dated 27th November, 2007 requires Accounting Officers to establish audit committees, that

comprising of independent members, with the responsibility to assist in strengthening the system of internal controls [CAG audit report, 2010, Pp. 154].

In addition, to strengthen auditing in the LGAs, the CAG decided to widen the scope and areas of audit in LGAs. For example, in 2007/2008 the CAG widened the scope of audit to encompass value for money aspects, payroll audit and the IT systems of the LGAs (CAG, 2009). The outcome of audit reforms in LGAs was increased interaction among actors, including increased overseeing activities by audit committees and the involvement of executives at every stage of auditing, indicating a positive output resulting from the wrestling.

Apart from the accounting and auditing reforms mentioned above, one bold reform in the LGAs which carried all the other reforms was the Local Government Reform Programme (LGRP) embarked on in the late 1990's, called decentralization by devolution (D by D). The LGRP covered four major areas: political decentralization, financial decentralization, administrative decentralization and changed central-local relations. Shortcomings accompanied by underperformance and low productivity in the LGAs made the government see the need to bring public services under the control of the people, through their local authorities. The main principles of the reforms detailed in the Government's policy paper on Local Government Reform, published in October 1998, were:

1. Letting people participate in Government at the local level and elect their Councils;
2. Bringing public services under the control of the people through their local Councils;
3. Giving Local Councils powers (political devolution) over all local affairs;
4. Determining the appropriate and cost effective organizational structure for Local Government Authorities;
5. Improving financial and political accountability;
6. Securing finances for better public services;
7. Creating a new Local Government Administration answerable to the Local Councils and to local needs;
8. De-linking local administrative leaders from their former ministries; and,
9. Creating new Central-Local relations, based not on orders, but on legislation and negotiation.

The output of the D by D reforms was perceived to be increased transparency and interaction among actors, by bringing public services under the control of the people, who were now involved in the development projects implemented in lower local government authorities (LLGAs) from planning to implementation of the projects.

Collusions and manipulations

Collusions and manipulations was a strategy used by some executives to reduce the race for increasing internal efficiency. Executives colluded with other actors, especially the internal overseeing actors, including councilors and internal auditors, to hide misconduct and mismanagement of resources in LGAs. It was perceived that in some cases Executives colluded with external auditors, especially when the external auditors resided in the auditee's premises. They got used to each and become friends and, hence, it became easy to collude and hide

misuse of resources and other anomalies, as reflected by the following quotation:

[...] It is true, residing in auditee's premises somehow it affects, like internal auditors ... because you are always together, you get used to each other, you socialize and become friends. [Interview notes - NAO Officer].

Like collusions, manipulations of reports were also perceived to be used by executives to hide misconduct and mismanagement of resources. For example, executives were perceived to manipulate internal audit reports by excluding some findings that may have tarnished their image. In some cases projects reports were prepared without evidence. It was further perceived by actors that Executives utilized the shortcomings of internal overseeing in LGAs, such as low capacity, financial problems, personal interests and lack of independence, to collude and manipulate reports, with the aim of hiding mismanagement and misuse of Councils' resources. The following quotation highlights why internal overseeing bodies, such as Councilors, colluded with executives:

[...] Councilors are not salaried. They only receive allowances. Bad executives utilize financial problems of councilors and collude with them and mismanage Council resources for their own benefits [Interview notes - LAAC Member].

Furthermore, it was also perceived that in some cases financial gains and personal interest made executives collude with other external actors, such as service providers, to facilitate misconduct and misuse of resources of the Councils. The following quotation reflects the product of collusions with external actors, which was a challenge for internal efficiency:

[...] Laxity in control over contract payments and supervision of councils' projects and construction works by councils' management resulting in shoddy works and delays in completion of projects within agreeable time frame [CAG, audit report 2012, Pp.xxx].

Actors' Prioritizations

Actors' prioritization was also perceived to intervene with the wrestling for internal efficiency. External overseeing bodies were observed to be very strong actors in the wrestling for internal efficiency. The main external overseeing bodies involved in the wrestling for increasing internal efficiency in LGAs were the LAAC and external auditors. The overseeing activities done by these two bodies were geared towards pushing internal actors to perform effectively and efficiently. The fear of these external overseeing bodies made LGAs' executives give priority to, and act upon, the issues, recommendations and directives given by these overseeing bodies, as explained below:

[...] we are taking to LAAC those issues which we have discussed with management but not responded and attended [interview notes - NAO official].

Involving a parliament committee (LAAC) as an overseeing organ was perceived to be one of the good strategies used to increase performance in LGAs. The Committee reviewed and evaluated the performances of LGAs through audit reports. The committee made follow ups on the implementation of all recommendations made by the CAG in his annual audit reports. They tasked management over observed mismanagement, misconduct

and underperformance. The LAAC was perceived to be a very powerful and active actor in the wrestling for internal efficiency. The influence of, and fear of, the LAAC made executives prioritize issues raised by this overseeing body, as shown by the following quotation reflecting contributions of the LAAC to the wrestling:

[...]The Local Authorities Accounts Committee (LAAC) which is one of the Parliamentary Overseeing Committees entrusted to oversee the accounts of LGAs has done a commendable job by enforcing accountability to all Accounting Officers of LGAs who had not demonstrated good performance in this aspect CAG, audit report 2012, Pp. xix].

Like the LAAC, the External Auditor was also perceived to play very big role in the wrestling for internal efficiency. It was through his annual reports that mismanagement, misconduct and other anomalies were discovered. The LAAC and the PMO-RALG picked up on the CAG's reports and acted upon them. Follow ups of External audit findings were observed to be more rigorous compared with those of the internal audit. They were subjected to both internal and external overseeing bodies' follow-ups. Internally, the External Audit's findings were discussed and followed up by each Council's Audit Committee, the Finance committee of the Council and Internal Auditors. External Auditors and the LAAC made follow ups as external bodies. The rigorous follow up of the external auditor's findings and recommendations forced LGAs' executives to give priority and act upon issues raised by this body. The following quotation reflects the priority given to, and influence of, the external audit in the wrestling for internal efficiency:

[...] our recommendations are not well taken care by executives, compared to CAG's recommendations. In my view, CAG's recommendations receive serious attention by executives because; they are seen by many overseeing organs such as LAAC [interview notes – Dodoma MC IA].

Conditions for Wrestling for Internal Efficiency

Four conditions emerged to cause the wrestling for internal efficiency: Structural limitation, Cultural practice, Rules and regulations governing LGAs and Internal overseeing organs' Deficiencies.

Structural Limitations

Structural limitations were perceived to constrain the wrestling for internal efficiency in LGAs. For example, the LGAs' structure required internal auditors to report functionally and administratively to the Councils' Director, who was the Chief Executive Officer (CEO) of the LGA. Reporting to the CEO constrained the internal audit unit from functioning effectively and efficiently and, therefore, defeated the wrestling for internal efficiency process. It was hard to achieve internal efficiency when the internal audit unit, which was perceived by the actors to be a very important internal overseeing body, was marginalized and not independent, as reflected by the following quotation:

[...]Internal Audit Unit is under CEO. The Internal Auditor may come up with a very good constructing report to be presented to the Councilors. However lack of independence make internal auditors fails to push the

report and therefore denied Councilors from receiving first-hand information. If the unit could be reporting direct to the Councilors, so many issues seen by internal auditors could have reached the Councilors different from the current situation [interview notes - Mtwara MC's Council Clark].

Furthermore, despite the perceived importance of audit committees, deficiencies in the audit committees of the LGAs were observed to hinder the wrestling for internal efficiency. In three consecutive annual audit reports, 2008/2009 to 2010/2011, the CAG observed and reported weaknesses in LGAs' audit Committees, reflecting the failure of the LGAs' audit committees in the wrestling for internal efficiency. The CAG believed that: *'the inefficiency performance of Audit Committees spread inefficiencies in the overall control environment and good governance within the Councils'* (CAG, audit report 2011, Pp. 44).

Cultural Practices

Cultural practices were another condition that interfered with the wrestling for internal efficiency. Conflicting personal interests and government interference emerged as some of the cultural practices in LGAs that constrained the wrestling for internal efficiency. Personal interests were observed to slow down the wrestling for internal efficiency in LGAs. It was observed that personal interests drove people to compete for Councillorship positions in LGAs. Councilors with personal interests were perceived not to be effective in the Council and, therefore, defeated the efforts for wrestling for internal efficiency. The following quotations show how personal interests defeated the wrestling for internal efficiency:

[...] Councils committees visit Councils' projects monthly. We usually accompany the committees; we see the body language telling each other that this is so and so Councilor's project. Fewer questions will be asked in those projects, and sometimes they are eliminated from the list of projects to be visited [Interview notes - Mtwara MC, Official].

Government Interference

Government interference was also observed to be one of the major obstacles in the wrestling for internal efficiency. Despite the requirement of LGRP to create Central-Local relations, based not on orders, but on legislation and negotiations, it was observed on several occasions that the Central Government issued directions and orders to LGAs. Some of the issued directives and orders made the LGAs perform activities outside their plans and, in some cases, made the LGAs violate the laid down legislation, defeating the process of wrestling for internal efficiency, as reflected by the following quotation:

[...] Political interference in LGA's, plays very big part for LGAs underperformance, for example the issue of power tillers. LGAs received circular from the government higher authorities to purchase power tillers. Being a circular from Government Higher Authorities, LGAs had no choice other than implementing the circular [interview notes -NAO Officer].

Rules and Regulations Governing LGAs

Rules and regulations governing LGAs was the third condition in the study observed to hinder wrestling for

internal efficiency. Outdated laws and frameworks governing LGAs' administration and finances, and contradicting and misleading regulations and circulars were observed to be obstacles to LGAs' efficiency.

Most frameworks in the LGAs were observed to be out of date and not to have moved with changes in demand, thereby becoming a hurdle to the wrestling for internal efficiency. Most of the LGAs' frameworks had been formed in the early 1980's, and revised in 2000. From the year 2000 to date a number of changes had occurred both in the country and outside the country. Those old laws were no longer matched with the changes in demand, posing a hurdle in the wrestling for internal efficiency. The following quotation shows how the outdated laws and regulations hindered the wrestling.

[...] In order to have meaningful reforms especially on the adopted frameworks which are based on the best practices like adoption of IPSASs and establishment of Audit Committees, the outdated guiding legal frameworks also need to be repealed or amended to cope with the current demand [CAG, audit report 2010, xxiii].

In addition to outdated laws and regulations, conflicting and misleading instructions and regulations were also observed to be one of the causes of declining efforts towards wrestling for internal efficiency. The LGAs had been receiving policies and circulars from multiple sources, including the PMO-RALG and other Central Government bodies and donors. Some of these policies and circulars received from multiple sources contradicted each other, posing problems in the wrestling for internal efficiency.

Internal Overseeing Organs' Deficiencies

Internal overseeing organs' deficiencies emerged as a fourth condition causing wrestling for internal efficiency. Capacities' deficiencies in LGAs' internal audit units and the ineffectiveness of the LGAs' Councils contributed greatly to reducing the speed of the wrestling for internal efficiency. Despite the internal audit being perceived as an important unit in an organization, internal audit units in LGAs were observed to be marginalized in terms of finance, staffing, working tools, and working environments. The undercapacity of internal audit units in the LGAs made the wrestling for internal efficiency stand still. The following quotations reflect marginalization of internal audit units in LGAs, defeating the wrestling for internal efficiency:

[...] we don't have enough working facilities; we are relying on other departments' facilities. When you want to audit a project outside the office, you need to ask the CEO for transport and or allowances. You have to tell the CEO, which project you are visiting and what exactly you are going to do. Then, it is the discretion of the CEO to give you the facility or not [interview notes - Chamwino DC IA].

[...] The LGAs Management in collaboration with PMO-RALG and Ministry of Finance should strengthen the internal audit functions through increased financial and human resources. In addition, internal auditors should be equipped with knowledge and skills to enable them increase the scope of audit and enhance their performance [CAG, audit report 2011, Pp. 44].

In addition to the internal audit units' inefficiencies, Councilors' competence was also perceived to contribute to internal overseeing organs' inefficiencies. Councilors, as well as being top decision makers in LGAs, also represented the citizens in their respective wards. However, it was observed that most of the Councilors in the LGAs possessed low educational qualifications. Councilors' competence made them less effective in the Councils, defeating the wrestling for internal efficiency process, as reflected by the following quotation:

[...] this is a big problem. Very few LGAs' have competent Councilors. Most of Councilors are standard seven leavers. They don't have competency to query most of reports prepared by professionals. For example, BOQs and Contracts are prepared in English Language. Financial reports are prepared professionally... Councilor can't take it, they are not capable [interview notes - LAAC Member].

Consequences of the Central Phenomenon

Low productivity and improved disclosure, interaction and performance were two main categories which emerged as consequences of wrestling for internal efficiency. Consequences are outcomes of interactions, actions and strategies, which may be conscious or unconscious, intended or unintended (Strauss and Corbin, 2008).

Low productivity

Structural limitations, cultural practices, rules and regulations, and internal overseeing bodies' deficiencies, when combined with the collusions and manipulations strategy, resulted in low productivity. Substandard outputs and ineffective internal overseeing bodies were examples of low productivity observed in the LGAs. Substandard output in this study refers to projects poorly done, unfinished projects, projects completed but not put into use, and unspent development project money sent to LGAs. Substandard outputs were observed to hinder the wrestling for internal efficiency. Substandard outputs and unfinished projects were observed in Bagamoyo DC and Kisarawe DC during LAAC visits to these Councils. Projects completed but not put into use were observed in Kisarawe DC and Mtwara MC, and projects that took longer than the planned periods to be completed were observed in Kisarawe DC and Mtwara MC, reflecting hurdles to the wrestling for internal efficiency. Personal interests, collusions and manipulations and inefficiency in LGAs' internal overseeing bodies were perceived to be the causes of low productivity in the wrestling for internal efficiency.

Low productivity was also observed in LGAs' internal overseeing bodies. The internal overseeing bodies of the LGAs included internal audit units, audit committees and Councils. The wrestling for internal efficiency was perceived to be geared towards improving LGAs' internal overseeing systems. However, persistent deficiencies in internal overseeing systems, such as lack of independence, under capacity and financial dependency made these important overseeing bodies ineffective in the wrestling for internal efficiency. The following quotation reflects the ineffectiveness of LGAs' internal overseeing bodies in the wrestling for internal efficiency:

[...] Our review indicates that despite of efforts made to strengthen the Internal Audit function, there are still capacity gaps that need to be addressed in order to make the internal audit function more effective. Audit committees are still not effective. There is also no Audit Charter that would give the function strategic direction. It was also noted that the Units have outdated internal audit manuals to guide staff on the work methodology and procedures. We also observed that in some LGAs, internal audit reports are acted upon by the management while in others they are not regularly produced. In some LGAs, internal audit staffs are too few to adequately meet the needs of the LGAs given their size and geographical coverage [CAG, audit report 2012, Pp. xxi].

Increased Disclosures, Interactions and Performances in LGAs

The second consequence of the wrestling was increased disclosure, interaction and performance in LGAs. Reforms in accounting, in auditing and D by D were perceived to help LGAs to improve disclosure and interaction among the actors in the LGAs. The improved disclosure and interaction made internal overseeing bodies more effective and, hence, increased LGAs' performances. Improved disclosure, interaction and, performance were perceived in this study as positive outcomes of the wrestling for internal efficiency. Reforms of accounting in the LGAs increased disclosure of the financial information necessary for decision making, as reflected by the following quotation:

[...] There is improvement on disclosures in a number of submitted financial statements as per the requirements of IPSASs accruals basis of accounting [CAG, audit report 2011, Pp. xx1].

In addition, reforms such as D by D and participatory auditing were perceived to increase actors' interaction. The participatory audit technique was introduced by auditors to involve executives in the whole auditing process, aimed at increasing executives' effectiveness. By involving executives in the auditing process from the planning stage to the issuing of audit reports, executives learnt from auditors and this reduced anomalies in the LGAs. Increased disclosures and interactions led to increased performance in the LGAs, reflecting positive outcomes in the wrestling for internal efficiency. The following quotation reflects how participatory audit increased interaction and, hence, improved executives' performances:

[...] We have changed the approach, we are now using participatory audit, we discuss all deficiencies seen and their impacts with respective executives in every stage of audit. We tell them what we have seen, and give recommendations for rectifications. To some extent participatory audit reduced external audit queries, as most of issues raised were cleared before closing of accounts [interview notes - Songea DC, IA].

Improved disclosure and interaction reduced the shortfalls observed in LGAs, such as personal interests, collusions and manipulations, and made internal overseeing bodies more effective. It was perceived by LGAs' actors that, when internal overseeing bodies increased follow ups on their recommendations and those

of external overseeing bodies, the output was increased interaction and performance in the LGAs. Internal overseeing bodies close follow ups on the various recommendations woke up the executives and made them perform. The following quotation reflects this:

[...] The Finance Committee returns audit queries to Council's Treasurer for responses. The responses are sent back to Finance Committee. Because the members' of the Committee are not professional, they ask Internal auditor whether the responses are satisfactory or not. Those queries with satisfactory responses are closed, but those with unsatisfactory responses, are returned to executives for actions and Finance committee make follow up of their implementations before being closed [interview notes – Mtwara MC's Treasurer].

Furthermore, reforms in auditing, such as the appointment of an IAG and formation of audit committees, were geared towards overcoming weaknesses in the internal auditing system. Internal audit activities were perceived to be very crucial for LGAs' internal efficiency. Effective internal audit increased interaction among actors in the LGAs. Continuous audit done by internal auditors in the LGAs assisted executives to act promptly on anomalies found and, hence, increased the efficiency and effectiveness of the LGAs' executives, as reflected by the following quotation:

[...] five years ago, the Council had no Internal Auditor. Things were worse on those days; actually, in that year we received Adverse Audit Opinion. However, after the Council recruited Internal Auditors everything changed [interview notes – Mtwara DC - Chairman of the Council].

The Wrestling for Internal Efficiency Model

The product of the Central Phenomenon, conditions, strategies and consequences of this study, is a model of wrestling for internal efficiency. The model explains how actors fought to achieve effective LGAs in Tanzania. The central phenomenon – Wrestling for internal efficiency - explains the efforts taken by various actors to improve internal efficiency in LGAs. It was perceived that internal efficiency in LGAs was the only road map to effective, efficient and transparent LGAs.

Three strategies were used in the wrestling for internal efficiency. While collusions and manipulations were used by executives to deter the wrestling, adoption and implementation of reforms was geared to push internal actors in the LGAs to perform. To respond to the push, actors' prioritization strategy was used by executives, which was seen in this study as a partly positive and partly negative strategy towards the wrestling for internal efficiency. Structural limitations, cultural practices, the rules and regulations governing LGAs, and internal overseeing bodies' deficiencies, were four major conditions intersecting with, and causing, the wrestling for internal efficiency. The strategies adopted by the actors had two major consequences: low productivity, which was a negative output of the wrestling, while improved disclosure, interaction and performance, emerged as a positive output of the wrestling. Figure 4, below, presents the substantive theory of wrestling for internal efficiency, as discussed in this paper.

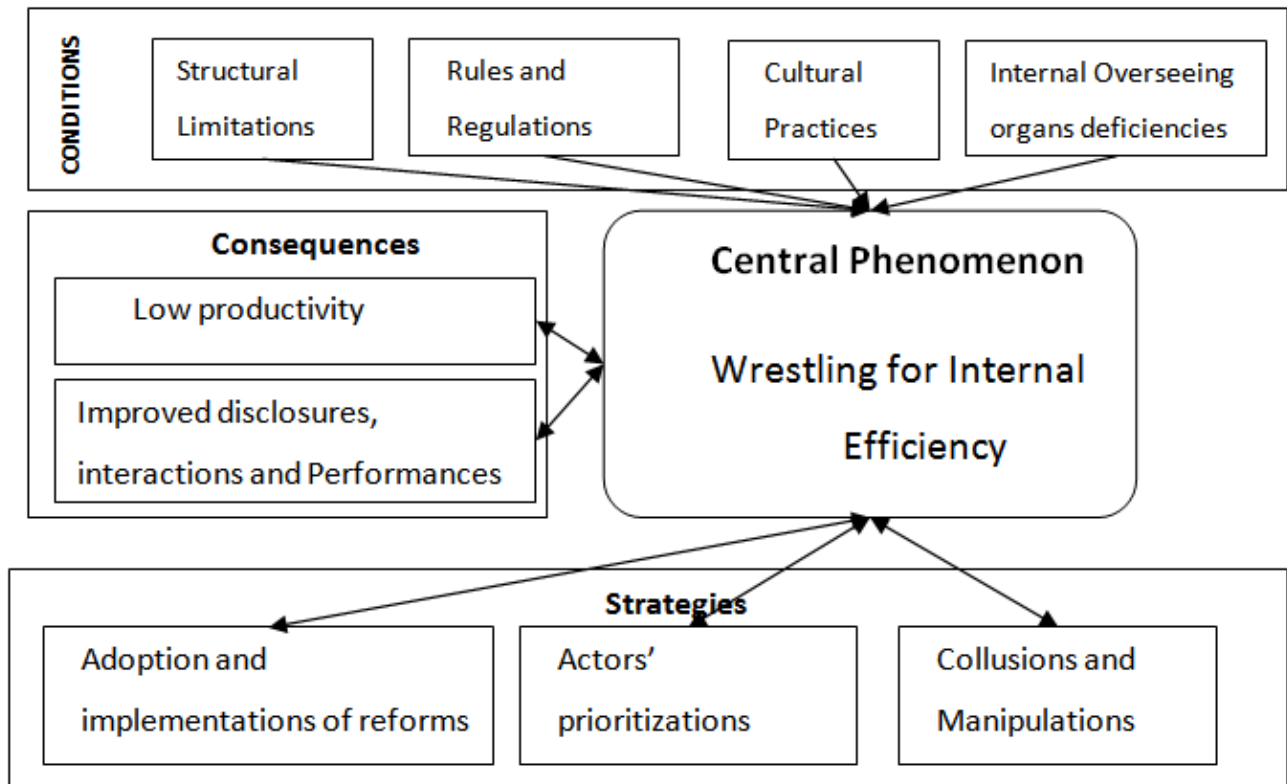


Figure 4. Substantive Theory of Wrestling for Internal Efficiency

4. Conclusion and Contributions

This paper adds to the understanding of the auditing practices and its contributions to organizational efficiencies in the context of emerging and less developed countries, which have experienced only limited accounting research (Broadbent & Guthrie, 1992, 2008; Goddard, 2010). The application of the interpretive approach and grounded theory strategy addresses the wide concern for the need for alternative approaches to study accounting practice in the social setting in which it operates (Ahrens & Mollona, 2007; Baker & Bettner, 1997).

The main finding of this paper was that efficiency, effective and transparent LGAs cannot be achieved unless internal actors play their parts properly. A number of reforms and regulations had been introduced to ensure that LGAs performed well. However, it was found that executives and other internal actors became hurdles to positive changes towards effective LGAs. Personal and other interests made executives use collusions and manipulations strategies to fulfill their interests. The end product of the collusions and manipulations strategy was low productivity and underperformance in the LGAs.

It was further noted that the hunger for effective LGAs made LGAs' stakeholders tireless in continuing to introduce new reforms and measures such as, devolving powers to lower local governments and the introduction of an IAG to oversee public sector internal auditors, to ensure that internal actors performed towards building effective organizations.

In addition, this research also showed that LGAs' actors had different powers and influence over executives'

actions. As a result, executives accorded priority to recommendations and directions given by certain groups of stakeholders and ignored others. This is an important finding as the literature has shown that each group of stakeholders, to some extent, contributes towards the achievement of organizational objectives. Therefore, this paper calls for LGAs' executives to play what could be called a 'fair game' with all stakeholders and that no stakeholder should be marginalized and ignored in order to achieve organizational efficiency.

Finally, the study contributes the following: Firstly, it contributes to the existing debate posed by Power (1994) about whether audits can deliver what they promise in the form of greater accountability, efficiency or quality or whether they, in fact, fuel the problems? Empirical studies of audit and accountability have generated mixed results. For example, while Ng (2002) and Gasper (2006) saw audit as important for bringing accountability, Nyman et al. (2005) and Salawu and Agbeja (2007) argued that neither better accounting systems nor better auditing methods will make it easier to determine accountability. This study uncovers that neither internal audit nor external audit can bring efficiency into an organization unless backed by powerful and influential stakeholders.

Secondly, the research provides practical evidence of how auditing can be used as an instrument to foster organizational efficiency. From the substantive theory, it was observed that auditing has a strategic role to play towards the achievement of organizational efficiency. For example, the research uncovered that audit increased interaction among actors, through the use of participatory audits and the use of audit reports by various stakeholders. It was also revealed that, in LGAs, auditing was found to be a catalyst for a number of measures and reforms,

including appointment of an Internal Auditor General in Tanzania.

Thirdly; the research revealed that internal audit has huge potential for enhancing organizational efficiency. The literature reveals that internal audit, apart from been seen as a tool of internal accountability, can be exploited for external accountability, and issues of transparency and the opportunity to hold senior management to account (Schwartz and Sulitzeau-Kenan 2002). The substantive theory suggested that, despite being marginalized, an effective internal audit function can ease external audit work. The importance of internal audit was also revealed in the research when the government of Tanzania took the bold move of appointing an IAG to be overall overseer of public sector internal auditors for the purpose of increasing effectiveness of internal audit function as an overseeing body.

Fourthly, the literature showed that managers think about stakeholders based on their perception after assessing which stakeholders are salient (Mitchell, 1997, Donaldson & Preston, 1995). This research uncovered that managers' perceptions of which stakeholders group to pay more attention to did not depend on stakeholders' salience alone, and that the nature of the task environment also played a very big role in who really counted. For example, the substantive grounded theory in this research uncovered that, despite councilors having all attributes, environmental factors made managers pay less attention to this group.

Lastly, when proposing their stakeholder-agency theory, Hill and Jones (1992) saw managers as being the only

group of stakeholders who enter into a contractual relationship with all other stakeholders, and who have direct control over the decision making apparatus of the firm. This research adds evidence to the existing literature that unless executives become efficient, effective organizations cannot be attained.

5. Recommendations of the Study

The study revealed that the existing LGAs' structure prevented some internal overseeing bodies, such as internal audit units and audit committees, from functioning well. This research suggests that, in order to make these internal overseeing bodies function well, the LGAs' structures need to be reviewed.

Secondly, the substantive theory revealed that internal actors' competence deficiencies posed a barrier to organizational effectiveness. Deliberate measures should be taken to provide adequate training for LGAs' internal actors to increase their efficiency.

Finally, the external overseeing bodies, particularly the LAAC and the CAG's office emerged as the most useful bodies for making LGAs' actors perform. The close relationship between the LAAC's and the CAG's functions contributed greatly to a number of measures and reforms that were going on in the LGAs. The research suggests that this kind of relationship should be extended to the IAG, whereby findings and recommendations of various LGAs' internal auditors could be taken onboard to increase LGAs' effectiveness.

Appendix I: From Open Categories to Axial Main Categories

S/No	Core Main Categories	S/No	Open Categories
1	Structural Limitations	1	Roles of LGAs' internal audit units
		2	Roles of LGAs' audit committees as overseeing bodies
2	Cultural Practices	3	Conflicting personal interests
		4	Government interferences
3	Rules and Regulations governing LGAs	5	Outdated Laws and framework governing LGAs administrations and finances
		6	Contradicting and misleading regulations and circulars
4	Internal Overseeing Organs Deficiencies	7	Capabilities of the internal audit units
		8	Functionality of the LGAs' councils
5	Adoption and Implementations of Reforms	9	Adoption and implementations of accounting reforms
		10	Initiation and impact of audit reforms
		11	Devolution of powers to lower local government authorities
6	Collusions and Manipulations	12	Collusions and manipulations
		13	Executives' relations with other actors and implications for the LGAs' performances
7	Actors' Prioritization	14	Roles of the local authorities accounts committee in LGAs
		15	Roles of external audit in LGAs
8	Low Productivity	16	Substandard outputs
		17	Ineffective internal overseeing organs
9	Improved Disclosures, Interactions and Performances	18	Implications of reforms for the LGAs' performances
		19	Impact of internal overseeing bodies on the LGAs' performances
10	Wrestling for Internal Efficiency	20	Belief in Internal Efficiency
		21	Measures towards increasing LGAs' actors performances
		22	Challenges faced by LGAs to increase performances

Appendix II: Selective Categories

Relationship to Central Phenomenon	S/No.	Axial Categories
Conditions (Causes) of the Central Phenomenon	1	Structural limitations,
	2	Cultural practices
	3	Rules and regulations governing LGAs
	4	Internal oversight organs Deficiencies
The Central Phenomenon	5	Wrestling for internal efficiencies
Strategies to Central Phenomenon	6	Adoption and implementations of reforms
	7	Collusions and manipulations
	8	Actors' prioritizations
Consequences of Central Phenomenon	9	Low productivity
	10	Improved disclosures, interactions and performances

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