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Enhancing Audit Committees' Effectiveness in Tanzania's Public Sector

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Abstract:

This study investigates the determinants of audit committee effectiveness in Tanzania's public sector. Qualitative methods were employed to gather insights, using purposive sampling to select 14 participants from various public sector organizations. Interviews were conducted to ensure diverse perspectives on the subject matter.

The research findings emphasize the significance of several factors in audit committee effectiveness, including well-defined terms of reference, resource availability, influence in decision-making, and committee member selection procedures. These factors encompass terms of reference, the availability of resources and support, the capacity to exert influence, the process of selecting audit committee members, communication and cooperation among committee members, the promotion of a culture of accountability, and the establishment of a conducive regulatory environment.

The study recommends addressing these factors to enhance governance practices, strengthen accountability, and improve internal control mechanisms within public sector organizations.

Keywords: Audit committees, effectiveness and public sector

1. Introduction and Background

The significance of a well-functioning audit committee cannot be emphasized enough, as it plays a pivotal role in establishing robust financial oversight within an organization. Without an effective audit committee, there is a heightened risk of the organization resorting to earnings management (Song & Windram, 2004). The board holds the ultimate responsibility for upholding the integrity and accuracy of the company's financial reporting. This entails ensuring the implementation of internal controls for financial reporting, adopting appropriate accounting policies, and overseeing the appointment and performance of independent external auditors. Typically, these responsibilities are entrusted to the board's audit committee (IFAC, 2019).

Research has confirmed a substantial correlation between the role of audit committees and deterring fraudulent activities. In Mangena & Pike (2005), it was expounded that audit committees are primarily entrusted with three pivotal functions. Firstly, they bear the responsibility of vigilantly monitoring the accuracy and trustworthiness of a company's financial statements. Secondly, they assume a critical role in the evaluation of the internal control framework, encompassing financial controls and risk management systems. Lastly, audit committees are entrusted with the task of recommending and overseeing the selection and independence of external auditors for the company. Furthermore, it has been posited that the absence of a robust and effective audit committee can foster breaches in the segregation of duties and the tenure system among top management (Setiany et al., 2017). Habbash's (2013) findings go even further, suggesting that the deficiency of an efficient audit committee elevates the probability of financial statement fraud occurring.

The absence of an effective audit committee can have far-reaching consequences for any entity, as it directly impacts the integrity of the public sector and erodes public trust. Therefore, establishing and maintaining a well-functioning audit committee is paramount to upholding the highest standards of financial governance and fostering confidence in the public sector. Audit committees in the public sector of Africa have been widely criticized for their ineffectiveness. This perception is supported by internationally recognized reports, which emphasize the need for audit committees in public sector organizations as a means to promote good governance (Prickett, 2014).

As governmental entities handle substantial public funds and are entrusted with delivering essential services, the need for robust financial oversight mechanisms has become increasingly vital. Audit committees act as a check-and-balance mechanism, offering an independent evaluation of financial practices, compliance with laws and regulations, and the effectiveness of internal controls. Their presence is essential in promoting fiscal discipline, identifying and mitigating risks, and ensuring the efficient use of public resources. To achieve these objectives, the establishment of effective audit committees has become a widely recognized practice (Thomas, Aryusmar & Indriaty, 2020). Audit committees play a crucial role in overseeing financial reporting, internal controls, and risk management processes within public sector organizations. By providing independent and objective oversight, audit committees contribute to strengthening the overall integrity of the public sector and enhancing public trust.

Numerous countries, including Tanzania, have recognized the importance of corporate governance and have implemented best practices in this regard. Tanzania, like many other countries, has established audit committees in all entities as part of its corporate governance framework. In Tanzania, the emphasis on corporate governance and the establishment of audit committees reflects a commitment to transparency, accountability, and effective financial management. By having audit committees in place, organizations in Tanzania can benefit from independent oversight, improved risk management, and enhanced financial reporting processes. Audit committees play a crucial role in ensuring compliance with laws and regulations, evaluating internal controls, and providing valuable insights to management and stakeholders. Through their diligent efforts, audit committees contribute to the overall integrity and reliability of financial information within Tanzanian entities. By implementing audit committees and adhering to best practices in corporate governance, Tanzania demonstrates its commitment to promoting transparency, accountability, and responsible financial management in both public and private sector entities. This dedication to sound corporate governance principles contributes to fostering investor confidence, attracting investments, and supporting sustainable economic growth in Tanzania. Overall, the establishment and effective functioning of audit committees play a pivotal role in enhancing the integrity, reliability, and trustworthiness of the public sector, ultimately benefiting the communities they serve and contributing to the overall well-being of the nation.

Despite a well-established audit system in Tanzania's public sector, the audit processes fall into a number of shortcomings. The contexts and scenarios of the audit environments attract inefficient audit committees in the public sector in Tanzania. There are a number of factors influencing the effectiveness of audit committees in the public sector in Tanzania that have not been adequately addressed. Improving audit committee effectiveness is crucial to enhance the effectiveness of audit committees in the public sector.

The current study focused on Tanzania's public sector and examined the effectiveness of audit committees within this context. They addressed the research problem by actively involving key public stakeholders and seeking their perspectives on the factors that contribute to enhancing the effectiveness of audit committees in the public sector. By engaging with these stakeholders, the study seeks to gather valuable insights and opinions to gain a comprehensive understanding of the subject matter. The views and feedback received from the stakeholders played a crucial role in identifying and analyzing the key factors that influence the effectiveness of audit committees in the public sector. The key question to address was: What are the factors that influence the effectiveness of audit committees in the public sector of Tanzania?

The need for one to carry out this study is very crucial as the findings from this study will be utilized to enhance the effectiveness of audit committees within the public sector. The factor derived from the study can be employed by public sector entities, audit committee members, and policymakers to implement necessary changes in policies, oversight, and legislation pertaining to public sector organizations. This concerted effort aims to improve the effectiveness of audit committees and their ability to fulfill their crucial roles within public sector entities.

2. Literature Review

Effectiveness can be defined as the extent to which something accomplishes its intended objectives or achieves the desired outcomes. It is a gauge of how proficiently a specific process, system, or entity performs in realizing its goals and carrying out its purpose. In relation to audit committees, there are various interpretations and viewpoints concerning their effectiveness. As outlined by Marx (2008), the effectiveness of an audit committee is defined as its capacity to support the board in executing its responsibilities. This implies that an efficacious audit committee actively contributes to the governance process by offering valuable insights, suggestions, and supervision.

For the purposes of this research, the effectiveness of an audit committee is assessed based on its ability to fulfill its goals, align with the organization's objectives, create substantial value, and operate with ethical integrity while adhering to established rules and regulations. A successful audit committee goes beyond mere compliance and actively enhances the organization's performance through robust financial supervision, risk management, and internal control mechanisms.

3. Historical Development of Audit Committees in Public Sector Organizations

The importance of boards of directors in upholding effective corporate governance cannot be emphasized enough. They function as a collective body with the crucial responsibility of making key strategic decisions and providing oversight to ensure the long-term prosperity of the organization (Collier & Zaman, 2005). However, beyond their traditional roles, boards of directors must also adapt to the evolving business landscape and incorporate fresh ideas to enhance their effectiveness (Habbash, 2013).

One essential element of the Board of Directors is the audit committee, which plays a vital supervisory role in ensuring the quality of audits (Beattie et al., 2013). Furthermore, Zhang, Zhou, and Zhou (2007) discovered a positive correlation between the effective functioning of the audit committee and the strengthening of internal controls within the organization.

According to Collier and Zaman (2005), all public interest entities are required to have an audit committee. In the USA, for instance, the Sarbanes-Oxley Act of 2002 imposes specific requirements, including the necessity for corporations to establish and utilize an Audit Committee and disclose the composition of their audit committees in their annual reports (Magrane & Malthus, 2010). The presence of an audit committee in the organization is regarded as a mechanism to enhance the monitoring of financial reporting, the effectiveness of internal control systems, and the performance of both internal and external auditors while also safeguarding the interests of all stakeholders.

Recognizing the importance of audit committees, the government of Tanzania has taken steps to facilitate the establishment of these committees in public sector entities. Laws and regulations have been enacted, providing directives that mandate all public sector organizations to establish audit committees within their respective structures (Beattie et al., 2013).

The establishment of audit committees in public sector organizations in Tanzania is mandated by Section 6(2) of the Public Finance Act, 2001, as amended in 2004 and 2010. This section grants authority to the Permanent Secretary - Treasury to issue directions and instructions to ensure the safe and effective use of public resources. In accordance with this Act, the Minister of Finance issued Public Finance Regulation No. 30 of 2001, which was revised in 2004. Sub-regulation 1 of this regulation stipulates: "There shall be in each ministry, department, agency, or region a Committee to be known as the Audit Committee." Furthermore, Section 38(2) of the Public Finance Act, 2001, as amended in 2004 and 2010, grants the Internal Auditor General the power to evaluate the effectiveness of audit committees and enhance their capacity. Pursuant to this section, the Internal Auditor General issued the Audit Committee Guidelines (2013) with the purpose of improving the capacity of public sector committees.

4. Empirical Review of Literature

In Tanzania, the establishment of Audit Committees is mandated by the Public Finance Regulations No. 30 of 2001, which were revised in 2004. Sub-regulation 1 of these regulations specifies that "each Ministry, Department, Agency, or Region shall have a Committee known as the audit committee." Additionally, the establishment of audit committees in public sector organizations has been reinforced through the formulation of guidelines for audit committees in the public sector in 2013. Despite the substantial authority granted by the Public Finance Regulations No. 30 of 2001 and its 2004 revision to address management issues in the public sector, their performance has been relatively limited. Consequently, audit committees have not been effective in promoting good governance and resolving financial reporting disputes.

Lin, Li, and Yang (2006) conducted a study examining the impact of various factors, including size, independence, financial expertise, activity level, and stock ownership, on the functioning of audit committees. Their findings indicated that entities lacking audit committees were more susceptible to fraud compared to those with established audit committees, which experienced fewer instances of fraudulent activities. Chang, Chen, and Zhou (2013) argued that for an audit committee to operate efficiently, it must possess certain qualities among its members, such as financial expertise, experience, and independence. The committee's effectiveness is influenced by factors like its size, the frequency and duration of committee meetings, the diligence exhibited by the committee, the presence of an audit committee charter, and adherence to relevant laws and regulations governing public resource management.

In the Tanzanian context, a study by Mhagama (2013) found that effective and reliable public resource management was still not practiced adequately in the public sector. This aligns with the reports from the Controller and Auditor General (CAG), which consistently highlighted ongoing challenges with internal controls in the public sector. For instance, the annual general reports on financial statements for the fiscal year 2010/2011 revealed weak internal controls over salary payments in Local Government Authorities (LGAs) and Ministries, Departments, and Agencies (MDAs), leading to significant expenditures of public funds.

Given this historical context and its significance, the present study aims to explore and evaluate the effectiveness of audit committees in the public sector. It will delve into the roles, responsibilities, and composition of audit committees while also assessing the challenges they encounter and the strategies employed to address them. Furthermore, the study aims to underscore the benefits and outcomes associated with the implementation of robust and efficient audit committees, shedding light on their positive impact on public sector organizations and the communities they serve.

5. Enhancing the Effectiveness of Audit Committees

Van der Nest (2006) underscores that effectiveness is closely tied to the enhancement of corporate governance and accountability within an organization. Stamper (2011) underscores the significance of compliance with regulations, audit committee charters, and best practices as critical determinants of effectiveness. Thomas and Purcell (2019) define effectiveness in terms of achieving objectives and outcomes while maintaining an appropriate balance between authority and the composition of the audit committee. According to Stamper (2011), the audit committee serves as a potential organ of the organization responsible for ensuring organizational effectiveness. These committees play a pivotal role in ensuring the credibility of financial reporting, the effectiveness of internal controls, risk management, and the adherence to legal and ethical standards within organizations (DeZoort et al., 2002).

Okiro et al. (2018) have identified factors such as audit independence, a well-defined mandate, unrestricted access to information, and competent leadership as key contributors to enhancing the effectiveness of audit committees. Additionally, Mhagama (2013) stresses the importance of incorporating independent, knowledgeable, and expert members into the audit committee to effectively address various areas, including financial reporting, internal audit, risk management, external audit, and compliance issues. Moreover, to ensure effective oversight of internal control and financial reporting, audit committee members should possess specific competencies, including financial literacy, with at least one member having accounting or related financial management expertise (BRC, 1999). Kusnadi et al. (2015) further emphasize the significance of members having industry-specific expertise to comprehend the unique challenges associated with the organization's operations.

The size of the audit committee is also a crucial factor in determining its effectiveness, depending on the organization's specific requirements, the size of the board of directors, and regulatory mandates. For example, stock market regulators in the USA and UK require a minimum of three members for audit committees, with a similar requirement for firms listed on NASDAQ (NACD, 2002), while the Hong Kong Society of Accountants recommends a typical

audit committee consisting of three to five members, with a majority being independent non-executive directors for it to be effective (HKSA, 2002). The frequency of audit committee meetings is considered an indicator of an effective committee. Research supports the idea that more frequent meetings of the audit committee lead to higher quality and credibility of financial statements (Lin et al., 2015). DeZoort et al. (2002) suggest that diligence, measured by the number of annual meetings and the committee's engagement in oversight duties, is crucial in addressing financial reporting issues and ensuring the quality of reported earnings. Diligence is demonstrated through members' willingness to collaborate as a team, actively posing questions, and seeking responses from management, internal auditors, external auditors, and other stakeholders.

6. Research Methodology

The aim of this research was to investigate the factors that impact the efficiency of audit committees operating within the public sector in Tanzania. The study centered on the individuals comprising these audit committees and the specific contextual conditions of their working environments. It sought to delve into how these factors interact and affect the provision of services to the public sector in Tanzania. This research endeavoured to establish a comprehensive comprehension of the interplay between psychosocial elements, encompassing beliefs, values, and perspectives, and the dynamics of the working environment, adopting a subjective approach.

To fulfill these research objectives, a qualitative research methodology was employed. This approach allowed for a thorough exploration of the subjective viewpoints and perceptions of audit committee members within the public sector. Data collection involved conducting interviews with 14 carefully selected participants drawn from various public sector organizations in Tanzania. The selection criteria encompassed individuals actively serving on audit committees, including board committee members, company secretaries, chief financial officers, CEOs, and academicians. These participants were chosen based on their extensive knowledge of audit committees, professional roles, and their access to networks, expertise, or experiences. The research was carried out across various entities, particularly in Dar-es-Salaam and Dodoma.

Dar-es-Salaam and Dodoma were chosen as the primary research locations because of their significant concentration of public institutions. Given Dar es Salaam's status as Tanzania's commercial hub and Dodoma's role as the government administrative centre housing the headquarters of all government ministries and institutions, both cities provided ideal environments for gathering the requisite information.

Through the application of the qualitative research methodology, this study offers valuable insights into the factors that exert influence on the effectiveness of audit committees in the public sector of Tanzania.

7. Data Analysis

In this study, the data analysis followed a methodical approach to examine and interpret information gathered from interviews conducted with members of audit committees in the public sector of Tanzania. The analysis commenced with a comprehensive review of the data to become familiar with its content. Following this, relevant segments of the data were identified using a coding technique, where specific labels or tags were assigned to distinct sections or quotations. This coding process facilitated the organization and categorization of the data based on common themes or concepts. Subsequently, the exploration of connections between these categories led to the identification of thematic patterns. This process involved scrutinizing the coded data to pinpoint recurring themes and patterns emerging from the responses of the participants. To gain a deeper understanding of how various factors influenced the effectiveness of audit committees, relationships between categories were explored. Throughout the analysis, direct quotations from the participants were incorporated to substantiate and reinforce the identified themes (Cresswell, 2014). These quotations were employed to exemplify and emphasize the participants' perspectives and experiences, enhancing the richness and depth of the findings. The final phase of the analysis encompassed documenting the identified themes and patterns derived from the dataset. Careful scrutiny and cross-validation were undertaken to ensure the accuracy and reliability of these themes. The resulting interconnected themes were presented in a clear and orderly manner, facilitating a comprehensive understanding of the factors influencing the effectiveness of audit committees in Tanzania's public sector (Cohen et al., 2007).

The study acknowledged the potential for subjective assumptions and biases. To address this, the researcher adopted a process of setting aside personal preconceptions and conducted a thorough analysis of the data to achieve a comprehensive understanding of the field. This approach ensured that the researcher's own perspectives did not unduly impact the findings. Any assumptions made by the researcher were explicitly disclosed (Marczyk, G. R. et al., 2010).

In terms of research ethics, prior to data collection, participants received a detailed explanation of the study's objectives and were invited to participate voluntarily. They were informed of their right to withdraw from the study at any point without facing any consequences. Confidentiality and anonymity were guaranteed, assuring participants that their names and the names of their institutions would not be disclosed in the report or any documentation of the data. Additionally, access to the data was restricted to those directly involved in the study, and unauthorized individuals were not granted access (Collins et al., 2009).

8. Findings

A method of thematic analysis was utilized to examine the data. After completing the data analysis, a number of categories surfaced, highlighting essential facets associated with the research objectives and themes. These categories offered valuable perspectives on the primary factors impacting the efficiency of public sector audit committees. The preliminary outcomes of this investigation emphasize the importance of well-defined terms of reference, the presence of sufficient resources and support, the capacity to exert influence, and the procedure for selecting audit committee members as pivotal elements in assessing the effectiveness of public sector audit committees.

9. Terms of Reference

The research underscores the significance of establishing precise terms of reference for audit committees. The research results reveal that explicit directives and a documented structure delineating the committee's duties, obligations, and jurisdiction enhance their efficiency. These terms of reference guarantee that the committee functions within a clearly defined scope, enabling it to effectively execute its oversight responsibilities. Moreover, the research findings suggest that having well-defined and detailed terms of reference aids the committee in maintaining its focus and ensuring comprehensive coverage of all essential audit areas. In one of the participant interviews, one individual expressed this perspective. Further, the study findings indicated that having a well-defined and specified term of reference helps the committee stay focused and ensure that all necessary areas of audit are covered. In one of the interviews with participants, one had this to say:

"The terms of reference establish the framework and expectations for audit committees. It becomes very easier for the audit committee to be effective under these circumstances. Contrary to that, it makes it hard for the audit committee to work effectively."

Another participant added the following on the same:

"The effectiveness of audit committees is closely linked to their terms of reference."

Another one added:

"The terms of reference establish the expectations for the functioning of audit committees."

The implications of the aforementioned statements underscore the vital role of terms of reference as a guiding document that delineates the scope of responsibilities, authority, and expectations for audit committees. It establishes a framework for the committee's operations and sets the boundaries within which they function. By instituting clear terms of reference, organizations can ensure that audit committees grasp their role and share a common understanding of their obligations, ultimately enhancing their effectiveness in carrying out their duties.

These current findings align with those of DeZoort et al. (2002), who advocated for a clear definition of the audit committee's roles and responsibilities, emphasizing that a well-defined scope of work that aligns with the organization's strategic objectives enhances the committee's effectiveness. Similarly, Dalton et al. (1999) support the conclusions of this study by emphasizing the importance of specificity in outlining the audit committee's roles and responsibilities, as this fosters committee members' independence and minimizes conflicts of interest. Such clarity enhances their capacity to objectively assess the organization's financial reporting, internal controls, and risk management processes. In the absence of terms of reference, external pressures and influences may come into play, potentially compromising the committee's independence and leading to a lack of accountability and transparency in the public sector (Chang, 2013).

10. Resources and Support

Resource and support represent another significant theme identified in the analysis as a potential strategy for enhancing the effectiveness of audit committees. The study underscores the importance of the availability of resources and support in influencing the effectiveness of audit committees. The research findings emphasize that low remuneration rates within the public sector may impact the caliber of individuals willing to join audit committees. It is noted that public sector organizations frequently offer lower compensation compared to the private sector, which can pose challenges in attracting highly qualified and experienced candidates to serve on these committees. Additionally, the study findings reveal that the absence of adequate training support is another factor that affects the committee's effectiveness. The research demonstrates that organizations should provide regular and continuous training opportunities for committee members to enhance their knowledge and comprehension of public sector auditing standards, regulations, and best practices. During interviews with participants, one said the following:

"Audit fees in the public sector are comparatively lower. In situations where an institution offers low remunerations, it fails to attract competent audit committee members."

Other participants added:

"The provision of financial resources and support can significantly impact the behaviour of audit committee members. Institutions that take care of their audit committee member by paying them attractive fees and supporting them by offering a chance to train on issues related to financial management end up having a very effective and significant audit committee."

The statements pertaining to the relatively lower audit fees in the public sector and the impact of financial resources and support on the behavior of audit committee members shed light on crucial factors within the domain of audit committees and their effectiveness. The lower audit fees observed in the public sector may reflect distinct limitations inherent to this sector when compared to others. Moreover, the statement emphasizing how financial resources and support influence the conduct of audit committee members underscores the paramount importance of having adequate resources to enable effective oversight. When audit committees are furnished with the requisite financial resources and support, their capacity to fulfill their responsibilities diligently can be positively enhanced. The findings underscore the critical role of providing ample resources and support to audit committees in the public sector, which encompasses offering competitive remuneration rates to attract qualified candidates and supplying the necessary financial resources and organizational backing to empower the committee to carry out their duties effectively.

These current findings align with those of Blum et al. (2012), who advocate for financial support and training opportunities as essential elements for ensuring the effectiveness of audit committees. Similarly, Chang (2013) suggests that training opportunities contribute to keeping audit committee members well-informed about emerging trends, developments, and regulations in the field of public sector auditing. This, in turn, enables the audit committee to adapt its practices and processes, staying ahead of evolving challenges and expectations and thereby effectively discharging its

oversight responsibilities. Insufficient resources, such as funding and access to external experts, hinder their ability to conduct thorough and independent audits. A lack of training among audit committee members regarding their roles and responsibilities restricts their understanding and ability to effectively carry out their oversight functions (Blum et al., 2012).

11. Ability to Influence

The study findings inform that the ability of the audit committee to influence decision-making processes is a vital factor in its effectiveness. The study highlighted the importance of committee members having a strong voice and being able to provide independent perspectives. This influence allows the committee to effectively challenge management, promote accountability, and drive improvements in financial reporting and internal control systems.

In an interview with one of the respondents, he said the following:

"The effectiveness of the audit members will be enhanced by their ability to exert influence over the financial processes of the entity. The level of influence possessed by an audit committee can guide the organization towards either the correct or incorrect path."

The above findings underscore the significant role of influence and its impact on the effectiveness of audit committee members and the organization as a whole. The ability of audit committee members to exercise influence over the financial processes of the entity can greatly enhance their effectiveness. Through active engagement in and guidance of financial decision-making, audit committee members can ensure adherence to sound financial practices and governance, ultimately resulting in improved organizational performance and accountability.

Nevertheless, it is essential to acknowledge that the extent of influence held by an audit committee can yield both positive and negative outcomes. When an audit committee possesses requisite influence and exercises it judiciously, it can steer the organization in a positive direction, fostering transparency, ethical conduct, and financial integrity. Conversely, should an audit committee misuse or lack influence, it can lead the organization astray, potentially resulting in financial mismanagement, insufficient risk oversight, or ethical transgressions.

Hence, it is imperative for audit committees to wield their influence responsibly and act in the best interests of the organization and its stakeholders. Adequate training, expertise, and independence are pivotal for audit committee members to effectively leverage their influence and make constructive contributions to the organization's financial processes and overall performance.

The findings from the current study align with those of Kusnadi et al. (2016), who advocate for the effectiveness of an audit committee contingent upon the competence and diversity of its members coming from various disciplines. Additionally, Goodstein et al. (1994) propose that organizations ensure the composition of the audit committee is comprised of experienced individuals with diverse backgrounds in finance, accounting, law, risk management, and public sector governance. Such diversity brings a broader spectrum of expertise and perspectives to the committee, enabling it to exert influence on organizational decisions. The absence of authority to enforce their recommendations or implement changes within the organization undermines the effectiveness of their oversight role (Magrane & Malthus, 2010).

12. Process of Selecting Audit Committee

The research outcomes reveal that the process of recruiting and selecting audit committee members plays a substantial role in determining their independence. The study findings underscore the importance of meticulously choosing individuals with the requisite qualifications, skills, and experience to guarantee the efficacy of the audit committee. According to the research findings, committee members should possess financial acumen, pertinent industry expertise, and a profound comprehension of governance principles. Ensuring transparency in the selection process is imperative to appoint individuals of integrity and independence to the committee. The findings advocate for the composition of the audit committee with members who collectively bring a well-rounded array of specialized skills. The extract from one of the participants reads as follows:

"The effectiveness of an audit committee can be influenced by the selection of its members. By appointing skilled and competent audit committee members, the public sector in Tanzania can effectively implement appropriate control."

The statement above underscores the pivotal role played by the selection of competent and skilled members in ensuring the effectiveness of the audit committee. The efficacy of an audit committee is profoundly contingent upon the expertise, knowledge, and capabilities of its members. By appointing individuals possessing the requisite skills and competence, the public sector in Tanzania can substantially bolster its capacity to implement appropriate controls.

The process of selecting audit committee members constitutes a critical decision that directly influences the committee's effectiveness. Competent members bring invaluable insights, experience, and a profound grasp of financial governance practices. Their expertise empowers them to adeptly supervise financial processes, identify risks, and ensure adherence to regulations. Consequently, this enhances internal controls, fosters transparency and accountability, and upholds good governance standards within the public sector.

By enlisting skilled and competent audit committee members, the public sector in Tanzania can establish a robust framework for financial oversight and control. These members play a pivotal role in driving effective decision-making, offering independent perspectives, and holding management accountable. Their presence elevates the organization's ability to mitigate risks, uncover fraudulent activities, and implement efficient control mechanisms.

Mhagama (2013) and Marx (2009) align with the findings of the current study, highlighting that a lack of the necessary expertise and skills to comprehend intricate financial and operational matters hampers the audit committee's ability to effectively evaluate the organization's internal controls and financial reporting processes.

13. Effective Communication and Cooperation

The research findings suggest that promoting transparent and efficient communication and collaboration among the audit committee, management, internal auditors, and external auditors is essential for ensuring the audit committee's effectiveness. The study highlights that proficient communication and collaboration among stakeholders within the organization enable the committee to access timely and accurate information required to carry out its oversight duties. In an interview with the participants, of them commented as follows:

"Close communication of the audit committee and other parties in the institutions enhances the committee's effectiveness. An audit committee that cooperates with internal and external auditors, for example, receives potential information that helps them in their oversight role."

The research findings indicate that a robust collaborative relationship, especially between the audit committee and both internal and external auditors, plays a pivotal role in ensuring that the audit committee receives valuable reports, recommendations, and insights from these parties. This collaboration substantially enhances the quality of the committee's oversight.

In alignment with these findings, Okiro et al. (2018) share a similar perspective, emphasizing that a lack of communication and cooperation with other oversight entities, including internal auditors and external auditors, leads to redundancy in efforts, gaps in oversight, and a lack of coordination in addressing issues, ultimately resulting in the ineffectiveness of the audit committee.

14. Promote a Culture of Accountability and a Regulatory Environment

The promotion of a culture of accountability and transparency throughout the organization and the setting of a strong regulatory environment are other factors that determine the effectiveness of the audit committee. The study findings indicate that promoting the culture of accountability and having legal requirements enhances the effectiveness of the audit committee's oversight by encouraging management and staff to adhere to high standards of ethical conduct, financial reporting, and risk management.

From the interviews with the respondents, one of them said as follows:

"In the context where there is a high level of accountability, the audit committee can be more effective as other parties play their role effectively. Also, the legal standards of an institution help maintain a sense of responsibility and accountability among members of the entity and, therefore, make it easy for the audit committee to conduct its oversight role."

The study findings suggest that where there is accountability and a well-established legal framework on financial management, continuous monitoring and evaluation of the performance of the audit committee is encouraged to identify areas for improvement. Regularly reviewing the committee's charter, structure, and processes to ensure they remain effective and aligned with best practices is also ensured by the presence of legal frameworks.

The findings are in line with that of Lin & Percy (2015), who found that inadequate or unclear legal and regulatory frameworks can make it difficult for audit committees to carry out their responsibilities effectively, as this creates ambiguity and confusion regarding their role and accountability. Further, the study by Setiany et al. (2017) supports the current findings that lack of accountability for audit committees, where there are no consequences for failures or inadequate performance, reduces the motivation and effectiveness of the committee members.

15. Conclusion

The present study delved into the determinants of audit committee effectiveness within the public sector of Tanzania. The research outcomes underscored the importance of well-defined terms of reference, the availability of resources and support, the capacity to exert influence over decision-making processes, and the procedure for selecting audit committee members. These findings offer valuable insights for organizations and policymakers seeking to enhance the effectiveness of audit committees in the public sector. By implementing appropriate measures to address these factors, organizations can fortify their governance frameworks and enhance financial reporting, internal controls, and overall accountability. In summary, the mitigation of these factors (establishing clear terms of reference, providing ample resources and support, enabling the committee's capacity to influence decision-making, and implementing a robust selection process) is of utmost significance in augmenting the effectiveness of audit committees within Tanzania's public sector. This, in turn, fosters good governance and accountability.

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