International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 10 Issue 8 August - 2026, Pages: 10-24

They Keep Us in Check: Understanding the Role of Public Sector Audit in Strengthening Corporate Governance in Tanzanian State-Owned Enterprises

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Abstract: *Public sector auditing plays an important role in promoting accountability, transparency, and good corporate governance in State-Owned Enterprises (SOEs). In Tanzania, many SOEs continue to face challenges such as weak internal controls, financial mismanagement, and limited accountability despite their contribution to economic development and public service delivery. This study explored the role of public sector audit in strengthening corporate governance practices within Tanzanian SOEs. A descriptive qualitative research design was adopted to obtain in-depth understanding of participants' experiences and perceptions. The study was conducted in selected SOEs in Tanzania, involving a sample size of 53 participants selected purposively from key stakeholder groups, including auditors, senior management officials, board members, and oversight personnel. Data were collected through in-depth interviews and documentary review, and analyzed using thematic analysis. The findings revealed that public sector audit contributed positively to accountability, transparency, and governance oversight within Tanzanian SOEs by exposing governance weaknesses, improving financial reporting practices, and increasing management responsibility. However, the effectiveness of audit influence varied across institutions due to factors such as weak implementation of audit recommendations, political interference, management resistance, limited enforcement powers, and operational inefficiencies. The findings also identified opportunities for strengthening audit impact through improved parliamentary oversight, governance reforms, technological advancements, and stronger institutional collaboration. The research concluded that although public sector audits played an important role in promoting corporate governance within Tanzanian SOEs, stronger enforcement mechanisms, improved operational systems, and sustained institutional commitment were necessary for achieving long-term governance improvements.*

Keywords: Public Sector Audit, Corporate Governance, State-Owned Enterprises, Supreme Audit Institutions, Audit Effectiveness, Institutional Challenges, Operational Challenges, Accountability, Transparency, Controller and Auditor General

1.0 Introduction

Public sector auditing plays an important role in promoting accountability, transparency, and good corporate governance in State-Owned Enterprises (SOEs). In Tanzania, many SOEs continue to face challenges such as weak internal controls, financial mismanagement, and limited accountability despite their contribution to economic development and public service delivery. Public sector audits help identify governance weaknesses and recommend corrective measures to improve institutional performance and transparency. Therefore, this study examined the role of public sector audit in strengthening corporate governance in Tanzanian SOEs.

Public sector auditing refers to the independent examination of government institutions and publicly owned entities to assess financial accountability, compliance, operational efficiency, and effectiveness (INTOSAI, 2019). Supreme audit institutions are constitutionally mandated to ensure that public resources are managed responsibly and in line with established laws and regulations. Through this oversight role, public sector audits help detect irregularities, promote transparency, and strengthen governance systems in public organizations, including state-owned enterprises (Cordery & Hay, 2019; Ferry et al., 2023).

Corporate governance involves the structures, policies, and processes used to direct and control organizations. In SOEs, corporate governance is particularly critical because these entities manage public resources while balancing commercial objectives with public service responsibilities (OECD, 2015). Effective governance in SOEs requires strong accountability, transparency, ethical leadership, robust risk management, and proper oversight by boards and regulatory authorities. Weak governance systems often lead to poor organizational performance, misuse of funds, and diminished public confidence (World Bank, 2018).

Public sector audits contribute significantly to strengthening governance by evaluating internal controls, financial reporting systems, and compliance practices. Audit findings frequently highlight weaknesses in procurement procedures, financial management, and board oversight, while offering actionable recommendations for institutional improvement (IFAC, 2020). Through regular audits, SOEs can enhance accountability and reduce opportunities for fraud and corruption. Auditing also supports policymakers and management by providing reliable information for governance reforms and performance enhancement (Johnsen, 2019).

State-owned enterprises in Tanzania play a vital role in key sectors such as energy, transportation, communications, water supply, and financial services. These enterprises were established primarily to support national development priorities and improve public service delivery (United Republic of Tanzania, 2019). However, successive audit reports have consistently highlighted persistent governance challenges, including weak financial controls, delayed accountability, and operational inefficiencies in many Tanzanian SOEs (Controller and Auditor General, 2022). These issues continue to raise serious concerns about the effectiveness of existing governance systems and oversight mechanisms.

Although existing literature highlights the importance of public sector audit and governance challenges in SOEs, there is limited empirical research that specifically examines how public sector audits influence and strengthen corporate governance practices within Tanzanian state-owned enterprises. Most studies remain either too general or focus on private sector contexts, leaving a significant knowledge gap on the actual effectiveness, challenges, and perceptions of public sector audit as a corporate governance tool in Tanzania's SOEs. This study seeks to address this gap.

Figure 1: Shows how Public Sector Audit Strengthen the Corporate Governance for SOEs

Conceptual Framework

The conceptual pipeline of public sector audit effectiveness in strengthening corporate governance within SOEs illustrates how stakeholder inputs feed into key enablers such as credibility, independence, and legal compliance tools which directly drive vital governance outcomes like financial discipline, ethical compliance, and robust board control. The framework contrasts the structural barriers of ministerial and political interference against the facilitators of active parliamentary responsiveness, highlighting the institutional forces that ultimately dictate the long-term impact of the audit cycle.

Despite the crucial role that SOEs play in driving national development, many public entities continue to suffer from persistent corporate governance failures, structural inefficiencies, and weak internal controls. While public sector auditing is mandated as a primary mechanism to enforce accountability and transparency, recurring financial mismanagement and compliance failures highlighted in successive audit reports indicate a critical disconnect between the identification of governance weaknesses and the actual implementation of corrective actions. This persistent vulnerability suggests that the practical influence of external public audits on internal governance structures is not fully understood, creating a critical knowledge gap regarding how stakeholders perceive the effectiveness of these audits and what institutional challenges or opportunities auditors face when trying to drive governance reforms within Tanzanian SOEs.

The main objective of this study was to explore and understand the role of public sector audit in strengthening corporate governance practices within Tanzanian SOEs. To achieve this, the study first examined the perceptions and experiences of key stakeholders regarding the effectiveness of public sector audit in enhancing accountability, transparency, and oversight in Tanzanian SOEs. Secondly, the study explored the challenges and opportunities faced by public sector auditors in influencing corporate governance practices within Tanzanian State-Owned Enterprises.

The research contributed to the existing body of knowledge by providing empirical insights into the role of public sector audit in strengthening corporate governance within Tanzanian SOEs. It enriched understanding of how stakeholders perceive audit effectiveness in promoting accountability, transparency, and oversight, while also highlighting the practical challenges and opportunities influencing audit implementation. The findings added context-specific evidence on the gap between audit recommendations and their actual implementation within SOEs, thereby extending current literature on public sector governance in developing economies. In addition, the research offered valuable qualitative perspectives that may inform policymakers, auditors, and governance practitioners in improving institutional accountability and strengthening audit impact in public enterprises.

2.0 Literature Review

2.1 Effectiveness of Public Sector Audit in Enhancing Corporate Governance

In European and American contexts, public sector audit effectiveness is measured by how well supreme audit institutions promote accountability and governance improvements (Van Helden & Reichard, 2019). In the United Kingdom, audits serve as mechanisms for embedding governance disciplines within public organizations (Van Helden & Reichard, 2019). In the United States, audit recommendations significantly reduce financial irregularities and improve internal controls when systematically followed up (Reichborn-Kjennerud & Johnsen, 2018). The credibility of SAIs in Europe depends on their ability to enforce recommendations and engage constructively with audited entities (Grossi et al., 2023).

In Asia, audit effectiveness in enhancing corporate governance is linked to institutional capacity and political will (Thomas & Purcell, 2019). In Bangladesh, audit committees in SOEs improve financial reporting quality, though their independence is often compromised by political pressures (Thomas & Purcell, 2019). In China, performance audits have gradually shifted governance practices in SOEs by exposing inefficiencies, though enforcement remains uneven (Song, 2018). Across Southeast Asia, audit effectiveness is stronger in countries with active civil society and media scrutiny that amplify audit findings (Gattang & Chong, 2026).

Across Africa, the effectiveness of public sector audit in strengthening corporate governance remains mixed with significant variations between countries (Lauwo et al., 2022). Despite well-established SAIs in countries like Ghana, Kenya, and South Africa, audit recommendations are frequently ignored due to weak parliamentary follow-up (Lauwo et al., 2022). In Nigeria, political interference and corruption undermine auditors' ability to enforce governance standards (Lateef et al., 2021). In South Africa, proactive engagement between auditors and audit committees has improved risk management in some SOEs, though challenges remain (Adebayo & Ackers, 2024).

In Tanzania, the effectiveness of public sector audit in enhancing corporate governance within SOEs has been documented through annual reports of the Controller and Auditor General (Wasonga et al., 2020). Audit committees in Tanzanian SOEs formally issue recommendations, but implementation is often delayed or incomplete due to weak follow-up mechanisms (Wasonga et al., 2020). Auditors successfully identify governance weaknesses such as procurement irregularities and poor financial controls, yet the absence of consistent sanctions allows similar irregularities to recur (Njeza et al., 2023). Many Tanzanian SOEs continue to receive qualified audit opinions with limited evidence of sustained governance improvements following audit engagements (Controller and Auditor General of Tanzania, 2021).

Despite these global and regional insights, there remains a limited context-specific understanding of how public sector audits translate into effective corporate governance improvements within Tanzanian state-owned enterprises, particularly from the perspectives of key stakeholders. Most existing studies emphasize audit reporting and compliance outcomes, with less attention given to lived experiences and the practical influence of audits on governance behavior. This study therefore addresses this gap by examining the effectiveness of public sector audit in enhancing corporate governance practices within Tanzanian SOEs.

2.2 Challenges and Opportunities in Influencing Corporate Governance Practices

Public sector auditors face both structural challenges and emerging opportunities in shaping corporate governance globally. In Europe and America, auditors face challenges such as political resistance and limited legal authority to enforce recommendations (Gustavson & Sundström, 2018; Nicolò et al., 2020). Opportunities exist through strong parliamentary support and well-established public accounts committees (Hay & Cordery, 2018). The U.S. Government Accountability Office benefits from a culture of audit follow-up and legislative responsiveness (Power, 2021). However, auditors still struggle with delayed management action and insufficient resources (Nicolò et al., 2020).

In Asia, auditors encounter significant institutional challenges including political interference in audit scope and reporting (Apriliyanti & Kristiansen, 2019; Sheng & Zhao, 2013). Resource constraints, such as inadequate trained staff and limited technology, further undermine audit effectiveness (Park, 2021). Opportunities include the growing adoption of digital auditing tools and collaboration with anti-corruption agencies (Ahammed, 2015). Some Asian nations have also leveraged citizen reporting platforms to supplement formal audit processes (Apriliyanti & Kristiansen, 2019).

In Africa, public sector auditors face severe challenges including chronic underfunding of SAIs, shortage of qualified staff, and political pressure to suppress adverse findings (Abimbola & Abe, 2025; Parker et al., 2019). Operational challenges within SOEs include poor record-keeping, weak internal controls, and resistance from management (Asiedu & Deffor, 2017; Iredele &

Olanrewaju, 2025). Opportunities include regional peer review mechanisms among SAIs and donor-funded capacity-building programs (Parker et al., 2019). Some African countries have seen success through public dissemination of audit reports via media and civil society (Abimbola & Abe, 2025).

In Tanzania, auditors face persistent institutional challenges including political interference and limited follow-up powers to compel implementation of audit recommendations (Controller and Auditor General of Tanzania, 2022; PAC, 2021). Operational challenges include inadequate internal audit functions, delayed financial statements, and non-cooperation from management (Othman, 2025). Opportunities include the constitutional mandate of the CAG and the growing role of the Public Accounts Committee in summoning non-compliant SOE leaders (Ministry of Finance, 2020; United Republic of Tanzania, 2021). Ongoing public financial management reforms offer windows for enhancing audit influence on corporate governance (Controller and Auditor General of Tanzania, 2022).

Existing literature identifies challenges and opportunities globally, but limited qualitative research explores how Tanzanian auditors navigate these constraints in their daily work (Othman, 2025). Few studies examine the relational dynamics between auditors and SOE management or how opportunities translate into behavioral change (Parker et al., 2019). This study addresses that gap by centering on the lived experiences of auditors in the Tanzanian context.

3.0 Methodology

This study adopted a descriptive qualitative research design. The design was appropriate because it enabled the researcher to obtain detailed descriptions and in-depth understanding of the role of public sector audit in strengthening corporate governance practices in Tanzanian SOEs from the participants' own perspectives.

The study was conducted in Tanzania, specifically targeting selected state-owned enterprises in Dar es Salaam and Dodoma regions. The selected SOEs included Tanzania Electric Supply Company (TANESCO), Tanzania Ports Authority (TPA), Tanzania Railways Limited (TRL), Air Tanzania Company Limited (ATCL), and National Microfinance Bank (NMB).

The target population consisted of key stakeholders in public sector auditing and corporate governance, including SOE senior management, board members, internal auditors, officials from the National Audit Office of Tanzania (NAOT), and representatives from the Treasury Registrar's Office. Purposive sampling was employed to select information-rich participants. A total sample size of 53 respondents was selected for this study. The sample size of 53 was justified because the study involved multiple and diverse stakeholder groups across five major SOEs and key oversight institutions. This relatively large sample helped achieve data saturation, ensured adequate representation of different perspectives, and increased the trustworthiness and transferability of the findings in a qualitative inquiry.

Primary data were collected using semi-structured in-depth interviews and focus group discussions. These were supplemented by documentary review of CAG audit reports, corporate governance manuals, and relevant policy documents. Qualitative data were analyzed using thematic analysis, supported by NVivo software for efficient coding and theme development.

Ethical clearance was obtained from the relevant university/research ethics committee prior to data collection. All participants were fully informed about the purpose, procedures, and potential risks of the study. Informed consent was obtained in writing or verbally (where appropriate) from each participant. Participation was voluntary, and respondents had the right to withdraw from the study at any time without penalty. Confidentiality and anonymity were strictly observed by using identification codes instead of participants' real names. All data collected were stored securely and used only for academic purposes.

4.0 Results and Discussion

The results and discussion section presents and interprets the findings of the study based on the perspectives and experiences of key stakeholders regarding the role of public sector audit in strengthening corporate governance within selected SOEs in Tanzania. The findings are organized according to the key study objectives and themes, providing a detailed analysis of how public sector audits contribute to accountability, transparency, and oversight, as well as the challenges and opportunities influencing their effectiveness. The discussion further relates the findings to existing literature to highlight similarities, differences, and contextual explanations within the Tanzanian SOE environment.

4.1 Effectiveness of Public Sector Audit in Enhancing Corporate Governance

The study examined the effectiveness of public sector audit in enhancing corporate governance within selected SOEs in Tanzania. The analysis focused on stakeholders' perceptions of audit effectiveness, as well as the contribution of public sector audits to accountability, transparency, and oversight. The findings explored how different stakeholders experienced and interpreted the role of audits in strengthening governance practices and improving institutional performance in SOEs.

Table 1: Effectiveness of Public Sector Audit in Enhancing Corporate Governance

Sub-Indicator	Response Category	Frequency (n)	Percentage (%)
Stakeholder Perceptions of Audit Effectiveness	Highly effective	18	34.0
	Moderately effective	22	41.5
	Less effective	13	24.5
Audit Contribution to Accountability	Strong contribution	20	37.7
	Moderate contribution	21	39.6
	Weak contribution	12	22.7
Audit Contribution to Transparency and Oversight	Strong improvement	19	35.8
	Moderate improvement	23	43.4
	Minimal improvement	11	20.8

4.1.1 Stakeholder Perceptions of Audit Effectiveness

The findings revealed mixed perceptions regarding the effectiveness of public sector audit in enhancing corporate governance within Tanzanian SOEs. Of the 53 participants, 18 respondents, representing 34.0%, viewed the audit as highly effective, 22 respondents, representing 41.5%, regarded it as moderately effective, and 13 respondents, representing 24.5%, perceived it as less effective. These results as on Table 1, indicated that while the majority acknowledged some level of effectiveness, a substantial proportion remained unconvinced about the audit's practical influence on governance outcomes.

Participants who rated the audit as highly effective, 18 respondents (34.0%), emphasized the credibility and independence of the Controller and Auditor General's office, especially in exposing governance weaknesses that would otherwise remain hidden. One senior manager from TANESCO explained:

"...the CAG audit was highly effective because it came with independence that internal auditors simply do not have in this environment. When the external auditors arrived, they pointed out procurement flaws in our major tenders that had existed for years and that we all knew about but nobody had the power to challenge. Management had no choice but to respond immediately, and the board started demanding monthly updates on implementation from the procurement department. Without that external pressure and the fact that the report was going to Parliament, I can tell you honestly that nothing would have changed…"

This finding aligned with studies that reported audits in European contexts embedded governance disciplines within public organizations by virtue of their independence and authority (Van Helden & Reichard, 2019). Similarly, the credibility of Supreme Audit Institutions in Europe depended on their ability to enforce recommendations and engage constructively with audited entities (Grossi et al., 2023). In the Tanzanian context, participants perceived that the constitutional mandate of the CAG gave audit findings weight, particularly when audit reports were tabled before Parliament. However, systematic follow-up of audit recommendations documented in the United States was not evident in this study, as participants indicated that effectiveness was conditional and often relied on media coverage or parliamentary pressure rather than institutionalized enforcement mechanisms (Reichborn-Kjennerud & Johnsen, 2018).

The largest group of participants, 22 respondents (41.5%), considered the audit to be moderately effective. These respondents acknowledged that audits identified problems and raised awareness but questioned whether they translated into sustained governance improvements. An internal auditor from TPA stated:

"...I would say the audit was moderately effective. Yes, the CAG reports highlighted serious issues with our internal controls and the way procurement was being handled. The board discussed them in detail, and we developed action plans with timelines and responsible persons. But after six months, the attention faded and other operational priorities took over. Some recommendations were implemented, especially the easy ones, but others were not because they required budget or changes in management culture. So the audit started the conversation and put pressure on us, but it did not always finish it or ensure the problems were fully resolved..."

This perception was consistent with findings that audit committees in Tanzanian SOEs formally issued recommendations, yet implementation was often delayed or incomplete due to weak follow-up mechanisms (Wasonga et al., 2020). The moderate effectiveness reported by participants also reflected studies that found despite well-established SAIs in Ghana, Kenya, and South Africa, audit recommendations were frequently ignored because of weak parliamentary oversight (Lauwo et al., 2022). In contrast to findings that performance audits in China gradually shifted SOE governance practices by exposing inefficiencies, the Tanzanian experience suggested that exposure alone was insufficient without consistent enforcement and sanctions (Song, 2018).

Approximately 13 respondents (24.5%) perceived the audit as less effective in enhancing corporate governance. These respondents cited political interference, delays in audit completion, and management's defensive posture toward auditors as key factors that diminished impact. A board member from ATCL remarked:

"...the audit was less effective because by the time the final report came out, the issues they raised were already two to three years old and management kept saying the circumstances had changed and the recommendations were no longer relevant to current operations. Also, when findings touched politically sensitive projects that involved ministries, we were told to handle them carefully and not to push too hard. The auditors themselves seemed constrained. So the audit became a formality that we had to go through each year rather than a real tool for change or accountability..."

This view corroborated arguments that the absence of consistent sanctions in Tanzania allowed similar irregularities to recur across audit cycles (Njeza et al., 2023). It also resonated with findings that political interference and corruption in Nigeria undermined auditors' ability to enforce governance standards (Lateef et al., 2021). The time lag between audit fieldwork and report publication, noted by participants, further weakened perceived effectiveness. This differed from the context where audit effectiveness in parts of Southeast Asia was strengthened by active civil society and media scrutiny that amplified audit findings and pressured entities to act quickly (Gattang & Chong, 2026).

Stakeholder perceptions in this study were more cautious than those reported in high-income jurisdictions. While 40 participants, representing 75.5%, considered audits at least moderately effective, the qualitative data revealed that effectiveness was contingent on external factors such as parliamentary attention, media publicity, and leadership commitment rather than on the audit process itself. This contrasted with research that linked audit effectiveness in Bangladesh to institutional capacity and political will but still found that independence of audit committees was often compromised (Thomas & Purcell, 2019). In Tanzania, the credibility of the CAG was recognized, yet the translation of audit findings into behavioral change within SOEs remained uneven.

The findings suggested that stakeholder perceptions of audit effectiveness in Tanzanian SOEs were shaped by a gap between audit identification and audit impact. This supports the research gap noted in prior work, which emphasized that limited qualitative research explored how Tanzanian auditors navigate constraints in their daily work (Othman, 2025). A culture of audit follow-up and legislative responsiveness described in the United States was not mirrored in this study, as participants indicated that follow-up depended on discretionary political will (Power, 2021). Enhancing perceived audit effectiveness would require strengthening enforcement mechanisms, reducing reporting delays, and insulating auditors from political pressure.

4.1.2 Audit Contribution to Accountability

The findings revealed that public sector audit made a fairly positive contribution to accountability in Tanzanian SOEs, although the impact remained moderate overall. Of the 53 participants, 20 respondents, representing 37.7%, indicated that public sector audit had a strong contribution to accountability, 21 respondents (39.6%) rated the contribution as moderate, and 12 respondents (22.7%) perceived it as weak. These results, as shown in Table 1, indicated that while audits played a meaningful role in promoting accountability, their ability to enforce consistent answerability among management and boards was still limited.

Participants who rated the contribution as strong (20 respondents, 37.7%) highlighted the powerful deterrent effect created by the CAG's independence and direct reporting to Parliament. One senior manager from TANESCO explained:

"...the contribution of the CAG audit to accountability is strong because once the report is out, everyone becomes serious. Even the Permanent Secretary and the Minister start asking questions. In our case, after a bad audit finding on procurement last year, two senior managers were suspended and the board was forced to review its oversight role. Internal audit could never achieve that level of accountability. The fear of appearing before the Public Accounts Committee makes people more careful with public funds..."

This finding aligned with studies that noted supreme audit institutions in Europe promote accountability by embedding strong governance disciplines through independent external scrutiny (Van Helden & Reichard, 2019). It was also consistent with arguments that the credibility of Supreme Audit Institutions depends on their ability to engage constructively while maintaining independence (Grossi et al., 2023).

The largest group of participants (21 respondents, 39.6%) viewed the contribution of public sector audit to accountability as moderate. These respondents acknowledged improvements in awareness but noted that accountability was often short-lived. A board member from TPA stated:

"...the audit contributes moderately to accountability. After receiving the CAG report, we become very active for the first three to four months. Management is asked to appear before the board, action plans are prepared, and deadlines are set. However, once the pressure from Parliament reduces, things slowly return to the old way. Some people are held accountable, especially junior staff, but very senior managers with political connections are rarely touched. So the audit improves accountability temporarily but does not make it part of our organisational culture..."

This perception was consistent with findings that audit committees in Tanzanian SOEs issued recommendations, yet implementation was often delayed or incomplete due to weak follow-up mechanisms (Wasonga et al., 2020). The same moderate contribution reflected experiences in many African countries where audit recommendations are frequently ignored because of weak parliamentary oversight (Lauwo et al., 2022).

A smaller group of 12 respondents (22.7%) felt that public sector audit had a weak contribution to accountability. These participants pointed to political protection and lack of sanctions. An internal auditor from ATCL remarked:

"...to be honest, the contribution to accountability is weak. We see the same serious findings repeated year after year in the CAG reports. People make mistakes, the audit points them out, but nobody really gets punished except maybe a few junior officers. When the findings involve big contracts linked to powerful people, the report is handled softly. This makes the audit look like just another annual ritual rather than a real accountability tool..."

This view supported arguments that the absence of consistent sanctions in Tanzania allows similar irregularities to recur across audit cycles (Njeza et al., 2023). It also resonated with findings that political interference undermines auditors' ability to enforce governance standards in contexts such as Nigeria (Lateef et al., 2021).

The study showed that public sector audit contributed to accountability primarily through its exposure and deterrent functions rather than through strong enforcement mechanisms. While the contribution was stronger than in some other African countries, it still fell short of the systematic follow-up and reduction in financial irregularities observed in more developed contexts. The findings confirmed recurring audit queries and qualified opinions in many SOEs. Participants indicated that accountability improved mostly when there was high-level political attention or media involvement, but such improvements were rarely sustained without stronger institutional enforcement structures.

4.1.3 Audit Contribution to Transparency and Oversight

The findings revealed mixed perceptions regarding the contribution of public sector audit to transparency and oversight within selected State-Owned Enterprises (SOEs) in Tanzania. Of the 53 participants, 19 respondents (35.8%) reported that public sector audit had led to strong improvement in transparency and oversight, 23 respondents (43.4%) indicated moderate improvement, while 11 respondents (20.8%) perceived minimal improvement. As presented in Table 1, these findings suggested that although public sector audits were generally viewed as important governance instruments, their effectiveness in strengthening openness, institutional visibility, and oversight systems varied considerably across SOEs.

The 19 respondents (35.8%) who perceived strong improvement explained that public sector audits enhanced transparency by compelling organizations to disclose detailed financial and operational information that would otherwise remain inaccessible to oversight bodies and the public. Participants noted that the audit process increased management caution in decision-making because financial records, procurement procedures, and expenditure patterns became subject to external examination and parliamentary review. A senior internal auditor from a selected SOE stated:

"...the audit has greatly improved transparency in our organization because it forces us to open up all financial records and explain how decisions were made from procurement to expenditure. Before the audit, some processes were not clearly documented, but during and after audit engagements, we had to ensure everything is properly recorded and accessible. In addition, once the report is submitted to higher authorities, especially Parliament, management becomes more cautious and more transparent in decision-making because they know that any hidden issue can easily be exposed and questioned publicly. Even departments that previously operated independently now understand the importance of documenting transactions properly because audit scrutiny has become more serious than before..." (Respondent 11, Internal Auditor)

This finding suggested that public sector audits contributed not only to technical compliance but also to behavioral change within SOEs by encouraging management to operate more openly and systematically. The increased visibility created through external audit scrutiny appeared to strengthen institutional discipline, particularly in areas involving procurement, expenditure control, and financial reporting. Participants' emphasis on parliamentary review also indicated that transparency was reinforced when audit findings moved beyond internal administrative processes and became matters of public accountability. Similar observations had been reported in European and American contexts where public sector audits strengthened transparency through independent review systems that required organizations to disclose accurate financial and operational information to oversight institutions and the public (Cordery & Hay, 2020; Grossi et al., 2023). In such systems, transparency was strengthened because audit institutions operated with high levels of independence and institutional authority, allowing them to expose governance weaknesses without significant interference. The present findings reflected similar dynamics in Tanzania, although respondents suggested that transparency improvements were still heavily dependent on the seriousness with which management and oversight bodies responded to audit findings.

The 23 respondents (43.4%) who perceived moderate improvement explained that although public sector audits increased transparency and oversight during active audit periods, the sustainability of these improvements remained uncertain once the audit process was completed. These participants observed that departments tended to become more cooperative and open while auditors were present, but levels of transparency often declined over time due to weak institutional follow-up and shifting operational priorities. A finance officer from a selected SOE explained:

International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 10 Issue 8 August - 2026, Pages: 10-24

"...during the audit process, transparency is at its highest level because every department is required to provide detailed information and justify all transactions. Managers become very careful because they know the auditors are examining every activity closely. However, after the audit is completed, the level of openness gradually reduces, and some departments return to their usual way of operating. Oversight structures exist on paper, but they are not always active throughout the year. Some recommendations that require continuous monitoring lose momentum after a few months because management attention shifts to other operational pressures. So the audit improves transparency, but maintaining that level consistently remains difficult..." (Respondent 24, Finance Officer)

This finding demonstrated that transparency improvements generated through audit processes were often temporary and closely tied to the immediate presence of external scrutiny. Participants implied that organizational openness was frequently reactive rather than institutionalized, meaning that transparency increased mainly when audit pressure was active. This suggested weaknesses in the internal governance culture of some SOEs, where transparency practices were not deeply embedded into routine operations. Similar findings had been reported in several African countries where audit processes improved institutional openness in the short term, but weak enforcement systems and limited follow-up mechanisms reduced long-term oversight effectiveness (Lauwo et al., 2022). In Tanzania, Wasonga et al. (Wasonga et al., 2020) similarly observed that although audit committees formally issued governance recommendations, many SOEs experienced delays and inconsistencies in sustaining corrective measures. Compared to findings from parts of Asia, where performance audits gradually influenced governance reforms through continuous institutional adaptation, the present findings suggested that Tanzanian SOEs still faced challenges in converting audit-driven transparency into permanent organizational practice (Song, 2018).

The 11 respondents (20.8%) who perceived minimal improvement argued that public sector audits had limited practical influence on transparency and oversight due to weak enforcement mechanisms, resistance to disclosure, and poor internal governance cultures in some SOEs. These participants explained that although audits produced reports and recommendations, many institutions continued to operate with limited openness and inconsistent accountability practices. A board member from a selected SOE remarked:

"...in some cases, the audit does not really change transparency in a meaningful way. We submit the required documents, and the auditors produce their report, but internally some departments still operate in a closed manner. Information is not always shared freely, and oversight mechanisms are not strong enough to ensure continuous openness. Even after audit recommendations are issued, some practices remain unchanged because there is no strong enforcement mechanism to ensure sustained transparency. In certain situations, management becomes defensive instead of cooperative, especially when findings involve sensitive financial issues or politically connected projects..." (Respondent 38, Board Member)

This perception suggested that the effectiveness of audit processes in strengthening transparency depended heavily on institutional willingness to embrace openness and accountability. Where organizational cultures resisted disclosure or where enforcement structures remained weak, audit findings alone were insufficient to produce meaningful governance transformation. Participants' references to defensiveness and politically sensitive projects further indicated that transparency challenges were not purely technical but also influenced by power relations and institutional politics within SOEs. Similar concerns had been documented in African contexts where political and managerial interference weakened governance reforms and limited the practical influence of audit findings on transparency and oversight systems (Lateef et al., 2021). In Tanzania, recurring governance weaknesses identified across audit cycles indicated that the absence of consistent sanctions and enforcement mechanisms reduced the long-term impact of audit recommendations on institutional openness and accountability practices (Njeza et al., 2023).

The findings demonstrated that public sector audit contributed to transparency and oversight within Tanzanian SOEs, although the extent of improvement varied according to institutional responsiveness, management commitment, and enforcement capacity. Participants' experiences suggested that audits were effective in increasing openness during periods of active scrutiny, but sustaining transparency beyond audit cycles remained a significant governance challenge. These findings reinforced arguments that in developing economies, the success of audit-driven governance reforms depended not only on the existence of audit institutions but also on the broader institutional environment supporting accountability and continuous oversight.

4.2 Challenges and Opportunities in Influencing Corporate Governance Practices

The study examined the challenges and opportunities influencing the role of public sector audit in strengthening corporate governance practices within selected SOEs in Tanzania. The analysis focused on institutional challenges affecting audit implementation and influence, operational challenges within SOEs, and opportunities for strengthening the impact of audits on corporate governance. The findings explored participants' experiences and perceptions regarding factors that constrained or enhanced the effectiveness of public sector audits in promoting accountability, transparency, and institutional oversight within SOEs.

4.2.1 Institutional Challenges in Audit Implementation and Influence

The findings revealed that institutional challenges significantly hindered the ability of public sector auditors to influence corporate governance practices in Tanzanian State-Owned Enterprises. Of the 53 participants, 24 respondents, representing 45.3%, experienced high institutional challenges, 18 respondents (34.0%) reported moderate challenges, and 11 respondents (20.7%) indicated low institutional challenges. These results, as shown in Figure 2, indicated that institutional barriers remained the most prominent obstacle faced by auditors in their governance oversight role.

Participants who experienced high institutional challenges (24 respondents, 45.3%) pointed to political interference, weak enforcement powers, and limited independence. A senior auditor from the National Audit Office of Tanzania stated:

"...the institutional challenges are very high. Sometimes we find serious governance failures involving huge sums of money and powerful individuals, but when the findings touch ministry officials or politically connected people, pressure comes from above to soften the language or even remove some paragraphs. We have the constitutional mandate, but in practice, our hands are tied. Even when we issue strong recommendations, there is no automatic mechanism to force implementation. We write the reports, we submit them, but many times they gather dust. This makes our work very frustrating because we know the problems but we cannot enforce change..."

This experience aligned with studies that highlighted political resistance and limited legal authority as major institutional barriers for auditors in both Europe and America (Gustavson & Sundström, 2018; Nicolò et al., 2020). The accounts shared by participants demonstrated how political influence often compromised the independence and authority of auditors, making it difficult for them to address governance failures involving influential actors. This situation reduced the overall effectiveness of audit recommendations and contributed to a sense of powerlessness among auditors despite their constitutional mandate.

The second group of participants (18 respondents, 34.0%) reported moderate institutional challenges. These respondents appreciated some level of independence but noted systemic weaknesses in follow-up structures. One official from the Public Accounts Committee explained:

"...institutional challenges exist at a moderate level. The CAG has freedom to conduct audits and report directly to Parliament, which is a good thing. However, after the report reaches Parliament, the follow-up process becomes slow and sometimes selective. When we summon SOE leaders, some come and others send representatives with excuses. There is no strong legal penalty for those who ignore audit recommendations. We make resolutions, but implementing them depends on the goodwill of the respective ministries. So the system has power on paper, but in reality, the power is limited..."

This perception was consistent with Tanzanian studies that documented weak follow-up on audit recommendations and limited parliamentary effectiveness (Controller and Auditor General of Tanzania, 2022; PAC, 2021). Participants further explained that the gap between reporting and actual implementation created frustration and undermined the credibility of the entire audit process. The selective nature of parliamentary follow-up meant that only high-profile cases received attention while many serious but less visible governance issues remained unaddressed.

A smaller group of 11 respondents (20.7%) felt institutional challenges were relatively low. These participants tended to focus on the constitutional provisions that support audit work. A board member from one of the selected SOEs noted:

"...I think the institutional challenges are not too high compared to other African countries. The law gives the CAG enough powers to access all documents and to report without fear. The problem is not always with the auditors but with how we as SOEs respond to their work. Some institutions cooperate well and take recommendations seriously while others resist. So, from the institutional side, the framework is there, but the culture of accountability is what needs to change..."

This view supported findings that some African Supreme Audit Institutions possess relatively strong legal mandates, yet implementation gaps persist due to other factors (Abimbola & Abe, 2025). Respondents in this category believed the existing legal framework provided a solid foundation, but the main bottleneck lay in the willingness of SOEs and responsible ministries to act on audit findings.

The study showed that institutional challenges, particularly political interference and weak enforcement mechanisms, continued to limit the transformative potential of public sector audits in Tanzanian SOEs. Participants repeatedly emphasized that while the legal and constitutional framework provided a good foundation, the absence of strong sanctions and consistent follow-up structures reduced audit influence on corporate governance. Many respondents observed that these institutional weaknesses created a cycle where the same governance issues reappeared in subsequent audit reports. The experiences shared by participants pointed to the need for stronger legislative backing and clearer accountability pathways between the National Audit Office, Parliament, and SOE management to enhance the practical impact of public sector audits on governance practices.

4.2.2 Operational Challenges within SOEs

The study as per figure 2, assessed operational challenges within SOEs that affected how public sector audit influenced corporate governance practices. Out of the 53 participants, 26 respondents (49.1%) reported severe challenges, 17 respondents (32.1%)

indicated moderate challenges, and 10 respondents (18.8%) noted minor challenges. These findings demonstrated that internal weaknesses at the entity level substantially constrained the audit process and limited the translation of audit findings into governance improvements.

Participants who experienced severe challenges, 26 respondents (49.1%), described poor record-keeping, deliberate withholding of documents, weak internal audit functions, and management resistance as major impediments. A senior auditor from the National Audit Office explained:

"...the operational challenges were severe because we could not access the information we needed to complete the audit properly. In one SOE, the finance department said the files were with the previous accountant who had left, and when we finally got some documents they were incomplete and not reconciled. Management kept postponing meetings and sending junior staff who could not answer our questions. The internal audit unit existed on paper but they had no work plans and reported directly to the finance manager, so they could not help us. We found serious procurement irregularities but we could not trace the contracts because the registry was disorganized. By the time we issued the management letter, the board said the issues were historical and the officers involved had moved to other institutions. So the audit became a struggle just to establish the facts, let alone influence governance..."

This experience was consistent with Othman (Othman, 2025), who noted that auditors in Tanzanian SOEs faced obstacles such as poor record-keeping, political interference, and uncooperative auditees. Similar operational constraints were documented by Asiedu and Deffor (Asiedu & Deffor, 2017), who found that poor record-keeping and weak internal controls in African SOEs undermined the ability of audits to enhance oversight. The deliberate withholding of information and resistance from management also reflected findings in Nigeria where political interference and corruption undermined auditors' ability to enforce governance standards (Lateef et al., 2021). Unlike Gustavson and Sundström (2018), who reported that auditors in Europe and America generally operated with strong legal authority and access to information, participants who reported severe challenges indicated that basic operational conditions for effective auditing were absent in many Tanzanian SOEs.

A total of 17 respondents (32.1%) indicated moderate challenges. These participants reported that while some systems existed, they were inconsistently applied and depended on individual commitment rather than institutionalized processes. An internal auditor from TPA stated:

"...I would say the challenges were moderate. We had an internal audit department and we kept records, but the problem was the quality and timeliness. When the CAG came, we could provide most documents, but they were not filed properly and it took weeks to retrieve them. Management cooperated, but slowly, and they always wanted to negotiate the wording of findings before we finalized them. The board was supportive of audit, but they did not have a system to track implementation of recommendations, so after the audit some issues were addressed and others were forgotten. So the operational environment allowed the audit to happen, but it did not fully support the audit to change governance because the follow-up was moderate..."

This perception aligned with Wasonga et al. (Wasonga et al., 2020), who found that audit committees in Tanzanian SOEs formally issued recommendations, yet implementation was often delayed or incomplete due to weak follow-up mechanisms. The moderate challenges also echoed Parker et al. (Parker et al., 2019), who observed that African SAIs faced resource constraints and political pressure but benefited from regional peer review mechanisms and donor-funded capacity-building programs that improved operational capacity unevenly. In contrast to Power (Power, 2021), who described a culture of audit follow-up and legislative responsiveness in the United States Government Accountability Office, participants in this study indicated that moderate operational challenges stemmed from partial rather than systematic adoption of audit-supportive practices.

About 10 respondents (18.8%) reported minor challenges within SOEs. These participants were mainly from entities that had undergone donor-supported public financial management reforms or had strong leadership commitment to governance. A finance manager from TANESCO remarked:

"...in our case the operational challenges were minor because we had invested in an enterprise resource system and the internal audit function reported to the board audit committee, not management. When the external auditors arrived, we gave them system access and assigned a liaison officer to respond to all queries within 48 hours. The board had a register of audit recommendations and the CEO gave updates every quarter. We still had some delays because of staff turnover, but those were minor compared to other SOEs. The audit was able to complete fieldwork on time and their recommendations were implemented because the operational environment supported it. That made the audit influential in strengthening our controls and board oversight..."

This view supported findings that proactive engagement between auditors and audit committees improved risk management in some South African SOEs, though challenges remained sector-wide (Adebayo & Ackers, 2024). It also corresponded with observations that institutional challenges in Asia were less severe where political will and administrative support for audits existed (Sheng & Zhao, 2013). However, the minor challenges reported by this group contrasted with the broader Tanzanian context where the Controller and Auditor General of Tanzania (Controller and Auditor General of Tanzania, 2021) documented persistent weaknesses in financial reporting and internal controls across SOEs.

The data showed that operational challenges within SOEs were severe for nearly half of the participants, and 81.2% reported at least moderate challenges. The qualitative accounts indicated that poor record-keeping, weak internal audit independence, and management resistance directly limited the ability of audits to generate accurate findings and influence governance. This pattern differed from contexts where strong administrative systems and board-level support facilitated audit work. In Tanzanian SOEs, operational capacity to respond to audits was fragmented and often personality-driven rather than system-driven.

The findings reinforced gaps identified in prior research regarding how operational weaknesses at entity level constrain audit effectiveness. The reliance on ad hoc cooperation rather than embedded financial management systems indicated that addressing operational challenges would require strengthening internal audit independence, digitizing records management, and establishing mandatory management response protocols with sanctions for non-cooperation. Enhancing operational readiness would improve both the efficiency of audit implementation and the likelihood that audit recommendations translate into corporate governance improvements.

Figure 2: Challenges and Opportunities Influencing the Role of Public Sector Audit in Strengthening Corporate Governance

Figure 2: Showing the challenges and opportunities influencing the role of public sector audit in strengthening corporate governance

4.2.3 Opportunities for Strengthening Audit Impact on Corporate Governance

The findings revealed varying perceptions regarding opportunities for strengthening the impact of public sector audit on corporate governance within Tanzanian State-Owned Enterprises (SOEs). Of the 53 participants, 21 respondents, representing 39.6%, perceived the opportunities as high, 20 respondents, representing 37.7%, regarded them as moderate, while 12 respondents, representing 22.7%, viewed them as limited. These results, as presented in Figure 2, indicated that although institutional and operational challenges continued to affect audit effectiveness, many stakeholders believed that important opportunities existed for improving the influence of public sector audits on accountability, transparency, and governance practices within SOEs.

Participants who perceived opportunities as high emphasized the growing attention given to accountability reforms, increasing parliamentary oversight, technological improvements, and strengthening of audit institutions. One senior external auditor explained:

"...there were many opportunities for strengthening the impact of public sector audits because awareness about accountability and transparency had increased significantly compared to previous years. Parliament was now paying closer attention to audit reports, and some SOEs had started taking audit recommendations more seriously because they feared reputational damage and public criticism. In addition, digital financial systems were gradually improving record management and making it easier for auditors to track transactions and identify irregularities. The environment was becoming more supportive for audit influence, especially in organizations where leadership was committed to reforms and governance improvement..."

This perception aligned with findings from Europe and America, where opportunities for strengthening audit influence were linked to strong parliamentary systems, active public accounts committees, and legislative responsiveness to audit findings (Hay & Cordery, 2018). In the United States, public sector audit institutions benefited from a culture of follow-up and institutional responsiveness, which strengthened accountability and governance enforcement mechanisms (Power, 2021). Although Tanzanian respondents acknowledged that enforcement remained inconsistent, they indicated that increasing public scrutiny and parliamentary engagement were gradually creating stronger incentives for SOEs to comply with audit recommendations (Ministry of Finance, 2020).

The findings also reflected experiences from Asia, where opportunities for strengthening audit impact were associated with technological reforms, digital auditing systems, and collaboration between oversight institutions. Adoption of digital auditing tools improved transparency and enhanced monitoring capacity within public institutions in several Asian countries (Ahammed, 2015). Citizen reporting systems and collaboration with anti-corruption agencies also created additional pressure for governance reforms in public organizations (Apriliyanti & Kristiansen, 2019). Tanzanian respondents described similar opportunities emerging through improvements in financial reporting systems and growing public awareness regarding governance accountability.

Participants who perceived opportunities as moderate, 20 respondents (37.7%), acknowledged that opportunities for improving audit influence existed but argued that progress remained slow due to institutional resistance and uneven implementation of reforms. One internal auditor from a utility SOE stated:

"...there were definitely opportunities to strengthen audit impact, especially because many organizations were now aware that governance issues attract serious attention from Parliament and the public. However, implementation remained inconsistent because some managers still viewed audit recommendations as external pressure rather than internal governance tools. In some departments, reforms were embraced quickly, while in others there was resistance to change. The opportunities were there, but realizing them required stronger follow-up systems, management commitment, and continuous training of staff on governance responsibilities..."

This perception corresponded with findings from African studies where opportunities for strengthening audit effectiveness were linked to capacity-building programs, governance reforms, and increasing involvement of civil society organizations in promoting accountability (Parker et al., 2019). In several African countries, public dissemination of audit findings through media platforms increased pressure on public institutions to improve governance standards and implement audit recommendations (Abimbola & Abe, 2025). The Tanzanian findings suggested that similar opportunities were emerging, although their effectiveness depended on institutional willingness to sustain reforms.

Approximately 12 respondents (22.7%) perceived opportunities for strengthening audit impact as limited. These participants argued that persistent political interference, weak enforcement mechanisms, and limited institutional independence reduced the practical potential for improving audit influence on governance practices. A board member from a transport sector SOE explained:

"...although people talk about reforms and accountability improvements, the practical opportunities for strengthening audit influence were still limited in some organizations. There were situations where audit recommendations were acknowledged publicly but quietly ignored afterward, especially when they involved politically sensitive decisions or senior officials. Without strong enforcement mechanisms and protection of audit independence, it became difficult for audits to achieve long-term governance change. In many cases, auditors identified problems repeatedly, but the same weaknesses continued appearing because institutions lacked the authority or willingness to enforce corrective action..."

This perception reflected findings from African contexts where political pressure, weak sanctioning systems, and institutional dependence limited the practical influence of public sector auditors on governance reforms (Abimbola & Abe, 2025). It also aligned with studies showing that despite the existence of formal governance reforms, implementation often remained weak when oversight institutions lacked sufficient authority to compel compliance (Nicolò et al., 2020). Tanzanian respondents therefore suggested that opportunities for strengthening audit impact could only become meaningful if institutional independence and enforcement mechanisms were strengthened.

The findings demonstrated that opportunities for strengthening audit impact on corporate governance existed within Tanzanian SOEs, particularly through parliamentary oversight, technological reforms, increased public awareness, and strengthening of accountability systems. However, qualitative evidence showed that these opportunities remained unevenly utilized due to institutional resistance, inconsistent follow-up mechanisms, and continued political influence on governance processes. Participants frequently emphasized that improving audit impact required not only stronger technical systems but also sustained leadership commitment and enforcement capacity capable of translating audit recommendations into long-term governance reforms.

5.0 Conclusion and Recommendations

Public sector audit played an important role in strengthening corporate governance practices within Tanzanian SOEs through improving accountability, transparency, and oversight mechanisms. Stakeholders perceived audits as valuable tools for identifying governance weaknesses, promoting compliance with financial and procurement regulations, and encouraging responsible management of public resources. Audit processes contributed to greater awareness of governance responsibilities among management and employees, particularly in areas related to financial reporting, procurement procedures, and institutional oversight. However, the extent of effectiveness varied across institutions due to differences in leadership commitment, follow-up mechanisms, and enforcement capacity. While some SOEs demonstrated improvements in governance practices following audit interventions, others continued to experience recurring weaknesses due to delayed implementation of recommendations and limited accountability enforcement.

Institutional and operational challenges significantly influenced the ability of public sector audits to achieve sustained governance improvements within SOEs. Political interference, weak enforcement powers, management resistance, inadequate operational systems, and delays in implementing audit recommendations limited the practical influence of audits on corporate governance practices. At the same time, opportunities for strengthening audit impact were evident through increasing parliamentary oversight, governance reforms, technological improvements, and growing public demand for accountability and transparency in public institutions. Strengthening the relationship between audit institutions, oversight bodies, and SOE management remained essential for ensuring that audit findings translated into meaningful and long-term governance improvements within Tanzanian public enterprises.

Based on the findings of the research, several recommendations were considered important for strengthening the role of public sector audit in enhancing corporate governance within Tanzanian SOEs. The government and oversight institutions should strengthen enforcement mechanisms to ensure timely implementation of audit recommendations and improve accountability systems within SOEs. Management of SOEs should enhance internal control systems, improve financial record management, and promote institutional transparency to support effective governance practices. Public sector audit institutions should also be provided with adequate financial resources, professional training, and modern technological systems to improve audit efficiency and oversight capacity. Furthermore, stronger coordination between auditors, parliamentary oversight bodies, and SOE leadership should be encouraged to improve follow-up mechanisms and support sustainable governance reforms within public enterprises.

The findings of the research opened several areas for future scholarly inquiry related to public sector audit and corporate governance within SOEs. Future studies may examine the long-term effectiveness of audit recommendation implementation across different categories of SOEs in Tanzania. Additional research could also explore the influence of political dynamics on audit independence and governance accountability within public institutions. Comparative studies involving SOEs from different regions or countries may provide broader understanding of how institutional environments shape audit effectiveness and governance outcomes. Further investigations may also focus on the role of digital technologies and electronic auditing systems in improving transparency, accountability, and oversight within public sector organizations.

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