# EFFECT OF INTERNAL FINANCE CONTROL ON STABILIZATION OF PUBLIC EDUCATION INSTITUTIONS IN TANZANIA: A CASE OF COLLEGE OF BUSINESS EDUCATION HEADQUARTERS

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE MASTER DEGREE IN BUSINESS ADMINISTRATION OF THE OPEN UNIVERSITY OF TANZANIA**

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## CERTIFICATION

The undersigned certifies that has read and here by recommends for acceptance by the Open University of Tanzania a dissertation entitled, ***Effect of Internal Finance Control on Stabilization of Public Education Institutions in Tanzania: A Case of College of Business Education Headquarters;*** In Partial fulfillment of the requirements for the Master Degree in Business Administration of the Open University of Tanzania.

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**Dr. Gwahula Raphael**

(Supervisor)

……………………….

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## DECLARATION

I, **Erick Felician Barongo** do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

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**Date**

## DEDICATION

To my Father, Mother and all those who have played a role in my struggle to accomplish this programme.

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Last but not least, I am very grateful to the almighty God for life courage, strength, and power given unto me to utilize this precious opportunity and accomplish this study. Never give up all is possible in the name of the lord. Let his name be glorified, Praise God, AMEN

## ABSTRACT

The purpose of this study was to examine the effect of internal finance control in Tanzania public Education institutions, a case of College of Business Education (CBE). The study was conducted at CBE headquarters located in Dar es Salaam city. Case study was adopted as research study design to collect data from a sample size of 116 respondents. Questionnaire used as data collection instrument in survey. Analysis of the findings revealed that, factors which affect internal finance control involved six aspects which fall under facet of control of environment. These include, staff interpersonal relationship, commitment of staffs to their responsibilities and all jobs are given on competency basis. Findings also disclosed that, techniques which were employed to effect internal finance control basically relies on two aspects namely risk assessment and information and communication. Risk assessment involved; use of tools for risk transfer, risk review and decision making through risk management committee. Information and communication factors included; free flowing of information without any interference, utilization of communication channels by staffs, and good communication among departments. Further, results indicate that, control environment, risk assessment, and information and communication explain 61.6% variation of the stabilization of education institutions. This showed that, internal finance control has a significant relationship on stabilization of education institutions. The study recommends that, Management in public education institutions should conduct seminars and workshops where internal auditors will be often trained internally or externally by professionals.

**Key words: Internal finance, Information and Communication, Stabilization.**

# TABLE OF CONTENTS

## LIST OF TABLES

## LIST OF FIGURES

## LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| CAG | Controller and Auditor General |
| CBE | College of Business Education |
| IEBC | International Electro Boundary Committee |
| MoEVT | Ministry of Education and Vocational Training |
| SPSS | Statistical Package for Social Science |

# CHAPTER ONE

# 1.0 INTRODUCTION

## 1.1 Overview

Internal finance control is regarded as one of the key elements of an effective finance management system: and is also considered as an integral part of management's control of institutions. It is the processes implemented by management to provide reasonable assurance of achieving the stated objectives and the objectives include effective and efficient operations of institutions tasks (Francois, 2003). In general, the internal finance controls in both government and public institutions for a long time have been a global challenge. For example, Johnson (2001) narrates that poor management in most cases underpinned the loss of money allocated for development as well as manpower training purposes.

Cartel (2009) explains that governments in developing countries were leading in mis-using public funds and that have been negatively affecting the performance of public institutions (education institutions inclusive). In general, corruptions in East Africa government ministries have been explained to be alarming. For example, in Tanzania, the present 2018/19 Parliament annual budget there was hot debate concerning theft of public funds allocated for rural-urban water supply projects in the Ministry of water confirms the extent the internal finance control is not effective (URT, 2018). The same scenario is on the funds allocated for preparation and publication of primary school books whereby in the year 2017 two top senior officials in the Ministry of Education and Vocational Training and Tanzania institute of Education were suspended due to poor management of those funds (MoEVT, 2017). In this regard, poor internal controls which resulted into publishing poor quality books destabilized learning in the Tanzania primary schools. In all cases, members of the Parliament are arguing strengthening of internal finance control to combat the situation. In Kenya, the suspension of Independent Electro Boundary Committee (IEBC) Chief Executive Officer and subsequent resignation of three board members is explained to be due to the mis-use of public funds and consequently poor internal finance control (IEBC, 2018). Furthermore, the surprise on big reshuffle in the Uganda Police Force effected by the Uganda President has its roots in poor use of public funds allocated for improvement of Police force. According to Uganda President, for a long time a big sum of money allocated have been no-where traced due to the lack of records.

The President argued for innovations in the Police force with regard to internal finance control (The Bukedde, 2017). Similarly, UNICEF (2010) reports that in Asia between years 1995 and 2000, about 32.5% of funds provided for institutions capacity building in education industry received by the respective recipients were lost. The rate increased by 10.1% in the year 2014. It is explained than such big loss of funds was influenced by improper education projects management including in competencies of human resources and poor financial records keeping. Ojuku (2013) explains that the low rate of education industry growth among West Africa countries is underpinned by poor internal control of funds allocated in primary schools, secondary schools and tertiary education institutions. According to Ojuku (ibid), political interference in institutions providing higher education have been resulting into internal control of finance a difficult task. In this regard, appointed politicians to head the institutions at the higher managerial political levels have been necessitating higher education institutions to pay them allowances out of the annual budgets. Thus, the re-allocation of funds is a common practice. Kajonga (2012) explains that the global increase in tends of loss of public money through expenditure without based on the budget, the government of respective countries designed an internal financial control system to solve the problem. The conception is to reduce process variation, leading to more predictable outcomes.

Broadly construed, internal finance control entails of all those policies and procedures which management develop and maintain to provide reasonable assurance that the financial management and programmatic goals of the agency are achieved (ILA, 2000). Furthermore**, i**nternal finance control entails the extent institution resources are directed, monitored, and measured. In this regard, the expected outcome is the preventing and detecting funds and protecting the organization's resources, both physical (such as machinery and property) and intangible (For example reputation or intellectual property such as trademarks).

All of these aim at accomplishing the task of ensuring effective use of finance in public institutions (education institutions inclusive). Pachal (2004) explains that control in education institutions have been perceived out of control of activities and control of environments although the control of environment sets the tone for institution finance control. This entails integrity, ethical values, competency, management philosophy, and finance operating style. Despite these and as explained above, the continuing occurrence of loss/mis-use of public funds poses regular needs for effective researching the internal controls effectiveness. In this case, the important question is on the employment of internal controls techniques to ensure effective internal control systems in educational institutions: Hence, the justification of this study.

## 1.2 Statement of the Problem

In normal practices Governments set financial controls which must be fulfilled during the accounting period. In Tanzania the problem on the financial management in the terms of misuse of public funds is a serious problem which is at all government levels that is from the Central government, Local governments and public institutions and this entails corruptions. The $5^{th}$ Tanzania president is strongly insisting effective internal controls for effective and stable functions of all public entities. This is embodied in his visit at Ukonga Prison in the years 2016 when he cautioned the Head of the Prison not to personal use funds allocated for constructing staff houses. The explanation was that public institutions (education institutions inclusive) were leading in the mis-use of funds allocated for different development projects.

This was in line with the CAG (2014) report which indicated that about 45.8% of funds were not used for the intended purpose. Analysis of CAG (2014) on this part revealed that 14.7% out of 45.5% was in education institutions which were performing badly due to lack of enough funds for development. The CAG recommended the improvement with regard to the effectiveness of internal control systems in institutions. Furthermore, chief executive sets of the tone at the top that influence integrity and ethics and other factors of a positive finance control environment. The continue loss of public funds indicates non-adherence of public institutions' managements and hence failure to comply with laid internal control principles. At the College of Business Education (the focus of this study) there are number of ongoing projects which are funded by the government. Furthermore, there are government funds for administration and other activities. Since the college is not operating in isolation, existing financial issues in other public institutions may also have roots in this institution. Hence, further justification of this study.

## 1.3 Research Objectives

The research was guided by the following general and specific objectives.

### 1.3.1 General Objective

The general objective of the study was to examine the effect of internal finance control in Tanzania public Education institutions.

### 1.3.2 Specific Objectives

The following were specific objectives.

1. To examine factors affecting internal finance control in Tanzania public education institutions.
2. To identify techniques employed by Tanzania public institutions' managements to effect internal finance control systems.
3. To determine the extent the internal finance control affects the stabilization of Tanzania education institutions.

## 1.4 Research Questions

The following are research questions which helped to address the research problem.

1. What factors affects the internal finance control in Tanzania public education institutions?
2. What techniques are used by Tanzania public institutions' managements to effect internal finance control systems?
3. To what extent does internal finance control affect the stabilization of Tanzania education institutions?

## 1.5 Significance of the Study

Findings from this study, conclusion and recommendations may help the College of Business Education management to identify gaps within the systems of internal control and make corrections for effectiveness. The study will also be significant to other public institutions who may use research findings to ensure best practice of internal controls systems.

Furthmore, findings from this study will enable all projects to adhere to the value of money philosophy which may result into the goverment savings thereforemore education projects. The study will also add to the existing knowledge bank regarding internal finance controls in public education institutions. This study will also open up some other areas relating to internal finance controls in government agencies and will be an eye opener to other researchers to carry out more research work on the subject of internal finance controls.

## 1.6 Scope of the Study

This study was confined on internal finance controls in public educational institutions. The cofinement was on sources of finance for these educational institutions, techniques employed for controling finance.

## 1.7 Limitations of the Study

The researcher faced the following limitations during the study.

**Time and Financial constraint:** the study required enough time to collect necessary data, analysing and presenting it. But the researcher was not able to both accomplishing employer's tasks and then doing the research work. In this case time for the latter was not enough. The researcher used after work hours and public holidays to do the research. He took annual leave of 28 days which extensively utilized for research work.

**Finance constraint**: The researcher is self-sponsored financial resources needed to accomplish both research costs and basic needs. The researcher solved this problem by borrowing money from financial institutions.

**Access to data:** In a normal practice in government ministry and department, data tends to kept in confidential manner it takes long and cumbersome procedures, which makes difficult for researcher to get relevant information to facilitate the study. This was solved by the researcher educating custodian of secondary data and those expected to provide primary data that information were merely for research work and not otherwise.

**Reluctance among respondents to disclose information;** some staff may be reluctant to provide required information to researcher for various reason, or it may be the policy of the organization not to disclose any financial information to researcher or outside. Respondents used ethics considerations such as introduction letter from the university and ensured confidentiality and privacy of the respondents' data.

# CHAPTER TWO

# 2.0 LITERATURE REVIEW

## 2.1 Overview

Under this chapter a researcher presents theoretical Literature and the reviewed literature. In the theoretical literature the researcher includes related issues written in books, journals and published documents. Empirical literature included similar research done by other researchers. The chapter also explains the research gap and the conceptual framework.

## 2.1 Definition of Terms

### 2.1.1 Internal Control Function

All of the control activities which are performed under the governance and organizational structure established by the institution's board of directors and senior management and in which each individual within the organization must participate in order to ensure proper, efficient and effective performing of the organization's activities in accordance with the management strategy and policies, and applicable laws and regulations to ensure the integrity and reliability of accounting system and timeliness and accessibility of information in the data system, Amudo & Inanga (2009).

### 2.1.2 Internal Control System

All of the financial, operational and other control systems which are carried out by internal controllers and which involve monitoring, independent evaluation and timely reporting to management levels systematically in order to ensure that all the bank activities are performed by management levels in accordance with current policies, methods, instructions and limits, Amudo & Inanga (2009).

### 2.1.3 Internal Audit (Inspection) System

A systematic audit process which is carried out by internal auditors independently as a part of internal control function and in the form of financial activities and compliance audit independent of the bank's daily activities, considering the management needs' and the bank's structure; which covers all the activities and units of the bank, mainly the internal control system and the risk management system, and which enables the assessment of these activities and units, wherein evidences and findings used in assessments are obtained as a result of reporting, monitoring and examination, Dimitris (2001).

### 2.1.4 Internal Supervision (Control & Audit) System

The integrated process consisting of the internal control system and the internal audit system Dimitris (2001).

### 2.1.5 Risk Management System

All of the mechanisms concerning the process of standard-setting, reporting, verifying the compliance with standards, decision-making and implementing, which are established by the board of directors in order to monitor, to keep under control and, if necessary, to change the risk/return structure of the future cash flows of the bank and, accordingly, the quality and the extend of the activities (Hughes & ferret 2011).

### 2.1.6 Internal Control Unit

A unit that organizes manages and coordinates the organization's internal control process, Packales (2000)

## 2.2 Theoretical Framework

Various theories have been formulated on internal controls and stabilization of public education institutions. These include Agency theory and Institutional theory.

### 2.2.1 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationship; that is between principals and agents of the principals (Meckling and Jensen, 1976). A reputable auditor is therefore appointed not only in the interest of management. The two problems that agency theory addresses are: the problems that arise when the desire or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitude towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions (Meckling and Jansen, 1976).

Agency theory contents that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, help to maintain cost-efficient contracting between owner and managers (Adams, 1994: Davidson, Goodwin-Stewart and Kent, 2005). Agency theory may not only help to explain the existence of the internal audit in organization but can also help explain some of characteristics of the internal audit department, for example, it’s size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal audit practices reflect the different contracting relationship emanating from different in organizational from (Meckling and Jansen, 1976). Further the theory recognizes that any incomplete information about the relationship, interests or work performance of the agent described could be adverse and a moral hazard. Moral hazard and adverse selection impact on the output of the agent in two ways; not possessing the requisite knowledge about what should be done and not doing exactly what the agent is appointed to do.

The agency theory therefore works on the assumption that principals and agents act rationally and use contracting to maximize their wealth (Jensen and Mecking, 1976). This theory is applicable to this study simply because internal control is one of many mechanisms used in business to address the agency problem by reducing agency costs that affects the overall performance of the relationship as well as the benefits of the principal (Payne, 2003; Abdelkhalik, 1993). Internal control enhances the provision of additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investors risk.

### 2.2.2 Institutional Theory

Institutional theory offers a contrasting explanation that may be used to understand the adoption and design to control practices within organization. This theory, more sociological in the character, originates from work done by Meyer and Rowan (1977) and Dimaggio and Powell (1983). It has been said that institutional theory is becoming an important theoretical perspective in accounting and organization theory research (Dillard, Rigsby and Goodman, 2004). According to this theory, organization develops and design structure, process and systems not primarily based on rational economic cost benefit analysis, but because they are more or less required incorporating new practices and procedures. According to Meyer and Rowan (1977) this means that: organizations are driven to incorporate the practices and procedures defined by the prevailing rationalized in society. Organization that do so increase their legitimacy and their survival prospects, independent of the immediate efficacy of the required practice and procedures. Organizational structure, including the various internal control functions, roles, processes and systems, become symbolic displays of conformity and social accountability. Organizations with the appropriate structures in place avoid in-depth investigation on their business operations.

Meyer and Rowan, building on the work by Berger and Luckmann (1966), pointed the importance of institutionalized rules. These are classifications built into society and may be taken for granted or supported by public opinion or even the force of law. These rules involve normative obligation which may be viewed as facts of (organization) life which must be taken into account and considered by actors in the business community whether they are risk management officers, compliance officers, managers, auditors, directors or other types of professionals within and outside of firms. The process of institutionalization is then how social processes of different kinds come to take on the rule like status. Repeated patterns of actions become institutions, or institutionalized rules, and thus institutions theory explains organizational phenomena by pointing to the environment and the formal and informal rules that are imposed on organization activities.

## 2.3 Models Related to the Study

### 2.3.1 The COSO Internal Control Model

The model was first adopted in USA and effectively used as internal control in different public organizations. According to Tradeway Commission (1992), Internal control is conceived as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of institution's objectives. According to the model, variables are: Effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. In light of these, the model consists five components such asthe control environment, risk assessment, control activities, information and communication and monitoring. All five internal control components must be present to conclude that internal control is effective. (Ngugi, 2011).

### 2.3.2 Control Environment

The control environment is the foundation of the five elements in the internal control framework. Its designation and operation not only affect the enterprise' overall activity, but the other four elements (Ngugi, 2011). Therefore control environment directly affects the effect of implementation of internal control framework and the modern enterprises should establish a suitable internal control environment.Collins and Porras (1994)

### 2.3.3 Risk Assessment

Risk assessment system is divided into three steps: risk identification, risk analysis and evaluation, risk control and report. Risk identification. It asks the enterprise to judge and analyze risks, including its nature, types, and reasons of the occurrence, etc. Risk analysis and evaluation. Risk analysis and evaluation needs quantitative analysis of digital information collected by mathematical method in order to make the risk management based on scientific basis. The result of risk analysis and risk evaluation is the probability of occurrence and size of the risk so as to provide a dependable basis for decision-making. Risk control and report. As to risk analysis and assessment, management should consider how to control risk. The method of controlling risk usually is to transfer risk, adverse risk and disperse risk.

### 2.3.4 Control Activities

COSO (1994) illustrates Control activities are to make management instructions designed could be effective implementation of various policies and procedures. Control activities can help enterprises to ensure that it has already took measures to reduce a loss according to realization the goal of the enterprise. From the point of daily business activities, control activities including authorized management. It refers to that the manager decentralize powers his subordinate to make them have the right to address the problem and make a choice and share corresponding responsibility. This refers to define the authority and responsibility according to the principle of combining functions of department and it’s characteristic. Business process and operation procedures. Business process is the procedure of all the business. An operation procedure is to say how to operate of every matter in detail.(Wruck and Jensen 1994)

### 2.3.5 Information and Communication

Enterprise management activities can be divided into the plan, organization, coordination, reports, etc. When managers exercise these functions, messages are always the most basic support, namely, all the enterprise business activities are inseparable from information, (David and Militello 1994). Therefore, the information function is the basis of management activities and the level of information processing ability is one of the most important symbols of the level of management. And this information must be delivered timely to those who fulfill its responsibility and other responsible ones in some form. Completing the information transmission is communication and it can translate the abstract goal and plans into language that encourage employees. COSO (1994)

### 2.3.6 Monitoring

Monitoring and used to evaluate the quality of enterprise internal control performance by tracking and monitoring the internal control frame and operational status and take the necessary actions to ensure that internal control can operate effectively, (Ngugi, 2011). Monitoring can be divided into continuous monitoring and individual assessment. Continuous monitoring activities usually are that the management department and each staff at various levels inspect, analyze and evaluate the effectiveness and efficiency of production and operating activities of their respective during execution of the internal control system. It is a kind of selfcontrol mode. The higher the level is, the less individual evaluation need. Individual assessment is to evaluate the internal control system regularly and is usually done by the relatively independent internal audit department, COSO (1994).

### 2.3.7 Bureaucratic Financing Model

The model stipulates that education is full assignation of institutions' budgets from state resource of Financing: By Students of activity of higher education institution by way of legal and financial means it may determine the structure of the higher education institution; number of departments, employees and the number of accepted students; form a need for certain fields of studies and directions for scientific research. State institutions hold control of usage of financial resources. Education institutions do not manage their long-term material assets and, in essence, carry out state orders in the field of higher education. The state may delegate certain functions to different supervisory bodies (committees, commissions) where representatives from the academic community usually take part (Stroup, 1966).

One of the main advantages of this model is that this way the state may fully meet its needs by ensuring preparation of the needed experts and by controlling their number; the state also acquires the tangible possibility and mechanisms to ensure the quality studies provided by legal acts (Weber, 1974). The Financing Methods of Education System in this model. Firstly, a strict and centralized financing (usually followed by extremely thorough normative regulation by the state) almost completely limits the real institutional autonomy and academic freedom of the tertiary education institutions in deciding the most important issues of university activities. The system of education, likewise, is becoming dependent on the political power of the state and may often become hostage to various political decisions of dubious nature. Usually, educational institutions, under such a financing model, are not permitted to independently dispose of the financial resources. The resources are usually assigned based on the data from the previous year, which, in turn, fosters reckless usage of the assigned financial resources by ignoring the daily needs of the tertiary institution, which may change within the course of the financial year. It is also problematic to implement changes of the activities of tertiary education institutions which require fast decision-making, because the decision-making procedure is, as a rule, regulated in detail and is followed by numerous bureaucratic procedures (Stroup, 1966).

Although ensuring the quality of the studies by state regulatory means is distinguished as one of the positive aspects of this model, it also stands as a weakness of such a model, because in this case the system of quality evaluation has to be legitimized and thoroughly described by both internal and external regulatory means, yet institutions of higher education tend to negatively react toward such quality evaluation systems and are usually prone to overly formalize the process of quality evaluation itself (Weber, 1947).

#### 2.3.8 Collegial Model

Usually implicates activity of the tertiary education institutions subsidized by the state, the right of the education institutions to attract private funds (by way of payment for tuition, reward for the services provided in projects, for implementation of scientific research for other economic units, financing of certain programs or scholarships), it also encompasses the right academic institutions to freely dispose of the resources assigned to them. Such model structure is based both on the traditional idea of financial dependency of higher education institutions, and on a trusted relationship between the state and universities (Samier, 2002). Although state funding usually comprises a larger part of the higher education institutions' budget under such a model, education institutions are granted the right of financial independence, which allows universities to decide how and where to effectively spend the acquired resources. Subsidies by the state under such a model comprise of the budget of the tertiary education institution, utilization of which is decided on the institutional level of a university senates and/or boards.

Under domination of such a model of higher education financing, the responsibility for proper distribution and effective utilization of resources is handed over to the municipal institutions of a higher education institution, which, in turn, by disposing of their right of decision making have to accommodate state, public and academic needs of each educational department while distributing resources (Bush, 2003). Such system of financing calls for an appropriate management system for each particular model, which may be described as a professional management model, education institution is managed by the highest hierarchical rank of academic professionals selected by the personnel and students of the university itself. Both the financing model and the management model formed under the influence of the former, have their advantages and disadvantages. When the resources obtained can be matched with the academic needs' professional integration, high quality of the academic services and strong academic solidarity are preserved (Samier, 2002). Also, as was stated above, this model preconditions that tertiary education institutions have the right to full institutional autonomy, especially in the processes of resource management and distribution, which, no doubt, positively influences academic freedom, quality of higher education, and optimal utilization or financial resources. It is perceived as an advantage, that all resources (both state-assigned and earned by universities themselves) are considered private money, which also has a positive effect on the above-mentioned aspects of activity (Bush, 2003).

### 2.4 Implementation of Internal Controls: Constraints and Prospects

Despite the fact that internal finance controls is important with regard to discipline in controlling public funds, there are some huddles which negatively influence this. For example, the **i**nadequate segregation of duties is explained to be among constraints whereby **s**eparating responsibility for physical custody of an asset from the related record keeping is a critical control. In this case, employee who can authorize purchase orders (Purchasing) should not be capable of processing payments (Accounts Payable).

Furthermore, the employee who prepares the deposit should not post the receipts to the customer accounts and that who prepares the payroll voucher should not distribute or have custody of the payroll checks. Inappropriate access to assets is also explained to be another constraint. Internal controls should provide safeguards for physical objects, restricted information, critical forms, and update applications. Thus, an employee who only needs to view computer information should be restricted to Read and File Scan access and should not be granted Write and Create access. Only authorized individuals should be issued keys for restricted areas. Inadequate Knowledge of Marquette University Policies**:** The University is not a static environment new policy and policy revisions are a part of our continual evolution. Managers must stay abreast of these changes and understand their responsibilities. Form over substance is another constraint. In this case, internal finance controls can appear to be well designed but still lack substance, as is often the case with required approvals. The account manager's signature attests to the accuracy of the payroll voucher information, but if the account manager does not have assurance that the supporting time records are accurate, the approval process lacks substance. There is also control override issue. In this case, exceptions to established policies are sometimes necessary to accomplish a specific task, but can pose a significant risk if not effectively monitored and limited.

Thorough documentation and approval of all exceptions will help management ensure the availability of a clear explanation for unusual transactions or events. A periodic review of these exceptions also helps to identify the need for policy or procedural changes. Inherent Limitations is another constraint influencing effective internal finance control. There is no such thing as a perfect control system. Staff size limitations may obstruct efforts to properly segregate duties, which requires the implementation of compensating controls to ensure that objectives are achieved. A limitation inherent in any system is the element of human error (misunderstandings, fatigue, and stress). In this regard, a manager who encourages employees to take earned vacation time can improve operations through cross training while enabling employees to overcome or avoid stress and fatigue (Wang, 2008).

## 2.5 The Cost of Internal Finance Controls

The cost of implementing a specific control should not exceed the expected benefit of the control. The potential loss of a computer printer may justify the cost of a door lock but not an alarm system. A person is argued to be sure to lock the screen or logout of your computer to protect sensitive data. Sometimes there is no out-of-pocket cost to establish an adequate control. A realignment of duty assignments may be all that is necessary to accomplish the objective (Bobin, 2007). Furthermore, checks received in the mail are immediately separated from supporting documentation for restrictive endorsement and deposit. The supporting documentation is given to a different employee (with a copy of the check, if needed) for crediting the payment or filling an order.

In light of this, voided receipts are approved by someone (preferably a manager) other than the person preparing receipts. Campbell (2006) argues that a well-designed internal finance control structure can enhance operations by improving your department's overall efficiency and effectiveness, as well as, reducing the risk of loss or theft. A bank lock box establishes accountability and restricts access to cash, in addition to streamlining operations by providing immediate deposits and (possibly) electronic application updates. In analyzing the pertinent costs and benefits, managers should also consider the possible ramifications for the organization at large and attempt to identify and weigh the intangible as well as the tangible consequences. According to Dinapoli (2007), it may be difficult to determine the cost of poor public relations and lost goodwill if an ex-employee steals cash because the manager did not change the safe combination or retrieve organization's keys upon the employee's termination.

**2.6 Roles and Responsibilities of an Employee in Internal Finance Control**

Everyone in an organization has some responsibility for internal control: Managers are directly responsible for all activities of an organization, including designing, implementing, supervising proper functioning of, maintaining and documenting the internal control system (Dillard, Rigsby and Goodman, 2004). Their responsibilities vary depending on their function in the organization and the organization's characteristics (Wang, 2008). Internal auditors examine and contribute to the ongoing effectiveness of the internal control system through their evaluations and recommendations and therefore play a significant role in effective internal control.

However, they do not have management's primary responsibility for designing, implementing, maintaining and documenting internal control. Staff members contribute to internal control as well. Internal control is an explicit or implicit part of everyone's duties. According to the COSO (1992) Framework, everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a particular role to play: In management, the Chief Executive Officer (the top manager) of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. In a large company, the chief executive fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business (Adam, 1994). Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a smaller entity, the influence of the chief executive, often an owner-manager is usually more direct. In any event, in a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise, Mintzberg, (1973).

With regard to Board of Directors, management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their board responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem. In the case of Auditors, the internal auditors and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review Information Technology Controls which relate to the IT systems of the organization. There are laws and regulations on internal control related to financial reporting in a number of jurisdictions. To provide reasonable assurance those internal controls involved in the financial reporting process are effective, they are tested by the external auditor (the organization's public accountants), who are required to opine on the internal controls of the company and the reliability of its financial reporting. Everyone in the organization has some role to play in the organization's internal control system.

Chief executive officer (CEO) has ultimate responsibility and ownership of the internal control system. The individual in this role sets the tone at the top that affects the integrity and ethics and other factors that create the positive control environment needed for the internal control system to thrive. Aside from setting the tone at the top, much of the day-to-day operation of the control system is delegated to other senior managers in the company, under the leadership of the CEO. In the case of Chief financial officer (CFO***),*** much of the internal control structure flows through the accounting and finance area of the organization under the leadership of the CFO. In particular, controls over financial reporting fall within the domain of the chief financial officer. The audit committee should use interactions with the CFO, and others, as a basis for their comfort level on the internal control over financial reporting, (Zaccaro, Barder & Kemp, 2004). This is not intended to suggest that the CFO must provide the audit committee with a level of assurance regarding the system of internal control over financial reporting. Rather, through interactions with the CFO and others, the audit committee should get a gut feeling about the completeness, accuracy, validity, and maintenance of the system of internal control over financial reporting. For the case of Controller/director of accounting or finance much of the basics of the control system come under the domain of this position. It is that the controller understands the need for the internal control system, is committed to the system, and communicates the importance of the system to all people in the accounting organization (Payne, 203).

Further, the controller must demonstrate respect for the system though his or her actions. Internal Audit: A main role for the internal audit team is to evaluate the effectiveness of the internal control system and contribute to its ongoing effectiveness. With the internal audit team reporting directly to the audit committee of the board of directors and/or the most senior levels of management, it is often this function that plays a significant role in monitoring the internal control system. It is important to note that many not-for-profits are not large enough to employ an internal audit team (Intercult Audit, 2012).

## 2.7 General Principles of Internal Control

Internal controls entail a number of principles and According Packales (2000), internal control provides a corporate culture that accepts internal control as a normal and necessary element of business. It also covers all activities of an investment firm; such control needs to be commensurate with the risks inherent in different operations. Particular attention needs to be focused on new products, new business areas and cross border operations. In light of this, internal controls incorporate the parent undertaking of an investment firm's consolidation group and is viewed as the exercise which have to be affected all undertakings in its consolidation group. It is argued that if an investment firm purchases services from others, this must not lead to any deterioration in the investment firm's internal control (Intercult Audit, 2012). Internal control entirely includes risk investment systems that enable identification, assessment and control of all essential risks relating to the activities of an investment firm and prevent acts of fraud, embezzlement and other malpractices. Thus, an investment firm must ensure that it has in place updated guidelines for key operations, including internal control of operations (CAG, 2010). In light of this, internal control should also include contingency planning so as to ensure the continuity of the investment firms' operations in the event of disruptions.

### 2.8 Control and Management of Public Finance: Tanzania Perspectives

Part II of the Public Finance Act 2001 No 6 of 2001 provides the duty of the Minister to develop and implement a macroeconomic and fiscal policy framework for the United Republic and shall for that purpose, supervise and monitor the finances of the united republic of Tanzania. Furthermore, section 5 (2) of the Public Finance Act stipulates that the Minister shall ensure that full and transparent accounts are from time to time and not less than annually made to the National Assembly indicating the current and projected state of the economy and finances of the United Republic and the fiscal policy of the Government. Part IV of the Public Finance Act stipulates the preparation and examination of accounts submission of accounts and reports. In this case, public institution is tasked to prepare and transmit to the minister and to the

CAG a balance sheet showing the assets and liabilities of the Consolidated Fund. This is supposed to be accompanied by a statement of the source and application of funds for the Consolidated Fund showing the revenues, expenditure and financing of the Fund for the year (URT, 2000).

## 2.9 Internal Control as a Tool for Audit Committee

Internal control over financial reporting has always been a major area in the governance of an organization, and this importance has been magnified in recent years. This tool is intended to give audit committees basic information about internal control to understand what it is, what it is not, how it can be used most effectively in the organization, and the requirements of management with respect to the system of internal control over financial reporting. Note that the primary responsibility of the audit committee with respect to internal control is the system of internal control over financial reporting, (Intercult Audit, 2012).

This tool is created around the five interrelated components of an internal control structure. Within each component is a series of questions that the audit committee should focus on to assure itself that controls are in place and functioning. These questions should be discussed in an open forum with the individuals who have a basis for responding to the questions. The audit committee should ask for detailed answers and examples from the management team, including key members of the financial management team, internal auditors, and independent auditors to assure itself that the system is operating as management represents, COSO (1994). Evaluation of the internal control structure is not a one-time, but rather a continuous, event for the audit committee the audit committee should always have its eyes and ears open for potential weaknesses in internal control and should continuously probe the responsible parties regarding the operation of the system. These questions are written in a manner such that a no response indicates a weakness that must be addressed, (Intercult Audit, 2012).

## 2.10 Empirical Studies

Prakash (2004) studied internal control in Singapore financial institutions and revealed significant financial servings in 10 financial projects. According to Parkash (ibid) developments is directly attributable to the needs of management resulting from the growth of large-scale business undertakings. It was also revealed from the study that continuous audit and controls was desirable for efficient and effective internal controls.

The analysis by Lovstal (2008) on management control systems in entrepreneurial organizations as a balancing challenge focused on medium-sized firms which, he argued, were an interesting situation of overall tensional requirement. The scholar suggested that due to the persistent use of formal management control systems which include budgeting and reporting systems, performance measurement systems, and project costing systems, the firms face a challenging task of handling the delicate issue medium-sized enterprises and their managers. The study involved two firms namely soft and family Tech which were both medium-sized and growing. The scholar interviewed the managers of these companies on their use of management control systems and what drives them to adopt or fail to adopt the systems. Another study by Fosu, Krah and Obeing (2013) underlines the important of financial controls in ensuring that the Metropolitan, Municipal and District assemblies in Ghana are always solvent and able to provide the necessary services to the local population. The authors maintain that the financial controls ensure that the spending officers in these assemblies authorize the commitment of funds within the limits of the authorized budget and in line with the rules and procedures. The authors further maintained that, as a control measure, the expenditure must be authorized. They found that control of the expenditure is the exercised by district chief executives, finance officers and the internal auditors.

Drury (1995) from his study on the performance of Piccadilly Motor manufacturing company identified that internal control ensured conformity with regard to organization's activities, plans and that its objectives are achieved. The finding was in line with Merrien (2010) who ascertains that for effective organization, there cannot be control without objectives and plans since these predetermine and specify the desirable behaviour and set out the procedures that should be followed by members of the organizations to ensure that the firm is operating in the desirable manner. Mohamed (2003) evaluated the internal controls Ethiopian Airlines Branch office in Nairobi, concluded that lack of segregation of accounting and custodian functions was the greatest weakness of the branch office. He argued that there is need to centralize cash receipts, establish an audit unit, separate accounting unit from sales section, separate duties of purchases activities and establish a perpetual inventory system for the tickets. He further emphasized that the existence of controls is very crucial, especially under today's conditions with severe competition. According to

Simiyu (2011), technical training institutions face a number of challenges relating to the impact of internal control on the institution's performance. Such challenges in internal controls arise as a result of liquidity problems, financial reports that are not prepared on time, problems in the accountability of financial resources and misappropriation of institution resources. Another study on the effects of internal controls on financial performance of the technical training institutions, Munene (2013) observed that indeed the technical institutions were committed to the control systems and actively participated in the monitoring and supervision of the activities of the institutions. Notably, the authors found inefficiency in the internal audits and report on the same. The study recommended competence profiling of the staff in the internal audit department.

COSO survey report (1992)revealed that, the internal audits role in internal control, the report describe that the internal control is the process adopted by directors and management of an entity to provide reasonable assurance that the objective of the entity are achieved with regard to operations, financial reporting and compliance with regulations. External auditing standards e.g. ISA, 400 and AUS, 402 recognise that an effective IA functions can significantly strengthen the control environment by reviewing the inter, and monitoring the operations of the information system and control procedures on behalf of management to ensure reliability and integrity of information and safeguard the organizations assets. Palfi and Muresan (2009) examined the importance of a well organized system of internal control in regard with the bank sector. The sample was based on 25 credit institutions of Romania. The analysis of the survey answers revealed that the continuous collaboration, based on periodical meetings, between all structures of bank, characterizes an effective internal audit department. A study carried out by Abu Musa (2010) investigated the existence and adequacy of implemented security controls of computerized accounting information systems in the Saudi banking sector. The results of study revealed that the vast majority of Saudi banks have adequate security controls in place. The results also enable bank managers and practitioners to better secure their computerized accounting information systems and to champion the security of information technology for the success of their banks (Simiyu, 2011).

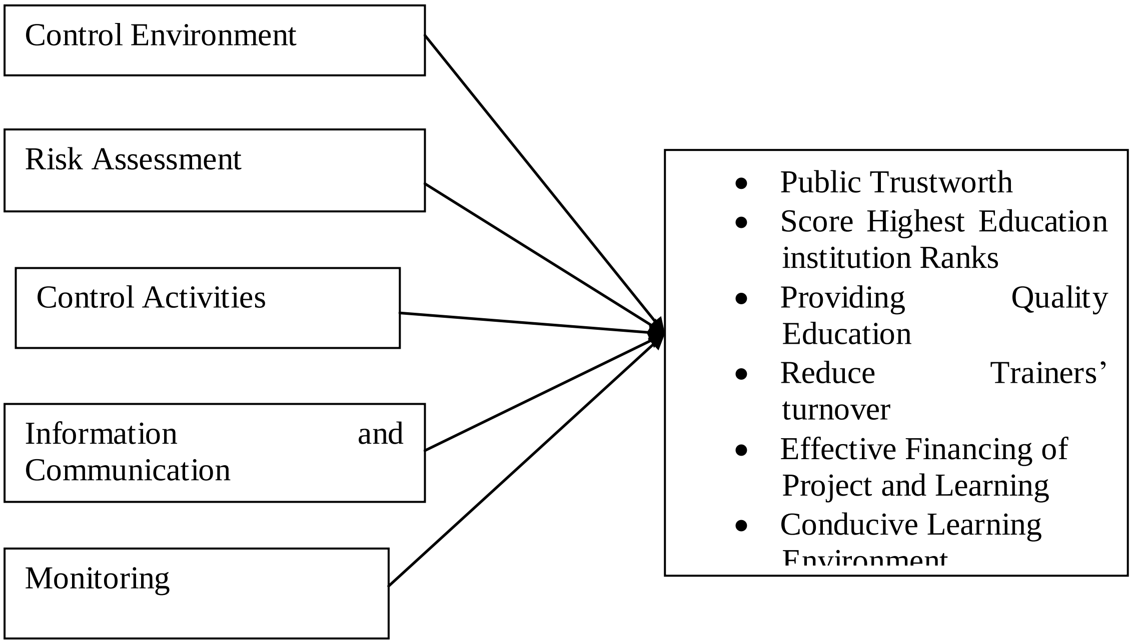
It can be concluded that effective internal controls include; the maintenance of proper accounting records, employee accountability, timely reporting on financial matters, risk mitigation by internal employees, effective communication among employees, efficient and effective utilization of financial and non financial resources and information and communication technology in service delivery (Emasu, 2007). They help to ensure that the organization is not unnecessarily exposed to avoidable financial risks and that financial information used within the business and for publication is reliable (Simiyu, 2011). They also contribute to the safeguarding of assets, including the prevention and detection of fraud and misuse of organizational resources (Musa, 2010).

### 2.11 Research Gap

Extensive review of empirical literature shows that a number of studies on internal controls have been covered globally and that these studies cover from control of finance, procurement and human resources to mention the few. Despite these, there is no documented evidences to indicate that the same study has been done where this study will be done. Hence, findings from this study, conclusion and recommendations will cover the gap. In this study the researcher has discovered the gap which will be fulfilled in order to clear on those different which have been appeared. Due to the review of literature and empirical studies, we have seen some of the areas their performance is below average and hence we need to have some emphasized in those areas. In most of the CAG report we have seen some of the rules and regulations are not fulfilled, such area are in payment procedures, we have seen that some important document are not attached i.e. receipts for acknowledgments, payments without contract and lpo, the officer who sign the voucher is the one who prepare and initiate the payment. In procurement area of weakness are Contract implementation, Complying with tender documents, Advertisements of bids, and Preparation of annual procurement plan and Composition of procurement management unit (PMU).

## 2.12 Conceptual Framework

A study on financial internal controls for the purpose of institution stabilization needs a model that can identify major attributes, which may affect effective control of public funds within the organizations. There is a general agreement between the government and Chief Executives that control of funds leads to effective financing of various projects in a given institution which in-turn results into good performance. There is also contention that effectiveness in financial control system is an important issue public institution should seek to achieve. However, the financial internal control in different public organization and the extent of effectiveness remain controversial. In light of this, effectiveness in public institutions because of organizations' chief executives and political interference and incidences such as incomplete projects and use of un-authorized public funds. This study views finance internal control as an important variable in arriving at educational institutions' effectiveness and hence, stable. Therefore, the modified Katz and Khan (1978) Open System Model (Figure 1.1) will be used in the study.




**Independent Variable** **Dependent Variables**

**Figure 2.1.1: Modified Open System Model**

Source: Adapted from Katzand Khan (1978), The Open system Model.

The model provides a broad framework in which all factors affecting finance internal control in public education institutions as well as outside the educational institutions can be examined. In this study, the output (dependent variables) comprised all components stipulated in this column as seen above whereby dealing with high control evironment, risk assessment, information and communication, control activities and monitoring effects the institution’s internal finacial positively and the output (independent variables) comprises all components which are public trustworth, score highest education institution ranks, providing quality education, reduce trainers’ turnover, effective financing of project and learning, and conducive learning environment stipulated in the column all of which were synchronized by the components in the process column (intermediate variables) such as Management Styles, Auditing Techniques, Channels of Communication, Financial Report System, Allocation and Implimentation of resources affects the independent variables if there to be considered seriously in researcher finding.

# CHAPTER THREE

# 3.0 RESEARCH METHODOLOGY

## 3.1 Overview

This chapter explains research methodologies that were employed during the study. The chapter provides explanations on the following areas: Area where the study was conducted, type of research, research design and research approaches employed during the study, population, sample and sampling procedures, data collection methods and how data collected were analyzed.

## 3.2 Research Philosophy

A research philosophy is all about the way in which data about a phenomenon or a problem ought to be amassed, analyzed and used. It is the approach to understand and write the knowledge that is gained by conducting the research (Dissertation Help service, 2016). Guba (1990), defines it as “a basic set of beliefs that guide action”. Galliers (1992) posits that it further clarifies the process of transforming things believed (opinion) into things know (knowledge). There are three types of research philosophies in research paper; positivism, interpretism and critical. This study used positivism philosophy, because the positivist studies generally attempt to test theory (Myers, 1997; O’Leary, 2004). And more commonly, it is aligned with quantitative methods of data collection and analysis (Creswell 2004; Mackenzie& Knipe 2006).

## 3.3 Study Area

The research was done at the College of Business Education (CBE) headquarters which is located along BibiTiti Mohamed Street in Dar es Salaam city. CBE is a public education institution which provides studies in various disciplines within the business parameters. The institution was studied because it is among the prominent education institution which existed immediately after independence in the year 1961.The college has been expanding drastically with 4 campuses and more than 4,000 students per intake. The college due to rapid expansion receives big funds for day to day expenditure and financing projects of which effective and stable internal finance control is required.

## 3.4 Research Design

Research design is the road map which shows how the actual study was done. During the study, case study research design was adopted. Case study involves in-depth study of a particular aspect and in this study the issues of finance internal control were deeply studied. Case study design enables the researcher to questionnaire and interview as data collection techniques to collect quality, quantity, valid and reliable data. During the study, interviews and questionnaire review were used.

## 3.5 Study Population

The population of the study were all CBE headquarters staff which constitutes a total of 200people (CBE, 2018).

## 3.6 Sample Size and Sampling Techniques

### 3.6.1 Sample Size

A sample is a unit which is derived from the population during survey. A simplified formula of Yamane was used for calculation of the required sample size as it clearly stated in Israel (1992) and Yamane (1967).

Here is a formula: $n = \frac{N}{1+N(e)^2}$

Where; n: is the sample size,

N: is the population size,

e: is the level of precision, sometimes called sampling error or margin of error.

So far, N=200, e =.05.

$\therefore n = \frac{200}{1 + 200(.05)^2}$ **= 116.3333 ≈116respondents**

The sample consisted of 116 respondents. Table 3.1 indicates the sample distribution.

**Table 3.1: Sample Distribution**

| Category of Respondents | Number of Respondents | Percentage |
|---|---|---|
| Rector | 1 | 1.6 |
| Ass. Rector (Finance and Admin) | 1 | 1.6 |
| Accounts Department | 10 | 16.4 |
| Audit Department | 10 | 16.4 |
| Procurement Department | 10 | 16.4 |
| Supporting Staff | 10 | 16.4 |
| Academic Staff | 20 | 32.3 |

Source: Researcher Data, (2018)

### 3.6.2 Sampling Techniques

Both random and purposive sampling method were used to get the required number of respondents during the study. Whereas, purposive sampling method was used to get respondents from higher college management. Random sampling method was used to get required number of respondents from category of academic staff, support staff, accounts and procurement.

## 3.7 Sources of Data for the Study

Sources of data for this study included both primary and secondary data. Primary data were collected through questionnaire. Primary data collection involved techniques used for internal finance control and challenges facing finance internal controls in public education institutions. Secondary data were collected from institutions documents that include government records, college financial and procurement records.

## 3.8 Data Collection Instruments

### 3.8.1 Questionnaire

Questionnaire may be described as a tool for data compilation which consists of the question form for the respondents in the field of studies (Brace, 2018). It includes a particular type of discussion (Geuens& De Pelsmacker, 2017). Kothari (2004) argues that the questionnaire has a number of merits, including low-cost, even when geographical region is widespread and bias-free, since its own words are based on the participants, adequate time to respond and an appropriate instrument for getting difficulty participants. In this specific research, the surveyor embraced a questionnaire as a tool for data collection. Interviewees were given questions using collective administration and mailed questionnaires.

### 3.8.2 Documentary Analysis and Documentary Review Guide

Documentary analysis method involves reading of documents specifically topics which are related to the study. During the study this method was used to collect quantifiable data and documentary guide (instrument) was designed to ensure that all documents to be reviewed are reviewed systematically that is without omissions. However, before designing documentary guide, documents to be reviewed were identified and the guide ensured that all identified documents are effectively captured. In this case, documents to be reviewed included: Government financial regulations, college financial rules and college expenditure to mention a few: and therefore, data to be collected from documents constituted secondary data.

## 3.9 Reliability and Validity of Research Instruments

### 3.9.1 Reliability Analysis

Reliability of a research tools is the measure of the degree or extent to which a research instrument yields consistent results of data after repeated trials. Reliability has to do with the quality of measurement. (Msabila & Nalaila, 2013). The measurement is reliable if it provides the same results or consistent results on different trials and times. Msabilaand Nalaila suggest that, internal consistency is measured with Cronbach’s alpha, a statistic calculated from pair wise correlations between items and it ranges between zero and one. The results of the experiment on Table 3.1 showed that, Cronbach's coefficient of all variables was over 70 percent as a statistically correct data collection instrument. Reliability coefficient 0.7 or higher is considered acceptable in majority of social science research (Seekeran, 2004).

**Table 3.2: Reliability Analysis**

| Item | Number of Respondents | Cronbach's Alpha | Number of items |
|---|---|---|---|
| Internal finance control | 116 | 0.921 | 5 |
| Moderating variables | 116 | 0.871 | 5 |
| Stabilisation of internal | 116 | 0.912 | 6 |

### 3.9.2 Validity of the Research Tool

Validity of measurement is defined as the ability of a scale or tool to measure what is supposed to be measured. It is the accuracy and truth of the data and findings that are produced. (Msabila& Nalaila, 2013). Also, Krishnaswami (1993) defines validity as the effectiveness/success of an instrument in measuring the specific property which it intends to measure. To guarantee the validity of the data instruments, researchers performed test-retest pilot research. Twenty questionnaires were circulated to the participants and administered. Following the same procedure, the same participants were repeated after one week. The pre-test data collection tools are important because pre-test data collection tools ensure validity before the major survey (Lee et al., 2016).

## 3.10 Quantitative Data Analysis and Presentation

The data collected were edited, coded, classified on the basis of similarity and then tabulated. To permit quantitative analysis, data was converted into numerical codes representing attributes or measurement of variables. Descriptive statistics such as frequency distributions, percentages and frequency tables was used to summarize and relate variables which were attained from the study. Despriptive statistics were used to analyse first and second objectives.The study also adopted regression to establish rlationship between variables in the third objective. Regression analysis was used to come up with the model expressing the hypothesized relationship between the independent variables (Control environment, Risk assessment, Control activities, Information and communication, Monitoring) and the dependent variable (Stabilization of Public Education Institutions in Tanzania). The following is the equation of the proposed regression model.

**SPEIT**$=f(\beta_0 + X_1 + X_2 + X_3 + X_4 + X_5)$

**SPEIT =** $\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \mu$

Where,

$\beta_0$, $\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$ and $\beta_5$ are the regression co-efficient

SFI – Stabilization of Financial Institutions

$X_1$ – Control environment

$X_2$ – Risk assessment

$X_3$ – Control activities

$X_4$ – Information and communications

$X_5$ –Monitoring

SPEIT – Stabilization of Public Education Institutions in Tanzania

'μ' is the error term. It was added to a regression equation to introduce all the variation in dependent variable that cannot be explained by the included explanatory variables.

Regression analyses were carried out to find out the significant effect of independent variables ($X_1, X_2, X_{3,} X_4$ and $X_5$) on dependent variables (Stabilization of Public Education Institutions in Tanzania)

### 3.10.1 Assumptions of Multiple Linear Regression

The multiple linear regression model consists a set of assumptions about how a data set should produced by underlying "data generating process". The theoryspecified a deterministic relationship between the dependent variable and independent variables (Greene, 2003).

In statistical analysis, all parametric test assume some certain characteristics about data, also known as assumptions. Violation of these assumption may change the accuracy of the regression estimates and interpretation of the result. Therefore all the research whether for a journal, article, thesis or dissertation mst follow these assumption for accurate interpretation depending on the parametric analysis. There are five regressions assumptions namely; linearity, normality, homoscedasticity, collinearity, and autocorrelations.

# CHAPTER FOUR

# 4.0 DATA PRESENTATION AND DISCUSION OF FINDINGS

## 4.1 Overview

This chapter presents research findings. The study sought to establishing analysis of the effect of internal finance control in Tanzania public Education institutions. Analysis based on the specific objectives of the study and was preceded by demographic characteristics of the respondents.

## 4.2 Data Presentation

This section aims at discussing the respondents to enable the study establish the extent of judgment one might have in the area of the study. Among the researched respondents' characteristic include education level and working experience of each respondent.

## 4.3 Characteristics of Respondents

The purpose of this section is to present the key characteristics of the respondents basing on sex, working experience or tenure of service and educational level.

### 4.3.1 Sex of Respondents

The question about gender was asked to the respondents for the purposes of avoiding the problem of gender biasness. The finding concerning respondents' gender show that, out of 116 respondents who were involved in this research 60 (51.7%) respondents were male and 56 (48.3 %) respondents were female. See Table 4.1.

**Table 4.1: Gender Distribution of Respondents**

| Variable | Frequency | Percent |
|---|---|---|
| Male | 60 | 51.7 |
| Female | 56 | 48.3 |
| Total | 116 | 100.0 |

Source: Research data, (2019).

### 4.3.2 Age of the Respondents

Age of the respondents was considered to be important in establishing analysis of the effect of internal finance control in Tanzania public Education institutions. Respondents by age group were divided in to group intervals. The study revealed that the age distribution of the respondents favoured the group between20 to 29years which comprised 25(21.6%) of the total respondents, between 30 to 39 were 38 respondents which equal to 32.8% of the total respondents, ages between 40 to 49 were 38 respondents which equal to 21.6 % of the total respondents, age above 50 years were 9 respondents which equal to 7.8 % of the total respondents and only 5 which equal to 6 % of respondent were not exactly ages about. Table 4.2illustrates the findings.

**Table 4.2: Ages of the Respondents**

| Category | Frequency | Percent |
|---|---|---|
| 20-29 | 25 | 21.6 |
| 30-39 | 38 | 32.8 |
| 40-49 | 38 | 32.8 |
| <50 | 9 | 7.8 |
| 5 | 6 | 5.2 |
| Total | 116 | 100.0 |

Source: Research data, (2019)

### 4.3.3 Respondents' Education Levels

Education level was also considered as an important attribute when analyzing of the effect of internal finance control in Tanzania public Education institutions. Respondents by age group were divided into five group intervals. This was because, education was assumed to have a crucial role in enabling respondents to understand different questions about the effect of internal finance control in Tanzania public Education institutions. The study found that, 1 (9 %) of the respondents had qualifications of primary certificate level of education. 14 (12.1 %) of respondents were diploma. 48 (41.4 %) of respondents had a degree level. 3 (10%) the respondents had qualifications of diploma level. 3 (2.6 %) of staff respondents had qualifications of PhD level and 50 (48.1%) of all respondents had others professional qualification of education. See table 4.3 illustrating the findings.

**Table 4.3: Respondents' Education Backgrounds**

| Level of education | Frequency | Percent |
|---|---|---|
| Certificate | 1 | .9 |
| Diploma | 14 | 12.1 |
| Degree | 48 | 41.4 |
| PhD | 3 | 2.6 |
| Professional certificate | 50 | 43.1 |
| Total | 116 | 100.0 |

Source: Research data, (2019)

### 4.3.4 Working Departments of the Respondents

Department of the respondents in the selected organization was also important in understanding the analysing the effect of internal finance control in Tanzania public Education institutions. The aim of considering departments was due to the fact that different employees had a different understanding on different matters related to the institution. The study revealed that, 14 (12.1%) of respondents were from the accounts department, 12 (10.3%) of respondents were from the audit department, 19 (16.4%) of respondents were from the procurement department, 12 (10.3%) of respondents were from the audit department, 44 (37.9.3%) of respondents were from support staff and 27(23.3%) of respondents were from academic. Table 4.4 illustrates the above statistical findings.

**Table 4.4: Departments of the Respondents**

| Department | Frequency | Percent |
|---|---|---|
| Accounts department | 14 | 12.1 |
| Audit department | 12 | 10.3 |
| Procurement department | 19 | 16.4 |
| Support staff | 44 | 37.9 |
| Academic | 27 | 23.3 |
| Total | 116 | 100.0 |

Source: Research data, (2019).

### 4.3.5 Respondents by Work Experience

The staff respondents were asked to state their work experience at College of Business Education. The study statistics indicate that, 45 (38.8 %) worked at CBE for the period between one and five years. 40 (34.5%) worked between six and ten years. 15 (12.9%) of the respondents worked for the period between 11 and 15 years, 10 (8.6%) of the respondents worked for the period between 16 and 20 years and 6 (5.2%) of the remaining respondent worked for their organization for the period over 20 years. The statistics shows that, there was a good combination of experienced and less experienced workforce in the selected institution as indicated on Table 4.5.

**Table 4.5: Respondents' Years Worked in Department**

| Years of experience | Frequency | Percent |
|---|---|---|
| 1 to 5 | 45 | 38.8 |
| 6 to 10 | 40 | 34.5 |
| 11 to 15 | 15 | 12.9 |
| 16 to 20 | 10 | 8.6 |
| Over 20 years | 6 | 5.2 |
| Total | 116 | 100.0 |

Source: Research data, (2019).

## 4.4 Factors Affecting Internal Finance Control in Tanzania Public Education Institution

The respondents were asked about the factors affecting internal finance control in Tanzania public education institution. Descriptive statistics were used to analyze the findings.

### 4.4.1 Control of Environment

#### 4.4.1.1 Staff Interpersonal Relationship

The study was interested in understanding of control of environment by investigating if staffs have good working relationship among themselves. The study findings show that, 39 (33.62%) of total respondents from the selected departments strongly agreed. 63(54.31 %) of the respondents agreed, 13(11.21%) of the respondents were not sure while only 1 (0.86%) of respondents strongly disagree on control of environment if the staff has good working relationship among themselves as shown on Table 4.6.This indicate that, there was good control of the environment as majority of the respondents agree to have inter-personal good relationship in the working environment.

**Table 4.6: Staff Interpersonal Relationship**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 39 | 33.62 |
| Agree | 63 | 54.31 |
| Not sure | 13 | 11.21 |
| Disagree | 0 | 0.00 |
| Strongly Disagree | 1 | 0.86 |
| Total | 116 | 100 |

Source: Research data, (2019).

#### 4.4.1.2 Commitment of Staffs to their Responsibilities

Majority of the respondents were confident that staff were committed to their responsibilities; this is justified by the number of respondents who agreed on the statement. Out of 116 respondents 62 (53.45%) of the respondents strongly agreed, the response as indicated in the below analysis indicates that to a large proportion, respondents were in an agreement that their Staff is committed to their responsibilities as depicted Table 4.7.

**Table 4.7: Commitment of Staffs to their Responsibilities**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 44 | 37.93 |
| Agree | 62 | 53.45 |
| Not sure | 8 | 6.90 |
| Disagree | 1 | 0.86 |
| Strongly Disagree | 1 | 0.86 |
| Total | 116 | 100 |

Source: Research data, (2019).

#### 4.4.1.3 Institution has an Accounting and Financial Management System

As shown on Table 4.8, 50.86% of the respondents agreed that, their institution has an accounting and financial management system as a control of environment, 36.21% also strongly agreed, while14% were not sure, and 1% disagreed.

**Table 4.8: Institution has an Accounting and Financial Management System**

| Respondents | Frequency | Percentage (%) |
| --- | --- | --- |
| Strongly Agree | 42 | 36.21 |
| Agree | 59 | 50.86 |
| Not sure | 14 | 12.07 |
| Disagree | 1 | 0.86 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019).

#### 4.4.1.4 Institution has Objectives, Independent and Active Audit Committee

63.79% of respondents agreed that, their institution has objectives, independent and active audit committee as the control of environment, and supported by 27% of participants who strongly agreed. According to the findings on Table 4.9, it shows most of the respondents support that, their institution has goals, independent and active audit committee as a control environment of finance control.

**Table 4.9: Institution has Objectives, Independent and Active Audit Committee**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 27 | 23.28 |
| Agree | 74 | 63.79 |
| Not sure | 14 | 12.07 |
| Disagree | 0 | 0.00 |
| Strongly Disagree | 1 | 0.86 |
| Total | 116 | 100 |

Source: Research data, 2019

#### 4.4.1.5 All Jobs are given on Competency Basis

Respondents were asked if all jobs were given on competency basis as internal finance control. The study findings show that, 36 (33.03%) of total respondents from the selected departments strong agreed, 67 (57.70 %) of the respondents agreed, while 10 (8.62%) of the respondents were not sure, and only 3 (2.58%) of respondents disagreed as indicated on Table 4.10.

**Table 4.10: All Jobs are given on Competency Basis**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 36 | 31.03 |
| Agree | 67 | 57.7 |
| Not sure | 10 | 8.062 |
| Disagree | 2 | 1.72 |
| Strongly Disagree | 1 | 0.86 |
| Total | 116 | 100 |

Source: Research data, (2019)

#### 4.4.1.6 All Workers have Work Schedules

50.86% of respondents agreed that, all workers have work schedules hence no job conflicts and 37% of participants also sincerely strongly agree on that. Therefore, the findings on Table 4.11 shows that, most of the respondents supported the fact that, all workers had well scheduled work to avoid conflict.

**Table 4.11: All Workers have Work Schedules**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 37 | 31.90 |
| Agree | 59 | 50.86 |
| Not sure | 17 | 14.66 |
| Disagree | 3 | 2.59 |
| Strongly Disagree | 0 | 0.0 |
| Total | 116 | 100 |

Source: Research data, 2019

## 4.5 Techniques Employed by Tanzania Public Institutions' Managements to Effect Internal Finance Control Systems

Descriptive statistics were also employed to examine techniques involved by Tanzania public institutions management to effect internal finance control systems. Two major techniques were examined including risk assessment and use of information communication.

### 4.5.1 Risk Assessment

#### 4.5.1.1 Management uses Instruments for Risk Transfer or Sharing with other Organizations

In this part respondents were asked to answer the level on risk assessment being used as one of the factors of internal finance control. The findings showed that,43

(37.07%) of the respondents strongly agreed, 59 (48.28%) agreed, 16 (13.79%) were not sure, while 0.86%disagreed. This attest that, management of instruments for risk transfer or sharing with other organizations has a positive contribution to improving risk management in public organization.

**Table 4.12: Management Uses Instruments for Risk Transfer or Sharing with other Organizations**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 43 | 37.07 |
| Agree | 59 | 48.28 |
| Not sure | 16 | 13.79 |
| Disagree | 1 | 0.86 |
| Strongly Disagree | 0 | 0.0 |
| Total | 116 | 100 |

Source: Research data, (2019).

#### 4.5.1.2 Risks Identified are Reviewed and Decisions are made through Risk Management Committee

Respondents were asked whether they have an understanding about the knowledge of risks identified are reviewed and decisions are made on the same through risk management committee. Table 4.13 showed that, 40(34.48%) of the respondents strongly agreed, 57 (49.14%) agreed, 18 (15.52%) were not sure, and 1(0.86%) disagreed. This reveals that, risks identified are reviewed and decisions are made through risk management committee.

**Table 4.13: Risks Identified are Reviewed and Decisions are made Through Risk Management Committee**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 40 | 34.48 |
| Agree | 57 | 49.14 |
| Not sure | 18 | 15.52 |
| Disagree | 1 | 0.86 |
| Strongly Disagree | 0 | 0.0 |
| Total | 116 | 100 |

Source: Research data, (2019)

#### 4.5.1.3 There is Existence of Risk Management Committee in the Organization

Findings indicate that, 95(82.90%) of the respondents agree that, existence of risk management committee in the organization as risk management of internal finance control in public sectors. However, 16(13.79%) were not sure while 5(4.31%) disagreed as indicated on Table 4.14.

**Table4.14: There is Existence of Risk Management Committee in the Organization**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 38 | 32.76 |
| Agree | 57 | 49.14 |
| Not sure | 16 | 13.79 |
| Disagree | 5 | 4.31 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019)

#### 4.5.1.4 The Institution Management Encourages Reporting of Events in order to Identify Risks

99(85.34%) of the respondents agree that, the institution management encourages reporting of events in order to identify risks as risk management of internal finance control in public sectors. On the other hand, 15(12.29%) were not sure, and 2(1.72%) disagreed as shown on Table 4.1.

**Table 4.15: The Institution Management encourages Reporting of Events in Order to Identify Risks**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 35 | 30.17 |
| Agree | 64 | 55.17 |
| Not sure | 15 | 12.29 |
| Disagree | 2 | 1.72 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019).

#### 4.5.1.5 There is Adequate Capacity to Undergo Risk Assessment of Institution

Respondents were asked whether there is adequate capacity to undergo risk assessment of institution. Findings revealed that, 30(25.86%) of the respondents strongly agreed, 65(56.03%) agreed, 15(12.29%) were not sure, and 2(1.72%) disagreed as indicated on Table 4.16. This shows that, adequate capacity to undergo risk assessment of institution was very important in controlling internal finance of the public institution.

**Table 4.16: There is Adequate Capacity to undergo Risk Assessment of Institution**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 30 | 25.86 |
| Agree | 65 | 56.03 |
| Not sure | 15 | 12.29 |
| Disagree | 2 | 1.72 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019).

### 4.5.2 Information and Communication

#### 4.5.2.1 Information Flows freely without any Interference

The respondents were asked whether an understanding on information flows freely without any interference is one of the controlling internal finance in public institution. Table 4.17 reveals that, 40(35.34%) of the respondents strongly agreed, 65 (56.03%) agreed, 8(6.90%) were not sure, and the remaining 2(1.72%) disagreed. This shows that, information flows freely without any interference also help in controlling internal finance in public institutions.

**Table 4.17: Information Flows Freely without any Interference**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 41 | 35.34 |
| Agree | 65 | 56.03 |
| Not sure | 8 | 6.90 |
| Disagree | 2 | 1.72 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019)

#### 4.5.2.2 Staff have Information on Internal Control and Stabilization

Table 4.18 shows that, about 34 respondents which equal to 29.31% of the respondents agreed that, staff have information on internal control and stabilization, 66(56.90%) strongly agreed, 12% (10.34%) were not sure, while 4(3.45%) disagreed. Results evince that, staffs have adequate information concerning internal control and stabilization.

**Table 4.18: Staff have Information on Internal Control and Stabilization**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 34 | 29.31 |
| Agree | 66 | 56.90 |
| Not sure | 12 | 10.34 |
| Disagree | 4 | 3.45 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019)

#### 4.5.2.3 All Channels of Communication are Utilized by Staff

Findings on Table 4.19reveals that, 36(31.03%) of the respondents strongly agreed, 64 (55.17%) agreed, 13(11.21%) were not sure, and the remaining 3 (2.59%) disagreed. This shows that, all channels of communication are utilized by staff help in controlling internal finance in public institutions.

**Table 4.19: All Channels of Communication are Utilized by Staff**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 36 | 31.03 |
| Agree | 64 | 55.17 |
| Not sure | 13 | 11.21 |
| Disagree | 3 | 2.59 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019)

#### 4.5.2.4 There is Good Communication among Departments

Table 4.20 presents that, about 47 respondents which equal to 40.52% of the respondents agreed the presence of communication among departments 56 (48.28%) strongly agreed on that, while 13% (11.21%) were not sure. This gives an evidence of existence of good communication among departments.

**Table 4.20: There is Good Communication among Departments**

| Respondents | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 47 | 40.52 |
| Agree | 56 | 48.28 |
| Not sure | 13 | 11.21 |
| Disagree | 0 | 0.00 |
| Strongly Disagree | 0 | 0.00 |
| Total | 116 | 100 |

Source: Research data, (2019)

## 4.6 The Extent the Internal Finance Control Affects the Stabilization of Tanzania Education Institutions

The extent at which internal finance control affects the stabilization of Tanzania education institutions was examined using multiple regressions. In order to verify if the variables were statistically suitable for regression, five assumptions were screened for a multiple regression analysis. Ignoring the assumptions of regression leads to misestimates of validity (Antonakis & Deitz, 2011). Five assumptions included: linearity, normalcy, collinearity, homoscedasticity, and autocorrelation.

### 4.6.1 Linearity Assumption

Correlation analysis was conducted to measure the strength and direction of linear relationship between independent variables and dependent variable. Results presented on Table 4.21 indicates that, Pearson correlation between control environment and stabilization of education institutions, r(116)=.69, *p*<.000, was moderate positive relationship. However, strong positive relationship was found between risk assessment and stabilization of education institutions r(116)=.87, *p*<.000, and between information communication and stabilization of education institutions, r(116)=.99, *p*<.000. It was also concluded that linear relationship between the variables was statistically significant since the p value was less than 0.5 (p<.000). This implies that, the assumption was satisfied.

**Table 4.21: Correlations Showing Linearity Test**

| | Control environment | Risk assessment | Information and communication | Stabilization of institutions |
|---|---|---|---|---|
| Control environment | 1 | | | |
| | 116 | | | |
| Risk assessment | .778$^{**}$ | 1 | | |
| | .000 | | | |
| | 116 | 116 | | |
| Information and communication | .760$^{**}$ | .862$^{**}$ | 1 | |
| | .000 | .000 | | |
| | 116 | 116 | 116 | |
| Stabilization | .694 | .866$^{**}$ | .992$^{**}$ | 1 |
| | .000 | .000 | .000 | |
| | 116 | 116 | 116 | 116 |

### 4.6.2 Autocorrelation Assumption

The Durbin-Watson test used thumb rule 1.5 < d < 2.5 to test autocorrelation assumptions. The value of Durbin-Watson, as stated on a Table 4.22, was 1.65, which is acceptable. There was therefore, sufficient evidence that, very low autocorrelation observed among independent variables implying the assumption was statistically met.

**Table 4.22: Durbin-Watson showing Autocorrelation test**

| Model | R | R Square | Adjusted R Square | S.E | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .785[a] | .616 | .610 | .11231 | 1.645 |

### 4.6.3 Multicollinearity Assumption

Tolerance rate and VIF (Variance inflating factor) were evaluated to test the collinearity between variables. The impact of an independent variable upon all other independent variables is determined by level of tolerance. Correlation tolerance rates range from zero (no independence) to one (full independence) (Keith 2006). From the Table 4.23, it was revealed that, tolerance level on all independent variables were close to 1 while VIF value was below 10 which indicates no multicollinearity.

**Table 4.23: Collinearity Statistics**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 1.802 | .116 | | 15.595 | .000 | | |
| Control environment | -.164 | .077 | -.760 | -2.138 | .000 | .015 | 4.892 |
| Risk assessment | .026 | .026 | .088 | .998 | .000 | .249 | 4.016 |
| Information and communication | .237 | .059 | 1.456 | 4.030 | .000 | .015 | 6.936 |

### 4.6.4 Normality Assumption

The skewness and kurtosis were applied among the variable sample data shown in the Table 4.24 to test normality assumption Skewness defines the degree of asymmetry of a distribution around its mean if the distribution of the data are symmetric then skewness will be close to 0, while Kurtosis calculates the relative peakedness or flatness of a distribution compared to a normal distribution (Cisar &Cisar, 2010).Kurtosis findings showed that the sample data were usually assigned to the acceptable range (-2.0<k<2.0) of all factors. On the other side, findings show that sample data were negatively skewed in a statistically significant range (-1.96<std. error < 1.96). The assumption was thus fairly fulfilled.

**Table 4.24: Normality test**

| Variable | N | Skewness | | Kurtosis | |
|---|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Control environment | 116 | -.381 | .126 | -.839 | .121 |
| Risk assessment | 116 | .237 | .126 | -.972 | .121 |
| Information and communication | 116 | .105 | .126 | -.824 | .121 |
| Valid N (listwise) | 116 | | | | |

### 4.6.5 Multiple Regression Analysis

Model summary Table 4.25 obtained that, R square =0.616 which is equal to 61.6%. Results indicated that, 61.6% of independent variables (Control environment, Risk assessment, and Information and communication) explain variation of the model.

This gives a reflection that, internal finance control has a significant relationship on stabilization of education institutions.

**Table 4.25: Model summary Showing Model Variation**

| **Model** | **R** | **R Square** | **Adjusted R Square** | **S. E** |
|---|---|---|---|---|
| 1 | .785[a] | .616 | .610 | .11231 |

Contribution of each individual independent variable was also investigated as illustrated on Table 4.26. Results show that, a single unit increase of control environment explains 0.2 increase of stabilization of the institutions, whereas, one unit increase of risk assessment explains 1.03 increase of stabilization, and an increase of information and communication by a single unit accounts for 0.2 stabilization of education institutions increase.

**Table 4.26: Regression Coefficients**

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| Model | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 1.802 | .116 | | 15.595 | .000 |
| | Control environment | .164 | .077 | -.760 | -2.138 | .034 |
| | Risk assessment | 1.026 | .026 | .088 | .998 | .319 |
| | Information and communication | .237 | .059 | 1.456 | 4.030 | .000 |

The regression model was developed from the regression equation as shown below;

From $y = \alpha + a\beta 1 + b\beta 2 + \varepsilon$

*Then,* $SEI = \alpha + CE(\beta 1) + RA(\beta 2) + IC(\beta 3) + \varepsilon$

*Hence,* $\boldsymbol{SEI = 1.802 + CE(0.2) + RA(1.03) + IC(0.2)}$

*Where,*

$\alpha$ = *Constant*

*SEI = Stabilization of Education Institutions*
*CE =Control Environment*

*RA = Risk Assessment*

*IC = Information and Communication*

$\varepsilon$ = *Standard Error*

# CHAPTER FIVE

# 5.0SUMMARY, DISCUSSIONS AND CONCLUSION

## 5.1 Overview

This study aims at examining the effect of internal finance control in Tanzania public Education institutions. the study is built upon three specific objectives; to examine factors affecting internal finance control in Tanzania public education institutions; to identify techniques employed by Tanzania public institutions' managements to effect internal finance control systems; and to determine the extent the internal finance control affects the stabilization of Tanzania education institutions findings of the objectives were preceded by socio-demographic characteristics which included age, sex, educational level, and working experience.

It was found that, males were 51,7% while females were 48.3%. majority of participants were aged between 30 and 39 (32.8%), between 20 and 29 (21.6%), and between 40 and 49 (21.6%). Distribution by educational level revealed that, majority were degree holders (41.4%) and professional certificate holders (48.1%). In addition, most of the respondents had experience between 1 and 5 years (38.8%) and between 6 and 10 years (34.5%). First objective results indicate that, factors which affect internal finance control involved six aspects which falls under facet of control of environment. These include, staff interpersonal relationship (54.3%), commitment of staffs to their responsibilities (53.5), institution has an accounting and financial management system (50.9%), institution has objectives, independent and active audit committee (63.8%), all jobs are given on competency basis (57.7%), and all workers have work schedules (50.9%). Second objective revealed that, techniques which were employed to effect internal finance control basically relies on two aspects namely risk assessment and information and communication. Risk assessment involved five factors which are management uses instruments for risk transfer or sharing with other organizations (48.28%), risks identified are reviewed and decisions are made through risk management committee (49.14%), there is existence of risk management committee in the organization (82.90%), the institution management encourages reporting of events in order to identify risks (85.34%), there is adequate capacity to undergo risk assessment of institution (56.03%). Information and communication factors were information flows freely without any interference (56.03%), staff have information on internal control and stabilization (56.90%), all channels of communication are utilized by staff (55.17%), there is good communication among departments (48.28%). Third objective indicate that, 61.6% of independent variables (Control environment, Risk assessment, and Information and communication) explains variation of the model. This gives a reflection that, internal finance control has a significant relationship on stabilization of education institutions.

## 5.2Discussion of the Findings

### 5.2.1 Factors Affecting Internal Finance Control in Tanzania Public Education Institutions

Based on the findings, internal finance control was likely to be controlled with aspects related with control of environment. This provide several implications which associates with how environment can control internal finance of an institution. For instance, majority of respondents claim that, good interpersonal relationship, staff commitment, and availability of an accounting and financial management system influenced control of finance control. This implies that, existence of good relationship among staff encourage working cooperation which serves as an added value as a matter of job motivation. In addition, availability of good accounting and financial management system provide adequate working environment in managing internal finance and simplify financial activities.

Results also suggest that, every worker has an individual work schedules and was given based on personal competency as well as managed by an active audit committee. This gives a notion that, CBE has serious working strategies imposed to enable its workers fulfill their activities effectively under sufficient supervision particularly in internal finance control. Current findings were in harmony with Abugri (2016) who also revealed that, internal finance control in public institution was significantly affected by existence of strict supervision, scheduling and segregation of duties, and authorization.

Similarly, Mokono and Nasieku (2018) found that, independence of internal audit, adequate working environment of auditors positively influenced performance of functions of internal finance in public institutions. Xu and Gao (2015) in line also with these findings on the notion that, management of internal finance is likely to be supported by control of environment for both auditors and financial system.

### 5.2.1 Techniques Employed by Tanzania Public Institutions' Managements To Effect Internal Finance Control Systems

Analysis of the findings in this objective provide several implications in regards to techniques employed by CBE in managing internal finance control systems. First, results suggest that, the institution employed mainly risk assessment and information and communication techniques to effect internal finance control. In particular, CBE was observed to use instruments for risk transfer or sharing with other organization, use of risk management committee to review identified risks, and implementation of adequate risk assessment.

This implies that, CBE put substantial efforts on risk assessment as a management technique to effect internal finance control systems. The institution has implemented risk management system which allows to easy identify, report, review, as well as making decision on identified risks. In addition, results suggest that, CBE has sufficient information flow which is free from interference. This was supported by good communication among departments and dissemination of information on internal control and stabilization.

These findings were in consistent with Francis and Imiete (2018) who also suggest that, risk assessment and management of information and communication in public institution adds value on effecting internal finance control. Findings were also supported by Urquia (2018) regarding the notion that, ineffective implementation of risk assessment and poor information and communication channels negatively affected management of internal finance control in Uganda public organizations.

### 5.2.2 The Extent at which Internal Finance Control affects the Stabilization of Tanzania Education Institutions

Findings disclosed that, internal finance control has significant effect on stabilization of education institution. In regards to CBE, control of environment, risk assessment, and information and communication practices positively influenced stabilization of the institution. These factors were found to account for 61.6% of the stabilization of the CBE. This implies that, effective implementation of risk assessment practices, adequate control of environment and sufficient information and communication positive contribute to stabilization of education institutions.

Several studies align with current findings. For instance, Njeri (2014) found these factors explains 75.7% of financial performance in manufacturing firms in Kenya. Umar and Dikko (2018) also revealed that, risk assessment, information and communication, monitoring, and control environment had positive relationship with bank performance in Nigeria. Another study conducted by Vovchenko et al. (2017) also suggest that, risk assessment systems and information management system playa crucial role on internal finance control of public institutions and their stability.

## 5.3 Conclusion of the Study

This study set to examine the effect of internal finance control in Tanzania public education institutions with focus on CBE as a case study. Based on the findings, risk assessment, control of environment, and information and communication were found to attribute significant contribution on stabilization of the institution as the matter of effective internal finance control practices. Results suggest that, effective implementation of these practices ensure an enhancement of stabilization of an institution. Control of environment was also revealed to significant affect control of internal finance. Practices such as availability of an accounting and financial management system, commitment of staffs, good interpersonal relationship, and effective scheduling of work added an advantage for efficient control of internal finance at CBE.

Further, employing of risk assessment, information and communication system as techniques for managing internal finance proved success at CBE. Adoption of these techniques allows the institution to disseminate information freely without interference, good communication among departments, effective reporting of risk events and adequate capacity to undergo risk assessment within an institution. To conclude, stabilization of education institution relies heavily on management of internal finance as it is one of the most significant drivers of the institution. However, control of internal finance requires appropriate control of financial environment with an aid of effective risk management and information and communication channels.

## 5.4 Recommendations of the Study

While excellent internal finance control can be costly, its costs will be offset by the benefits it brings, such as asset security and prevention of errors. The recommendation for internal control of finances in CBE is as follows. Management in public education institutions should conduct seminars and workshops where internal auditors will be often trained internally or externally by professionals. Internal auditors shall be able to perform the duties allocated to them in adequate skills and training. The work of the auditor shall be closely scrutinized, monitored and examined. The necessary volume of monitoring should correspond to the internal auditor's experience and skills. In order to support and encourage autonomy and guarantee the wide audit coverage, adequate consideration of audit reporting and suitable actions on audit suggestions in government education institutions, internal auditing heads should also act in a management/board organization with sufficient power. In addition, auditing heads should be accountable.

Internal auditors should also be fully taught how to use the recent internal audit software to maintain pace with technologically evolving developments.

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# APPENDICES

## Appendix I: Introductory letter

**C/O Open University Of Tanzania (OUT)**
**P.O. Box 23409**
**Dar es salaam**
**Tanzania**

**TO WHOM IT MAY CONCERN**

**Dear Respondent,**

**REF: MBA RESEARCH STUDY**

I am a student pursuing a masters degree in Business Administration (Finance) at the Open University of Tanzania. In partial fulfillment of the requirement to the award of the masters degree , I am required to carry out the study on **" Effect of internal control on stabilization of Public education institutions in Tanzania''.**

I kindly request your assistance by availing time to respond to the questionnaire. Acopy of the final report will be made available to you at your request. The information given will be treated with utmost confidentiality for the purpose of this study only. Your assistance will be highly appreciated.

**Thank you in advance.**

**Appendix II: Questionnaire**

**Section A: Background information**

Please supply the required data by filling in the blanks where space is provided or tick [] against the most appropriate answer.

I respondent name…………………………………………………………..(Optional)

1. Gender Male [ ] Female [ ]

3. Age

   20-29 [ ] 30-39 [ ] 40-49 [ ] 50 and above [ ]

4. Level of Education

   Certificate [ ] Diploma [ ] Degree [ ]

   PhD [ ]

   Others (specify) ………………………………………….

5. Which department are you attached to?

   Accounts Department [ ]

   Audit department [ ]

   Procurement Department [ ]

   Support Staff [ ]

   Academic Staff [ ]

6. Number of years worked in department.

1 to 5 [ ] 6 to 10 [ ] 11 to 15 [ ]

16 to 20 [ ] Over 20 years [ ]

Please tick [ ] according to the code provided below for the variable below:-

Strong Agree = 5, Agree = 4, Not Sure =3, Disagree = 2, Strong Disagree = 1.

**Section B: Internal Control**

The following items examine the factors affecting internal finance control in Tanzania public education institution.

| (i) Control Environment | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Staff have good working relationship among themselves | | | | | |
| Staff is committed to their responsibilities | | | | | |
| Our institution has an accounting and financial management system | | | | | |
| Our institution has objectives, independent and active audit committee | | | | | |
| All jobs are given on competency basis | | | | | |
| All workers have work schedules hence no job conflicts | | | | | |
| All jobs are standardized | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| All duties are performed accordingly to the approved standard | | | | | |
| All employees are treated equally | | | | | |
| There is a mechanism to monitor regular attendance of staff | | | | | |

| (ii) Control Activities | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Our institution has clear separation of roles | | | | | |
| Our institution has well developed chart of accounts | | | | | |
| Our security system identifies and safeguard institutional assets | | | | | |
| All financial transactions are recorded in vouchers for future reference | | | | | |
| All payments procedures are followed in all transactions | | | | | |
| All payments are authorized by responsible officers before payment | | | | | |
| Accounts are reconciled on monthly basis to detect error and fraud | | | | | |
| Staff are given up- to -date internal control manuals for reference purposes | | | | | |

The following items identify the techniques employed by Tanzania Public institutions' management to effect of internal finance control systems.

| (iii) Risk assessment | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Management uses instruments for risk transfer or sharing with other organizations | | | | | |
| Risks identified are reviewed and decisions are made on the same through risk management committee | | | | | |
| There is existence of risk management committee in the organization | | | | | |
| The institution has a monitoring system that identifies potential risks | | | | | |
| The institution management encourages reporting of events in order to identify risks | | | | | |
| There is adequate capacity to undergo risk assessment in my institution | | | | | |
| The institution regularly updates the risk register | | | | | |
| **(iv) Information and communication** | **5** | **4** | **3** | **2** | **1** |
| Information flows freely without any interference | | | | | |
| Staff have information on internal control and stabilization | | | | | |

All channels of communication are utilized by staff

All relevant information is communicated to staff

There is good communication among departments

Staff have access information

The current information flows  quickly and effectively

All information is regulated

| (v) Monitoring | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| There are processes to monitor the institution ability to re-evaluate risk and adjust controls in response to change in its objectives, business and external environment | | | | | |
| There are effective follow up procedures to ensure that appropriate change or action occurs in response to changes risks and control assessments | | | | | |
| The Audit committee in the department monitors the implementation of internal finance control | | | | | |
| Reports on significant failure and weaknesses that are reported to management on time | | | | | |
| The director of finance ensures the implementation of regular financial reporting | | | | | |

**Section C: Stabilization of Internal finance control**

The following items determine the extent the internal finance control affect the stabilization of Tanzania education institutions.

| Stabilization of Internal finance control | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Staff members tend to report in case of financial mismanagement | | | | | |
| The auditing system is well-maintained by the accounts department | | | | | |
| Professionals are valued in case of personal growth/development | | | | | |
| The staff members appreciate what is done by the management on personal growth | | | | | |
| Motivation for the staff embarks retention of the trainers | | | | | |
| The projects imposed by the institution are productive for all | | | | | |
| The environment enhanced promotes working morale among the staff. | | | | | |