

ST.JOHN'S UNIVERSITY OF TANZANIA



MASTER OF SCIENCE IN FINANCE PROGRAMME

**EFFECTIVENESS OF INTERNAL CONTROLS OVER REVENUE AND
EXPENDITURE: THE CASE OF TANESCO IN DODOMA MUNICIPAL**

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REG. NO: M2013/5059

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE MASTER DEGREE OF FINANCE OF THE
ST JOHN'S UNIVERSITY OF TANZANIA**

**SUPERVISOR
DR. SEBYIGA(PhD)**

2014-2015

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CERTIFICATION

I, the undersigned, certify that I have read and hereby recommend for acceptance by St. John's University of Tanzania a dissertation entitled; Effectiveness of Internal Controls over Revenue and Expenditure: the case of TANESCO in Dodoma municipal, in partial fulfillment of the requirements for the award of the degree of Master of Science in Finance of St John's University of Tanzania.

.....

Dr. Sebyiga (PhD).

SUPERVISOR.

DECLARATION

I, George Goodluck, declare that this thesis is my own work. It has not been and will not be presented for any other course of study.

Signature.....

Date

DEDICATION

I dedicate this study to my mother Yolanda, who has been so supportive of me, in so many ways, throughout this journey. Her unwavering belief in me and my ability to complete this Master's of Science in Finance program kept me always moving forward.

Thank you.

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Thanks to my colleagues, classmates, friends and relatives for their remarkable contributions and support which seemed negligible and insignificant to them but immeasurable to me.

God Bless you.

ABBREVIATIONS.

ACCA	Associate of the Chartered Association of Certified Accountant
ADA	American Dietetic Association
ADE	Analysis For Economic Decision
AICPA	American Institute of Certified public Accountants
AMLA	Anti Money Laundering Act
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CIT	Cash in Transit
COSO	Committee of Sponsoring Organization
CPA	Certified public Accountant
CT	Compliance Test
DE	Design Evaluation
IAE	Institute of Adult Education
ICS	Internal Control System
IFMS	Integrated Financial Management System
INTOSAI	International Organization of Supreme Audit Institutions
IPTL	Independent Power Tanzania Limited
KPGM	Klynveld Peat Marwick Goerdeler
LPO	Local Purchase Order
NSSF	National Social Security Fund
PAC	Public Auditing Committee

PBZ	People's Bank of Zanzibar
PCCB	Prevention of Corruption and Controller Bureau
PPE	Property Plant and Equipment
SAP	Statutory Accounting Principles
SAS	Statement of Accounting Standard
SFG	School Facility Grant
SPSS	Statistical Package for Social Sciences
TD	Test of Details
UNES	University of Nairobi Enterprise and Services Limited

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Appendix.1

Questionnaire to TANESCO workers

My name is George Goodluck a student of saint John's University in Tanzania. I am doing this study as a partial fulfillment of the award of a master's degree of science in finance .You are kindly asked to answer all the questions with honest in the topic of The Effectiveness of Internal Control Systems over Revenue and Expenditure. I assure you the information you give is purely academic and it will be treated with a lot of confidentiality .I am kindly requesting you to participate in this study by responding to the following questions

SECTION ONE: GENERAL INFORMATION

1. Name of the organization.....
2. Age of respondents (Circle the right option)
(a) 21 - 30 (b) 31 - 40 (c) 41 - 50 (d) 51 - 60 (e) Above 61
3. Sex of respondents (a) Male (b) Female
4. Marital status (a) Single (b) Married (c) Divorced (d) Widow/Widower
5. Position of respondent in the organization.....
6. What is your level of education?
a)Certificate (b) Diploma (c) Bachelor Degree (d) Master's Degree (e) Others
(specify)
7. How long have you been working in this organization?

a) Less than a year (b) More than a year but less than three years (c) More than three years but less than ten years (d) More than ten years.

SECTION TWO: EFFECTIVENESS OF INTERNAL CONTROL.

Existence of internal control system over revenue and expenditure in TANESCO in Dodoma Municipal.

In this sub section the study seeks to determine whether the organization has internal control system in place for management revenue and expenditure, physical tools for control of revenue, policies and procedures available for control of expenditure and for how long the organization has been using the internal control system.

1. Is there existence of internal control system over revenue and expenditure in TANESCO in Dodoma municipal? (a) YES (b) NO.

2. What are the physical tools used as internal control over revenue (please mention).

.....
.....

3. What are the internal control procedures followed after revenues being received? (Please mention if any).

.....
.....

4. What are the internal control procedures effected over expenditures? (Please mention if any).

.....
.....

5. How long has TANESCO in Dodoma municipal been using the internal controls systems over revenues and expenditures? (Please circle the right option)

(a) Less than a year (b) More than a year but less than three years (c) More than three years but less than ten years (d) More than ten years

Effectiveness of financial and administrative Internal control systems over revenue and expenditure

In this sub section the researcher seeks to assess the effectiveness of the existing financial and administrative internal controls over revenue and expenditure at TANESCO in Dodoma Municipal.

Please Tick the appropriate alternative

Key; Where SA-strongly agree, A- agree, NS-not sure, SD-strongly disagree D- disagree

QUESTION	SA	A	NS	SD	D
Are Local purchase orders issued before making expenditure?					
Are the revenues and expenditures transactions handled by one person from the beginning to the end?					
Are the transactions authorized by right signatories?					
Are the personnel responsible for keeping accounting records also responsible for receiving cash in the organization?					
Are the source documents pre -numbered?					
Are the internal control auditors independent					

from the internal control processes?					
Has TANESCO designed appropriate strategies for identifying transactional risks in the internal controls?					
Does the TANESCO select qualified personnel for management of Internal Controls?					
Does TANESCO Council administer job rotation of staff as a means of reducing frauds?					
Does TANESCO have mechanisms of detecting frauds and errors?					
Are the activities of accounting officers supervised by senior personnel?					
Are the employees complying with internal controls policies and procedures?					
Does TANESCO have an internal audit department to regulate effectiveness of internal controls?					
Does TANESCO in Dodoma municipal Council have a safe for keeping Cash?					
Is the revenue banked after its bulky risen?					

Appendix.2

Interview questions.

1. How does sex of workers affect the effectiveness of internal control systems?
2. Does age has any impact towards achieving effective control of revenue and expenditure?
3. What is the role of experienced employees in enhancing effective control of financial resources?
4. How does marital status affect the effectiveness the effectiveness of internal controls?
5. Is there any relationship between level of education of employees and the effectiveness of internal controls over revenue and expenditure?
6. Does TANESCO have internal audit department in its branches to control revenue and expenditure?
7. Are all the customers of TANESCO installed with LUKU meters to ease revenue collection?
8. Does TANESCO provide trainings to its employees to enhance effectiveness of internal control system?
9. What are the physical tools used as internal controls over revenue and expenditure?
10. Are the major expenditures of TANESCO controlled by headquarters?
11. What are the internal controls strategies adopted by TANESCO to ensure revenue are fully collected?
12. Does TANESCO have internal audit department in its branches?

Budget and Source of Fund

Item	Unity of measure	Description	Quantity	Unity price (Tshs).	Total (Tshs).
Transport	Trip for 1person	Transport	1 person	25,000/=	25,000/=
Typing and printing	Page	110pages	110	300/=	33,000/=
Photocopy	Page	240 pages copies	240	50/=	6,000/=
Binding	Document	2 documents	2	5,000/=	10,000/=
Stationeries	Lump sum	A4 paper, pen, writing notebook		40,500/=	40,500/=
Literature materials searching	Lump sum	Internet and other source		35,000/=	35,000/=
Data collection		Assistance, food			50,000/=
Data processing ,Analysis and report writing		Computer works, appendices searching			90,000/=
Total					289,500/=

CERTIFICATE



ST JOHN'S UNIVERSITY OF TANZANIA
DIRECTORATE OF RESEARCH AND CONSULTANCY
INTERNAL REVIEW COMMITTEE

RESEARCH CLEARANCE CERTIFICATE

FOR MASTER'S AND DOCTORAL STUDENTS

Date of Review: 23rd January 2015

Project title: **Effectiveness of internal Control systems over Revenue and Expenditure of TANESCO in Njombe Town Council**

Researcher: **GEORGE GOODLUCK**

Supervisor: **Dr. B. SEBYIGA**

Faculty / Institute / School: *Faculty of Commerce and Business*

Degree being studied for: **Masters of Science in Finance**

This is to certify that the research proposal herein detailed has been examined and approved by the Internal Review Committee of St John's University of Tanzania

A handwritten signature in blue ink, appearing to read 'ASavage'.

Dr. Angela Savage

Director, DRCPGS

A handwritten signature in blue ink, appearing to read 'Rubagumya'.

Prof. C. Rubagumya

DVCA

INTRODUCTION LETTER

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26.01.2015

TO WHOM IT MAY CONCERN

Graduate Student's Research Clearance

This letter serves to introduce GEORGE GOODLUCK (Registration Number M 2013/5059), who is a bona fide student of St John's University of Tanzania in the Faculty of Commerce and Business studies.

He is currently in the research stage of his Masters studies and is required to collect data. He has already obtained ethical clearance from SJUT Internal Review Committee/

His approved research topic is:

Effectiveness of internal Control systems over Revenue and Expenditure of TANESCO in Njombe Town Council

I request that you grant this student all possible assistance to facilitate the completion of his research study.

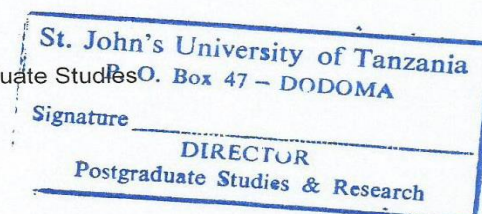
Should you need further clarification please contact my office.

I wish to thank you for your kind assistance for this student.

Yours sincerely

A handwritten signature in cursive script, appearing to read "ASavage".

Dr Angela Savage
Director of Research, Consultancy and Postgraduate Studies
Email asavage@sjut.ac.tz



ABSTRACT

The researcher was inspired to undertake this study as a result of the increased publications in Tanzania on embezzlement and misappropriation of funds in many public institutions and the management of these institutions being dismissed and sometimes accused of misappropriations. The study intended find out the effectiveness of internal controls over revenue and expenditure at TANESCO in Dodoma Municipal. A cross sectional survey was used in the course of the study. Both qualitative and quantitative data were gathered and purposive sampling was also used to select a sample of 26 interviewees who ranged from ordinary employees to senior management officers. Data were collected using both primary and secondary sources. Researcher organized the well-answered questionnaire; then edited and sorted for the next stage and findings are presented in tabular form, frequencies, percentages and images. The researcher analyzed data using Statistical Package for Social Sciences (SPSS) to analyze the relationship between the variables under study. The study noted that the internal controls over revenue and expenditure were effective. However the study recommended that TANESCO needs to establish an internal audit department in its regional branches which would be responsible for reviewing the effectiveness of internal controls to reduce embezzlement activities. Moreover phase out all conventional meters to ease revenue collection, perform job rotation to its employees and provide regular training on compliance to policies and procedures as a means of enhancing controls over revenue and expenditure.

CHAPTER ONE

BACKGROUND

1.1 Chapter overview

This chapter provides an overview of the study which provides the magnitude of the researcher to carry out this study. It covers the background of the study, statement of the problem, research objectives, research questions, significance of the study, and finally scope of the study.

1.2 Background of the study

Embezzlement and misappropriation of funds in public organization has been the biggest obstacle towards achieving the millennium development goals in developing countries,(Kabiru (2009)).

In public sector organizations most embezzlement of funds are accomplished through payment of fictitious invoices, (Associate of the Chartered Association of Certified Accountant Student, (1992)).In today's world of business it is generally accepted that not only public but also private sector organizations need to have an effective internal control that will promote effective cash management (revenue and expenditures) and reduce the level of financial risks in order to increase productivity and profitability.

Internal control helps organizational management to deal with the rapidly changing economic and competitive environment and shifting customer demands.(Committee of Sponsored Organization ,(2011)) suggest that internal control is an important tool towards risk reduction, promoting organizational

efficiency, guarantees reliability of financial statements and compliance with the laws and regulations.

To achieve its goals, an organization needs to have internal control procedures which will ensure segregation of duties, authorization of transactions, job rotation, reconciliation and proper documentation just to mention a few.

Internal controls consist of components like control environment, control activities, information and communication risk assessment, and monitoring .There is a linkage and synergy among these components of internal control, Committee of Sponsoring Organization (2011).

Internationally the collapse of multinational companies likes Enron in 2001 and General Motors in 2009 just to mention a few reveled to the world the growing problem of ineffective internal controls. Since then in America a law called Sarbanes Oxley Act (2002) was introduced, section 404 of the law required corporations to establish and maintain adequate internal control and assess the effectiveness of internal control system and procedures regularly.

According to Emmanuel et al, (2013), noted that the problem of ineffective internal control in the public sector in Africa exists due to inadequate staffing of internal audit, knowledge of data processing and computers for efficient auditing of computerized internal controls.

Adepeju, (2013) in his study that intended to find out the causes of ministries failure to achieve their objectives point to ineffective internal control system. The study noted that controls of cash was primary to the achievement of objectives in public organizations and the indications of effective internal control system that enhance performance.

In Tanzania the government tries to strengthen the effectiveness of internal control through agencies like Bank of Tanzania (BOT) and the Controller and Auditor General Office .In the report of the CAG office of the public companies to the president from 2006 to 2012 a number of internal controls weaknesses were revealed, these weaknesses have affected the performance of TANESCO and necessitate the assessment of internal controls,(CAG (2013)).

Besides TANESCO' customers owe billions of money to the company partly due to weaknesses in internal controls of TANESCO. In such situation the company has even failed to know who its customers are and who are owed by it. Therefore this study investigated on the effectiveness of internal controls over revenue and expenditure of TANESCO in Dodoma Municipal.

1.3 Statement of the problem.

Annual General Reports of the Controller and Auditor General (CAG) on the Audit of Public Authorities and Other organizations to the President of the United Republic of Tanzania between the financial year 2007/08 to 2012/13 show that TANESCO is one of organization that has weaknesses in the internal controls over revenue and expenditure. According to the annual general report of Controller and Auditor General (CAG) for the financial year 2007/08, TANESCO's bank reconciliation statements were not reviewed rigorously. Bank reconciliation statements for collections had not been prepared NBC A/c No. 022103000156 and CRDB A/c No. 01J1043011104. From the review of cash in transit (CIT) reconciliation statements, double posting was noted and statements were not reconciled worth Tshs 71, 096, 331, CAG (2009). Moreover in CAG report for the financial year 2009/10 it was noted that TANESCO did not conduct monthly reconciliation between sales information contained in the branch operations report and revenue per general ledger. Auditors noted that some expenditures were paid without issuing Local Purchase order (LPO) and other expenditures were paid without filling requisition forms as per laid down financial regulations of the respective authorities. Report also showed transactions were wrongly posted into incorrect accounts which might have led to fraud and errors going undetected.

An amount of Tshs 13,000,000 was incorrect posted as 1,300,000,000 into meeting expenses code. An amount of Tshs 11billions relating to payment through letter of credit was incorrectly posted as a receipt in NBC collections accounts and Tshs 101 million was posted twice to office machinery account.(CAG,(2009)). There was inadequate control over goods purchased and reconciliation of suppliers' accounts where TANESCO was noted to have made payments for goods already delivered but not accounted for. Furthermore payments for spare parts to be delivered to Mafia Powers Stations by M/s Wartisila for Euro 237,411 in May 2009 were noted to have not yet been delivered.(CAG,(2010)). In the report by CAG for the financial year 2011/12, it was noted that the contract between TANESCO and Santa Clara did not indicate the amount awarded but a tender was attached which showed an amount of 884.5 millions .A total of 1.1billions was paid to Mc Donald for the contract signed in 2008, 2009, 2010 and 2011 was signed by TANESCO. The amount included Valued added tax(VAT) of Tshs 168.9 million which was not remitted to Tanzania Revenue Authority(TRA) and confirmation from BRELA indicated that Mc Donald Live Line Technology has not filled any annual return for all the years of its existence.CAG,(2013). CAG report for the year 2012/13 showed that TANESCO lacks reliable records and information on the total number of operational electricity and vending machines installed across the country (The Citizen, 2013). GAG argued that this is a serious violation of proper financial management, regulations and internal control systems over revenue and expenditure. In the special report issued by CAG and PCCB office to the parliament of Tanzania, presented by PAC and red by members of parliament

Mr. Zitto Kabwe and Deo Filikunjombe on november25, 2014.TANESCO had lost about Tanzanian shillings 321billions to Independent Power Tanzania Limited (IPTL) which was kept for in the TEGETA Escrow account held at the Bank of Tanzania (BOT).(CAG(2014)). The report revealed the loss occurred due to the fact that TANESCO's board of directors refused management advise of stopping withdraws from TEGETA Escrow account which was held in the custody of IPTL.PAC report showed that withdraws by IPTL from the TEGETA Escrow account were made violating internal controls of TANESCO. Weaknesses revealed by CAG reports and famous scandals like Richmond of 2009 and recent TEGETA Escrow of 2014 necessitated this study to be carried out to find out the situation in the regional branches. Therefore the study intended to investigate the fact that report of CAG effectiveness of internal controls over revenue and expenditure of TANESCO in Dodoma Municipal to see whether the situation of TANESCO at Dodoma Municipal is the same as it is at the headquarters.

1.4 Objective of the study

The study aims at addressing the following general and specific objectives

1.4.1 General objective

To find out the effectiveness of Internal Controls over Revenue and Expenditure.

1.4.2 Specific objectives

- To find out the existence of internal controls over revenue and expenditures in TANESCO at Dodoma Municipal.
- To assess the effectiveness of the existing internal controls over revenue and expenditure to see whether they are effective or not
- To find out the different challenges for effective internal control for revenue and expenditure in TANESCO at the study area

1.5 Research questions

- Are there any internal controls over revenue and expenditure in the study area?
- Are the existing internal controls over revenue and expenditure effective or not?
- What are the challenges for effective internal control systems of TANESCO in Dodoma Town Council?

1.6 significance of the study

The study will have the following contributions to organization's performance, theory and to other researchers.

- The research will broaden up the existing literature in similar area of study.
- The research will be useful to the organization itself and even to other external users such as general public.
- The gaps identified in the research will create a footstep to potential researchers who will be interested in undertaking research on the same subject matter of inquiry.

1.7 Scope of the study

The research study concentrated on the evaluation of the existing policies and procedures available in the organizational internal controls, to achieve this study stuck on components of internal controls to determine how control environment, control activities and risk assessment influenced the effectiveness of internal controls and the challenges for internal controls at TANESCO.

Investigation on the extent to which internal controls over revenue and expenditure effective techniques focused on the management, accounting and finance department, information technology department and procurement department. This revealed whether TANESCO's management and employees complied with the laid down rules and regulation of the organizational internal controls.

1.8 Chapter summary

Effective internal control system plays a vital role towards maximization of shareholders wealth and achieving overall objectives of the company. However achieving effective internal control over revenues and expenditures has been a great challenge in many companies especially in developing countries like Tanzania. Famous embezzlement scandals like Enron Scandal of 2001 in USA and recently TEGETA Escrow Scandal of Tanzania in 2014 necessitate the need to have an effective internal control over revenues and expenditures. Therefore this study revealed to what extent the internal controls of TANESCO are effective and can be relied upon by the company while complying with the relevant research ethics.

CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter overview

This chapter focuses on the effectiveness of Internal Control Systems (ICS) over revenues and expenditures and their constructs in view of what other scholars have studied. Chapter covers definitions of concepts and key terms such as revenues, expenditures , internal control and theories related to the study .It also covers empirical review of similar studies and the gap of this study. Theoretical review discusses the Decision Theory Aspect of Internal Control and Reliability Theory as related to evaluation of the effectiveness of internal control systems. Empirical review discusses similar studies in order to establish the gap for the proposed research study.

2.2 Definition of concepts and key terms.

2.2.1 Internal controls.

The American Institute of Certified Public Accountants (2004), in Statement on Auditing Standards number 55 (SAS 55), defines the internal control structure as the policies and procedures established to provide reasonable assurance that specific entity objectives will be achieved. There are two aspects of internal control: internal accounting controls and administrative controls. Internal accounting controls are procedures designed to ensure the reliability of accounting data and to safeguard assets. Administrative controls deal with the operations of the library rather than with the accounting for those operations.

2.2.2 Revenues

According to the International Accounting Standard (IAS 18.9) revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows results to increase in equity, other than increase relating to contribution from equity participants .However revenue does not include gains on the sale of property plant and equipment(PPE) unless the PPE items were leased out under an operating lease or other fixed assets and net finance income. AS 18 insist that revenue shall be measured at the fair value of consideration received or receivable and recognized when prescribed conditions are met, which depend on the nature of the revenue.

2.2.3 Expenditures

According to Business Dictionary (2015) expenditures are payment of cash or cash- equivalent for goods or services or charge against available funds in settlement of an obligation as evidenced by an invoice, receipt, voucher or other such documents. Sharma (2015) suggest that expenditures are classified into capital expenditure, revenue expenditure and different revenue expenditure.

2.2.4 Effectiveness of internal controls

The effectiveness of internal controls depends on the presence of the components like monitoring, information and communications, control activities, risk assessments and control environments.

These components intends to ensure proper authorization of transactions and activities, adequate documents and records, revenue earned are recorded at correct amounts, revenue terms are disclosed properly and organization has the right to revenue receivables, (Beasley (2007))

An effective internal control is essential in the long run financial performance of any organization, this is also supported by (Young and Cardoso,(2009)) who suggest not only does effectiveness of internal control strengthen transparency in the management of public funds but also it further strengthen accountability of organizational staffs and investments in viable projects.

2.3 Theoretical review

2.3.1 Decision theory aspects of internal Control

The study is supported by the decision theory aspects of internal control system/design/compliance and subsistence test. Kinney, (1975) argued that compliance test can be used to determine the extent to which internal controls can be effective. If the internal control system design is evaluated as excellent and compliance of system operations with the design is high the auditors have great assurance that the reported balances are not materially in error.

Although complete reliance on control is not sufficient evidence for an opinion due to inherent limitations of internal control such as management override of the prescribed system and collusion among client employees, if internal control are well designed that probability of management override and collusion is low, compliance test is high then the auditors can conclude that the probability of a fair representation of financial statements is so high that additional test of details are not justified.

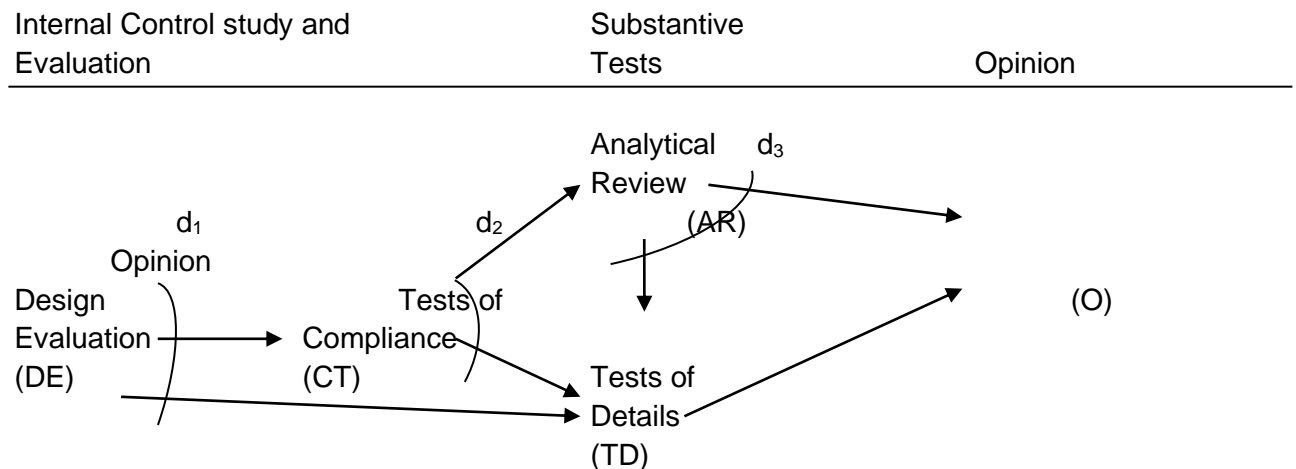
When inventory pricing tests are successful passed it will increase the effectiveness of control over purchases, the reported amounts of the inventory balances, costs of goods sold and pricing system which in turn affects the probability of accounts payable being correct.

To check on effectiveness of internal control auditors have to assess the balances produced by the system by doing substantive tests. The tests include (1) analytical review of significant ratios, trends and resulting investigations of unusual fluctuations and questionable items and (2) tests of details of transactions and balances. While substantive test are always required, the relative mix of analytical review and tests of details may reflect the extent to which reliance on internal control can be justified.

Since compliance tests results are used to determine the extent to which internal control can be relied upon, the confidence level of internal control test is based on the internal control design, compliance test, reliability of the system, analytical review and other factors other than procedures themselves as

indicated by SAS No.1, section 320. The model below shows how an internal control can be evaluated for its effectiveness.

FIGURE 2.1: DECISION THEORY ASPECTS OF INTERNAL CONTROL SYSTEM MODEL.



Source: Kinney, (1975)

From the model above at decision (d₁) auditors has conducted a review of internal control system design, has made a preliminary evaluation of the design compliance and has most likely conducted a preliminary analytical review. The auditor must then decide whether to continue with internal control study by conducting compliance tests (CT) following the control test route or proceed directly to test of details (TD) through test of details route. TD-route doesn't involve reliance on internal control and therefore will require high reliability from the substantive test since almost all the auditors evidence must come from the substantive tests.

In assessing control test the auditor must also consider route the contingent nature of the test route. If compliance is in fact low the auditor may subsequent have to conduct test of details via (d₂) at a reliability level as high or nearly as that via (d₁) and this have higher audit cost than if TD had been followed and compliance test avoided. Test of details via (d₃) requires large size but their cost plus that of compliance test will likely exceed the cost of TD via (d₁).

2.3.1.1 Relevance of the theory to the study.

The Decision Theory of Aspect of Internal Control System/Design/Compliance Test emphasize on the importance of doing subsistence test in evaluating internal control systems. When doing subsistence test auditors must conduct a compliance test (CT) which determines the extent to which internal control system can be relied upon. Therefore this theory lays down the framework upon which any organization which either wants to evaluate its newly established or existing internal control system. Besides the theory has revealed the importance of auditors when doing subsistence test to evaluate the effectiveness of internal controls.

2.3.1.2 Weaknesses of the theory

The theory ignores the impact of management override and collusion of employees as a limit on internal control reliability, theory doesn't give a clear suggested solution on how the management override and collusion of employees can be dealt with since they affect directly the effectiveness of internal control. The theory suggests that little is known about how collusion and management override affect assessment.

In field application of the decision theory model such assessment can be incorporated by developing a more complete function to map internal control design, compliance, override and collusion into probability assessment with respect to dollar amount.

2.3.2 Reliability theory and internal control evaluation

The theory suggests that internal controls are evaluated both as part of system design and maintenance activities by managers and as part of evidence collection and inferences activity by auditors. (Srinidhi and Vasarhely (1984)).

The second standard of field work developed by AICPA mandates an evaluation of the internal control system as a basis of restricting subsistence tests. This is also reinforced by Statutory Accounting Principles SAP (AICPA,1979) and (AICPA,1977) which requires communication of internal control weaknesses to management. Theory suggests that decision making in evaluation of the effectiveness of internal control system involves three stages.

- i. Estimation of components reliability, in this stage of decision making the evidence collected on the accounting information system such as the structure of activities and control and task complexity be used in estimating the reliability of individual activities. These in conjunction with the test compliance are used to estimate control reliability.
- ii. Interpretation of the system reliability in terms of the extent and timing of the substantive tests of details. In this stage reliability is mapped on the degree of substantive tests and the auditor uses the system reliability numbers in conjunction with the tolerable audit risk and materiality to determine the extent and timing of substantive tests. Theory suggests that reliability of activities and controls are influenced by factors such as organization structure of activities and controls, personnel, task complexity, fatigue, overload and performance evaluation methods.

For instance an organization with all its task segregated will have component task whose reliabilities can be expected to be higher than the components tasks of a system whose task are not segregated. Moreover the competence, the awareness and integrity of the persons performing the task also influence components reliabilities.

- iii. Aggregation of component reliability into system reliability, the estimated component reliability are combined into system reliability number using structure function.

2.3.2.1 Relevance of the reliability theory and internal control evaluation to the study.

Reliability theory and internal control evaluation also emphasize on the importance of doing substance test, when assessing the effectiveness of internal control systems, however the evaluation of internal control is considered as a base for restricting substance tests.

This means the more evaluation of effectiveness of internal controls is done the fewer will substantive test be required and vice versa is true. Reliability theory lays down the base for evaluating internal control, besides it points out factors which determine reliability of the controls in place.

2.3.3 Comparison of decision theory aspect of internal control system and reliability theory of internal control evaluation.

While Decision Theory Aspects of Internal Control System Design/Compliance and Substantive Tests by William Kinney,(1975) suggest the effectiveness of internal control depends on how well is the system designed ,Reliability Theory and Internal Controls Evaluation by Srinidhi and Vasarhely (1984) suggest that the effectiveness of internal control systems depends on task complexity ,fatigue, overload, performance evaluation method ,competence, awareness and integrity of personnel using the system to be the main determinant of effectiveness of internal controls. However both theories emphasize on the essence of doing substantive tests to determine the extent to which the internal control can be effective and relied upon.

2.4 Empirical literature review.

In this case there are substantial researches which were made with regard to the effectiveness of Internal Controls over Revenue and Expenditure in different companies or organizations, among them are;

According to Douglas, (2011) in his study carried out on Internal Control and its Contributions to organizational efficiency and effectiveness at Eco-bank Ghana Limited. The study had 30 respondents out of which 30% were males and 70% were females of which 63% were married and 37% were single. 53.3% had both first degree and professional qualifications, 20% had first degree only, 16.67% had highest national diploma and 10% had both highest diploma and professional qualification.

Questionnaires and interview schedule were administered to the respondents and results presented by using tables as the analytical technique. The study noted that 53% of the all respondents acknowledged the existence of internal control to be preventive, 33% directive and 14% detective. 100% of respondents agreed that internal control ensured proper dissemination of information from the management down to the employees. However the study recommended an interim audit unit for each branch across the organization to ensure compliance to internal control systems.

Amaka, (2012), in a study carried out in Nigeria on the Impact of Internal Control System on the Financial Management of an organization a Bottling company. The study had 222 respondents and employed questionnaires and

interviews. The study noted that 52% of accountants, 53% of directors, 67% of external auditors, 48% of managers and 51% of stakeholders strongly agreed that a true reflection of organizational activities are presented in financial statements through the performance of internal control.

However 61% of accountants, 50% of directors, 42% of external auditors, 38% of managers and 49% of stakeholders disagreed. While 53.33% of all respondents strongly agreed that a true reflection of organizational activities is reflected in the financial statements through performance of internal control, only 46.67% disagreed with that.

Moreover 39% of accountants, 50% of directors, 58% of external auditors, 62% of managers and 51% of stakeholders strongly agreed that perpetration of fraud and losses of revenue in an organization is a result of weaknesses in internal control systems. However 61% of accountants, 50% of directors, 42% of external auditors, 38% of managers and 49% of stakeholders disagreed.

An overall 51.36% of all respondents agreed with the statement that perpetration of fraud and losses of revenue in an organization are a result of weaknesses in internal control while 48.64% disagreed. In addition 64% of accountants, 41% of directors, 44% of external auditors, 57% of managers and 90% of stakeholders strongly agreed that the internal control system has significant impact on the financial management of an organization.

However 36% of accountants, 59% of directors, 56% of external auditors, 43% of managers and 10% of stakeholders disagreed .Out of 222 respondents 66.22% of all respondents agreed that internal control system has significant impact on the financial management of an organization, while 33.78% disagreed.

Therefore the study concluded that financial management of any organization can be measured by the effectiveness of internal control systems as well as the policies implemented by the management. Financial management of any organization can do nothing without internal control and true and fair presentation of financial statements may never be possible if the board and senior management are not committed to providing a well-planned internal control system.

In East Africa some of the studies regarding the effectiveness of Internal Controls over Revenue and Expenditure in different companies or organizations included;

Byanguye, (2011) on the effectiveness of Internal Control System in Achieving the Value of Money in School Facilities Grant at Kamuli District Local

Government in Uganda involved a sample of 95 respondents out of which 80% were males and 20% were females. Majority of respondents covered in this study were permanent technical staff forming a total of 57.8% with the least being the political leaders and probationary staff that each had a total of 5.3%. Descriptive statistics were used to examine internal controls system in Local Governments.

The results were analyzed and interpreted basing on the anchor of the instrument scale which was ordered such that a mean close to 5- represents strong agreement, 4- agreement, 3- undecided, 2- disagreement and 1- strong disagreement. The study noted that Results revealed that School Facility Grant(SFG) expenditures were approved in advance by appropriate person(Mean=3.96),authorization, processing, cheque signing and accounting functions are clearly segregated under the SFG programme (Mean=3.87),accounting procedures for SFG are clearly segregated(Mean=3.78.Also agreed that there is an enabling control environment at Kamuli District Local Government(Mean=3.74) and all staff in charge of the SFG programme perform their responsibilities as per regulations and guidelines(Mean=3.67).

However respondents reported uncertainty as to whether the school management committee members are trained in their roles and responsibilities in SFG management Mean=2.83).Besides uncertainty was further observed as to whether the SFG committee have designed an appropriate strategy of identifying risk in SFG(Mean=3.02) and the SFG committee designed a system to offer appropriate response to risk(Mean=3.16).Respondents further doubted whether SFG cash release are published to the public(Mean=3.27).

Study on Effects of Internal Controls on Revenue generation made at the University of Nairobi Enterprise and Services Limited by Hannah, (2013).The study sought to evaluate the effects of internal control on revenue generation in University of Nairobi Enterprise and Services Limited (UNES).

The study targeted 45 respondents from UNES employee. Out of 45 respondents, 28 filled the questionnaire translating to a 62% response rate. Data were analyzed using linear regression and SPSS was used to aid in quantitative data analysis.

Findings revealed that 75% of the respondents indicated that the company reviewed its internal control system(ICS) when needs arise while 14% indicated that ICS review is conducted annually and 11% indicated UNES reviews its ICS twice a year. This implies that the company only review its ICS when needs arises and that periodic review are very minimal.

While 82% of respondents indicated that ICS contributes to revenue generation at the UNES, only 7% of the respondents said that ICS does not contribute to revenue generation. The study concluded that internal control systems of UNES were functioning as per intended plan thus enhancing efficiency and accurate data capturing.

Study on The role of internal control and cash management: Case study at Uganda Flight services Limited by Vuziga, (2011). The study involved 30 respondents out of which 43.3% were males and 56.7% were females. 33.3% of the respondents were bachelor degree holders, 60% holders of diploma and only 6.7% with certificates. In this study the effectiveness of internal controls was studied under the following criterion.

Handling of transactions, The researcher wanted to ascertain whether transactions at Uganda In-flight service can be handled by one person from the beginning to the end and from the questionnaires administered findings revealed while 33.3% strongly agreed, 40% agreed that transactions in Uganda Flight services can be handled by one person from beginning to end, 16.7% were not sure and 6.7% and 3.3% strongly disagreed and disagreed respectively.

Although 73.3% of all respondents agreed that transactions can be handled by one person from the beginning to the end at Uganda Flight services Limited 10% disagreed. However in practice this can lead to embezzlement especially when the internal controls in place are not strictly enough to allow one person to handle all transactions from the beginning to the end.

Authorization of transactions, the researcher wanted to know whether transactions were authorized at Uganda Flight services. Findings revealed 43.3% disagreed and 33.3% strongly disagreed that transactions were not authorized; however 13.3% strongly agreed that transactions were authorized and only 10% agreed with the statement. While 76.6% of all respondents disagreed that transactions were not authorized only 23.4% agreed that transactions were authorized.

Cash receipt by those who control records, The researcher wanted to establish whether those who in the organization responsible for keeping accounting records were also responsible from receiving cash in the organization. 36.6% of the respondents strongly agreed that those who receive cash also record, 26.6%

agreed to the statement while 16.6% of the respondents were not sure 20% disagreed with the statement that cash receipt and recording of transactions are done by the same person. However for security purpose the person who receives cash has to be different from the one who does recording of transactions.

Job rotation, the researcher wanted to know whether the organization performed job rotation to its employees or not. Findings revealed that there was no job rotation to staff at Uganda flight services Ltd with 56.7% disagreeing and 33.3% strongly agreeing that there was job rotation of staff. While 3.5% agreed that there was job rotation 10% were not sure.

Mechanism of detecting error and fraud, the researcher wanted to know whether there were mechanism for detection of error and fraud. Findings revealed that 56.7% disagreed that there were no mechanisms of detecting error and fraud, 6.7% were not sure while 3.3% strongly agreed that there were mechanism for detection of error and fraud.

Supervision of accounting officers, the researcher was interested in knowing whether the activities of accounting officers were being supervised by a senior person. Findings revealed showed that 36.7% strongly disagreed and 26.75% disagreed that activities of accounting officers were not supervised by a senior person while 20% were not sure and only 16.7% agreed with the statement.

Poor Internal control procedures leading to poor cash management, Findings revealed that 40% strongly agreed, 16.7% agreed with the statement while 26.7% were not sure 16.7% of the respondents agreed. In general findings about the existence of relationship between internal control and cash management revealed that 53.3% strongly agreed and 43.3% agreed that there is a positive relationship between internal controls and cash management while 3.3.% were not sure. Moreover findings on the correlation analysis revealed a strong positive relationship between internal control and cash management with a Pearson correlation of 0.956*.

According to Birabwa, (2011). Internal Control System, managerial competence and management of public funds in NSSF-kampala Uganda by involved a population of 83 and a sample of 70 out of which 57 responded representing a response rate of 81%.Males respondents accounted for 77.2% and females accounted for 22.8%. In evaluation of the internal control system descriptive statistics were used to examine internal control system of NSSF. Results were analyzed and interpreted basing on the anchor of instrument scale which was ordered such that a mean close to 5 represents strongly agree,4- agree, 3- uncertainty ,2- disagree and 1- strongly disagree.

Results revealed that majority of the respondents reported that NSSF does not follow the organization's purchasing procedures to buy assets (Mean=2.07), payments are not subjected to authorization (Mean=1.95).

It was further indicated that NSSF does not keep documents and records (Mean=1.75), accounting duties are not separated (Mean=2.12) paving way to mismanagement of public funds.

Internal audit report do not reconcile with external audit report (Mean=2.04) indicating that management intends to cover up the mismanagement issues. Findings further indicated that NSSF doesn't check her inventory (Mean=1.75), Therefore from this information the study indicated that an ineffective internal control system in NSSF partly led to is management of public funds.

Zero order correlation were used to establish the relationship variables and Pearson correlation coefficient test was employed, where correlations results indicated that there was a significant positive relationship internal control system and management of public funds($r=0.351, p<0.01$). This means that a good internal control system may result into an improvement in the management of public funds.

This was observed with at 0.99% confidence level. Findings further revealed that there was a positive relationship between managerial competence and internal control system($r=0.502, p<0.01$). This implies that excellent managerial competence are associated with strong internal control system.

Findings on the study made by John, (2011) on Internal Control and organization management and Organization Performance at Midpoint Industries Limited involved 39 respondents out of which 26 were males translating to 66.7% and 13 were females translating to 33.3%. Findings on the effectiveness of internal control used at Midpoint Industries Limited were revealed under the following grounds.

Response on whether there are adequate assets listings done by management revealed that 23% strongly agreed that there are adequate assets listings done by management, 26% agreed, 13% were not sure, 33% disagreed and 5% strongly disagreed. Since majority of respondents disagreed this implies that there are inadequate asset listings done by management at Midpoint Industries Limited.

Responses on whether procedures in place ensure asset additions, disposal, replacement and transfer for proper accountability revealed that 7% of the respondents strongly agree that procedures in place ensure assets additions, disposal, replacement and transfer for proper accountability, 26% agreed, 15% were not sure, 26% disagreed and 31% strongly disagreed implying that procedures in place do not ensure assets additions, replacement and transfer for proper accountability in the organizations.

Responses on whether capital assets purchased are approved by appropriate level of management. Results indicated that 17.9% of the respondents strongly agreed that capital assets purchased are approved by appropriate level of management 10.2% agreed, 20.5% were not sure, 30.8% disagreed and 20.5% strongly disagreed. Since majority of respondents disagreed this implies that capital assets purchased are not approved by appropriate level of management.

Response on whether there is free access to cheque books and organizational assets. Results indicated indicted that 21% of the respondents strongly agreed that there is free access to cheque books and organizational assets.10% agreed,8% were not sure , 26%disagreed and 36% strongly disagreed .This implies that there is no free access to check books and organizational assets.

Responses on whether stock taking is done following the procedures in the presence of internal auditors. Findings revealed that 18% of the respondents strongly agreed that stock taking is done following the procedures and in the presence of auditors,23% agreed,13% were not sure,36% disagreed and 10% strongly disagreed implying that stock taking is not done following the procedures and in the presence of the internal auditors.

Response on whether petty cashier is different from the main cashier revealed that 25.6% of the respondents strongly agreed that the petty cashier is different the main cashier, 12.8% agreed, 18% were not sure, 35.9% disagreed and 7.7% strongly disagreed.

This implies that the petty cashiers and the main cashier are the same at Midpoint Industries Limited which is a serious violation of internal control system procedures for it can lead to fraud and errors.

Finally response on whether there are adequate policies to ensure effective collection and follow ups of due accounts revealed that 15% of the respondents strongly agreed that there are adequate policies to ensure effective collections and follow ups of due accounts, 21% agreed, 8% were not sure, 13% disagreed and 44% strongly disagreed implying that there were inadequate policies to ensure effective collection and follow ups of due accounts.

In long run this can be a serious problem to the overall performance of the Midpoint Industries Limited. Following these problems study concluded that the internal control of Midpoint Industries Limited is inadequate and ineffective.

Study made by Ali, (2013) on the Contribution of Internal Control System to the Financial Performance of the People's Bank of Zanzibar involved 60 respondents who were all employees of PBZ. Out of 60 respondents 35 were males translating to 58.33% and 25 were females translating to 41.7% .Data were collected through questionnaire and interview and results presented through tables and charts.

In this study findings revealed that about 88.33% of respondents agreed that there was an internal control to the financial performance. This implies that the entity introduced the proper procedures to deal with customers for better satisfaction as well as operation within the entity. However researcher found that 11.66% of all respondents said there was no internal control within the institutions.

Findings on whether there was a relationship between internal control and financial performance revealed that 86.6% of all respondents agreed that there is a relationship between internal controls and financial performance while only 13.3% indicated that there is no relation or not sure of internal control and financial performance. 78.33% agreed that there was an existence of management accounting system while 21.7% responded that there was no managerial accounting system within the bank.

Although 86.7% of respondents in the study said that there is a positive relationship between the internal control and financial performance but no one had measured the performance of their internal control not even the management themselves. The positive relationship between internal control (control environment, internal audit and control activities) and financial performance (liquidity, accountability and reporting) depends on the cooperation between the upper management, internal audit office and other department of the organization. Therefore education and training should be provided to all level of the organization on the use of available internal controls.

According to Idd, (2013).The study of effectiveness of ICS over payroll system made at Institute of Adult Education (IAE) head office in Dar es salaam involved a sample of 25 respondents of which 16 were males and 11were females.70.4% of respondents had postgraduate education,11.6% had bachelor degree,11.6% had ordinary education and 7.4% had diploma education. Descriptive method of research was used and data were analyzed using SPSS.

Findings revealed that the ICS over payroll was effective as 100% of all respondents agreed that segregation of duties exists between those responsible for preparation and processing of payroll and those responsible for recruiting, disciplining and removal of personnel.

Authorization of payroll,70.4% of the respondents agreed that access to payroll secure are limited to authorized person only and that there is accurate preparation of payroll details. Besides 63% of the respondents agreed there is timely communication, recruitment and termination of employees where by IAE maintains a record of the employment history of each person by maintaining a file for each employee.

Moreover findings from the study showed that the institute maintains an attendance and records are established accurately, there is promptness in reporting changes in employment status to the payroll processing units, documents of payroll are in compliance with state laws and regulations, proper recording of transactions and that there is control over overtime, allowance and annual leave.

There is a well arranged procedures to ensure that every employee takes his/her leave annually so that their work are taken over by somebody who will likely detect any error/frauds committed deliberately or negligently.

However findings revealed that the replicators server used for backups are located on site with no backups stored off site backups. In addition off 55.6% who agreed, 44.4% disagreed arguing that staffs did not understand their duties, responsibilities and were not accountable. Although the study concluded that the ICS over payroll was effective a continuous review is needed as working environment changes with time.

2.5 Gaps of the study.

Studies made on the effectiveness of internal controls by the above researchers have shown that there is a need of effective internal controls in every organization. However most of the studies already done focused on how internal control affect overall performance of the organizations.

Although researches might have been done on the role of internal control systems on revenue collection no research has been published from Tanzania on the evaluation of the effectiveness of internal controls over revenue and expenditure of public organizations.

Moreover no studies have been published on how components of internal controls can influence internal controls over revenues and expenditures of TANESCO. This forms the basis for carrying out analysis on the effectiveness of internal control over revenue and expenditures of TANESCO in Dodoma Municipal .The the research study focused on;

- Finding out the indicators of an existence of internal controls in Tanzanian public sector companies particularly TANESCO.
- Assessment of the existing internal controls how they bring about the effective control of financial resources.
- Analyze challenges and measures for effective internal controls over revenues and expenditures in the public organizations.

2.6 Chapter summary

Study adopted theories of Decision Aspect of internal control system by Kinney(1975) and Reliability theory by Srinidhi and Vasarhely(1984).Both theories suggest that compliance test is the determinant of the effectiveness and the extent to which internal control system can be relied upon. Empirical findings shows that ineffective internal controls in public organization results from inadequate staffing of internal audit, knowledge of data processing and computers for efficient audit of computerized internal controls.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter overview

This Chapter highlights the methods and techniques which were used in the study and how data were collected and eventually analyzed. The section includes area of the study, research design, and data collection methods, data analysis techniques as well as ethical issues to be observed in the study.

3.2 Research design and approach.

A research design is a plan, structure and strategy of investigation so conceived so as to obtain answers to research questions or problems (Kerlinger, 1986). In this study researcher made use of cross sectional survey at which enabled him to collect data at one point in time. Survey enabled researcher to get in-depth data from sampled population in different department of TANESCO. This study used quantitative approach which involved the use of tables ,frequencies and percentages meanwhile qualitative approach was used to a less extent

3.2.1 Cross sectional survey.

According to American Dietetic Association (2001) cross sectional survey is a study where exposures and outcomes are observed or measured simultaneously in a population. In this design, a researcher examines the association between the exposure and the outcome, but cannot infer cause and effect. In the case of TANESCO the use of cross sectional survey enabled researcher to study different groups of employees at departmental level.

The employees ranged from those in the department of accounting and finance, procurement, Human Resource, and information technology department. Use of survey enabled researcher to go further to managers of each department to draw their first understanding of ICS. With the use of survey results from the study conducted in Dodoma Municipal can be used as a generalization to other regional branches of TANESCO since the ineffectiveness of internal controls is still quite challenging to some regional branches of TANESCO, TANESCO's Regional Financial Officer(2015).

3.2.1 .1 Strengths of cross sectional survey in the study.

The use of cross sectional survey in this study enabled the researcher to study different groups of respondents at the same time(Bailey,1994). Besides survey is built on the external validity of the result as a generalization about findings are possible. Moreover according to Niemeier and Julie(1996) also supported by Olsen and Marie(2004) the strength of cross section survey are; the data collected through cross sectional survey is representative of the population at a single point.

In addition ADA argues that cross sectional survey is fast and less resources are needed because there is no follow up, repeated cross section survey can be conducted to measure changes in population, hypothesis generating and this study design is exploratory therefore association can be identified but not cause and effect or the sequence of events.

3.2.1 .2 Weaknesses of cross sectional survey

With the use of cross sectional survey external validity is limited with regard to generalizability from sample to population is enhanced by good sampling strategies, everything is measured at one point in time, prone to selection and measurement bias and cross sectional survey is subject to selective survival bias ,.American Dietetic Association,(2011).

With relation to the study conducted at TANESCO in Dodoma Municipal out the population of 233 researchers selected a purposive sample of 30repondents,besides the study was only done at TANESCO in Dodoma municipal, therefore generalizability can hardly be achieved.

3.3 Study area profile

3.3.1 Population of study area.

According to Census made in Tanzania on 2012 Dodoma Municipal has a total population of 410,956 out of which 199,487 were males and 211,469 were females with an average household size of 4.4.National Census,(2012).The populations to be studied were all the employees of TANESCO in Dodoma Municipal particularly in accounting and finance departments, procurement and information technology . However the study was also extended to other ordinary employees to draw the first knowledge of the internal control systems.

According to the human resource manager of TANESCO in Dodoma Municipal, the company has a total number of 233 permanent employees from which a purposive sample of 30 respondents was raised. This followed a discussion with the TANESCO's regional financial officer who admitted that staffs had limited knowledge and expertise to provide reliable data on the subject matter.

3.3.2 Geographical location

Dodoma region is in the central zone of Tanzania lying between 4 to 7 latitudes south and 37 longitudes east. The region is situated at the height of 3670 meters above the sea level being the 12th largest region of all regions in Tanzania and covers an area of 41310 square kilometers which is equivalent to 5% of the total area of Tanzania mainland. Dodoma municipal has an area of 2576 square kilometers which is equivalent to 6.3% of the region share with 30 wads and 42 villages. National Census, (2012).

3.3.3 Climatic condition.

Dodoma is characterized by semi-arid climate, plains and lands mixed with sporadic hills. Rainfalls between 400mm and 640mm annually of which 85% of it falls between December and the rain season is between November to march and dry season is from August to October featured by hot weather. Temperature in the region varies according to altitudes with minimum and maximum temperatures of 18 and 30 respectively. From June to August temperatures at the hot afternoon are up to 35 and chilly nights on hilly area down to 10.

3.4 Sample size and frame

The sample frame of this study consisted of managers, accounting and finance department, procurement department and other employees working at TANESCO Dodoma Municipality. According to National Bureau of statistics (2013) Dodoma urban, made up of 37 wards, with a total area of 426 kilometres square and total population of 2,083,588 but about 15.4% (320873) they live in urban areas. A purposive sampling technique was used to come up with a sample of 30 respondents following a limited knowledge of respondents on the subject matter.

3.5 Data types

The study based on primary data which were collected from TANESCO in Dodoma municipal through questionnaires and interview schedule. Primary data were collected on the indicators of existence and effectiveness of internal controls which are being used in the day to day transactions to monitor revenue and expenditures of the organization. Secondary data were obtained by reviewing office records, documents and literature review of reports or publications obtained from TANESCO, libraries and internet sources.

3.6 Data collection methods

3.6.1 Questionnaire

A questionnaire is a tool for eliciting information about what people do, what they have, what they think, know, feel or want through the use of questions.(Powell,1998). In the study at TANESCO researcher used questionnaire which enabled the respondents to give their honest views on the effectiveness of internal controls without being interfered by the researcher or the management. Questionnaires were randomly administered to all employees of TANESCO in Dodoma Municipal Council.

3.6.1.1 Strength of questionnaires

Miller(2005) argues that questionnaire permits respondents to consider their responses carefully without interference as compared to interview, besides respondents receive identical set of questions. In the study at TANESCO researcher made use of closed form questions which were standardized, therefore assisted in interpreting large number of responses. In addition close ended questionnaires permit anonymity which according to Miller increase rate of responses and may reflect genuinely held opinions.

3.6.1.2 Weaknesses of using questionnaire

On the other hand Miller(2005) argues that with questionnaire it may be difficult to obtain good response rate since there is no strong motivation for respondents to respond. They are complex instruments and if badly designed can be misleading. Besides the quality of data is not as high as with alternative methods such as personal interview.

Harris and Brown(2010) suggests that results obtained through questionnaires can be threatened by fault questionnaires, questionnaire design; sampling and non-response errors, biased questionnaires design and wording; respondents unreliability ,ignorance misunderstanding, reticence, errors in coding, processing and statistical analysis.

3.7 Interview

According the Business communication (2013) an interview is private meeting between people when questions are asked and answered where an interviewer can get to know what is happening with the company. Structured interviews were conducted to get in depth view about the existence and effectiveness of internal controls over revenue and expenditure at TANESCO. The researcher interviewed 26 employees out of which 17 interviewees were from Accounting and finance and the rest were from other department and top management.

3.7.1 Strengths and weaknesses of using interview.

The main strengths of using interview in data collections is that interview allows probing and posing follow up questions by the interviewer ,good measure of altitudes and provide in-depth information ,high response rate are often attainable and moderately high measurement validity for well-constructed and tested interview protocols.

However on the other hand in person interview can be expensive and time consuming, perceived anonymity by respondents may be low and analysis of data can be time consuming for open ended questions. Moreover investigator effects may occur example untrained interviewers may distort data because of personal biases and poor interviewing skills.

In the study at TANESCO researcher 26 employees were interviewed, interviews were conducted on 12, 13 and 16march, 2015 following the fact that it all interviewees were not accessible on a single day.

3.8 Documentary review/secondary data.

Secondary data are data that have been previously collected and are utilized by a person other than the one who collected that data, Investopedia, (2014).The use of documentary review/secondary data enabled the researcher to gain in-depth understanding of the internal control system used by TANESCO in order to draw a clear conclusion of the effectiveness of internal controls over revenues and expenditure of TANESCO. Documentary review/secondary data were obtained by reviewing office records, documents and literature review publications obtained from respective offices, libraries and internet sources.

3.8.1 Strengths and weaknesses documentary review.

In a research study the use of secondary data is economical such that it saves effort, time and expenses, makes primary data collection more specific since with the help of secondary data researcher can figure out what are the gaps and deficiencies and what additional information needs to be collected. It helps to improve the understanding of the problem and provides basis for comparison for the data that is collected by the researcher.(Management Study Guide,(2014)).

However secondary data can be obsolete, accuracy of secondary data can be unknown since researcher has no control over how data was collected and its answers may not fit researchers questions (Boslaugh, (2007)).

3.9 Research instruments/tools

The instruments used in this study were questionnaires and checklist for the interview which were re tested randomly to 10employees of TANESCO. To ensure reliability of questionnaires and interview questions, they were reviewed by my supervisor and an auditor who is a professional CPA-T for ambiguity and ensure valid responses.

3.10 Data processing and analysis.

Data collected from the field were analyzed through Statistical Package for Social Sciences (SPSS). This research made use of content analysis model which enabled researcher to present findings through tables showing frequency and percentage of variables.

Findings of karlinger, (1986) are in line with those of professor Anderson, (2007) who argued that contents analysis is a systematic analysis of communications in an objective and quantitative manner for the purpose of measuring variables in the form of graphs ,tables and images. 4.2

3.11 Reliability and validity

Reliability and validity are the two most important quality control variable in research design. Therefore, it was very important that the researcher will ensure that the research results are reliable and valid. Validity and reliability are the two factors which any qualitative researcher should think about while designing a study, analyzing results and judging the quality of study.

3.11.1 Reliability

The issue of reliability was considered in the study by using various methods such as structuring various questions that were aligned to the research objectives, which ensured the reliability of the data collected. Finally the researcher worked closely with his research supervisor to assess the research instruments before they were dispersed to be used in collecting data.

3.12 Ethical consideration.

This research was conducted in accordance with the research ethics and norms as suggested by Adam and Kamzora,(2008)who argued that research must ensure the rights, privacy and welfare of the people and communities that form the focus of their study are safeguarded. This was applied to both literature and empirical study reviews of scholars who wrote on internal controls. Moreover to

ensure that respondents do not suffer physical harm, discomfort pain, embarrassment or loss of privacy the researcher observed the following ethical issues

(a) Informed the respondents the true purpose of the study so as to relieve/distress them at the time of giving responses. Besides respondents were told their participation in the study is purely voluntary and therefore they have the right to stop cooperating any time they wish to do so.

(b) I ensured due diligence during execution of research by not using biased sampling, ignoring relevant data or missing statistics and any other act likely to lead to erroneous and misleading results.

(c) Throughout the execution of the study I maintained highest SJUT ethical standards as well as following the procedures of the protocol of the organization .Also I ensured privacy of respondents and their right to research results. Data and information collected from the organization were coded and stored in a computer locked with a password

3.13 Chapter summary

This chapter discussed the design of the study, types and sources of data, data collection methods, validity issues, data analysis methods. Purposely it provided a picture on the ways the research was constructed and conducted in order to achieve the desired objectives.

CHAPTER FOUR

DISCUSSION AND INTERPRETATION OF FINDINGS

4.1 Chapter overview

This chapter presents findings with respect to research objectives in chapter one. These findings were obtained from both primary and secondary sources. They were analyzed using SPSS, presented in frequency and percentages by using tables.

4.2 Study sample characteristics.

4.2.1 Gender of respondents.

The researcher wanted to establish the gender of respondents and obtained the following responses.

TABLE 4.1 GENDER OF RESPONDENTS(N=30)

Gender	Frequency (f)	Percentage(%)
Male	21	68
Female	9	32
Total	30	100

The findings show that 21(68%) of the total number of respondents were male. This was the highest portion of respondents who participated in this study. The findings also show that 9(32%) of the respondents were female. This is an indicator that gender was taken into consideration in this study.

4.2.2 Current position of respondents

Here the researcher was interested in knowing the different positions that were held by respondents in the organization in order to know the structure of the organization.

TABLE 4.2: POSITION HELD BY RESPONDENTS(N=30)

Position	Frequencies	Percentage (%)
Managers	4	13.3
Accounting and finance	14	46.7
Procurement department	5	16.7
Other employees	7	23.3
Total	30	100

Results from the study conducted revealed that out of 30 respondents 13.3% were managers, 46.7% accounting and finance staffs (regional finance officer, senior accountants. assistant accountants and supplies officers), 16.7% procurement officers and 23.3% were ordinary employees.

The study involved different group of stakeholders within TANESCO to find out whether the company communicated the internal control policies and procedures throughout the organization.

4.2.3 Marital status of respondents

Researcher intended to know the marital status of respondents to ascertain the relationship between marital status to the effectiveness of internal controls.

TABLE 4.3: MARITAL STATUS OF RESPONDENTS(N=30)

Status	Frequencies	Percentage (%)
Single	12	40
Married	18	60
Divorced	0	0
Widow/Widower	0	0
Total	30	100

Findings in Table 4.3 indicate that 60% of the respondents were married and 40% were single. The majority (60%) were married ,this implies that, internal controls over revenue and expenditure in TANESCO at Dodoma Municipal is highly occupied by married staffs compared to single .These findings are in line the thesis presented by Kol and Ryu, (2002) shows that marriage increases job productivity. The fact that married people may have higher household income makes them suitable in the control of financial resources in the organization. However if these married employees do not possess integrity and objectivity they can collude the ICS following their increased family obligations.

4.2.4 Age of respondents

Researcher aimed to ascertain whether age had a significant impact towards the effectiveness of internal controls over revenue and expenditure at TANESCO in Dodoma Municipal.

TABLE 4.4: AGE OF RESPONDENTS.(N=30)

Age (years)	Frequencies	Percentage (%)
21-30	5	16.67
31-40	12	41.9
41-50	9	30.0
Above 50	4	13.33
Total	30	100

According to Table 4.4,16.67% of the respondents were between the ages 21-30, 41.9% were between the ages of 31-40, and 30.0% were between the age of 41-50 and 13.33% the respondents were above the age of 50. The majorities (41.9%) of respondents were in the age group of 31-40 years implying the internal controls over revenue and expenditure of TANESCO in Dodoma Municipal is occupied by young energetic staffs. Although Internal controls occupied by aged employees who have worked in an organization for years are likely to be more effective, this solely depends on their integrity and objectivity. This is also supported by Smedley and Whitten (2006) argue that an organization occupied by working group of different ages has added advantages of achieving effective controls over its financial resources

4.2.5 Level of education attained.

The researcher wanted to establish the level of education that the respondents had attained to ascertain the relationship between education level and the effectiveness of internal controls over revenue and expenditure.

TABLE 4.5: EDUCATION LEVEL OF RESPONDENTS(N=30)

Level	Frequencies	Percentage (%)
Certificate	0	0
Diploma	8	26.67
First Degree	13	43.33
Master's degree	5	16.67
Professional	4	13.33
Total	30	100.0

Findings in Table 4.5 above show that 0% of the respondents held certificates, 26.67% Diploma, 43.33% degree 16.67% master's degree and 13.33% were professional. The majority (73.33%) of all respondents held first degree holders. These findings are in line with National Board of Accountants and Auditors (2003) professional codes of ethics requires accountants and auditors to be professionally educated and trained on the Internal control systems of the organization and encourages professionals to attend professional trainings and seminars as scheduled by NBAA.

Organization whose internal control over financial resources is led by well educated and trained employees is more likely to be effective (Srinidhi and Vasarhely,1975) adds that competence ,awareness and integrity of management and employees are crucial towards achieving effective internal controls over revenue and expenditure. However if internal controls are not well designed then the chances of management override and collusion is high and compliance tests is low. Kinney(1975).

4.2.6 Working experience of respondents

The researcher wanted to find out how long the respondents had worked at TANESCO and obtained the following responses;

TABLE 4.6: WORKING EXPERIENCE OF RESPONDENTS(N=30)

Length of service (years)	Frequencies	Percentage (%)
Less than a year	1	3.3
More than a year but less than three years	8	26.7
More than three years but less than ten years	11	36.7
More than ten years	10	33.3
Total	30	100.0

Findings in Table 4.6 above show that 3.3% of the respondents served for less than 1 year, 26.7% more than a year but less than three years, 36.7% more than three years but less than ten years and 33.3% saved more than ten years .The majority (70%) of all the respondents have saved more than three, this implies that the effectiveness of internal controls over revenue and expenditure at TANESCO in Dodoma Municipal is occupied by highly experienced staffs.

Integrity and objectivity of employees is a cornerstone for any company to achieve effective internal controls,(Srinidhi and Vasarhely,1984).The fact that employees are experienced mean that they can easily override existing controls.

Therefore companies should regularly provide education and trainings to its employees on voluntary compliance to internal controls.

4.3 Existence of internal controls over revenue and expenditure.

Researcher wanted to know whether TANESCO in Dodoma Municipal has internal controls over revenue and expenditure to ensure that financial resources are spent in the best interest of the government as the sole shareholder.

Findings revealed that 100% of all respondents who had participated in this study agreed that TANESCO in Dodoma has internal controls over revenue and expenditure. This implies that TANESCO complies with the NBAA code of ethics and Sarbanes Oxley Act of 2002 which requires corporations to establish and maintain adequate internal control system and assess its effectiveness regularly.

The Board of directors is ultimately responsible for setting appropriate policies on internal control and assure itself that processes functioning effectively in reducing risk to acceptable level, Klynveld Peat Marwick Goerdeler Auditors, (1999). According to the interview conducted on 12 march, 2015 to Regional Financial Officer indicators of existence of internal control is that "TANESCO issues and enquire receipts, Invoices, payment vouchers, credit and debit notes for every transactions made." The company maintains all three types of controls such as directive, detective and preventive controls. Moreover all major transaction are first discussed then approved by board of directors and a regular bank reconciliation is made to ensure that that the numbers correlates with those in the books of original entry.

4.4 Assessment of the effectiveness of the existing internal controls over revenue and expenditure.

4.4.1 Issuance of local purchase order.

The researcher wanted to know whether LPO were issued before making expenditure as a proof that expenditures are made in the best interest of the company and follows laid down policies and procedures.

TABLE 4.7: ISSUANCE OF LOCAL PURCHASE ORDER(N=30)

Response	Frequencies	Percentage (%)
Strongly agree	20	66.6
Agree	8	26.8
Not sure	2	6.6
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.8 above show that 66.6%, 26.8% agreed and only 6.6% were not sure while none of the respondents disagreed .The majority(93.2%) of respondents agreed that TANESCO issues LPO before making expenditure therefore internal controls over revenue and expenditures are effective.

Findings correlate with Analysis for Economic Decision, (2010), report suggests that as part of the functionality of the Integrated Financial Management System (IFMS), LPO should be issued for the purchase of goods or services. Internal Control system is relative effective if it restricts production of an LPO for financial codes with adequate funds.

Certified Public Accountants Australia Limited (2008) insists that receiving is another important component of purchasing function and is an area in which the lack of controls can lead to significant financial loss. Therefore materials should be inspected for conditions and independently counted, measured or weighted when received before issuing LPO's.

4.4.2 Handling of transactions

The researcher wanted to ascertain whether transactions at TANESCO can be handled by one person from the beginning to the end and from the questionnaires administered, the following respondents were obtained.

TABLE 4.8: HANDLING OF TRANSACTIONS(N=30)

Response	Frequencies	Percentage (%)
Strongly agree	1	3.33
Agree	0	0
Not sure	5	16.6
Disagree	6	20.0
Strongly disagree	18	60.0
Total	30	100.0

Results in Table 4.9 above show that 3.3% of the respondents strongly agreed, 0% agreed, 16.6% were not sure, 20% disagreed and 60% strongly disagreed. Since the majority (80%) of the respondents disagreed this implies that transactions in TANESCO are not handled by one person from the beginning to the end implying that there is segregation of duties.

Findings rhyme with research conducted on the role of Internal Control and cash management at Uganda Flight services Limited by Vuziga (2011). Findings revealed that in practice embezzlement occurs when ICS in place are not strictly enough to allow one person to handle all transactions from the beginning to the end.

In the interview conducted on 12march, 2015 the Chief Accounting Officer argued that an internal control system that allows one person to handle transaction from the beginning to the end is ineffective and subjected to failures. However he further said this is major challenge to small firms with limited number of staffs where one person may be required to handle multiple duties.

4.4.3. Authorization of transaction.

The researcher wanted to know whether transactions were authorized at TANESCO in Dodoma Municipal and gathered the following responses.

TABLE 4.9: AUTHORIZATION OF TRANSACTION.(N=30)

Response	Frequencies	Percentage (%)
Strongly agree	19	63.3
Agree	4	13.3
Not sure	4	13.3
Disagree	2	6.6
Strongly disagree	1	3.3
Total	30	100.0

Results in Table 4.10 above indicate that 63.3% of the respondents strongly agreed, 13.3% agreed, 13.3% were not sure, 6.6% disagreed and 3.3% strongly disagreed. The majority (76.6%) of the respondents agreed and this implies that transactions are handled by the right signatories, therefore the internal controls are effective.

These findings are in line with DiNapoli, (2010) who argued that segregation of incompatible duties and authorization reduce the risk that employees will be able to carry out and conceal errors or fraud in the normal course of their duties without being detected.

Besides United States General Accounting Office(1999) insists that effective internal control ensures that transactions and other significant events are authorized and executed by persons acting within the scope of their authority and be communicated to managers and employees.

4.4.4 Segregation of duties

The researcher wanted to establish whether those who in the organization responsible for keeping accounting records were also responsible for receiving cash in the organization. Respondents were asked and they provided the following responses;

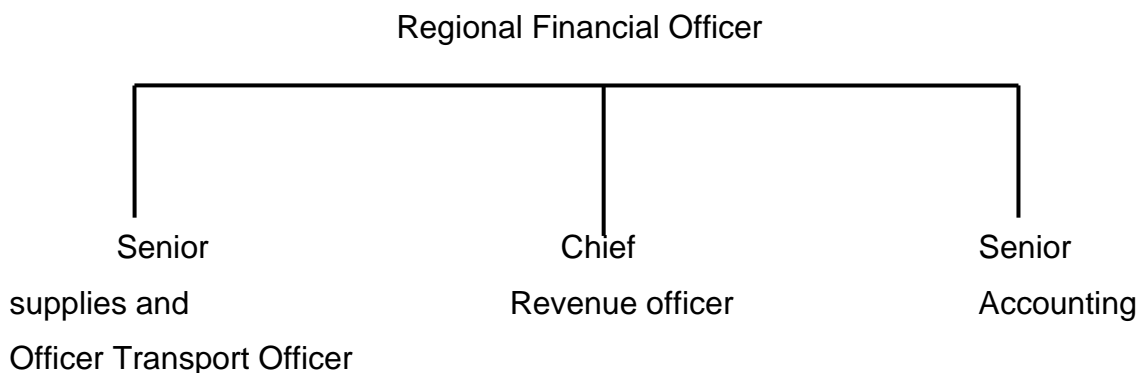
TABLE 4.10: RESPONSIBILITY FOR RECEIVING CASH IN THE ORGANIZATION(N=30)

Response	Frequency	Percentage (%)
Strongly agree	2	6.6
Agree	1	3.3
Not sure	1	3.3
Disagree	8	26.6
Strongly disagree	18	60
Total	30	100.0

Results in Table 4.11 above reveal that 6.6% of the respondents strongly agreed, 3.3% agreed, 3.3% were not sure, 26.6% disagreed and 60% strongly disagreed. Since 86.6% of the respondents disagreed meaning that personnel responsible for keeping account records are not responsible for receiving cash. Findings of Dinapoli, (2010) and Vuziga, (2011) correlate with those of Black and Lyons(2013) who suggested that to control company's expenditure should ensure that the initiator and approver of purchases are different.

On the other hand ICS over revenue should segregate duties in cash receipt such that individual responsible for posting cash receipt, preparing deposits, depositing cash and reconciliation of bank statements are different. Findings from the interview conducted on 12march,2015 depicted clear lines of duties and responsibilities in the accounting and finance department as shown in the diagram below.

FIGURE.4.1: DEPARTMENTAL STRUCTURE OF ACCOUNTING AND FINANCE DEPARTMENT.



Source: TANESCO Dodoma Municipal.

From the diagram above duties of Senior Revenue Officer are different from those of Chief Accounting Officer and Senior Supplies and Transport Officer, however all the officers are supervised by the Regional Financial Officer. In the interview conducted on 16march, 2015 the Regional Branch Manager argued that “Segregation of duties has not only helped TANESCO to ensures compliance to internal controls but also is essential towards achieving corporate governance”.

4.4.5 Pre-Numbering of source documents.

The researcher wanted to establish whether all source documents were pre-numbered. Respondents were asked regarding the same and provided the following response.

TABLE 4.11: RESPONDENTS VIEW WHETHER ALL SOURCE DOCUMENTS WERE PRE- NUMBERED(N=30).

Response	Frequency	Percentage (%)
Strongly agree	16	53.3
Agree	8	26.6
Not sure	5	16.6
Disagree	1	3.3
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.12 above show that 53.3% of the respondents strongly agreed, 26.6% agreed, 16.6% were not sure, 3.3% disagreed and 0% of the respondents strongly disagreed. The majority (79.9%) of the respondents agreed that source documents are pre-numbered therefore internal control over revenue and expenditure is effective.

These findings are in line with The Country Auditor's Association(2008) which suggested that pre- numbered source documents ensures revenues received are included in revenue reported ,properly categorized by type of revenue and reported for the correct dollar amount. Moreover source documents should contain date received, payee, purpose and amount.

4.4.6 Independence of internal auditor from internal control process.

The researcher had an aim of ascertaining whether the internal auditor was independent from the internal control processes at TANESCO in Dodoma Municipal. And therefore managed to obtain the following responses;

TABLE 4.12: INDEPENDENCE OF INTERNAL AUDITOR FROM INTERNAL CONTROL PROCESS.(N=30).

Response	Frequency	Percentage (%)
Strongly agree	16	53.3
Agree	10	33.3
Not sure	4	13.3
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.12 above show that 53.3% of the respondents strongly agreed, 33.3% agreed, 13.3% were not sure and none of the respondents disagreed. The majority (88.8%) of the respondents agreed that an internal auditor is independent from internal control process this implies that the auditor's independence towards improving internal controls over revenue and expenditure is enhanced.

Findings rhyme with The Institute of Internal Auditors, (2012), which argues that Independence of internal auditor from internal control process allows the auditor to perform their duty in such a manner that no quality compromises. Although internal auditors can be valuable advisory resource on ICS the internal auditor should not be a substitute for a strong internal control system, INTOSAI, (1992).

4.4.7 Transactional risk identification strategies.

The researcher intends to know whether TANESCO has strategies to identify transactional risks such as frauds and fictitious payments.

TABLE 4.13: RESPONDENT VIEW ON WHETHER TANESCO HAS STRATEGIES TO IDENTIFY TRANSACTIONAL RISKS(N=30).

Response	Frequency	Percentage (%)
Strongly agree	19	30
Agree	9	63.3
Not sure	2	6.7
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.13 above depict that 30% of the respondents strongly agreed, 63.3% agreed, 6.7% were not sure and 0% of the respondents disagreed this implies that that TANESCO has laid down strategies for identifying transactional risks therefore the chances of frauds are reduced and effectiveness of internal control over revenue and expenditure is enhanced.

These findings correlates with the interview conducted on 12march,2015 which revealed that all major transactions are prior reviewed to see if they are in the best interest of the company and in accordance to Public Procurement Act of 2011 before they are approved by the board of directors as a strategy to reduce transactional risks that the company might face.

4.4.8 Selection of qualified personnel.

The researcher had an aim of finding out whether management of TANESCO selects qualified personnel for employment on its internal controls systems and managed to obtain the following responses:

**TABLE 4.14: WHETHER MANAGEMENT OF TANESCO SELECTS
QUALIFIED PERSONNEL FOR EMPLOYMENT(N=30).**

Response	Frequency	Percentage (%)
Strongly agree	20	66.7
Agree	9	30
Not sure	0	0
Disagree	1	3.3
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.13 above indicate that 66.7% of the respondents strongly agreed, 30% agreed, 20.5% none were not sure, and 3.3% disagreed. The majority (99.7%) of the respondents agreed that TANESCO selects qualified personnel for management of the internal controls over revenue and expenditure.

Investing resources into selecting the right people is more critical to an organization's success than developing strict internal control system since wrong people will neither create nor effectively implement the internal controls (Nobile and Fisher, 2015).

Holloway(2003) argues that if a company makes mistakes in hiring, recognize and rectify the mistake within six month the cost of replacing an employee is two and half times the persons annual salary. Company's ability to determine who should be on the bus is one of the fundamental differences that distinguish great companies from good ones.

In the interview conducted on 16march,2015 the Human Resource Manager argued that "selecting the right staffs is a key factor towards achieving an effective control of financial resources and overall achievement of intended company objective, however nepotism is still a challenge in many organizations".

4.4.9 Job rotation of staff

In order for the researcher to establish whether there is job rotation of staff, questionnaires were administered and the response were analyzed as follows.

TABLE 4.15: EXISTENCE OF JOB ROTATION OF STAFF(N=30).

Response	Frequency	Percentage (%)
Strongly agree	0	0
Agree	0	0
Not sure	3	10
Disagree	16	53.3
Strongly disagree	11	36.7
Total	30	100

Results in Table 4.15 above show that none of the respondents agreed, 10% were not sure, 53.3% disagreed, 36.7% strongly disagreed. Since 90% disagreed this implies that TANESCO is not performing job rotation as a means of detecting frauds. Therefore the company should start performing job rotation to its staffs so that they do not get used to the controls to the extent of manipulating the transactions.

Job rotation not only ensures the entity that they have some over who can step in the event of an emergence but also it deters frauds, when potential perpetrators know someone else will do their job for a period of time, Dietz and Snyder (2006).

These findings correlates with the findings of Idd (2013) who argued that well arranged procedures of ICS over payroll should ensure that every employee takes his /her leave so that their work are taken over by someone else who will likely detect errors or frauds committed deliberately or by negligence.

However this may be difficult to implement when there is only one person, therefore job rotation should concentrate on task relating to cash as it may be susceptible to financial misconducts.

4.4.10 Mechanisms of detection of frauds and errors

The researcher wanted to know whether there were mechanisms of detection of frauds and errors and responses were asked to fill questionnaires responses yielded the following.

TABLE 4.16 WHETHER THERE WERE MECHANISMS OF DETECTION OF FRAUDS AND ERRORS(N=30).

Response	Frequency	Percentage (%)
Strongly agree	14	43.3
Agree	13	46.7
Not sure	3	10
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.16 above depict that 43.3% of the respondents strongly agreed, 46.7% agreed, 10% were not sure, 26% and none of the respondents disagreed. The majority (90%) of the respondents agreed, this implies that TANESCO has a mechanism of detecting errors and frauds therefore the internal control over revenue and expenditure is the effective.

These findings correspond with the Sarbanes Oxley Act of 2002 which suggested that rotation of audit firms and partners caters to detect frauds and errors in an organization. In addition Mwamsongole,(2011) recommends that forensic audit should be made often to detect frauds.

4.4.11 Supervision of accounts officers

The researcher was interested in knowing whether the activities of accounting officers were supervised by a senior person to ascertain accuracy in financial reporting. Responses obtained were analyzed as follows.

**TABLE 4.17 WHETHER THE ACTIVITIES OF ACCOUNTING OFFICERS
WERE SUPERVISED BY A SENIOR PERSON(N=30).**

Response	Frequency	Percentage (%)
Strongly agree	16	53.3
Agree	12	40
Not sure	2	6.7
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.17 above depict that 53.3% of the respondents strongly agreed, 40% agreed, 6.7% were not sure, and none of the respondents disagreed. The majority (93.3%) of respondents agreed that activities of accounting officer are supervised by accounting officer therefore the internal control over revenue and expenditure is effective. Findings by INTOSAI, (1992) rhyme with those made by DiNapoli, (2010) who argued that qualifies and continuous supervision should be provided to ensure internal control objectives are achieved.

Findings of DiNapolia are in line with the Interview conducted on 12march,2015 to the head of accounting and finance department which revealed that the activities of the Senior revenue officer, chief accounting officer and senior supplies and transport officer are supervised by the regional financial officer.

4.4.12 Compliance to internal controls policies and procedures

The researcher wanted to establish whether employees adhered to policies and procedures to ascertain the effectiveness of internal controls over revenue and expenditure. Study revealed the following findings.

TABLE 4.18: RESPONDENTS VIEW ON WHETHER EMPLOYEES ADHERED TO POLICIES AND PROCEDURES TO ASCERTAIN THE EFFECTIVENESS OF INTERNAL CONTROLS.(N=30).

Response	Frequency	Percentage (%)
Strongly agree	16	53.3
Agree	11	36.7
Not sure	3	10
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.18 above depict that 53.3% of the respondents strongly agreed, 36.7% agreed, 10% were not sure, 15% and 0% of the respondents disagreed. This implies that employees at TANESCO adhered to internal control policies and procedures.

This is also supported by findings from the interview conducted on 16march, 2015 to Human resource manager revealed that “the extent of compliance depends on whether employees are provided with education and training on internal control system”.

He further argued that TANESCO should provide regular training to its employees so that employees can be able to cope with changes in the working regulations such as Procurement Acts. Section 19 of the Anti Money Laundering Acts of 2009 requires all employees of accounting and auditing firms to be aware and trained of policies and procedures relating to prevention of ant money laundering. Section reveals that this can be achieved through monitoring of all transactions to ensure that no suspicious activity is undertaken under the guise of money laundering.

4.4.13 Existence of internal audit department

Researcher wanted to know where TANESCO in Dodoma Municipal has internal audit department to review the internal controls of the company to enhance its effectiveness

TABLE 4.19 WHERE TANESCO IN DODOMA MUNICIPAL HAS INTERNAL AUDIT DEPARTMENT TO REVIEW THE INTERNAL CONTROLS(N=30).

Response	Frequency	Percentage (%)
Strongly agree	0	0
Agree	0	0
Not sure	0	0
Disagree	18	60.0
Strongly disagree	12	40.0
Total	30	100.0

Results in Table 4.19 above depict that 60% of the respondents disagreed, 40% strongly disagreed, 0% were not sure and 0% of the respondents agreed. This implies that the internal control over revenue and expenditures is susceptible to frauds and errors. Institute of Internal Auditors(2012) insist that it is important for a company to have internal audit department as it is responsible for evaluating the effectiveness of internal control system.

Board of Governors of the Federal Reserve System (2013) suggests that company's whose activities are not subjected to internal audit are susceptible to frauds and errors.

To facilitate effective, efficient and consistent practice within internal audit department an institution should develop an audit manual that includes comprehensive policies and procedures and make them available to all internal staff, Internal Audit Department (2013).

ACCA(2013) insists that an internal audit department is important for ongoing reviewing and monitoring of the effectiveness of the company's ICS and internal audit function.

The fact that TANESCO does not have an internal audit department in its branches may mean some errors and frauds may go on detected resulting to ineffective control of financial resources, therefore the management of TANESCO should pass by law to be discussed in the parliament on the establishment of an internal audit department in its regional branches.

4.4.14 Safety box for keeping cash/revenue

The researcher wanted to know whether TANESCO has a safety box for keeping cash/revenue and authorization is granted only to the cashier.

TABLE 4.20 VIEWS ON WHETHER AUTHORIZATION TO SAFETY BOX IS GRANTED ONLY TO THE CASHIER(N=30).

Response	Frequency	Percentage (%)
Strongly agree	8	26.7
Agree	22	73.3
Not sure	0	0
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.20 above depict that 26.7% strongly agreed and 73.3% agreed therefore this meaning that TANESCO has a safe to keep its cash to avoid unauthorized access. Moreover when revenue is bulky risen its banked timely to avoid risk of being stolen or misused. These findings implies that TANESCO complies with Anti Money Laundering and Proceeds of Crime Act of 2006 which requires organization to have a fixed term deposit box for keeping bulky cash/revenue and the box should be accessible to authorized personnel only .

In the interview which was conducted on 16th march,2015 the Revenue accountant argued that the safe box code is only accessible on to the cashier .Moreover the box is kept in cashiers office and payments are made through a small window covered with a glass which is not transparent from outside. No employees of the company not even the revenue accountant is allowed to inter the cashiers when the safety box is opened.

A daily reconciliation is made by a different person from the cashier and the supplies accountant to ensure accuracy of amount cash kept into the safety box. According to the regional financial officer if an organization does not have a safety box to keep raised revenue and meet petty cash transactions then, then the chances of misuse of fund by the employees and management may be high .Moreover some transactions may need to be settled on cash basis rather than paying through cheque. example laborers therefore it is important that organization to have a safety deposit box, however this is quite a challenge for small organization with limited staffs and capital.

FIGURE.4.2: SAFETY BOX



Source: Bank of Tanzania, (2015)

4.4.15 Banking of bulky risen revenue.

The researcher wanted to know whether TANESCO in Dodoma Municipal banks revenue after it is bulky risen to avoid risk of embezzlement resulting from keeping too much cash at the office.

TABLE 4.21: BANKING OF BULKY CASH ATTANESCO(N=30).

Response	Frequencies	Percentage (%)
Strongly agree	10	33.3
Agree	12	40
Not sure	8	26.7
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.22 above depict that 33.3% of the respondents strongly agreed 40% agreed and 26.7% were not sure. Since majority agreed this implies that TANESCO banks its revenue after it is bulky risen. These findings are in line with interview conducted to Senior Revenue Officer on 12march, 2015 who argued that “TANESCO in Dodoma Municipal banks its revenue daily and the account is operated by its headquarters only” He insisted banking of bulky cash is done daily to prevent chances of misuse of revenue by the cashier or the management.

4.5 Analysis of challenges for effective internal control over revenues and expenditures.

The researcher wanted to make an analysis of the challenges which TANESCO is facing towards achieving effective control of revenue and expenditure. The main challenges are independence of TANESCO in revenue collection, Installation of LUku Meters and provision of regular trainings on compliance to internal controls. However there are other challenges which were revealed in the interview conducted with the employees and management of the organization.

4.5.1 Independence of TANESCO in revenue collection.

Knowing that TANESCO is 100% owned by government of United Republic of Tanzania, the researcher wanted to know whether TANESCO management is independent in revenue collection without being interfered by government officials.

TABLE 4.22 HOW INDEPENDENT IS TANESCO IN REVENUE COLLECTION(N=30).

Response	Frequencies	Percentage (%)
Strongly agree	7	23.3
Agree	11	36.7
Not sure	5	16.7
Disagree	4	13.3
Strongly disagree	3	10
Total	30	100.0

Results in Table 4.23 above shows that 23.3% of the respondents strongly agreed 36.7% agreed, 16.7% were not sure, 13.3 disagreed and 10% strongly disagreed. The majority (60%) agreed that TANESCO is not independent in collecting its revenue. These findings correlate to statistics presented by Member of Parliament John Mnyika in 2013, which revealed that TANESCO had uncollected debts of 83.7billions much of it being help by the government departments.

4.5.2 Installation of luku meters.

The researcher wanted to know whether TANESCO had installed LUKU meters to all its customers as a means of ensuring that revenues are collected on time.

The researcher obtained the following findings from the study.

TABLE 4.23: WHETHER TANESCO HAD INSTALLED LUKU METERS TO ALL ITS CUSTOMERS(N=30).

Response	Frequency	Percentage (%)
Strongly agree	18	60
Agree	10	33.3
Not sure	2	6.7
Disagree	0	0
Strongly disagree	0	0
Total	30	100.0

Results in Table 4.24 above depict that 60% of the respondents strongly agreed 33.3% agreed, 6.7% were not sure, 0% disagreed and 0% strongly disagreed. This implies that some customers are still using conversion meters in which the company is required to issue bills every month. Results from the interview conducted on 13 March, 2015 revealed customer who use conversional meters which are billing system do not pay bills on due dates, this forces the company to broadcast on televisions and radios reminding them of paying their bills. Mramba(2014) argues that the company plan to phase out all conversion meters and replace with the LUKU meters which uses prepaid system.

4.5.3 Provision of regular trainings on compliance to internal controls.

The researcher wanted to ascertain whether TANESCO provides regular trainings to its Employees as a measure to ensure effectiveness of internal control systems over revenue and expenditure. The researcher obtained the following findings from the study.

TABLE 4.25: PROVISION OF REGULAR TRAININGS TO ITS EMPLOYEES AS A MEASURE TO ENSURE EFFECTIVENESS OF INTERNAL CONTROL.

Response	Frequencies	Percentage (%)
Strongly agree	2	6.67
Agree	3	10
Not sure	5	16.67
Disagree	14	46.66
Strongly disagree	6	20
Total	30	100.0

Results in Table 4.25 above depict that 6.67% of the respondents strongly agreed 10% agreed, 16.67% not sure, 46.66% Disagreed and 20% strongly disagreed. This implies that TANESCO does not provide regular trainings to its employees on the internal controls matters. DiNapoli(2010) suggests that with increased delegation of authority and responsibility there is a need to provide for and continuous improvement of employees through education and trainings on internal control systems. To achieve effective internal control over

revenue and expenditure at TANESCO should provide ongoing training should be provided to all employees especially those in charge of financial resources to enhance effectiveness of ICS and reduce errors and frauds.

In the interview conducted on 16th march,2015 the branch manager argued that TANESCO in Dodoma municipal does not provided regular training as such trainings are to be approved by headquarters. However it encourages its employees to take evening classes and long distance learning classes. The Human Resource manager insisted that the company plans to start offering trainings to all its employees at least twice a year to ensure that they carry their deities as stipulated in the public service act of 2002 and public service regulation of 2003.

4.6 Chapter summary

Findings on this chapter show that out of 70 questionnaires disseminated only 30 were returned. Data analysis focused on the specific objectives and the impact of demographic profile of respondents such as age, sex, marital status, education level and experience on the effectiveness of internal control systems. Findings revealed that the internal control system is effective, however TANESCO does not have internal audit department in its regional branches to review its internal control system. The fact that majority of customers are still using conventional meters which uses billing system is a major challenge towards revenue collection.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS OF FINDINGS

5.1 Chapter overview

This chapter is a detailed presentation of the conclusion from the findings and recommendations on the effectiveness of internal controls over revenue and expenditure at TANESCO in Dodoma Municipal. It covers conclusion basing on each specific objectives of the study, recommendations to the management and employees, overall limitation of the study and areas of further studies.

5.2 Conclusion from the major findings.

Conclusion for the study is made basing on the specific objectives which ranged from finding out existence and indicators of internal controls to analysis for effectiveness of the existing internal controls.

5.2.1 The existence of internal controls over revenue and expenditure.

The study concluded that there is an existence of internal controls over revenue and expenditure .According to the interview conducted on 12 march, 2015 to Regional Financial Officer, indicators of existence of internal control over revenue and expenditures at TANESCO are physical tools like safe box, receipts, journal voucher, debit and credit note and pro-forma invoices. TANESCO in Dodoma Municipal maintains a bank collection account with no access to withdraw any amount; instead the amount is transferred to head-quarters on daily basis.

TANESCO also maintains an imp- rest account in which all major expenditures are approved by the company head -quarters and managed by accounting officer .According to IT- specialist TANESCO has inter-grated its LUKU system where customers can buy electricity through mobile phones.

Findings corresponds to the study made by Douglas, (2011) in which respondents acknowledged the existence of internal controls and that it ensured proper dissemination of information from management down to employees. The study concluded TANESCO in Dodoma municipal council has internal control system over revenue and expenditure in place. Findings from the interview conducted on 13 march, 2015 to TANESSC's Revenue system operator shows that LUKU system is integrated to headquarters therefore makes it easy for the company to collect its revenue.

5.2.2 Conclusion on the analysis of the effectiveness of the internal controls over revenue and expenditure.

Findings on the analysis of internal controls over revenue and expenditure used in TANESCO at Dodoma Municipal concluded that the controls are effective. However it was revealed that TANESCO does not perform job rotation on its employees as an internal control means of combating errors and frauds.

Moreover TANESCO does not have internal audit department in its braches which could regulate all transactions, ensure compliance to internal controls and review its effectiveness regularly. Findings rhyme with studies made by Vuziga, (2011) who argued that effective internal controls should ensure

transactions are handled by one person from the findings, authorization of transaction by right signatories, cash receipt and recording are handled by different person, supervision of accounting officer by senior personnel and develop a strategy for detecting errors and frauds in the internal controls.

Besides the study of the effectiveness of ICS over payroll by Idd, (2013) made at IAE insisted that an effective ICS should ensure that an organization should establish and maintain accurate records of payroll which are in compliance with state laws and regulations, proper recording of transactions, control over overtime allowance and leaves, promptness in reporting in recording changes in employments status to the payment units to avoid fictitious payment.

Therefore based on the findings of this study it is concluded that an effective ICS is an important part of any successful organization as it provide independent and efficient measure of security of the firm's financial resources.

5.3 Recommendations.

The management and employees of every organization has a sole responsibility of ensuring effective controls of revenue and expenditures. Recommendations on this study range from those to be implanted by the management to those by employees.

5.3.1 Recommendations to the management of TANESCO.

Based on the findings of the study TANESCO should establish internal audit department in its regional branches. The audit department will help TANESCO to ensure compliance to controls, controlling of fictitious payments and review of the existing internal control policies and procedures. These departments should be occupied by professional accountants and members of the management so that weaknesses on internal controls are communicated to the board of directors on time.

These recommendations are in line with the interview conducted on 12 march,2015 which involved Regional Financial Officer, Senior Revenue Accountant, Senior Financial Accountant and Senior Supplies and Transport Officer who suggested that internal audit department should be established in every branch as it plays a significant role towards achieving effective control of financial resources. The fact that internal audit department is at the headquarters makes the role of an internal auditor less influential.

Moreover they recommended that internal control must not be under the influence of one person. When such a thing happens that individual can easily override the controls. In addition TANESCO should phase out all conversion meters and the government should conduct surprise interim audit to its branches regularly as the basis of evaluating the effectiveness of controls in place. Management of TANESCO should perform job rotation to it employees regularly so that they can have an understanding of different activities within the department.

This should be done by rotation of staff within same department or to another department in that sequence such that issues of ignorance being given as excuses after defaulting are avoided once mistakes are made, and it enables getting defaulting are avoided once mistakes are made, and it enables getting acquainted to the organizational policies and familiarization of controls by staff.

Government should not intervene the activities of TANESCO's management; rather it should remain as a watchdog to enhance the independence and accountability of the management and board of directors to act in the best interest of TANESCO.

5.3.2 Recommendations to the employees.

Education is an indicator of efficient internal controls functions. Education on internal controls systems should be provided to employees in all departments in collaboration with the management to meet TANESCO's vision and mission.

Moreover employees should be encouraged to developing themselves in their works through joining evening classes as work environment as always changing. TANESCO should let professionals such as accountants and procurement officers to attend seminars and trainings conducted by NBAA and Procurement board respectively which In turn promotes honesty and integrity to reduce employees and management override of the internal controls for their own benefits.

5.4 Contribution of the study to the performance of TANESCO.

Study on the effectiveness of ICS over revenue and expenditure lays down a basis for continuous review and improvement of internal controls. TANESCO need to establish internal audit department in the regional branches, perform job rotation to employees especially those in the accounting and finance just to mention a few to enhance effectiveness of ICS and enable the company to reach 75% of Tanzanians in 2033 as stipulated in the company roadmap of 2015-2033 by professor Muhongo in 2014. Although the ICS in Dodoma is effective the overall performance of TANESCO is still poor. In the government budget of Tanzania for the year 2015/16 the government has increased prices of petrol, diesel and kerosene by Tshs 232 ,Tshs 261 and Tshs 369 respectively to increase connectivity of electricity in the rural areas of Tanzania Suluhu,(2015). The accumulated loss of 1.45 trillion suffered by TANESCO until the end of 2014 implies weaknesses in ICS over revenue and expenditure. Therefore a continuous improvement in the controls is essential to ensure that TANESCO earns profit and earring per share of the government as a sole owner is maximized.

5.5 Areas for further research

The study did not exhaust all the dependent variables that influence effectiveness of internal controls, thus the need for other researchers to conduct an exhaustive study on variables under listed.

- The contribution of ICT to the effectiveness of internal controls in public sector organizations.
- The effects of internal controls on inventory management.
- The role of NBAA in enhancing compliance to internal control systems in Tanzania
- The impacts of internal controls on operational efficiency of public organizations.

5.6 Chapter summary.

Conclusion on the study has been made based on the specific objectives. The study concluded that the internal controls were effective however a number of weaknesses were revealed. Weaknesses ranged from non existence of internal audit department in regional branches, no job rotation of employees to interference of the government on the management activities. The fact that this study is made only in Dodoma Municipal is a major limitation to making generalized conclusion on the effectiveness of internal controls.

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