

**EFFECTIVENESS OF FINANCIAL MANAGEMENT CONTROL
IN LOCAL GOVERNMENT AUTHORITIES:
A CASE OF MVOMERO DISTRICT COUNCIL**

By

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**A Dissertation Submitted in Partial Fulfillment of the Requirement for the Award
of Degree of Master of School of Business in Accounting and Finance (A& F) of
Mzumbe University**

2014

CERTIFICATION

I/we, the undersigned, certify that I/we have read and here by recommendation for acceptance by the Mzumbe University, a dissertation entitled **The Effectiveness of Financial Management Control System in Local Government Authority: A Case Study of Mvomero District Council**, in partial fulfillment of the Requirements for the Degree of Master of Science in Accounting and Finance of Mzumbe University.

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ACKNOWLEDGMENT

I thank the almighty God for his mercy upon me in the course due to undertake my studies and particularly this study at Mzumber University.

Endless gratitude's are herein bestowed to my Supervisor Dr. Benedicto Lukanima; actually, this work could not have been materialized without his tangible and tireless supervision in all stages that I passed through.

I would like to extent my sincere gratitude to the Management team of Mvomero District council for their maximum cooperation and their considerate for letting me conduct my study in the area of jurisdiction. Also in particular my sincere gratitude to DED (Mr. Wales Caria) District Treasurer (Mr. Steven Sinda guru) accountants (Victor Mandonde, Daniel Lusingu, Malima Sylvester), I also thank Miss Neema Senta for excellent typing the report and other finance department staff, auditing staff, administration department who provided me with necessary cooperation and information thought the whole period of study.

Furthermore, I'm utmost indebted to my wife Neema Jeremiah and our children Doreen and Denisa Essau, for their heartfelt tolerance and support to me which all above made it easier for the accomplishment of this very dissertation as one of our family mutual goal.

I would also like to thank my parents Mr. and Mrs. Ndyanabo for their unreserved love, support and encouragement. The courage and determination they taught me has made my life look so wonderful. At last therefore, my acknowledgment will not be inclusive without expressing a special appreciation to my class mate (Jonnes Rweyunga) and my sister (Lucy Ndyanabo) for giving me hope and encouragement throughout this study period.

DEDICATION

I dedicate this dissertation to my beloved wife *Neema Jeremiah* and our beloved children *Doreen* and *Denisa*

LIST OF ABBREVIATION

AAPs	- Annual Action Plans
CAG	- Controller and Auditor General
COSO	-Committee of sponsoring organizations of the Tread way Commission
ESRF	-Economic and Social Research Foundation
FACET	- Front against Corruption Element in Tanzania
IAS	- International Accounting Standard
IFAC	- International Federation of Accountant
IFM	- International Finance Management
IFRS	- International Financial Report Standard
INTOSAI	-International Organization of Supreme Audit Institutions
IPSAS	- International Public Sector and Accounting Standard
LGAs	- Local Government Authority
LGCDG	- Local Government Capital Development Grants
LGFA	- Local Government Finance Act
LGRP	- Local Government Reform Programme
MDC	- Mvomero District Council
MM	- Morogoro municipal
MOFEA	-Ministry of Finance and Economic Affairs
MOPF	- Ministry of Planning and Finance
MTEF	-Medium Term Expenditure Framework
NDP	- National Development Plan
PCCB	-Prevention Combustion Corruption Bureau
PEFA	-Public Expenditure Finance Act
PER	-Public Expenditure Reform
PFA	- Public Finance Act
PFM	- Performance Measurement Framework
PIFC	- Public Internal Financial Control

PMFPR	- Performance Measurement Framework Performance Report
PMO-RALG	-Prime Minister Office Region Administrative, local government
PSRP	-Public Services Reform Program me
REPOA	- Research on Poverty Alleviation
SIPs	- Sector Investment Plans
VFM	- Value Financial Money

ABSTRACT

The objective or purpose of this study was to examine the effective of financial management and control in local government administration, Mvomero District. Purposefully, the study was conducted to assess the extent to which local government financial management has impact on effective and judicious use of public financial resources in Mvomero District and the influence of financial planning and control on quality delivery of public services in local government areas in Mvomero District. The researcher use descriptive and case study design to carry out the study. There were forty (40), respondents recruited from accounting department, other department, Auditing department, and Administration department, drawn from local governments in Mvomero district council. The data was obtained through administering study questionnaire of (40) items to sixty (60) accounting department, other department, Auditing department and Administration department, having a response rate of 66.7%. The findings of the study revealed that 72% of the leaders had not received any training on financial management control which affected their readiness to accept and implement appropriately financial management strategies. Also 68% of the subordinates were found not possessing appropriate qualifications for financial management. 73% of the non – leader’s staffs never received on job training on financial management. These findings marked that there is still no effectiveness in Financial Management control system that’s why in the financial reporting from CAG shows that Mvomero District council getting more qualified report rather than un qualified report. Moreover this study recommends that financial management in the local government must be redefined according to the local environment so as to meet the working environment of the local government authorities. There should be in place a plan for enabling executive directors and head of departments in the local government authority should be providing with training, guidance and motivation implement timely financial management strategies, for ensuring quality delivery of public services in local government areas of Mvomero District; and also verified that the practice of public financial management enhance transparency and accountability in the use of public financial resources in Mvomero District.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction to the Study

This chapter gives introduction about the effectiveness of financial management control in local Government Authorities in Tanzania. It gives the background of the study and it also cover up the statement of the problem, research question, the research objectives, and significance of the study, scope, limitations and delimitations of the study'

1.1 Background to the Study

Local Government Authorities were established in Tanzania over 100 years in the past. Period to be covered in this study includes the pre-colonial period, the colonial era, the period after independent up to 1972, the period between 1972 and 1984 and the period between 1984 and 2007 until today LGAs in Tanzania is responsible for delivering three types of public services in Tanzania Main Land namely; (1) concurrent functions, (2) exclusive local functions, and (3) delegated functions. Concurrent expenditure responsibilities refer to the public services funded and regulated by the central government, but for which the provision is devolved to the local government level ([Http://www.pmoralg.go.tz](http://www.pmoralg.go.tz)).

Concurrent public services include the five grant-supported sectors, notably primary education and secondary education, local health services, agriculture extension and livestock, water supply, and local road maintenance. Approximately three-quarters of local government spending in Tanzania are for concurrent functions, the remainder is spent on exclusive local function (such as refuse collection and other such local services) and local government administration, (PMO-RALG, 1998 and Kuusi, S. 2009).

The local government Reform programmed (LGRP) in Tanzania was initiated in the late 1990's, within the frame work of a broader civil service reform. The essence of the LGRP was to transfer duties and financial resources to local governments Authorities. Local Government Authorities were thought to be better position than central government bodies to identify people's need and to encourage broader citizen participation in democratic governance. Being closer to the people, it was assumed that local government authorities could more easily identify people's needs and thus supply the appropriate form and level of public services. An important component of the LGRP was to increase the fiscal autonomy of local authorities. This policy was encouraged and partly initiated by the donor community. Starting from the year 2000, a key element of the reform was the provision of conditional block grants from the centre to enable the local governments in improving their level delivery of social service. Additional reform measures included strengthening local governments revenue raising and measures of revenue sharing between local and central government. (REPOA 2010)

For example, the Government of Tanzania through (PMO-RALG) has implemented a system of assessment process to its council so as to evaluate performance measures which determined the level of (LGCDG) funding to be received, revenue collected are used for intended purpose, ability of the number of staff to perform their duty effectively and efficiently.

Through employing internal auditor who shows that, the performance measures are more qualitative and seek to evaluate performance of the Local Government Authorities (LGA) in the function area such financial management control. (Boex and Muga, 2009).

Due to these circumstances, Local Government Authority Financial memorandum of (2009), order N_o.13 sited section 48 of the local Government Finance Act 1982 to

require every council to employ its own internal Auditors so as to examine and evaluate the effectiveness of the financial management control in Local Government Authorities.

According to Controller and Auditor General, (CAG) Report of 2011/2012 there is inadequate performance of some local government authorities in many council. Despite the fact that the Government have taken initiatives to employ competent staff in each department like Account department, Audit department, Administration department yet still, the most of departments fails to perform their duties as they are/were expected to. This therefore leads the Government of Tanzania and Development partners such as World Bank, COASCO,(UNDP,1998:11-12) African Development Bank (2002), Danida to consider external assessment (independent consultancy) when conducting annual LGCDG assessment.

According to Controller and Auditor General (CAG) Report for every year, it is recommended that, as a matter of urgency the PMO-RALG should come up with an appropriate operational manuals and guidelines including formats in the preparation of IPSAS's accrual basis of accounting compliant financial statements. In addition to that, PMO-RALG together with the assistant accountant general responsible for LGAs accounts should; Ensure that the adoption of IFM/EPCOR version is compulsory to all LGAs in the country. Establish strong and competent quality control and assurance teams at the head quarter offices and designated to zonal offices. This team should supervise and ensure that LGAs within their jurisdiction prepare proper IPSASs accrual basis of accounting compliant financial statement. (REPOA 2010)

Strengthen the operation of the council's internal audit and audit committee's functions. There is a need to strengthen the LGAs Internal control systems so as to avoid recurring of the noted weaknesses. Need for PMO-RALG and LGAs to ensure that, audit recommendations are acted upon.

1.2. Statement of the Problem

The history of Local Government in Tanzania has been checked one, colored with gross financial mismanagement, which has forced the government to institute periodical restructuring (Kilembe 1987). Within the context of improved financial management and administration of resources, important indications of good government are:

- Compliance to the laid down LGA financial policies, rules, regulations and procedures
- Effectiveness and efficiency of Local Government operations;
- Time, availability, reliability and integrity of financial information for effective decision making, and
- Effectiveness and efficiency resources utilization which include value for money

These indicators basically refer to the internal control structures of Local Government Authority. In recent years, experience shown that financial control structures of District councils is most shaky and certainly not functioning properly.

Specifically, Mvomero District council failed to pass the eligibility criteria for increased fiscal decentralization under the Local Government Support Programme (LGSP) on top of that, the council received qualified reports (2006, 2007, 2008, 2009, 2010 ,2011, and 2013 received un qualified report (clean report) from the Controller and Auditor General on the council's accounts and failed to meet the minimum requirement of capital Grant (CG). The Mvomero District Council failure to receive capital grant will negatively affect the Local Communities especially the poor, to local services through expanding the physical stock of new and rehabilitated infrastructure.

The problems above have influenced the researcher to study and assess the effectiveness of financial management controls systems in Local Authorities.

The study will enable the researcher to come up with practical and strategic recommendations on how to improve the financial management and mainly addresses the factors hinders the effectiveness of the financial management control such as lack of staff qualification on financial management control, lack of staff participation on financial management and lack of transparency on financial management control.

1.3 .Research objective

The objective of this study was to assess the factor hindering the effectiveness of Financial Management control at Local Government Authorities in Tanzania specifically in Mvomero District Council. In order to achieve this aim, the study focused on the main objective and specific objectives.

1.3.1 Main Research objective

The main research objective was to identify and examine the factor hindering effectiveness of Financial Management control system in Local Government Authorities in Tanzania.

1.3.2 Specific objectives

The specific objectives of study are:

- i. To identify and to verify the documents of staff qualification to see how they can handle those factors affecting effectiveness of financial management control system in local government authorities.
- ii. To examine the factors affecting the effectiveness of the current level of staff participation in financial management control system in local government authority.

- iii. To identify the challenges hindering the level of transparency on the effectiveness of financial management control system in local government authority
- iv. To recommend measures for improving financial management control in local government authority.

1.4. Research question

The research question in this study highlights the main area of concentration. Many types of Council guided with public service commission to employ competent person about the financial management control they need concerned with their education. Also the council should have the rules and procedure to have staff participation and transparency or giving feedback to their subordinate in order to bring the quality service on effective of financial management control in Local Government Authority. But the report from controller and auditor general (CAG) showed that some council obtained qualification report and adverse report. This is due to lack of qualified person in financial management control, lack of staff participation on making decision and lack of transparency among the workers.

Previous researcher made research on that area and give their observation and recommendation on how to handle or to solve that problem but till the moment the problem do still exist.

This study mainly addresses the question on factors hinders the effectiveness of the financial management control such as lack of staff qualification on financial management control, lack of staff participation on financial management and lack of transparency on financial management control.

1.5. Significance of the Study

The study expected to contribute to the existing literature on the matter of local government public financial management in local government in Tanzania particularly Mvomero.

The findings of this study-expected to deal with efficient financial management in local government in Tanzania was written to articulate and discuss the instruments that will help the local government councils manage their funds adequately and be able to perform their statutory duties accordingly. Specifically, we discussed the various tools and techniques of efficient financial management which could assist the local government with performing their roles In addition; it proffers suggestions to improve on public financial management system with regards to providing quality public services for rural dwellers. Thus, local government caretaker committees/councils will find this study useful to setup a sound public financial management system to address the prevailing problems of poverty situation nationwide.

The studies draw the attention of local government administrators on good financial planning and control to extend sustainable development projects to the rural areas as the only way to show good governance.

1.6 Scope, Limitations and Delimitations

The study was carried out within the area of jurisdiction of vrMvomero District council, and concentrated in financial management controls therefore the study findings were not used for generalization it only confined in one district council. Regarding data gathering, the respondents cooperated and gave unbiased information. The main constraint in conducting this study was limited resources in terms of (i) time (ii) fund for research and (iii) availability of some information.

The time was very significant since the researcher is/was an employee and he had limited time to spend in his study, so in combating the situation many questionnaires were issued for responses and collected for analysis to key people such as councilors, head of departments and head of sections. Taking consideration of the sensitivity of the matter, some information such as some minutes of standing committees were not given for the reason that those were confidential and they cannot be disclosed.

1.7 Summary

The purpose of this chapter was to lay the foundation for the research by providing context of the study, introducing the research problem, research objectives and research questions. Significance of the research, scope, limitations and delimitations as presented at the end of chapter one.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

In this chapter a critical approach was used to review the literature regarding the financial management aspects in general and specific of local government finance in Tanzania. The review centers in the roots of the study objectives, and it explored financial management control elements and the bottlenecks currently evidenced in the context of Tanzania local Government. The main objective of this literature review was to show what others have already come up with regards to this study.

2.1 Theoretical Literature Review

Under theoretical literature review the researcher concerned with understanding different books, Journals, Articles and various reports in the libraries and in the website via internet service, many scholars have written about financial management control.

2.1.1 Financial Management

Financial management comprises multiple processes, including financial accounting, cost and management accounting, assets accounting, cash and money markets accounting, financial reporting, internal controls, and internal audit, with external audit providing a report and opinion on the reported financial status and performance.

According to the World Bank Report (2005:1) argues that a good public financial management system is essential for the implementation of policies and the achievement of development objectives by supporting fiscal discipline, strategic allocation of resources and efficient services delivery. Each of these processes, including financial management itself, should incorporate sub processes and techniques, including management, forecasting, strategic planning, planning and

budgeting, procurement, disbursements, control, and communications (The African Development Bank Group's Guidelines for Financial Management and Financial Analysis of Projects, 2002).

2.1.2. Effective Financial Management Control System

Any control system intends to ensure that the intended objectives or targets of an activity are fulfilled. This implies that financial management control system should target to achieve the financial goals of an organization. The tools of financial management control include planning and budgeting, proper records keeping, good information system, quality staff, as well as reporting and accountability mechanics (PMO-RALG,2007).

2.1.3. Budgeting and Planning

Hodget and Kuratko, (1998) defines budgets as plans as well as control tools. As *plans* they pinpoint objectives of an organization. For a local authority the objectives would include revenue collection, meeting personnel requirements, reducing costs, etc. In each case, the organization sets a target then incorporates each of those objectives into a financial budgeting process by asking what the organization must do to attain them. According to Gupta (2002) a budget is a financial and/or quantitative statement prepared and approved in advance for a definite period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. This means financial planning/budgeting involving making projections of funds and then deciding how to meet the forested financial requirements.

This process should also evaluate plans, identify changes in operations that will improve the activities in the organization or correct unsatisfactory forecasted outcomes. Setting a plan or budget is useless without making it work through a system. The most important aspect of making a budgetary system work is the analysis, the comparison of planned performance with actual performance.

This is an element of budgetary control system. Budgetary control is defined by Buyer's (1984) as a "means of control in which the actual state of affairs is compared with that planned for, so that appropriate action may be taken with regard to any deviations before it is too late".

An effective budgeting system is the one directed at helping managers to perform their major management function. The major managerial functions referred as planning, execution and control. This entails that activities must be planned in advance, and an organization should carry out the plan and institute techniques of observation and reporting to ensure that the deviations from plan are properly analyzed and handled. Hence, for a budget to be effective, it must have predictive ability, clear channels of communication must exist, and clear lines of authority and responsibility must also exist in the organization.

2.1.4 Record Keeping and Internal Control

In order to achieve a sound financial management control the need for an effective accounting system is great. But, fulfilling an effective accounting system requires good record keeping.

Michigan Department of Treasury (2004) state every local unit of government from the smallest to the largest must establish and maintain some basic accounting records.

Moreover, a minimum level of internal control must be in place very unit of local governments. Any good management is responsible for establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the governmental unit. Internal controls are policies and procedures designed to provide reasonable assurance that assets are safeguarded against unauthorized use and disposition.(Stettler,1982)

2.1.5. Reporting and Accountability

Rutherford, (1983) explain that, a good reporting system is the important thing for accountability. The characteristics of public sector resource flow create two powerful but conflicting pressures for designers of reporting systems within the sector. The absence of profitability as a regulatory mechanism greatly increases the need for such system whilst the absence of profitability as a measurement framework greatly increases the difficulty of constructing them. But even where the reporting system has been well introduced, there is a tendency of poor response to the reports. This is the case not only for audit report but also other reports as a feed-forward and feedback system in organizations.

Fitzgerald et al in Brig all (2001) they reasoned that performance measurements is the spur to appropriate action at the right organizational level and stage of the decision making process-action being the link between feed-forward and feedback. But this flow of information cannot be achieved unless a good reporting system exists.

A good reporting system, as pointed out above, creates basis for accountability. This means any public sector should be able to show what is obtained with the public money, and how much public money has been used. To be committed for accountability management by objectives and associated techniques should be applied. This involves initial setting of performance standard in an organization by providing clear definition of goals, means of attaining them, the cost involved and the time frame.

2.1.6 Qualified Personnel and Information Flow

An effective financial management control system also requires qualified personnel to deliver its functions. Here, a concern is put in the issues of knowledge and skills. Do local government officials have necessary knowledge and skills, which is necessary to manage their activities and resources effectively and achieve organization goals?

Generally, lack of qualified officials implies the lack of quality information (Wright, 1996).

This information is important for identification of areas where local governments can improve their operations and provide guidance and services that will assist local officials in making improvements. Moreover, quality information is aid for developing and promoting short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their governments' assets, (Fjeldstad et al, (2004). The state of New York (2004) points out that qualified officials have the role to play providing quality information that is very important aspect for development in local areas.

2.1.7 Local Government Financial Management

Effective and efficient local government budgeting and financial management is the cornerstone of any effective decentralization strategy. The task of improving local government financial management systems is enormous. The legal framework varies across countries. Local governments vary in size, financial and economic resources. As a result, there is no singular financial management system that can be applied across the board to all local governments and countries. What is similar across countries and local governments is the conceptual framework of modern budgeting and financial management. The application of these budgeting and financial management practices may however vary across countries.

The Knowledge Management Chapter of these Guidelines (OECD-DAC 2003:12) reviews the core elements that underpin effective frameworks relating to local government budgeting and financial management practices. Financial Analysts charged with the task of assessing financial management systems at sub-national levels of governments are advised to be familiar with the materials presented therein.

2.1.8. Local Government Internal Controls to Ensure Efficiency and Integrity (Jesse, 2007:157) explained that the statutory and regulatory basis for internal controls varies from government to government. It sets out the principles that underlie internal controls and the rules that must be followed to account for and to use the resources that are received and expended through the budget. Examples are given of internal controls; these examples can assist managers in ensuring that internal control systems are comprehensive and effective. All personnel within government are responsible for assessing risk in their areas of responsibility and establishing those internal control procedures necessary to minimize risk. The basic rule is that management is responsible for establishing and enforcing internal controls. Auditors are responsible for checking the adequacy and effectiveness of those controls.

2.1.8.1. Objectives and Scope of Internal Controls

This section is re-printed with permission from “Internal-Control-Integrated Framework: Executive Summary” (COSO 1992) senior executives have long sought ways to better control the entities they run. Internal controls are put in place to keep the entity on course toward its goals and achievement of its mission, and to minimize surprises along the way. They enable management to deal with rapidly changing economic and competitive environments, shifting demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report cards on them. Internal control is looked upon more and more as a solution to a variety of potential problems.

2.1.8.2. Internal Control

Internal control means different things to different people. This causes confusion among legislators, regulators and others. According to (Jesse, 2007:159) resulting miscommunication and different expectations cause problems within an entity. Problems are compounded when the term, if not clearly defined, is written into law, regulation or rule. This concept deals with the needs and expectations of legislators, management and others. While internal control can help an entity achieve its objectives, it is not a panacea. It defines and describes internal control to:

Establish a common definition serving the needs of different parties. Provide a standard against which governmental bodies, businesses, and other entities-large or small, in the public or private sector—can assess their control systems and determine how to improve them. Internal control is broadly defined as a process, affected by an entity's [legislative body], management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:-

- Effectiveness and efficiency of operation
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The first category addresses an entity's basic objectives, including performance goals and safeguarding of resources. The second relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements, such as budgetary control releases that are reported publicly. The third deals with complying with those laws and regulations to which the entity is subject. These distinct but overlapping categories address different needs and allow a directed focus to meet the separate needs. Internal control systems operate at different levels of effectiveness. Internal control can be judged effective in each of the three categories, respectively, if the . . . [legislative

body] and management has reasonable assurance that they understand the extent to which the entity's operational objectives are being achieved.

- Published financial statements are being prepared reliably.
- Applicable laws and regulations are being complied with.

There is synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. Internal control is most effective when controls are built into the entity's infrastructure and are a part of the essence of the enterprise. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions.

There is a direct relationship between the three categories of objectives, which are what an entity strives to achieve, and components, which represent what is needed to achieve the objectives. All components are relevant to each objectives category. When looking at any one category-the effectiveness and efficiency of operations, for instance-all five components must be present and functioning effectively to conclude that internal control over operations is effective. The internal control definition-with its underlying fundamental concepts of a process, effected by people, providing reasonable assurance-together with the categorization of objectives and the components and criteria for effectiveness, and the associated discussions, constitute this internal control framework.

2.1.8.3 Establishing Effective Internal Control in Local Governments

Mustafa and Seder (2007:212) remarked that not all local agencies have the capacity and professional staff to undertake the primary responsibilities associated with internal controls. Many local governments are struggling to cope with ineffective budgetary processes along with outdated accounting and planning techniques. Variations in the

size of local organizations present different obstacles toward building effective local government internal control systems. For example, local governments in major cities seem to be more prepared to engage in modern internal control practices and procedures because they have greater access to revenues and stronger capacity.

Smaller local governments (measured in total financial capacity and population) continually grapple with basic problems such as unsustainable revenues and budget deficits, unpaid public employees, and indebtedness. Major metropolitan governments can shift more readily to full-framed internal control systems, while relatively smaller ones may be capable of only a certain system upgrade level. Small local governments unable to build effective internal control systems may consider an alternative. For example, a local agency with no or few budgeting personnel may consider unifying its control procedures with a neighboring local authority facing similar shortcomings. Employing a group of accounting officials and internal auditors jointly may help reduce burdensome personnel costs. Presented below is a straightforward, five-step strategy for creating internal control systems in a local government.

2.1.8.4. Public Internal Financial Control

Public internal financial control (PIFC) is the term used in the European Union (EU) for an integrated internal control system for the entire public sector (EC, 2005). The basic feature of the EU model of an effective PIFC system is the clear demarcation between financial management and control on the one hand and internal audit on the other. All public income and spending centers should be subject to PIFC and all control and audit systems should be integrated into the system. The PIFC model consists of three principle elements as listed below;-

- **Managerial accountability:** being the responsibility of management for adequate financial management and control systems, including ex ante approval procedures for commitments, disbursements, tendering and contracting, as well as recovery for unduly paid amounts.

- Independent internal audit: being a function that is responsible only for the assessment of the adequacy of the financial management systems through traditional financial audits as well as systems-based and performance audits.
- Centralized harmonization: being an organization responsible for the coordination and harmonization of the implementation of PIFC throughout the entire public sector.

Typically, there are two central harmonization units: one for managerial accountability and another for internal audit. The commission assesses the progress of PIFC development through monitoring a series of steps to be taken by the central authority responsible for the development of PIFC. The first step is the drafting and adoption of a PIFC policy or strategy paper in which a gap analysis is provided of the present control systems that leads to a number of recommendations for upgrading the systems, taking into account internationally accepted control and audit standards.

The second step is the drafting and adoption of framework and implementation laws relating to internal control and internal audit. The third step is the establishment of operational and well-staffed organizations like decentralized internal audit units, adequate financial services in income and spending centers, and central harmonization units for both functions (financial management and control and internal audit). The fourth step is the establishment of sustainable training facilities for financial controllers and internal auditors.

2.1.8.5. Relevance and Feasibility of Internal Controls for Local government

Each budget institution should implement its own systems of internal control appropriate to its organizational structure. All internal control systems should be documented. Along with the annual report on accounts, each institution should obtain from its management an assurance statement on the operation of its system of internal

controls. The statement should certify that all approved systems of internal control have been reviewed and continue to operate effectively.

In particular, large organizations will need more complex control systems. However, all systems should meet the principles set out below and auditors will judge the effectiveness of an institution's systems by reference to those principles. Once implemented, systems should be reviewed annually. Negative answers to these general principles of control will require management to review the effectiveness of that particular area of operation (Jesse, H 2007:181).

2.1.8.6 General Principles of Control

There are general principles of control that can be observed as mechanism to enhance effective internal control and secure financial resources. Jesse Hughes (2007:182) enumerated them as follows: Organizational structure:

- Work should be organized to maximize efficiency, avoid duplication, achieve objectives, and maintain a disciplined control environment.
- Good internal communication is needed to ensure that systems continue to be adequate to meet changing circumstances.

Management review and monitoring: Financial performance should be monitored to ensure that;-

- Personnel understand the systems.
- Records and systems are maintained accurately and effectively.
- Policies, timetables, and targets are met.
- Areas of weakness are identified for action.
- Errors and fraud are deterred and detected and
- Appropriate anticipatory and remedial actions are taken.

Management supervision and control: Procedures should ensure that

- Internal checks are performed effectively, and
 - Weakness in controls are identified and reported to senior management.
- Segregation of duties: Roles and responsibilities should be defined to ensure that. Areas of activity involving risk are separated, for example, the person responsible for authorizing a payment should not be the person inputting the data, making the payment, checking the transaction, or destroying documents;
- Every area of work is independently supervised, validated, or reconciled
 - The opportunities for collusion are reduced; and Unintentional errors have a higher chance of being detected

Authorization and approval: Appropriate authorization and approval procedures should ensure that;-

- Management policies are adhered.
- Only legitimate activities are performed.
- There is clarity about what approvals are needed for what levels of expenditure, The use of systems and assets are controlled, and
- The operation of authority is documented and a clear management and audit trail is maintained.

Physical safeguards: Appropriate physical safeguards should

- Limit access to systems, assets, and records.
- Establish clear control of the use of assets and custodial responsibility for them; and
- Enable records to be reconstituted in the event of a system failure

2.1.8.7. Specific Internal Control Principles

The general principles set out above should be applied in the areas that follow. Each section refers to certain specific applications of those principles that are relevant to each area. They are designed to be appropriate to large institutions. Smaller institutions may require simpler internal control systems, but they still should conform to the general principles listed above and to the specific application of those principles as set out below. The inability to provide adequate segregation of duties because of small numbers of staff may be offset by close involvement of supervisors. Control risks may be accepted because improvements in control might cost more than the losses they are aiming to prevent

Accounting and budgetary systems: Accounting staff should not be involved in other finance-related operational tasks. Procedures should ensure the following:

- Statutory requirements are observed to maintain proper books of account.
- Balances and reconciliation procedures are carried out to ensure transactions are correctly recorded and processed with agreement between the general ledger and subsidiary records. The status of accounts in the statement of assets and liabilities should be externally verified.
- Systems provide the information to enable source documents to be traced to financial statements and vice versa.
- Journal vouchers are authorized and bear appropriate explanatory narrative.
- Financial regulations should specify budget preparation methods, approvals needed for changes in budgets, system of budget execution reports, need for financial implications reports for revenue and capital projects.
- Every budget head should be administered by one, and only one, named budget holder.
- Senior managers should supervise the budgetary management of those reporting to them.

Fixed assets:

- Records of fixed assets should contain an identifying description, responsible budget holder, value, date of purchase, and expected life.
- Proper arrangements should be made for physical security
- Periodic physical checks against records should be carried out
- Proper utilization of the assets should be achieved.

Stores:

- Full stores records should be maintained of orders, receipts, issues, returns, and write-offs.
- Stores document should be signed by all parties to the transaction.
- Storekeeper should not be solely responsible for ordering new stocks or writing off stocks.
- Periodic checks of physical stores against stores records should be made by persons other than the

Storekeeper

- Security should be reviewed at least annually.

Salaries:

- i. Control should be exercised by designated persons on the number of employees, their grading, their duties, hours worked, and so forth.
- ii. All staff should have written job descriptions
- iii. Personnel records should be comprehensive.
- iv. Written authorization must be obtained to start payments to all new employees.

All timesheets and changes in the amounts to be paid to employees must be authorized in writing.

- i. A record of the signatures of all authorizing officers must be maintained. Pay calculations should be checked independently.
- ii. Employees should be properly identified before payment by cash is made and receipts obtained.
- iii. Independent verification of the existence of payees should be obtained from time to time.
- iv. Payroll staff should take no part in payment of salaries.

2.1.8.8. Contemporary Internal Controls

An internal control framework is a set of organizational policies and procedures to ensure reliable record keeping, to safeguard assets, to promote operational efficiency, and to monitor adherence to policies and directives. The functional and broader definition of internal control includes such actions as supervising management to ensure they have an adequate level of funding to deliver services; ensuring all transactions comply with legal frameworks; and ensuring practices are consistent with stated policies, organizational objectives, and performance criteria. Internal control means establishing a system in which all actions are monitored proactively, irregularities are corrected, and deficiencies are reported to top management (Mustafa and Seder, 2006).

According to the International Organization of Supreme Audit Institutions (INTOSAI), it is not about “*one event or circumstance, but a series of actions that permeate an entity’s activities. These actions occur throughout an entity’s operations on an ongoing basis*” (INTOSAI, 2004: 6) The lack of such organizational policies and procedures—internal controls—may result in such problems as (a) unethical, uneconomic, inefficient, and ineffective operations; (b) weak accountability links; (c) unlawful actions; and (d) lack of safeguarding measures against waste, abuse,

mismanagement, errors, fraud, and irregularities. Recently, “*control*” has been viewed as a system of ex ante financial and compliance controls that generally are operated by a central government agency, usually the Ministry of Finance. Lately, the control paradigm in the public sector has witnessed a conspicuous shift from classic ex ante expenditure checks to contemporary financial and no financial internal controls. The contemporary definition of internal control includes a broader context, which not only refers to the traditional role of financial expenditure controls, but also provides management with the capability to supervise service delivery effectiveness.

Contemporary control activities include a wide range of involvement such as approvals, verifications, and reviews of operating performance. These control activities can be organized as follows

- Accounting controls are aimed at covering the procedures and documentation concerned with safeguarding assets and the reliability of financial records. A strong internal control system with coherent accounting checks enables the accountants and managers to check for errors and misuse of public resources.
- Administrative controls are applied to the procedures and records concerning the decision-making processes that lead employees to carry out authorized activities in achieving the organization’s objectives. For example, physical check is an important administrative tool by which staff that are in charge of control processes undertake regular checks on the goods and removable items owned by the entity. Physical checks help ensure that the organization’s property is used appropriately.

2.3. Reforms in Tanzania Local Authorities

Local Government Authorities (LGAs) were re-established in 1982 following a lapse of ten years after Cap 333 and Cap 105 were repealed by the Decentralization Act on 1972. The Re-establishing laws of 1982 (The Local Government District Authorities

Act 7, The Local Government Urban Authorities Act No. 8; The Local Government Finance Act no. 9;

The Local Government Service Act) gave power to the authorities to maintain; facilitate the maintenance of peace, order and good governance; promote social welfare and economic development of all people within their areas of jurisdiction. The Government of Tanzania has also embarked on various public sector reforms: all geared toward improving the quality of service delivery to the public. The Local Government Reform Program me (LGRP) in Tanzania am one of the public sector reforms whose main goal is to improve the performance of the public sector; increase accountability and put a stop on mismanagement and waste of resources, improving on the delivery of social services. One of the objectives of LGRP is to ensure that the local authorities are accountable to the people and are generally so facilitated to improve their capacities towards being stronger and effective in the delivery of social services to their people.

The government vision on the new local government emphasizes on the following: Democratic local government; application of the principle of subsidiary; poverty reduction through economic growth and social development; environmental sustainability; efficient and cost effective provision of social services; and political accountability, openness and transparency.

The government's motive in the reform is to empower local authorities to manage their own social and development activities (URT).It is apparent that all these emphasis require clear and operational systems/strategies that favor value for money practices and proper financial management control in Local government Authority.

2.3.1. PER and MTEF

Since 1997, Tanzania adopted a new Public Expenditure Reform (PER) process in line with the recommendations of the Special Program of Assistance for Africa on Public Financial Management.

In addition to its traditional role of eternal evaluation of budget management, the PER process has evolved into an important instrument of;

(i) supporting the Government in improving budget management and (ii) improving donor coordination with aim to ensure that donor assistance is consistent with budgetary objectives and priorities and increasingly integrated in the budget. One of the outcomes of PER is the Development of a Medium Term Expenditure Framework (MTEF). PER intends to take into account the following features: macroeconomic stability, fiscal discipline, rationalization of expenditure/efficient allocation of resources, linking planning and budgeting, integration of recurrent and development budgets, accountability, transparency, output/performance based, control over expenditures, and efficient delivery of services.

2.3.2. Public Services Reform Program me (PSRP)

Also the Tanzania's PSRP (2002), gives the spirit of the new policy that is the management of Tanzania's Public Service will direct itself to, firstly, achieve efficiency and effectiveness in the operation of public organizations. The PSRP also states that Tanzania Public Service organizations will adopt performance management practices, as guided by the following core management practices, as guided by the following core management principles: result oriented, mission-driven, client-focused, participatory-orientation, strategic orientation, value for money, innovations, monitoring and evaluation, catalyzing and facilitating development, and decentralization.

A good organization and management structure is one of the key features for achieving financial and non-financial goals. Reporting lines will be as short as possible each level of management must be justified in terms of its added value; and Decision-making authority for resources and accountability for results will rest with the person who is functionally responsible for the activity.

2.3.3 New Laws

Another sign of the government commitment to effective financial management is the enacting of new Laws. These laws have been enacted as a means of improving performance in the public sector finance and procurement. These are public finance act (2001), and public procurement act (2001), and their respective regulations. Both require public organs to achieve VFM in spending public money.

2.3.4 Corruption and Money Laundering

Effective internal controls can help prevent, detect, and correct the risk of corruption. Corruption can be difficult to avoid-the checkpoint police officer who is reluctant to return a passport, the clerk behind the desk who pushes someone's papers to the bottom of the pile, the customs officer who is painfully slow to use his rubberstamp-but it is not easy to measure. Vast amounts of money flow through public hands. How much is diverted into private pockets? In an attempt to measure the degree of corruption, Transparency International has developed a Corruption Perception Index that it publishes annually for about 150 countries. The index is based on in-country surveys and expert evaluations. Some lessons identified by the United Nations Development Programmers on ways to tackle corruption are as follows (UNDP 1998: 11-12):

First, it is clear that cross-border corruption indicates the need to attack corruption on an international and regional basis. Second, there is no single recipe for fighting corruption. However the following points can be generally considered:

- i. Exceptional political and managerial will is necessary to promote and maintain anti-corruption reforms;
- ii. As much as possible, strategies should combine three components for action: enforcement of law, prevention through institutional reforms, and mobilization of the population;
- iii. In addition to institutional improvements, enhancing professionalism, ensuring independence and honing technical skills should strengthen capacity in key activities (law, accounting/auditing and investigative journalism); Enhanced professional skills, as well as political and managerial will to control corruption, are more likely to be seen in democratic societies where the pressure of political competition often forces politicians to act. Democratization is thus a necessary but not a sufficient condition for the reduction of corruption; and
- iv. Although economic liberalization is not a panacea for public-sector corruption, reducing the size of the state reduces the size of the potential corrupt “take” and enables the public sector to improve its efficiency.

Third, more attention still needs to be given to questions of timing and sequencing, to the identification of short-term priorities and initial actions, to the consistency in approach and to the way in which to foster the political and managerial will, all necessary to promote and sustain reform.

Finally, there is a need for caution in relying on civil society activism in the fight against malfeasance, as it would be too optimistic to believe that the inclusion of “civil society” is a sufficient guarantee of either the sustainability of anticorruption measures or of their developmental consequences. The objective of development has to be foremost when preparing an anti-corruption agenda. Money laundering is diverting

monies illegally obtained (drug money, for instance) into legal channels. The Financial Action Task Force is an intergovernmental body established to set standards, as well as develop and promote policies to combat money laundering and terrorist financing. To meet this objective, the Financial Action Task Force has published 49 recommendations. These recommendations are too numerous to list here but they have been recognized by the International Monetary Fund and the World Bank as the international standards for combating money laundering and the financing of terrorism.(ESRF) &(FACEIT),(2002)

2.3.4.1. War against Corruption in Tanzania

Any system, no matter how good it is, will not achieve in presence of corruption. According to the World Bank, building strong institutions is a central challenge of development and is a key to controlling corruption. A country can be protected from corruption if it has well functioning public management systems, accountable, organizations, a strong legal framework, an independent judiciary and a vigilant civil society.

Institutional strengthening is thus expected to form a key part of country anticorruption strategies. The government of Tanzania has taken a step forward in establishing the (PCCB, 2003).This is an independent organ with a special task of helping the war against corruption in Tanzania. (Blundo & Olivier de Sardan, 2006).

2.4. Financial Management problems in Tanzania Local Government Authorities

As presented above, local authorities are becoming essential governing areas of public social-activities, by the people themselves, under the guidance of the central Government. Through their representative and a participatory organization system, people plan for their development activities as well as setting the strategies and means of achieving that plans. Consequently, the public expectation is to receive benefits from what has been planned.

Along with local government reforms, they are major and deliberate changes in the Government accounting system, which resulted in the new legislation such as The Public Finance Act of 2004, and the procurement Act of 2004. In these Acts of parliament the value for money issues are strongly emphasized. Value for money is an important element in financial management control. In previous year's value for money was not a concern in the public sector, local authorities in particular. As such the implementation of their activities would lack the necessary ingredients for better public services delivery and development achievement.

Due to this weakness, despite the increasing injection of funds by the government and donors, as well as own funds collected by local authorities, the general public is yet to appreciate the related outcomes. The implication is that a large number of local authorities in Tanzania are facing problems in the practice of value for money, hence poor provision of the requisite social services (CAG reports 1999-2003).

The CAG reports highlights a number of cases in local authorities, which justify the existence of systems that are not in favor of VFM practices. These cases include un-vouched and improperly vouched expenditure, as well as payment unsupported by proper invoices etc. Moreover, financial and accounting record keeping is still a serious problem in many projects and programmed. These problems exist only at village levels but also at upper levels (district, municipal and city) the existence of these problems especially in Mvomero District is an indication of lack of Best practices; which is an important element for value for money delivery.

Some studies indicate that achieving VFM is problem in many local government projects and services. For example, the survey report (Price Water House Coopers, 2011) for some district council like Mvomero, Makete, Monduli, kilosa, mwanza, Korogwe, Namtumbo, Moshi, longido, ngorongoro, covering two sectors, education and health indicate misuse of funds and theft of public funds. Financial and accounting

weaknesses are remarkable. According to the survey most district councils: are not keeping complete records of their transactions; have weak internal control systems; have weak accounting mechanisms; are not subject to any monitoring and are not subject to regular audits.

Also, the study by REPOA and ESRF (2001) covering five districts (Babati, Kidalawe, Mtwara urban, Dodoma Rural and Kigoma) gives more evidence. The study indicate that there is a tendency of Councils to underreport receipts of other charges, and no attempt is provided to explain the underreporting and it is not stated whether this may be a case of embezzlement. Also councils prefer aggregate expenditure items to reduce transparency, and misallocation of funds to unintended activities.

Moreover, the Tanzania Education Network(**TEN/MET**)indicate that local officials are often unwilling or unable to provide the financial information; it is often or not possible to tell the source of funds received; and multiple sources of funding created the possibility for duplication or double funding, and made monitoring of the impact of some programmed difficult. Additionally, Hakikazi (2004), in his analysis on education and health, points out that there is a lack of transparency regarding receipt and use of funds at the local level.

On the other hand, as pointed out above, good planning is an important component in achieving goals. But in many Tanzania local government authorities number of weakness have been observed from the planning process(Country Dialogue Report for Tanzania,2001).To mention few, the weakness include;-

- i. The current planning process takes too long to be accomplished thus delaying the key decision.
- ii. It encourages unsustainable projects and programmed; the planning system does not consider the existing and /or available resources.
- iii. Poor project management after its commencement.

- iv. Poor education background among members of the local communities.
- v. The leadership failure to produce and submit reports such as income and expenditure reports in time.
- vi. Political interests override economic interests in many of the projects;
- vii. Poor monitoring and evaluation.
- viii. Many projects are not implemented in time.

Fjeldstad et al, (2004) evidence that the lack of qualified staff and poor record keeping are the drawback of financial management in Tanzania local authorities, They point out that lack of sound reporting system is due to lack of qualified staff.

2.5. Empirical Studies

This part takes an overview of research finds and conclusion reached by other researchers.

Wambura, (2000) he write that, the importance of accounting is that it makes allocation of resources in a market economy, where individual and Organization are large free to allocate the resource which they control between the competing ends. Therefore theoretical objective of on accounting system is to enable the information users make optical decision so as to make best allocation of available resources that are without their control.

Kabito, (2000) she give out her two comments on the financial statement that provides out a lot of information about the company enables an analysis to gain an insight into its economic well being with a clarity that cannot matched by any other documents or sources of information. A measure of expertise may however be required to show true nature of the firm financial situation.

Luhende, (2001) write many business in Tanzania and in some other places have been make their management control without taking into consideration what have prepared and presented to them as financial reports by financial specialists and this caused by a lot of factors where one them is political group.

Ayepere & Buseni, (2013) found that public financial management in the local governments has impact on effective and judicious use of public financial resources. The authors also verified that the practice of public financial management enhance transparency and accountability in the use of public financial resources which has impact on quality delivery of public services.

Allen, Schiavo-Campo and Garrity, (2004) argued that measures should be taken to improve the legal and organizational framework for public expenditure management, systems and processes for expenditure programming and budget preparation and execution, accounting, reporting, and audit, and administrative and financial management capacity.

Fjeldstad et al, (2004) state that the lack of qualified staff and poor record keeping are the drawback of financial management in Tanzania local authorities. They point out that lack of sound reporting system is due to lack of qualified staff.

Linpico, (2007) explained that public financial management system includes a budgeting system which is very ambitious on aggregate projections when compared to actual cash expenditure outcomes. This has been most attributable to the lack of strength of capacity in budget execution. Security problems did have a negative impact in 2006 as staff and advisors were not at work at the Ministry of Planning and Finance (MOPF) and most line ministries for some weeks.

Jesse, (2007:157) explained that the statutory and regulatory basis for internal controls vary from government to government. It sets out the principles that underlie internal controls and the rules that must be followed to account for and to use the resources that are received and expended through the budget.

Lee & Joyce (2004), explain internal control is desired to provide some assurance to stakeholders that scarce resources are not diverted away from basic considerations inherent in financial management system design. The diversion of scarce resources has profoundly affected the traditional accountability of government to the public in Tanzania where internal control system is sometimes sidelined to the extent of poor accountability. International Federation of Accountants (IFAC, 2006) opined that the severity of high-profile corporate accounting failure which has increased steadily over the last decade has led to development of new legislations, standards, codes and guidelines.

Rah man and Lawrence (2001) provide an analysis of the nature and effectiveness of accounting and financial management systems within a developing country public sector organizational context. The Paper explores a common claim in the literature that public sector accounting and financial Management practices of contemporary developing countries are "deficient". An important Commonality among the studies suggesting this deficiency is their representation of accounting as a technical neutral craft at the service of organizations and society.

2.6. Research Gap

Previous researches have carried out as far as effectiveness of financial management control is concerned has identified potential significance of effective financial management control in local government ,but most council continue to get qualified report and adverse report which is bad indicator to the performance of local government in financial management control system. Thus there is a need to carry out

a research on this area since there is limited availability of research on the role and examined factors affecting the effectiveness of financial management control in Local Government Authority due to lack of qualified personnel on financial management control, lack of Staff participation on financial management control and lack of transparency or feedback to be given to their subordinates.

2.7. Developing a Conceptual Framework

Effective financial Management in local government projects depends on a number of variables which includes qualifications of leaders and training on financial management techniques, transparency in the use of financial resources and community participation in all stages of projects life cycle and many others as explained in the previous chapter. During the study, a conceptual framework was developed and included the above mention variables.

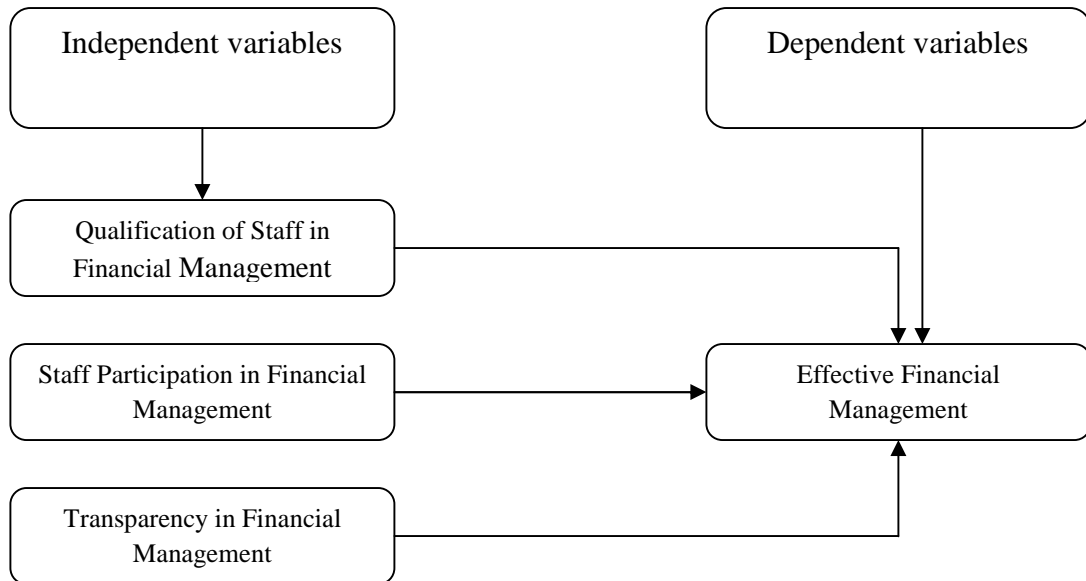
2.7.1. Analytical Framework.

In the framework shown in the figure below, effective financial management is the dependent variable, the other three are independent variables which are qualifications of staff, on the job training on effectiveness of financial transparency in the use of financial resources, and community participation in projects planning and implementation determine the effectiveness of financial management.

2.7.1. (I) Dependent Variables

Msabila & Nalaila, (2013), They pin point the definition of Dependent variables as the variables that are being measured throughout the experiment or the variables which appear or disappear or vary as a result of the variations in the independent variables. On the other hand they define Independent variables are variables manipulated in the experiment in order to determine its effect on the observed phenomenon (the problem that is being investigated).

Figure 1: Conceptual Framework for effective financial management control



Source: Development by researcher (2014)

2.7.1.1. Qualification of Staff in Financial Management.

Any organization performance is directly dependant on the skills and dedication of its workforce, By offering opportunities for training and development, providing the resources to learn additional skills in relevant fields, and always encouraging personal and professional growth, the organization ensures that their employees realizes the satisfaction that comes with working to their highest potential.(Gwakisa and Adisai 2008).

For effective financial management at the local authority level people with relevant financial qualifications should be employed and given responsibilities of effectively taking care of the critical and scarce financial resource entrusted to them. These people should have deep understanding of the techniques of financial management from formal training as well as skills delivered from working experience. They should

have relevant skills in budgeting, accounting processes, reporting and analysis and interpretation of financial information.

Qualified personnel are also needed because financial management is done through analysis of existing financial statements, developing additional data, decision making based on subsequent analysis, and comparing results with expectations.

2.7.1.2: Staff Participation in Financial Management Activities

This is strategy that aim at enhancing the space for all stakeholders, including citizens, communities, civil society, and the private sector in either monitoring or implementing of financial management strategy that aims at increasing the efficiency in the use of all kind of resources including financial resources.

The financial management and accounting guidelines for secondary education development programs requires school plans to be prepared within the framework of participatory planning and budgeting. The plan becomes part of the LGAs plan that are eventually approved by the Ministry of education and vocational training in line with the decentralized management practices the local government authority (LGAs) is to coordinate all education planning activities taking place in the LGAs.

Management of resources plays a critical role in the growth and development of an organization. The organization should strive for effective and efficient utilization of financial resources. The organization should also be concerned about the effectiveness of the control system in achieving its objectives and fulfilling its mission.

2.7.1.3. Transparency in Financial Management Functions

Transparency refers to outcomes that are reached or decisions that are as a result of clear and visible procedures or processes, from organization perspectives it refers to information that makes clear the position and performance of the organization and the way in which information has been derived.

Transparency also refers to the easy with whom an outsider is able to make a meaningful analysis of an organization and its action. Transparency occurs when the community can get both information about the financial position of the organization and to non financial issues such as the directions the organization is taking, its strategic objectives and so on. A transparency organization is therefore one that the community understands, if the community can understand the organization from the information the organization provides, and if they believe that information, then the necessary trust between the community and organization should be established.

In recent years governance has come under severe pressure because of creeping corruption, poor accountability and overloaded and inefficient legal system, ambivalence in sanctifying the fundamental human rights and erosion of meritocracy in public service.(Planning commission,2000).In respect of financial management lack of budgetary discipline and poor management of scarce financial resources undermined by rent seeking behavior and lack of serious commitment to accountability together with the lack of time frames and time effectiveness in government organization has led to serious abuse of financial regulations which resulted in underperforming of the local government authority almost in all sectors.

2.7.2 Operational Definitions

2.7.2.1 Effective Financial Management

Effective financial management is that situation which results from proper and clear planning and controlling of the firm's financial resources. It entails planning for the future of an organization or enterprise to guarantee a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risks.

Generally, effective financial management is the efficient utilization of financial resources. It means creating balance among financial planning, procurement of funds, profit administration and sources of funds. In this study effectiveness in financial management is measured by the level of predictability in budget execution, value for money in procurement and reduction in audit queries which come as results of staff participation, Transparency and training in financial management skills.

2.7.2.2. Staff Participation in Financial Management

This refers to the process by the management to involve its staff in all activities related to financial management. This includes involvement of staff in project design, budgeting, implementation, monitoring and evaluation. The idea behind this is to ensure the achievement of effective financial management. In this research staff participation has been measured by judgmental decision from respondents' explanations of the existing level of staff involvement in financial management activities.

2.7.2.3 Transparency in Financial Management

Transparency refers to openness; so to say, transparency in financial management means being open in all matters pertaining to financial management. Practically it means being open in the whole financial management cycle which involves openness in project design, budgeting, monitoring, implementation and evaluation. In this study transparency in financial management is measured by the level of how feedback is communicated back to subordinates and also openness of the CAG reports published to the public for sake of providing financial information to the public.

2.7.3. Qualification of Staff in Financial, Management

Qualification of staff in financial management means staff having appropriate level of education qualifications from school or colleges. In addition it means staff being involved in continual education development through on the job training programme

seminars and various workshops within and outside the local authority. In this study the level of education of staff is measured by verifying staff qualification and experiences in their personal record. Generally an Advanced Diploma or First Degree in Finance and Account or other relevant commercial subjects were taken as a basic qualifications required.

2.8 Summary

This chapter reviewed the literature that relates to the study and developed conceptual framework for Effective financial Management control system in local government after a detailed literature review and empirical analysis from past studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Asika (2008), give an overview of the term “*Research methodology*” as the particular method(s) or means by which a particular research work is/was carried out. It comprises therefore the procedures and activities involved in drawing logical conclusions on the research study. This section deals with research design, characteristics of the study population, study area and reasons for such selection, sample and sampling techniques, data collection schedule and statistical tools used in this study.

3.1 Research Design

This is a case study design. The researcher decided to use this design due to time constraints and financial limitations. Particularly it entails qualitative approach in which a researcher used to enrich the findings on the topic under study.

3.2 Study Area

The study was designed to be more forward looking and practical in nature. It was conducted in Mvomero District Council as selected for the purpose of the study.

3.3 Study population

The populations for the study were those randomly selected staff members from each Department in Mvomero District council.

3.4 Sample Size

According to Babbie (1992), explain that the sample size is a segment of a population in which researcher is interested in gaining information and drawing conclusion(s).

The sample for this study constituted a total number of 40 respondents from various departments in Mvomero District councils.

Target population (N) = 60 employee of Mvomero District Council

Coefficient of variation (assumed) (c) = 11%

Sampling error (e) = 1%

The sample size was obtained using the following relation;

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

From this study, the values are assigned as follows

$$N = 60 \quad C = 11\% \quad e = 1\%$$

$$n = \frac{(60)(11\%)^2}{(11\%)^2 + (60-1)(1\%)^2}$$

$$N = 40$$

For better distribution of the questionnaires to the area of study, the sample size used was 40 Respondents.

Categories of the sample involved in this study were 18 heads of department and units (leaders) and 22 ordinary workers (non leaders).The study sampled leaders because it was thought that they had access to adequate information on financial management as well as the ability to assess the strength and weakness of the effectiveness of financial management in the district. Ordinary staffs have been included because they are part of the local authority and have a role in Financial Management.

Table 3.1; Description of interviewees for Department Leaders on LGA

Unit of Inquiry	Total population	sample size	% target sample
Accounting department	9	8	80%
Administration department	5	3	60%
Auditing department	6	4	66.7%
Other department	5	3	60%
TOTAL	25	18	72%

Source: Researcher's field data (2014)

Table 3.2; Description of interviewees for Department Non Leaders on LGA

Unit of Inquiry	Total population	sample size	% target sample
Accounting department	12	8	67.7%
auditing Department	9	6	66.7%
Administration department	6	3	50%
Other department	8	5	62.5%
TOTAL	35	22	62.9%

Source: Researcher's field data (2014)

3.5 Sampling Techniques

In the study, the researcher used the non probability sampling technique in which the respondents were selected intentionally by the researcher so as to present the entire universe. The reason behind the option of this technique were due to time and diversity of study areas where the researcher gathered information about effectiveness in financial management control to the local government authorities by selecting the required respondents who in turn provided the necessary information about Mvomero District council as a case study. The technique can be argued to be bias, but basing on the essence of the study, not all the councilors or staffs who are not leaders to have representations of ideas on the topic of the study respectively (Mendenhall, W.et.al, 1993).

3.6 Sources of Data

In research, there were mainly the sources of data collection methods namely primary and secondary data respectively. Primary source of data collection refers to the original sources that were obtained by the research by conducting the research work or study which enabled the researcher to produce the final report. It provides first hand information through personal interviews, observations and distribution of questionnaires both unstructured and structured questionnaires. While the secondary source of data on the other hand looked upon a supplement to the primary source through reading the relevant literature of other scholars or Authors on the particular topic.

3.7 Data collection Techniques

The major data collection techniques were Questionnaires methods, Interviews methods, Observation methods and Documentation Review. (Bari dam, 1990:83)

3.7.1 Questionnaires Method

This consist of structured questions which were to be formulated by the researcher and sent to the target respondents like the Accounting department, Other department, Auditing department , and Administration department. This technique was mostly used because its lower unit costs compared to other techniques and was more convenient to the target respondents.

3.7.2 Interview Methods

Interview refers to data collection technique which involves oral questioning of respondents either individual or in group (Kothari, 2002).This method was used by the researcher as it gave chances to communicate face to face with respondents and it provided chances to clarify issues. Two types of unstructured interview instrument were prepared to obtain information from individuals selected to make up the sample. An interview guide was used to collect data.

3.7.3 Observation Methods

It is more powerful tool for data collection in which researcher become a true member of the group, hence it is easy to notice the actual behavior of respondents since it involves interaction at various levels with the target population that will enable the researcher to get the required information and it was more reliable compared to other techniques to data collection.

3.7.4 Documentation Review

The researcher also used relevant documents like Government magazines, newspapers and text book which supplemented other techniques that provided relevant information for the research report. This was used because it provided complete data about the research problem under the study and it saved time.

3.8 Data Analysis and Interpretation

Descriptive analysis was conducted based on the information collected from primary sources. Therefore in this study, the quantitative data were appropriately analyzed by the use of SPSS. The data was subjected to SPSS program before carrying out an analysis, checking the data for accuracy; entering the data into computer, transforming the data and developing and documenting data base structures that integrate various measures were done. The analysis of data aimed at organizing them in the way that they provided answers related to the research questions and explained the current situation of use financial management control in LGA.

3.9 Summary

This section it firstly and foremost identified the selected paradigm within which the study was conducted. The part further presented the research design, research approach and strategy, types and sources of data; area of study ,participants sampling procedures and sample frame, data collection techniques, data analysis as well as reporting the findings. The variable used for collection of data was Independent

variables (Qualification Staff in financial management control, Staff participation in financial management and Transparency in financial management control and Dependent variable (effectiveness of financial management con

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.0 Introduction

This chapter presents and attempts to analyze the type of information/data obtained as from the field study. Referring to the previous chapters the main objective of the study was to assess the effectiveness of financial management control system. The focus was to examine how financial management system were/are applied in local Government Authorities(Mvomero District Council in particular)in managing and utilizing their resources economically and efficiently; using accurate, reliable, timely, complete and useful information for decision making; complying with policies, regulations, procedure and good governance practices and safeguarding the assets.

The specific objectives which were to identify the existence of necessary documents of how the staff is/was qualified trained to handle those factors for effectiveness of financial management control system in local government authorities, to examine the effectiveness of factors for current level of staff participation in financial management control system in local government authority, to determine the level of transparency and the challenges that hinder effectiveness of financial management control system in local government authority, and finally to recommend remarkable measures for improving financial management control in local government authority. Data had been analyzed through descriptive statistics that presents results obtained from the survey by use of interviews, content analysis and observations.

4.1 Demographic Information

As part of the general information, the researcher requested the respondents to indicate their gender and education level.

4.1.1 Gender of respondents

The data in the table below about Mvomero gender staff level which has been analyzed by using percentage

Table 4.1 Gender of respondents

Sex	Frequency	Percentage
Male	25	63%
Female	15	37%
Total	40	100%

Source: Primary data

The data analyzed suggested that the majority of Mvomero District Council staff (interviewed ones) were male. The data reveal out of 40 respondents, 25 of them (63%) were male while 15 respondents were female 37%. This gives the implication that, the majority who were involved in this study were male.

4.1.2 Education of Respondents

The table below show the data about Mvomero district council staff of professional qualification level which has been analyzed by using percentage

Table 4.2 Education of Respondents

Qualification	Frequency	Percentage
Postgraduate degree	10	25%
Bachelor degree	15	38%
Diploma	9	22%
Certificates	6	15%
Total	40	100%

Source: Primary Data

The Education of respondents is important because when the employees are qualified personnel, then it is simple for them to implement effective financial management control activity in the council.

Table 3.1; Description of interviewees for Department Leaders(administrator) on LGA

Unit of Inquiry	Total population	sample size	% target sample
Accounting department	9	8	80%
Administration department	5	3	60%
Auditing department	6	4	66.7%
Other department	5	3	60%
TOTAL	25	18	72%

Source: Researcher’s field data (2014)

Background information of Leaders (administrator) of respondents

A total of 18 respondents full participated in the study, questionnaires were distributed all got completed usable questionnaires were returned in and correctly filed for a response rate 72%.This is a reliable response rate for data analysis. In all directorates higher participation as shown above is 50% of the required staffs, off all directorates higher participation was noted from Accounting department 80%,Administration department 60%,Auditing department 66.7% and other department 60%.

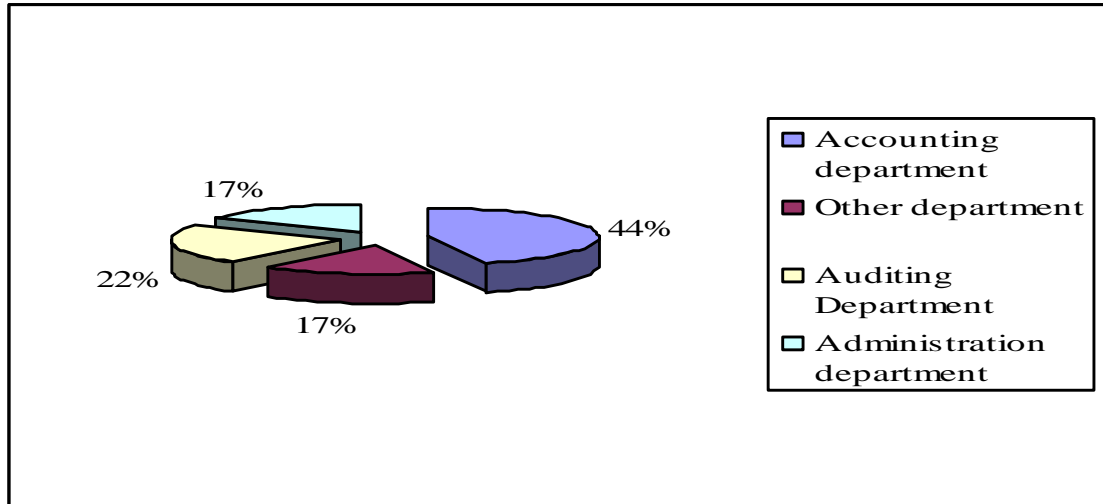
4.2 Description of Interviewees/Respondents

Table 4.3(a) Description of interviewees for Leaders(administrator) Department on LGA

Unit of Inquiry	sample size	Valid Percent
Accounting department	8	44%
Auditing Department	4	22%
Administration department	3	17%
Other department	3	17%
TOTAL	18	100%

Source: Researcher’s field data (2014)

Figure 4.1(a) Description of interviewees for Leaders Department on LGA



Source: Researcher’s field data (2014)

Table 3.2; Description of interviewees for Department Non Leaders(Staff subordinate) on LGA

Unit of Inquiry	Total population	sample size	% target sample
Accounting department	12	8	67.7%
auditing Department	9	6	66.7%
Administration department	6	3	50%
Other department	8	5	62.5%
TOTAL	35	22	62.9%

Source: Researcher’s field data (2014)

Background information of Non- Leaders (Subordinates) of respondents

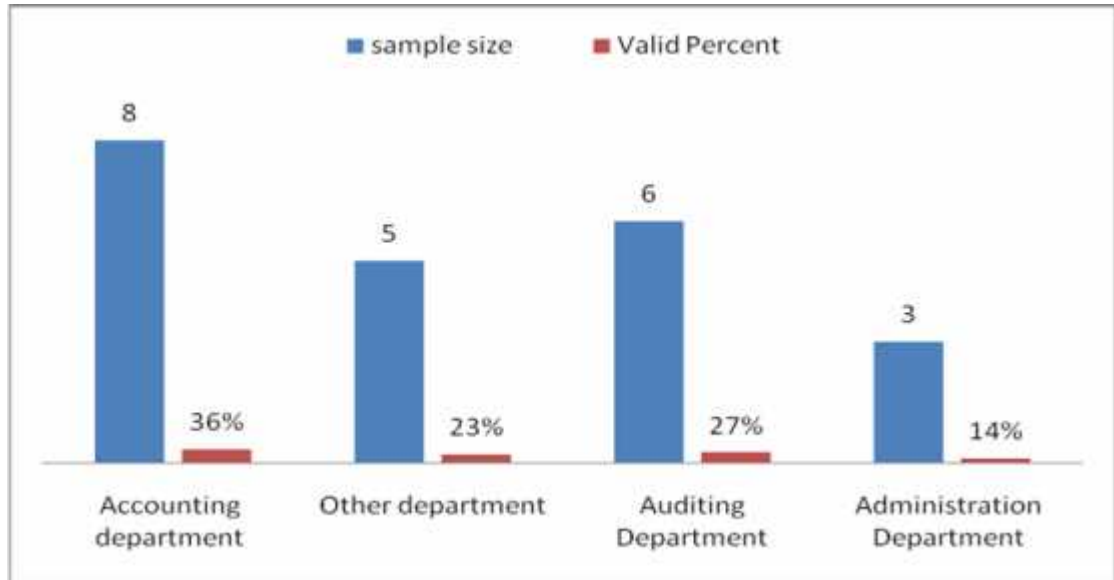
A total of 22 respondents full participated in the study, questionnaires were distributed all got completed usable questionnaires were returned in and correctly filed for a response rate 62.9%.This is a reliable response rate for data analysis. In all directorates higher participation as shown above is 50% of the required staffs, off all directorates higher participation was noted from Accounting department 66.7%,Administration department 50%,Auditing department 66.7% and other department 62.5%

Table 4.3(b). Description of interviewees for Non Leaders(Non –Administrator) Department on LGA

Unit of Inquiry	sample size	Valid Percent
Accounting department	8	36%
Auditing Department	6	27%
Administration Depart	3	14%
Other department	5	23%
TOTAL	22	100%

Source: Researcher field data (2014)

Figure 4.1b Description of interviewees for Non Leaders Department on LGA



The study successfully gathered information from 40 respondent's rate of (66.7%) from Leaders and non Leaders in each department.

4.3 To Establish Effective Financial Management control through Qualification of Staff in Financial Management

One of the objectives of this study was to identify and to verify the documents of staff qualification to see how they can handle those factors affecting effectiveness of financial management control system in local government authorities.

The aim of this study was to get an understanding and a clear picture of how qualifications on financial management of employees affect their effectiveness in performance in financial management issues. Specifically the descriptive study looked at how employing qualified staff and engage them in continuous on the job training could improve the financial performance of the local government authorities.

4.3.1 Findings on qualification of staff in Financial Management

Findings on qualification on financial management shows, those 18 LGA leaders (administrator) responded to this section during interview process. The 12 (67%) leaders claimed to have qualifications on financial management but on the other hand only 7(32%) of the ordinary staff said had necessary financial management qualifications while 15 (68%) subordinates said were not qualified in financial management. The Table 4.4a and 4.4 b show this.

Table 4.4 (a). Leaders responses on qualifications of Financial Management

Response	Frequency	Valid percent
Yes	12	67%
No	6	33%
Total	18	100%

Source-Researcher's field data 2014

Concerning qualifications of leader's personnel records indicated that 67% of them had the required qualifications. One third indicated that they had the postgraduate (Master) degree while the other two third constituted those with first degree, Diploma and certificates. This was crosschecked from the employee's workers register which confirmed the same. The study assumed that level of academic literacy could have the implication on the effectiveness of Financial Management.

Table 4.4 (b).Subordinates (ordinary staff) responses on qualifications of Financial Management control.

Response	Frequency	Valid percent
Yes	7	32%
No	15	68%
Total	22	100%

Source: Researcher's field data (2014)

On the other hand personnel records confirmed that only 7 (32%) non leaders staff have the necessary Financial Management qualifications while 15 (68%) out of 22 are not qualified

4.3.2 Findings on Financial Management Training

It was also found that 13 (72%) of the leaders had not yet received any training on financial management while 5 (28%) of them as table 4.5 below point toward the issue and so according to the result given out by this study, the level of training is poorly adequate or in the other way it can be said it is insufficient.

Table 4.5 Leaders receiving on the job training in Financial Management

Response	Frequency	Valid percent
Yes	5	28%
No	13	72%
Total	18	100%

Source: Researcher's field data (2014)

Most of non-leaders respondents who were interviewed they claimed not to have received any training resting on financial management control, although they have qualifications on Financial Management. In Momero District Office, of all respondents, 73% affirmed while only 27% negated. Such an environment of affairs deteriorates the value for which various Financial Management strategies were accepted for use by the Local Government Authorities. Further, according to this study, low level of training is apparently a cause of poor financial performance and enormous amount of errors in the CAG reports.

Table 4.6 Non Leaders receiving on the job training in Financial Management control.

Response	Frequency	Valid percent
Yes	6	27%
No	16	73%
Total	22	100%

Source: Researcher’s field data (2014)

Most of the financial management weaknesses observed through documentary reviews in Mvomero District council were attributed by most of the employees not being qualified, also the lack of on Job training in financial management. It was observed that only 28% of the leaders and 27% of the non leaders’ employees received financial management training leaving the majority without current skills in financial management. However, the case of training rests on the hands of leaders who actually acknowledge the important of training, yet still, they were reluctant to instigate training program me for their subordinates and themselves.

4.4 To Establish Effective Financial Management through Staff Participation in Setting Financial Management Objectives

It was the intention of this study to determine how participation of staff in setting financial management objectives were affected, in relation to the effectiveness of the financial management control system employed in the District Council, all interviewees responded in this study.

As shown in table below, through interviews 5 (28%) of the leaders responded that they involved their subordinates in setting financial management objectives the remaining 13 (72%) said that setting of financial management objectives was not participatory. According to the results obtained from our respondents, leaders are not involving their subordinates in setting financial management objectives.

Table 4.7 Leaders responses on involvement of subordinates in setting Financial in Financial Management objectives.

Response	Frequency	Valid percent
Yes	5	28%
No	13	72%
Total	18	100%

Source: Researcher's field data (2014)

Figure 4.2 Leaders responses on involvement of subordinates in setting Financial in Financial Management objectives.

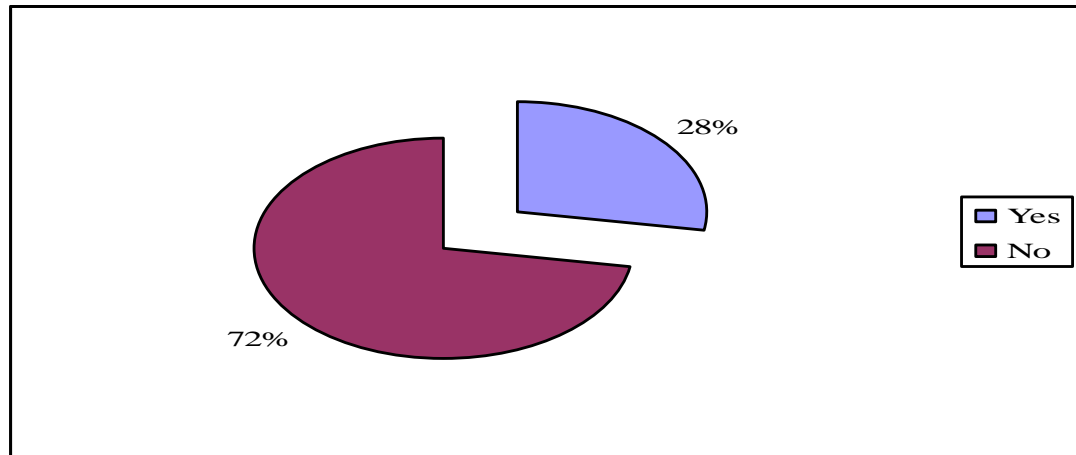


Table 4.8 Non Leaders responses on of subordinates in setting Financial in Financial Management objectives.

Response	Frequency	Valid percent
Yes	8	36%
No	14	64%
Total	22	100%

Source: Researcher's field data (2014)

With regards to non-leader staff workers about 64 % (14) of the employees, were captured saying that they did not participate in the whole process of setting financial management objectives in Momero District while only 36% (8) said they did (table 4.8 depicts the trend). According to the results shown from non-leaders participation in setting financial management objectives is inadequate and unsatisfactory. This clearly plays a role in poor financial performance in Mvomero District Council.

4.4.1 Interpretation and findings on Staff participation

Findings indicate that staff is not involved in setting financial management objectives and as such financial management in the district is not effective as observed in chapter two where it was seen the CAG questioning the credibility of the budget and its lack of predictability in meeting estimated annual expenditure.

Interview results show that 72% of leaders do not involve their ordinary staff in making decisions and 64% of non-leaders were not involved in financial management control in making decisions and hence there was poor delivery in terms of financial management control system. When interviewed, majority of leaders revealed that failure to involve their subordinates in setting financial management control was fundamentally based on the thinking that the course of action was too convoluted and time consuming.

4.5 To Establish Effective Financial Management through Transparency in Financial Management.

The objectives were to identify the challenges hindering the level of transparency on the effectiveness of financial management control in Local Government Authority. The study wanted to capture the respondents' opinions and views on the issue of financial management transparency and how it affects the effectiveness of financial management in the District Council. Generally, the study aimed at establishing whether

there was transparency in all matters pertaining to financial management control system in the Local Governments Authorities.

As depicted in table 4.9 below most of the leaders (78%) did not give financial performance Transparency/ feedback to their subordinates with only 22% who did. According to the descriptive methods, feedback was not communicated back to subordinates and hence no way in which subordinates can find means to improve on the weakness as most of them don't know where the strengths and weakness lies.

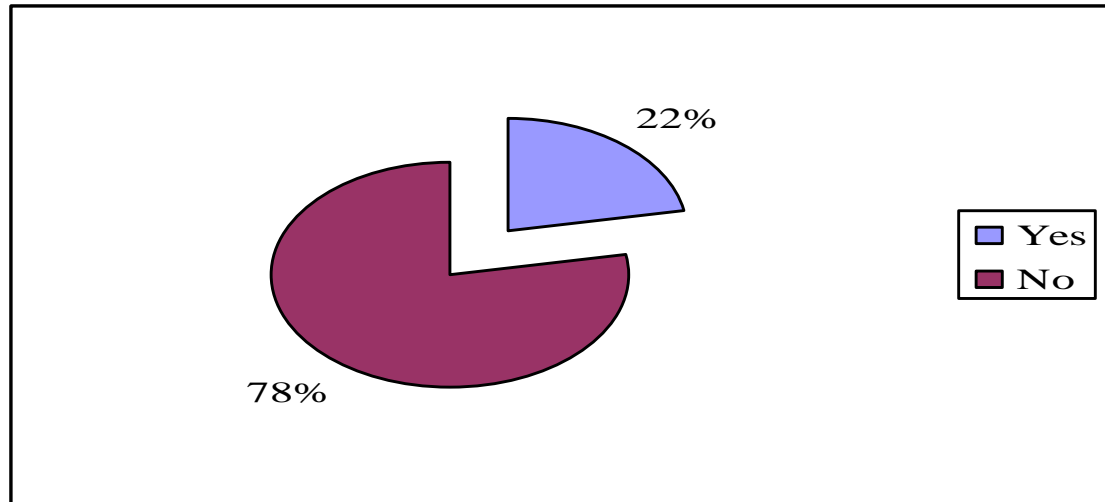
Table 4.9 Leaders responses on financial performance Transparency/feedback to subordinates

Response	Frequency	Valid percent
Yes	4	22%
No	14	78%
Total	18	100%

Source: Researcher's field data (2014)

Figure 4.4 below shows that only few non leader staff 4 (18%) received financial performance feedback from their supervisors while most 14 (82%) of them did not. According to the study, they show that feedback on financial management was not communicated back to subordinates.

Figure 4.3 Leaders responses on of subordinates in setting Financial in Financial Management objectives.



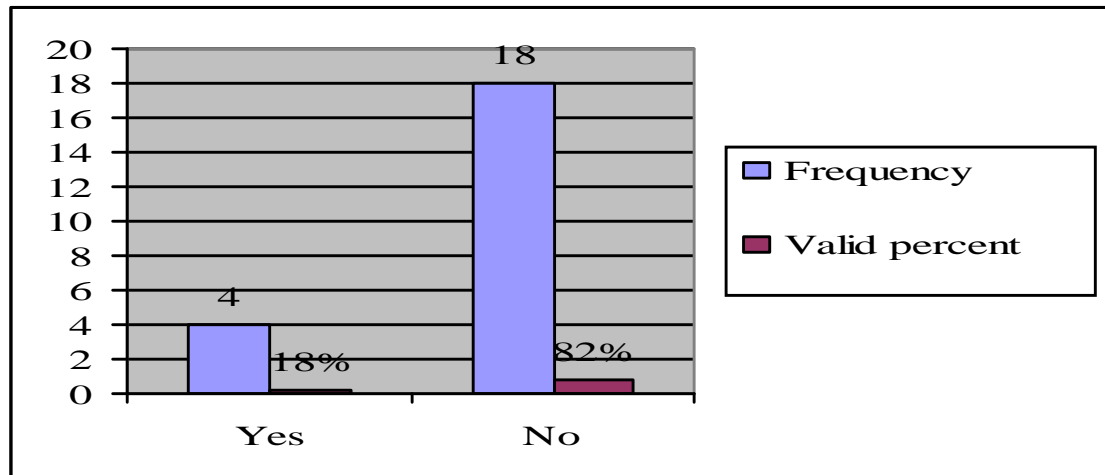
Source: Researcher's field data (2014)

Table 4.10 Non Leaders responses on financial performance feedback to subordinates

Response	Frequency	Valid percent
Yes	4	18%
No	18	82%
Total	22	100%

Source: Researcher's field data (2014)

Figure 4.4 Non Leaders responses on financial performance feedback to subordinates



Source: Researcher’s field data (2014)

4.6 Interpretation and Findings on Financial Transparency or financial performance Feedback to workers

Findings indicated that most of the employees do not get financial performance feedback as of the leaders interviewed only (22%) communicates financial performance feedback to employees while the rest do not, the results supports that employees themselves of about (82%) said no Transparency/feedback was given to them in respect financial performance. Some of the leaders argued among the reasons of not giving financial performance Transparency/feedback are being overwhelmed with too many works and too much reporting lines, the facts of reporting too many government departments and Ministries, the local government is required to reports for example to the Ministry of education, and **PMO-RALG**

4.7 Obstacles to Effective Financial Management

In this part, the aim was to find out the bottlenecks or obstacles in effective financial management, in evaluating the obstacles involved in study found out that lack of appropriate financial management skills, political pressure or influence, poor

budgeting, planning and coordination, lack of commitment and poor setup of laws and regulations, lack of formal training regarding financial management and poor commitment were the major problems. Responding to the interview regarding to obstacles in implementing effective financial management control shows that, majority of the leaders 15 (83%) revealed to have problems (Table 4.11) while only 3 (17%) said there were no obstacles in implementing financial management objectives.

Table 4.11 Leaders responses on Obstacles of Effective financial management control in the LGA

Response	Frequency	Valid percent
Yes	15	83%
No	3	17%
Total	18	100%

Source: Researcher's field data (2014)

As shown in table 4.12 non-leaders staff who responded to this particular question showed that internal factors hindered the effective financial management in the LAG where 12 (54.5%) attributed this to low top management commitments, 6 (27.3%) said it was due to lack of training while the remaining 4 (18.2%) said was due to political pressure. According to the study they show that, low top management commitment is the serious obstacles to effective financial management control.

Table 4.12 Non Leaders responses on Internal Factors that Inhibit Effective financial management control in the LGA

Response	Frequency	Valid percent
Low top management	12	54.5%
Lack of Training	6	27.3%
Political Pressure	4	18.2%
Total	22	100%

Source: Researcher's field data (2014)

It is under this part the study intended to come with ideas of both the leaders and non leaders or subordinates on what obstacles LGAs faced in implementing financial management effectively. The study results showed that only few workers in the LGAs management team as well as that not in management were aware of the need and importance to understand financial management principles for effective resource use.

4.8 Summary

The chapter presented general overview of the data collected both from interviews and documentary reviews that associated with the four specific objectives identified in chapter I. This chapter further reported the analysis that was conducted on the survey data of this research.

CHAPTER FIVE

DATA PRESENTATION AND DISCUSSION ON THE FINDINGS

5.0 Introduction

This study dealt with the effectiveness of financial management control system in Local government authorities. This chapter give the discussions of the research findings presented and interpreted in the previous chapter i.e. chapter four and presented in agreement to the research objectives. It further gives an interpretation of the study findings. Respondents were asked a variety of questions pertaining to their knowledge, skills and dispositions. The study had a total number of 40 respondents who were investigated. The study show that 68% of all subordinate staff not has qualification on financial management and 72% of the leaders not receive on job training.

5.1 Effectiveness of financial management control system in Local Government Authority especially in Mvomero District Council.

The study revealed that the responses given by the auditors and management were matching. No doubt to be expressed about the contribution of auditor information as a support for decision making and as it also pinpointed strengths and weaknesses during the procedures. The results emphasized the contribution of internal audit function to the organization be it in aspect of social responsibility, minimization of risks, aggregate values and satisfaction of the management on reporting effectiveness of financial control and probable weaknesses for remediation.

The findings show that the problem of council continued getting qualified report and adverse report still exist. The study found that since 2006, Mvomero District council established they obtained clean report (UN qualified report) only once the rest they obtained qualified report. In order to overcome the problem of much council to continue getting qualified report and adverse report, the Government should establish

the (LGRP) Local Government Reform Program me with important elements such as the organization and staffing of the local revenue administration Hence improving financial management control of public sector reform which in turn requires skills building and Institutional strengthening.

According to Controller and Auditor General Report 2011/2012, shows inadequate performance of some Local government authorities in much council. Therefore there is a need to strengthening the LGAs, internal control system, so as to avoid recurring of the noted weakness need for PMO-RALG and LGAs to ensure that, auditor's recommendations are acted upon.

5.2 The factors affecting the safe guard available resources and make rational use of them to achieve desired goals

In reality, public financial management in Tanzania as one of the developing countries in the World has been facing serious problem with regards to provision of sustainable development in nationwide, most especially in the Local government areas. The study shows that many Local government areas are poorly developed and lack financial management control system, social amenities such as good communication system, motor able roads, transport system and health care delivery system.

According to Ayepere &Busen, 2013 the doubt is that in many Local government areas, there is no visible progress of development. In Tanzania most of the LGAs are experienced the problem of poor control of public funds, resources particular due to poor financial management and control.

5.3 Factors hindering effective of financial management control in Mvomero District Council

5.3.1 Staff Qualification and Training

The objective of research was to identify and to verify the documents of staff qualification to see how they can handle those factors affecting effectiveness of financial management control system in local government authorities in Mvomero District Council.

Frequencies, figures and tables were used to present and analyze the results of this research objective. The study in case of qualification and training shows that majority of ordinary staff workers who were interviewed indicated that effective financial management could be achieved provided that management decided how and when to take off, and by involving all staff and providing relevant training opportunities to ensure better use of financial resources. According to result table 4.4 (a) and 4.4 (b) (72%) of the leaders (73%) non -leaders have not received any training on financial management control this could have implications on their readiness to accept and implement participatory financial management approach in the District council while 28% of leaders and 27% of non-leaders received training on financial management.

According to the results given out through this study, the level of training seems to be inadequate. These findings were in agreement with the findings of Fjeldstad et al, (2004) evidence that the lack of training, qualified staff and poor record keeping were the drawback of financial management in Tanzania local authorities. According to (Wright, 1996) he explains that, an effective financial management control system also requires qualified personnel to deliver its functions.

5.3.2 Staff participation in Financial Management control in Mvomero District Council

Objective of the research was to examine the factors affecting the effectiveness of the current level of staff participation in financial management control system in Mvomero district Council. An interview result shows that 72% of leaders not involved there ordinary staff in making decision and 64% of non- leaders were not involved in financial management decisions and hence there was severe poor delivery in terms of financial management while 28% of leaders and 36% of non-leaders they agree. According to the results obtained from our respondents, leaders were not involving their subordinates in setting financial management objectives.

The study showed that, some leaders were not very much conversant with current financial management principles and their significance for successful in Mvomero District Council. According to leader's workers turnover was also a factor that hindered proper implementation of effective financial management as soon after joining the organization some workers leave office for other green pasture or other private business.

All this was done due to poor control of leaders; once there is good of supervision of workers nobody can get the chance to leave office and go to do their private business. The argument is still made that this was largely based on their lack of knowledge about financial management as well as selfishness of leaders who always want to keep everything secret and to their own interest; also they argue that managers did not bother to undertake or to introduce financial management discussion with subordinates.

Generally manager in the public Sectors had the tendency of not taking initiatives to control financial resources entrusted to them by the public as a results financial management is very ineffective. Through this study in order to have effective in

financial management control the leaders should be conversant enough with current financial management principles, they must not leave office for green pasture, should not be rigidity and not keep everything secret, manager should discuss with their subordinates all matters about the financial management.

5.4 Transparency in Financial Management Control in Mvomero District Council

The research objective was to determine the challenges hindering the level of transparency on the effectiveness of financial Management control system in Local Government Authority. The study show that there was no way of improving as subordinates do not get feedback/Transparency and so it is/was not possible for them to know exactly what was the area of weakness and hence how to improve. The study shows that, the leaders interviewed only (22%) communicates financial performance feedback to employees while the rest do not, these results supports that of employees themselves who (82%) said no Transparency/feedback was given to them in respect financial performance. In this regards it is not possible to improve of the whole range of issues raised in the CAG reports year after year.

The study shows that in Mvomero District Council no feedback/Transparency was given to their subordinates or workers because some expenditure was done with ought supporting document. In order to have good effective of financial management control in LGA's the leaders should give feedback to their subordinate and to be transparency for everything they done in the council.

These findings were in agreement with the findings of Ayepere & Buseni, (2013), found that public financial management in the local governments has impact on effective and judicious use of public financial resources. The authors also verified that the practice of public financial management control and enhance transparency and accountability in the use of public financial resources which has impact on quality

delivery of public services. Also the study show that majority of the leaders (83%) revealed to have obstacle to effective financial management control while (17%) said there were no obstacles in implementing financial management objectives.

Therefore most workers both leaders and non leaders were lack of financial management skills, selfishness, personnel obligation of employees, political pressure or influence, lack of commitment and poor set up of laws and regulations, lack of formal training regarding financial management. The research should make sure they address those obstacles mentioned above so that do not appear in council and bring the efficiency of effective financial management control in Local government.

5.5 What factors make Many council in LGAs to misuses funds and resources obtained from government

This study mainly addresses the question on factors hinders the effectiveness of the financial management control such as lack of staff qualification on financial management control, lack of staff participation on financial management and lack of transparency on financial management control.

According to Allen and Garrity (2004), argued that measures should be taken to improve the legal and organizational framework for public expenditure management systems, and processes for expenditure programming and budget preparation and execution, accounting, reporting, auditing, administrative and financial management capacity.

If all this had been made into implementation plan then, the factor cause problem to misuse funds and resources obtained from government would absolutely be eliminated. But the study shows that according to the report of CAG from the financial statement for year 2011/2012, the problem to misuse funds and resources especially from Mvomero District council still exist at high rate. The study should address the way how government should eliminate this problem of the council named to continue

misusing the funds and resources obtained from government by putting more effort on financial management control by employing competent personnel who will be committed with their work and be transparency for every things.

Also the council should have the rules and procedure to have staff participation and transparency or giving feedback to their subordinate in order to bring the quality service on effective of financial management control in Local Government Authority.

5.6 The implication policies regarding to the effectiveness of financial management control in LGAs

The policies were set for the Government to make its daily activities. Through the LGA's they established policy implication like (IPSA 2007) International Public Sector and Accounting Standard, Procurement Act 2004, and its regulation Act 2005, guideline that are provided by the ministry of finance and Economic Affairs (MOFEA) and Prime Minister's office Regional Administration and Local Government Authority (PMO-RALG) and organization institutional like Controller and Auditor General (CAG).

The study show that even if we have established the policy implication above the problem of much council to misuse funds and resources still exist, the researcher make sound in financial management control system too potentially powerful instruments for preventing, discovering, or facilitating the punishment of fraud and corruption.

According Jesse, (2007:157) explained that the statutory and regulatory basis for internal controls vary from government to government. It sets out the principles that underlie internal controls and the rules that must be followed to account for and to use the resources that are received and expended through the budget.

5.8 Areas for further Studies

The researcher recommends that further study should be carried on the following areas

- i. Research on the role and examined the use and utilization of resources of financial management control in local governments
- ii. Research on effectiveness of financial control in LGAs such as planning and budgeting, evaluation and monitoring
- iii. The research on the rules and procedure to the staff participation and transparency or giving feedback to their subordinate in order to bring the quality service on effective of financial management control in Local Government Authority.

5.9 Summary

This chapter presented data presentation and discussion on findings obtained from chapter four; it further gives an interpretation of the study findings. The study had the total number 40 respondents who were investigated. They explain the effectiveness of financial management control system in LGA in Mvomero District Council, the factors affecting the safe guard available resources and make rational use of them to achieve desired goals, Factors hindering effectiveness of financial management control in Mvomero District Council; such as Staff participation in financial management control, Staff qualification and Training, and Transparency/Feedback in financial management control system. Also explain the factors because much council to misuse the funds and resources obtained from government, the implication policies regarding to the effectiveness o financial management control in LGA and the area for the further Studies.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter presents general conclusions and recommendations of this study on the relation the findings obtained and the effectiveness of financial management control at LGA level. As it has been stated earlier in the preliminary chapters, therefore this chapter six should meticulously be the last chapter of this very study and moreover, it is expected that the outcome of this study will contribute towards the ongoing financial reforms of LGAs in Tanzania.

6.2 Conclusions

This study examined effectiveness of financial management control in local government authorities which manages and coordinates all local development issues in the district. The main objectives of the study were to assess the effectiveness of financial management control in local government authorities, investigate and documents how effective financial management relates to workers participation in setting financial performance objectives and strategies in the local government authorities. Three hypotheses were accessible seeking to establish relationships between the effective financial management in the local government authorities against staff training on financial management, participation in setting financial management objectives and transparency in financial management.

The findings were expected to provide useful information that would stimulate new knowledge and insight, and review on the need to improve financial management appropriately and timely. Related studies were reviewed for the purpose of providing the research with knowledge about the research problem as well as revealing gaps in the literature reviewed. The studies showed that in addition to qualifications and participation of all staff, financial management needs to be transparency to be

effective. Data collected using interviews and documentary analysis; qualitative data obtained from interviews were subjected to content analysis and descriptive methods to explain the relationship between variables. The populations sample involve 40 respondents from categories of Executive Director and head of departments and sections (presented as leaders) and ordinary employees (presented as non – leaders).The sampling methods used to select respondents were simple random, stratified random and purposive sampling.

The major findings as per the research hypotheses are presented here forth. Regarding the relationship between effective participation of employees in the financial management control and training on financial management, the study found out that the majority of leaders had not received any training on financial management control which affected their readiness to accept and implement appropriately financial management strategies. Also most ordinary employees were not knowledgeable about financial management control system. Testing revealed that employees' participation affects the effectiveness of financial management control system.

With regard to the effective participation of employees in financial management control and their turn out; the study found out those retaining workers would lead to significant involvement of workers in financial management techniques. The study also found enough statistical evidence to conclude that there was relationship between less participation of employees in the financial management function and low top management support.

The findings generally reflected that effectiveness of financial managements was affected by lack of knowledge, lack of training, and lack of participation in project planning, budgeting and implementation. Leaders in the LGA are not committed due to lack of enforcement processes.

First, all leaders in the LGA understood about the effective financial management and majority of non-leader had heard about effective financial management, no clear financial management implementation strategies as reflected by majority of leaders not involving subordinates and lack of awareness and training on financial management control system.

Second, employee's participation in financial management issues in the LGA was affected by low top management support, caused by inadequate knowledge about the system and lack of commitment and ineffective financial management feedback.

Third, the relationships found should be taken into serious considerations by management effectiveness which includes also financial transparency and accountability.

On the basis of the findings above, a number of conclusions can be drawn as follows; first, should make sure that the number of qualified staff is enough, there is on job training about the financial management control in LGA, Staff participation and transparency or feedback is given to the subordinates' or ordinary staffs. It is commonly agreed that financial management is crucial in addressing the institutional needs as well as staff member needs, abilities, motivation and expectations for improving financial management effectiveness in LGA. Thus the financial management strategies should be done in a team work, frequently and timely for mutual understanding and acceptance.

6.3 Recommendations for Management

With regard to the findings of the study just concluded, we therefore recommend the following suggestions to enhance the practice of a sound effective of financial management in local government administration of Mvomero District council.

- i. Financial management in the local government must be re-defined according to the local environment so as to meet the working environment of the local government authorities.

- ii. Executive directors and head of departments in the local government authority should be providing with training, guidance and motivation implement timely financial management strategies.
- iii. There is a need for objective and consistent information on the performance of local government public financial management system, including over time. Thus, adequate fiscal, revenue, expenditure, procurement, accounting records and information are to be produced, maintained and disseminated to meet decision-making, control, and reporting purposes.
- iv. Local governments must plan and commit expenditures in accordance with original or revised budgets, most especially, development programmed in rural areas. Thus, there should be available evidence that budgeted resources reach spending units in a timely and transparent manner.
- v. Training on financial management should be provide with proper and adequate knowledge of the financial management needs, including encouraging subordinates to contribute ideas as to what should be accepted as challenges. The focus should be towards making employees feel themselves as part of the LGA and being committed to its financial management objectives and goals.

6.4 Recommendation for Further Research

Based on the findings, the following area is suggested for further study.

- i. The research study confined to the local Government Authority only Similar or related research studies could be conducted in other public service institutions for comparative purposes and enhancing collective efforts in making the practice known and acceptable for better work performance.
- ii. There is a need to conduct research that may lead to determination of how financial management principles are being applied in day to day activities of the government institutions.

- iii. A study could also be carried out on the role of financial Management principles in shaping people in Management towards adhering to good financial Practices.

6.5 Summary

This chapter presents the general conclusions and recommendations of the study on the effectiveness of financial management control at LGA level. The chapter winding by recommending what is to be done by both LGAs and regulatory bodies such as MOFEA, PMO-RALG and NBAA.

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APPENDICES

**APPENDIX I: QUESTIONNAIRE FOR MVOMERO DISTRICT COUNCIL
MANAGEMENT**

DEAR EMPLOYEES

My name is Esau Ndyanabo; I am pursuing my Masters Degree (MSC & F) at Mzumbe University. My research is all about the Effectiveness of Financial Management Control. Please I beg your support in filling the questionnaires. I hope your information will help me a lot to fulfill my report. Question on this questionnaire is only for academic purposes and will be treated as private and confidential. Sorry for the inconvenience that you may face in filling my questionnaire.

**RESEARCH QUESTIONNAIRES FOR THE MDC OFFICIAL
(Finance, Auditing, Personnel and Other Department)**

A: Personal Data.

Name of respondents

Title.....Department

B: Research Questioners

(a) Mentioned all MDC fixed assets
.....

(b) Mention assets which have Title deeds.....
.....

(c) Do you know the value of the assets mentioned above Yes () / No () if the answer is yes, list down.

(d) Is there any maintenance policy and planning in MDC, if the answer is yes, are they implemented?
.....

(c) Is financial reports, reported timely and accurately?
.....

(d) Final financial statement tally with other prepared schedules? State by showing the trend for years (2008 – 2012).....
.....
.....

(e) What is the status of controller and Auditor General (CAG) report basing on the four year starting from (2008 – 2012).
.....
.....

3. Basing on (4) year trend in question 2 above, shortly explain the comparison of the revenue reported and expenditure reports.....
.....
.....

(a) Does internal auditor exist? Yes () / No () tick
(b) How many reports issued by internal auditor for the past 12 months?
.....

(a) How many financial department staff
(b) Is there excess or deficit financial department staffs?
.....

c).If yes/no how are you going to overcome that adequate/inadequate number of workers in accounts department

(c) Mention the qualification of department staffs

(i)

(ii)

(d) What kind of motivations is provided to the financial department staffs?

.....

7. Does the council practice the financial management control?

Yes _____ No _____

8. Does the council do their accounting by using computerized system?

Yes _____ No _____

If yes when introduced?

9. What are the difference obtain by using the computerize accounting system and using manual accounting system?

.....

10. What challenges you meet when you are preparing the final account of the council.....

(a) Does the accounting department have segregation of duties?

Yes _____ No _____

(b) If yes how that duties have been segregated?

**APPENDIX II: QUESTIONNAIRE FOR MVOMERO DISTRICT COUNCIL
MANAGEMENT**

DEAR EMPLOYEES

My name is Esau Ndyanabo; I am pursuing my second degree (MSC a&F) at Mzumbe University, Morogoro. My research is concerning with the Effectiveness of Financial Management Control. Please I beg your support in filling the questionnaires. I hope your information will help me a lot to fulfill my report. Question on this questionnaire is only for academic purposes and will be treated as private and confidential. Sorry for the inconvenience that you may face in filling the questionnaire.

RESEARCH QUESTIONNARIES FOR THE MDC OFFICIAL

(Finance, Auditing, Personnel and Other Department)

(1).What is financial management control?
.....

(2). (i).Does the council practice financial management control?
.....

If yes how they practice?
.....

(ii).Are financial reports prepared accurately and reported timely?
.....

(3)Are there any criteria for measuring the effectiveness of financial management control system?

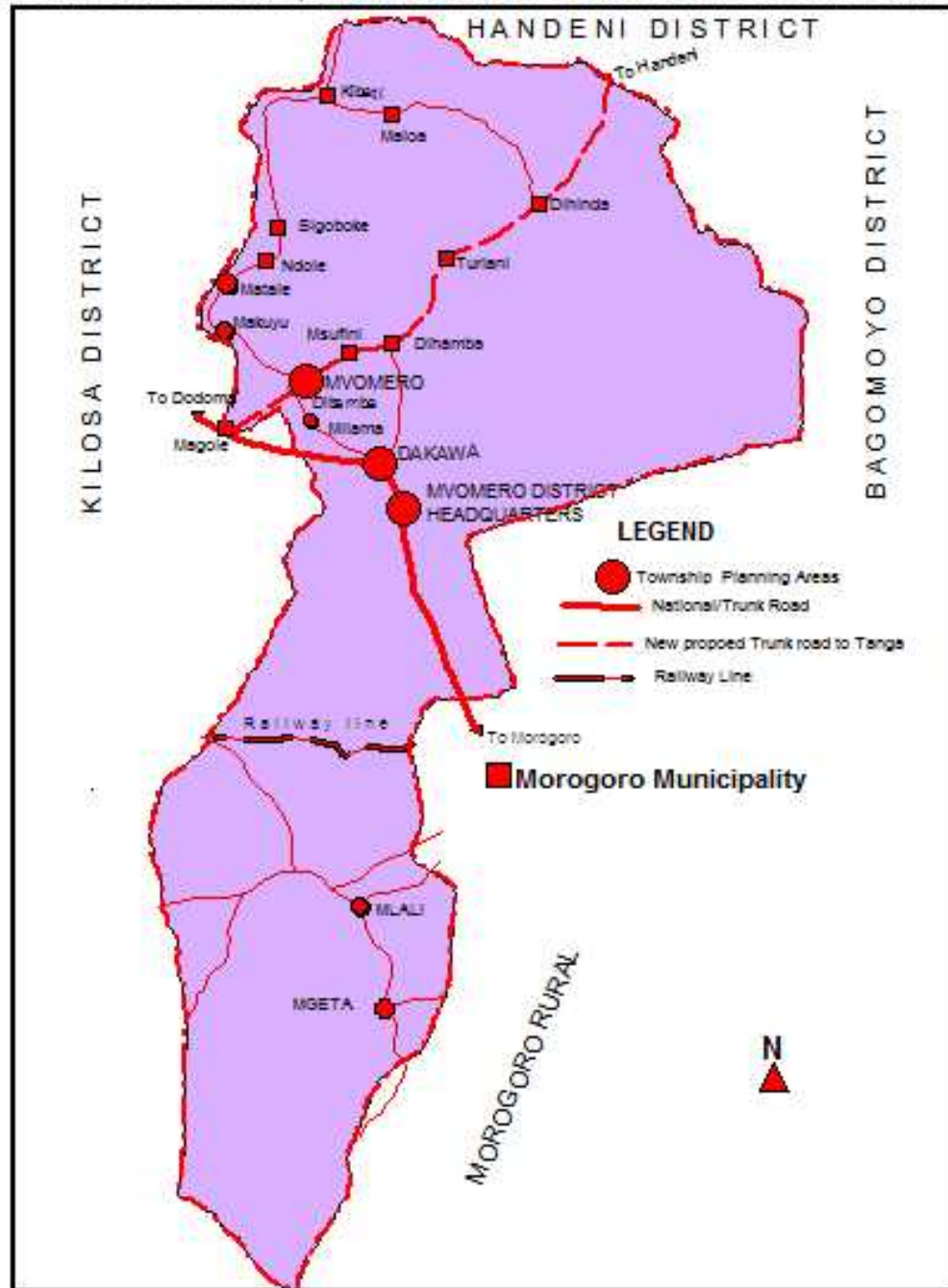
(4).What are the major challenges that hinder the effectiveness of financial management control.....

(5).How the council overcomes the challenges found in question 4 above.....

- (6).How is the internal Audit unit/Department contributing to the effectiveness of financial management control.....
- (6). (i).Does the council practice the system of transparency in its financial management control system?
.....
- (ii).How does the transparency help in the performance of the financial management control system?
.....
- (7).How the effective financial management control contributes to the achievement of organization goals?
.....
- (8).What is the internal factors which limit the effectiveness of financial management within the District council.....
- (9)Explain the external factors which limit the effectiveness of financial management control in the District council.....
- (10).What measures are taken by the council to deal with these factors?
.....
- (11). (i).Does the council use external auditor’s reports with the regard of financial management and control?
.....
.....
- (ii).How does the financial reports help financial management control to make decisions.....

**APPENDIX IV: MAP OF MVOMERO DISTRICT COUNCIL SHOWING
MVOMERO PLANNING SETELITES CENTERS**

MAP 2: MOVOMERO DISTRICT, SHOWING MVOMERO URBAN PLANNING SETELITES CENTRES



APPENDIX VI: COUNCIL ORGANIZATION STRUCTURE

