

**EFFECTIVENESS OF INTERNAL CONTROL SYSTEM OVER
THE PAY ROLL:
THE CASE OF INSTITUTE OF ADULT EDUCATION, HEAD OFFICE,
DAR ES SALAAM**

**By
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**A Dissertation Submitted in the Partial / Fulfillment of the Requirements of the
Award of the Degree of Masters of Business Administration (MBA) – Corporate
Management of Mzumbe University**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **“Effectiveness of Internal Control System Over Payroll: The Case of Institute of Adult Education Head Office, Dar es Salaam”**, in partial fulfillment of the requirements of the award of the degree of Masters of Business Administration (MBA) – Corporate Management of Mzumbe University.

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DEDICATION

This work is dedicated to my family members especially my parents Mr. and Mrs. Safari, my daughter Sharifa, my son Mohamed, and my sisters Maua and Nyanso whose love and support encouraged me to accomplish this academic goal.

ABBREVIATIONS AND ACRONYMS

IAE	-	Institute of Adult Education
MBA-CM	-	Master of Business Administration – Corporate Management
MZUMBE	-	Mzumbe University.
RAAWU	-	Researchers, Academicians and Allied Workers Union
SACCOS	-	Servings and Credit Cooperative Societies
PAYE	-	Pay As You Earn
PPF	-	Parastatals Pension Fund
NBAA	-	National Board of Accountants and Auditors
HIF	-	Health Insurance Fund
COSO	-	Committee of Sponsoring Organization
SoD	-	Segregation of Duties.
SPSS	-	Statistical Package for Social Sciences
IT	-	Income Tax
ISACA	-	Information System Audit and Control Association

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ABSTRACT

The objective of the study was to learn to what extent are the required procedures or activities for effective internal control over payroll performed, find out the weaknesses in the payroll system, and to suggest measures which would be taken by the management in order to improve the payroll system at IAE.

Both, primary and secondary data methods were used in collecting relevant data for this research paper. Primary data were collected using questionnaires while secondary data were collected through documentary reviews.

This is a cross-sectional study design, conducted at IAE headquarters Dar es Salaam. A simple random sampling was employed to obtain a desired sample i.e Twenty seven (27) respondents. Data analysis was carried through Statistical Package for Social Sciences (SPSS) program where descriptive and quantitative data analyses were both employed.

In conducting the research at IAE headquarters Dar es Salaam, the research revealed the following: strength, Timely processing of payroll and accurately, Employees attendance records are established and properly maintained, Changes in employments status are promptly reported to the payroll processing unit , Termination settlements properly approved and communicated to payroll staff in a timely fashion, Access to payroll secure & limited to authorized persons only, Payrolls are documented and in compliance with state laws and regulations, Payrolls are documented and in compliance with state laws and regulations, Transactions are properly recorded, Staff understands their duties, responsibilities and accountabilities, Segregation of duties exists between those responsible for the preparation and processing of payroll, and those responsible for the recruiting, disciplining and removal of personnel

It also revealed the following weakness: There is no proper computer data security in case the computer system is damaged by either fire or floats, as the backup's disks are kept in the same building.

I can say that the internal control system over payroll is good, despite a single weakness observed. However, we would like to advise the management of IAE that they should preserve the proper functioning of internal control system by remaining alerted to problems and making regular test and investigation on those phases of the system which indicate some weakness.

It was therefore recommended that, the management of IAE is hereby to improve the areas of weakness observed by proper supervision, the backups disks should be kept in different building so that in case the computer system is destroyed, the backup disk will be safe and thus will be used in new system to retrieve the lost data.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter consists of five main sections which are background of the problem, statement of the problem, research questions, research objectives, and scope, significance, and/or justification of the study.

Internal control over the payroll and other assets of the firm is among the areas of weakness, which encounter many organizations in the country. There are many factors, which contribute to that weakness such as a segregation of duties, handling of accounting records, rotation of staff and so on. Institute of Adult Education is among the organizations having such problem.

The study was looking at the control system over the payroll, i.e. how timely processing of payroll and accurately, Employees attendance records are established and properly maintained, Changes in employments status are promptly reported to the payroll processing unit , Termination settlements properly approved and communicated to payroll staff in a timely fashion, Access to payroll secure & limited to authorized persons only, Payrolls are documented and in compliance with state laws and regulations, Payrolls are documented and in compliance with state laws and regulations, Transactions are properly recorded, Staff understands their duties, responsibilities and accountabilities, Segregation of duties between those responsible for the preparation and processing of payroll, and those responsible for the recruiting, disciplining and removal of personnel.

With the help of this study the Institute of Adult Education will be in a position to discover whether there is an effective internal control system over payroll in the organization.

1.2 Background of the Problem

A payroll system is an important application that should be used by businesses of any size. These systems are a guaranteed way to make sure your payroll is done on time and in agreement with all taxing authorities.

Tax laws and rates have continually changed in recent years, new tax credits, expiration of old credits and rate changes can all affect the outcome of your payroll. If your company is not in agreement with all the new tax rates, either allied, state or local, you may face severe penalties from the taxing authority, or worse lost back taxes. Your employees may find that they underpaid their taxes and when filing time arrives they will lost a considerable sum they cannot afford. Employees can hold the company responsible for any misappropriations concerning their taxes, and no business owner wishes to face action.

Payroll systems are simple to use, easily affordable and compliant with all new tax laws. These systems can be programmed to calculate taxes and deductions to your specific area. Most systems have an internet database that can be accessed for updates to tax codes and changes in the law. Payroll Systems provides employers with personalized service and state of the art smart technology. We give employers complete control over their payroll, including the freedom to choose methods of input and output. Web Input, Call-in, Fax-in or Time clock are all available for payroll input. Then we'll print out the payroll results and deliver them via courier or we'll deliver them "green" or paperless. Whatever method you choose, we will create and deliver your according to your exact business needs.

These systems also can help the business owner calculate the amount of taxes they be obligated the government at the end of each quarter. Failure to submit the correct taxes each quarter is the number one reason that business owners find themselves in trouble with the Internal Revenue Service.

Many companies specialize in providing payroll systems to other businesses. If you are not ready to install and use a system like this in your own company, you may consider going to this type of business to have the service performed.

No precise legal definition of fraud exists; many of the offences referred to as fraud are covered by the Theft Acts in England and Wales, and under Common Law in Scotland. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Other offences are created by more sector-specific laws such as those that prohibit corruption or create offences related to companies or financial services, for example.

For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation, or causing loss to another party. This most often occurs in the context of a relationship with a customer, client, or colleague on an individual or organizational basis.

While some people would never contemplate perpetrating a fraud, others might do so if they think they can get away with it. Fraudsters are usually alert, plausible and calculating. You can deter a fraudster who might want to take advantage of you personally, or your business, by being alert to the possibilities. Alertness and effective controls will increase the chances of being caught and will thus act as a deterrent.

In Organization some frauds arise because of a system weakness, such as a lack of proper control over placing of purchase orders. Other frauds are the result of failures to follow proper control procedures. It may be carelessness in carrying out a check. It may be that too much trust has been placed in one individual with no effective separation of duties.

Frauds which result from collusion may be more difficult to prevent. A computer can be instrumental in the perpetration of the fraud because of the absence of human review of transactions. The lack of human involvement may allow transactions to be processed which would have been queried in a manual system.

Fraud in payroll has a long history. Before the era of social security records and computer, payroll records were often hand written and incomplete. Employees were commonly paid in cash and documentary evidence was scanty even after the introduction of computer system in payroll. Some specific characteristics of the present day payroll accounting make payroll data with the government and universal use of employer identification numbers and employee's social security numbers.

The repetitive nature of payroll preparation makes it an especial suitable area of use of a computer. However, the widespread use of a computer for processing payroll does not mean that the threat of payroll fraud has disappeared. The separation and subdivision of duties is still essential.

In most organization, the payroll activities include the following functions of:

- Employing workers
- Time keeping
- Payroll preparation and record keeping, and
- The distribution of pay to employees.

Internal control will be strengthened if a separate department of the organization handles each of these functions.

1.3 Statement of the Problem

Despite the important role played by internal control system over payroll and other assets of the firm, there are many factors that influence internal control system over payroll and its effectiveness such as proper authorization of payroll data, proper preparation of payroll details, proper control of overtime and allowances, as well as proper control over fictitious workers. Several studies have been done on Effectiveness

of internal control system over payroll. However, there many losses of funds in many organizations as far as the internal control system are concerned. Controller and Auditor General's reports 2010/2011 highlight cases of weak and / or ineffective Internal Control Systems in many Organizations; where there is no proper authorization of payroll data, no proper preparation of payroll details, no proper control of overtime and allowances, as well as no proper control over fictitious workers. This makes doubt whether the various Internal Controls system set up in many organizations are effective.

Given that factors above, this study wishes to seek whether the same factors are also affecting at IAE headquarters in Dar es Salaam.

1.4 Objectives of the Study

The general objective of this study was to evaluate the effectiveness of internal control over payroll at the Institute of Adult Education head office Dar es Salaam. The specific objectives of this study were:-

- (i) To assess the extent to which the key components of internal control over payroll are performed.
- (ii) To identify the areas of weakness in the payroll system at the organization.
- (iii) To suggest the measures to be taken by the management to overcome the weaknesses in the payroll system.

1.5 Research Questions

The general question of this study is how effective is the internal control over payroll at the IAE headquarter Dar es Salaam. The following are the specific research questions:

- (i) To what extent are the required procedures or activities for effective internal control over payroll performed?
- (ii) What are the areas of weaknesses in the payroll system at the organizations?

(iii) What measures should be taken by the management to rectify the weaknesses in the payroll system?

1.6 Significance of the Study

Payroll is an area in which large amount of organization's resources are wasted because of inefficiency or stolen through fraud. The study is significant in the following mentioned ways;

- (i) It will help the management of IAE to take measures on the improvement of internal control over payroll
- (ii) The research will help planners, policy makers and administrators to improve and make some changes on the planning policies and administrations.
- (iii) It would add a new knowledge to the researcher.
- (iv) It will improve the organizations performance by reducing, if not removing at all. The organization's resources wasted as a result of payment of fictitious employees as well as payment on unworked hours, and
- (v) The better understanding of the problem
- (vi) It was partial fulfillment for the award of a degree of MBA – CM.
- (vii) The study would serve as a stimulant for further studies.

1.7 Limitations of the Study

Like any other research, which is obvious to find factors that affect the study in general, so in this study of payroll also there are some limitations which were faced by the researcher. They include difficulty in obtaining some of the information especially organization policies, circulars and specific correspondences in personnel files.

1.8 The Scope of the Study

The coverage of the study based at the Institute of Adult Education, head office in Dar es Salaam, specifically in the accounting department. The persons responsible in payroll section are those under salary section under the supervision of Chief Accountant.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of four sub-sections; the theoretical literature review, empirical literature review a, conceptual framework of this study and hypotheses. The chapter has reviewed the works and findings of other scientists. The major concepts of this study i.e. Effectiveness of internal control system over payroll have been conceptualized and operationalized.

Theoretical literature review has defined and assigned indicator variables of the key concepts while empirical review has reviewed other researcher's work relating to Effectiveness of internal control over payroll, also the conceptual frame work has established the cause-effect relationship of indicators variables of the study. Finally Attentive answers to any specific enquiry mentioned.

2.2 Theoretical Literature Review

2.2.1 Internal Control

Accounting is the most important part of any management information system. To assist management in planning and controlling operations, the accounting system should be accurate, dependable and efficient to provide a measure of security of the firm's resources. This assurance is provided in large part by development a strong system of internal control. A basis principle of internal control is that no one person should handle all phases of transaction from beginning to an end.

When business operation are so organized that two or more employees are required to participate in every transaction, the possibility of fraud is reduced and the work of one employee gives assurance of the accuracy of the work of another. (Meigs & Meigs 1981).

A number of key internal control frameworks, such as the COSO (USA), Turnbull (UK), and CoCo (Canada), were developed prior to the high-profile accounting scandals at the turn of the century. These frameworks described internal control as a “process” established, operated and monitored by those charged with the governance and management of a company, to provide reasonable assurance regarding the achievement of the company’s objectives. The term process is used in a broad sense; it goes beyond procedures to include elements such as corporate culture and policies, as well as systems and tasks.

COSO’s Internal Control Integrated Framework (1992) and Turnbull’s Guidance on Internal Control (1999) both took a much broader approach to internal control than Sarbanes-Oxley, in terms of scope, objectives and approach. They focused on all controls covering the company’s entire range of activities and operations, not just those directly related to financial reporting and adopted a risk-based approach to internal control.

The American Institute of Certified Public Accountants, in Statement on Auditing Standards number 55 (SAS 55), defines the internal control structure as “the policies and procedures established to provide reasonable assurance that specific entity objectives will be achieved”. There are two aspects of internal control:

internal accounting controls and administrative controls. Internal accounting controls are procedures designed to ensure the reliability of accounting data and to safeguard assets. Administrative controls deal with the operations of the library rather than with the accounting for those operations.

The legislative body of the library has a responsibility to ensure internal controls are in place to prevent misuse of funds (including fraud or embezzlement).

Sections 2 through 5 address internal controls. Section 6 contains common indicators of potential fraud or embezzlement.

The Tanzania Statement of Standards and guidelines issues by the National Board of Accountants and Auditors (NBAA, 1980: 13) has defined internal control as whole system established by the management in an orderly manner, to ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.

Internal control is defined by Kell (1985) “as the policies and procedures established to provide reasonable assurance that specifies entity objectives will be achieved, objective may involve both financial and non financial”.

Internal control is defined by Willichamp (1993) “as the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records”. The individual components of an internal control system are known as control or internal control.

According to Mahushi (1985) Internal control is comprised of the plan of the organization and related methods and procedures adopted by an entity for the purpose of safeguarding its assets, contributing to efficient operations, facilitating generations of accurate accounting data and encouraging adherence to laid down managerial policies. Internal control will include procedures and techniques as work study, quality control, statistical analysis, variance analysis and the like.

Principles of Internal control remain valid to all types of institution, however, details of the procedures will vary from one entity to another, depending upon its size, nature of business, quality of personnel and related factors.

In the United States many organizations have adopted the internal control concepts presented in the report of the Committee of Sponsoring Organizations of the Tread way Commission (COSO) published in 1992, the COSO report defines internal control as: a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Internal Controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of;

1. Protecting its resources against waste, fraud, and inefficiency.
 2. Ensuring accuracy and reliability in accounting and operating data.
 3. Securing compliance with the policies of the organization, and
 4. Evaluating the level of performance in all organizational units of the organization.
- internal controls are simply good business practices.

Everyone within the University has some role in internal controls. The roles vary depending upon the level of responsibility and the nature of involvement by the individual. The Kansas Board of Regents, President and senior executives establish the presence of integrity, ethics, competence and a positive control environment. The directors and department heads have oversight responsibility for internal controls within their units. Managers and supervisory personnel are responsible for executing control policies and procedures at the detail level within their specific unit. Each individual within a unit is to be cognizant of proper internal control procedures associated with their specific job responsibilities.

2.2.1.1 Internal Control Features

Internal controls rely on the principle of checks and balances in the workplace. The following features that should be found in any organization, Mary Nelson- Harper (2008).

a) Plan of organization chart

The enterprise should have plan of their organization defining and allocating responsibilities and identify lines of reporting all aspects of the enterprises. Organizational charts provide a visual presentation of lines of authority and periodic updates of job descriptions ensures that employees are aware of the duties they are expected to perform. The delegation of authority and responsibility should be clearly specified.

b) Authorization procedures

Need to include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority is to be commensurate with the nature and significance of the transactions and in compliance with University policy.

c) Segregation of duties

Reduce the likelihood of errors and irregularities. An individual is not to have responsibility for more than one of the three transaction components: authorization, custody, and record keeping. When the work of one employee is checked by another, and when the responsibility for custody for assets is separate from the responsibility for maintaining the records relating to those assets, there is appropriate segregation of duties. This helps detect errors in a timely manner and deter improper activities; and at the same time, it should be devised to prompt operational efficiency and allow for effective communications.

Improper segregation of duties increases the possibility of fraud carelessness and unreliable record keeping, whereas with a proper division of duties, the work of one person or group. The segregation of duties is valuable not only preventing errors and fraud, but also in providing the advantages of specialization, better performance and easier employee training.

Segregation of duties is one of the most important features of an internal control plan. Its fundamental premise is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual. Examples of incompatible duties include situations where the same individual (or small group of people) is responsible for:

- (i) Managing both the operation of and record keeping for the same activity
- (ii) Managing custodial activities and record keeping for the same assets.
- (iii) Authorizing transactions and managing the custody or disposal of the related assets or records.

There are four kinds of functional responsibilities that should be performed by different work units, or at a minimum, by different persons within the same unit:

- (i) Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions
- (ii) Recording transactions: This duty refers to the accounting or record keeping function, which in most organizations, is accomplished by entering data into a computer system
- (iii) Custody of assets involved in the transactions: This duty refers to the actual physical possession or effective physical control/safekeeping of property
- (iv) Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making comparisons at regular intervals and taking action to resolve differences.

The advantage derived from proper segregation of duties is twofold:

- (i) Fraud is more difficult to commit because it would generally require collusion of two or more persons, and most people hesitate to seek the help of others to conduct wrongful acts
- (ii) By handling different aspects of the transaction, innocent errors are more likely to be found and flagged for correction.

d) Competent personnel

Employees should be carefully selected and their talents used intelligently in the operation of the accounting system. Each individual should thoroughly understand his or her function and its relationship to their functions in the system. Above all, employees must realize the importance of following the procedures prescribed by management and should be sympathetic with the system. A well formulated system of internal control can be destroyed by employees' lack of confidence or cooperation.

e) Documentation and record retention

These are the controls in the recording function which check that transactions have authorized, that they are all included and that they are correctly recorded and accurately processed. Adequate records are important not only in accounting company's resources, but also in providing management with accurate and reliable information. One of the most important features in a satisfactory record keeping system is a comprehensive chart of accounts that classifies information in a manner best suited to management's needs. Control accounts and subsidiary records should be used when appropriate, so that work can be subdivided and crosschecks may be made when the two types of accounts are reconciled.

f) Monitoring operations/Control activities

It is essential to verify that controls are operating properly. Reconciliations, confirmations, and exception reports can provide this type of information.

These are the controls exercised by management outside the day to day routine of the system, management hierarchies and creation of accountability at higher levels. Regular reporting of the respective delegates furnished the management with information to facilitate decision making.

Control activities relate to procedures, mechanisms and policies that employees perform in corporate activities. Such procedures ensure that employees comply with regulatory standards, senior management's guidelines and industry practices. A control is a set of instructions that management puts into place to prevent losses due to error, fraud or technology malfunction. A control must be adequate and effective to prevent or mitigate that is, reduce losses. An adequate control indicates rules for task performance, problem reporting and decision making. An effective control remedies internal weaknesses appropriately.

g) Internal auditing

Many companies have internal audit staff depending on the company. These staff varies in sizes and their background and experience, Howard (1999).

An important feature of internal control system of large companies is the internal audit function. The internal auditing department independently appraises.

In addition to review activities for errors and irregularities, the internal audit staff determines whether prescribed policies and procedures are being followed and attempt to uncover wasteful and inefficient situations. Internal auditing is a staff or advisory function that consists of reviewing activities and making written recommendation to management. To be effective, the internal audit staff must be independent of operating (line) functions and should report to high ranking executive or to the firm's board of directors

h) Information and Communication

Information and communication systems are the backbone of a company's activities. Computer software, technology infrastructure and information technology (IT) employees are parts of these systems. A corporation's information controls must be adequate and effective; they also must comply with regulatory requirements, Organization policies and the Information Systems Audit and Control Association (ISACA) standards. ISACA is an organization that provides training and professional development opportunities for information systems auditors.

i) Control Environment

An organization's control environment reflects top management's ethical values and leadership styles, corporate policies, human resource procedures and operating mechanisms. A control environment also includes all controls---or tools to prevent losses---relating to financial accounting, technology systems and regulatory compliance methodologies. Two types of factors affect a firm's operating environment: external and internal. External factors could relate to industry trends, regulatory changes or competitors' actions. Internal elements might relate to departmental policies, employee safety programs or the organization's mission statement, vision and values.

j) Risk Assessment

Risk assessment activities help an organization's departmental and segment-level managers understand risks involved in corporate activities. There are a variety of business risks, including operational, regulatory, reputation, market and credit risks. Risks also could be political for a firm operating internationally or relate to currency fluctuations. Internal and external auditors partner with departmental risk managers to evaluate, document, assess and report risks. Risk classifications could be "High," "Medium" and "Low," depending on the loss amount that managers expect.

2.2.1.2 Internal control limitations

There is no such thing as a perfect control system. Staff size limitations may obstruct efforts to properly segregate duties, which requires the implementation of compensating controls to ensure that objectives are achieved. A limited inherent in any system is the element of human error, misunderstandings, fatigue and stress. Employees are to be encouraged to take earned vacation time in order to improve operations through cross training while enabling employees to overcome or avoid stress and fatigue (Manhattan: 31-32).

The cost of implementing a specific control should not exceed the expected benefit of the control. Sometimes there is no out-of-pocket cost to establish an adequate control. A realignment of duty assignments may be all that is necessary to accomplish the objective. In analyzing the pertinent costs and benefits, managers also need to consider the possible ramifications for the University at large and attempt to identify and weigh the intangible as well as the tangible consequences (Manhattan: 31-32).

Internal controls should reduce the risks associated with undetected errors or irregularities, but designing and establishing effective internal controls is not always a simple task and cannot always be accomplished through a short set of quick fixes. However, we hope this chapter has helped to explain the basic internal control concepts and given you some ideas for improving your department's controls.

The effectiveness of the Office of the Commissioner of Lobbying internal controls and compliance with legislation and Treasury Board policies and directives are the collective responsibility of all levels of management and staff. Due to the human factor and changes in the internal and external environment, there is always a risk of error resulting from lack of knowledge, poor judgment, or misalignment of control design with risks. In a small organization such as Office of the Commissioner of Lobbying where segregation of duties is limited, monitoring and management oversight can provide a strong control environment and mitigate risk.

Internal controls systems are built on the presumption of competency and the good faith of stakeholders. However, we must be conscientious of potential risks. Even within a strong system of internal controls, simple error, collusion and fraud may be difficult to detect.

2.2.2 Payroll

2.2.2.1 Payroll Defined

Payroll is the sum of all labors related expenses. It involves salaries, wages, medical expenses, retirement benefits, housing benefits meal and other allowances. These components are relatively larger single most important item of expenses than any other form of cost in an organization.

2.2.2.2 Payroll Accounting

Labor costs and related payroll taxes constitute a large and constantly increasing portion of total cost of operating most business organization. The task of accounting for payroll cost would be on important one simply because of the large amount involved, however it is further complicated by many federal and state laws which required employers to maintain certain specific information in their payroll records not only for the business as a whole but also for each individual employee. Frequent reports of wages paid and amount withheld from the employees and of the payroll taxes levied on the employer. A basic rule in most business organization that every employee must be paid on time, and payments must be accompanied by a detailed explanations of the computations used in determining the net amount received by the employee, Meigs and Meigs, (1988).

2.2.3 Internal Controls System over Payroll

Fraud in payroll has a long history. Before the era of security records and computers, payroll records were often hand written and incomplete. Employees were commonly paid in cash and documentary evidence was scanty.

Some specific characteristics of present day payroll accounting make payroll fraud more difficult.

These help factors include the required frequent filling of payroll data with the government and universal user of employer identification numbers and employee's social security numbers.

The repetitive nature of payroll preparation makes is an especially suitable area of use of computer, however, the widespread use of computer for processing payroll does not mean that the treat of payroll fraud has disappeared. The separation and sub vision of duties is still essential.

In most organization, the payroll activities include the following functions of:

- **Employing Workers**

The work of the personnel or employment may begin with screening of applicants. For those applicants who appear acceptable, interviews are arranged with the one supervisor for those they would work and hiring job applicants. When a new employee is hired, the personnel department prepares records showing the data of employment, the authorized rate of pay and payroll deductions. The personnel department sends a written notice to the payroll department to place the new employee on the payroll. Changes in pay rates and termination of employee will be recorded in personnel department records.

When a person's employment is terminated, the personnel department should conduct on exit interview and notify the accounts department to remove the employee's name from the payroll (Meigs & Meigs, 1988).

- **Time Keeping**

For employee paid by the hour, time of arrival and departure should be punched on time cards. A new time card should be placed in the rode by the time clock at the beginning of each week or other pay period. Control procedures should exist to ensure that each employee purchase his/her own time card and no other. The time keeping function should be lodged in a separate department which control the time cards and transmit these source documents to the payroll department, Meigs & Meigs (1988). In case of IAE, there is a book of signing on arrival and departure time.

- **The Payroll Section**

The input of information to the payroll section consists of hours reported by the time keeping section and authorized names, pay rates and payroll deductions received from the personnel department. The output of payroll section includes:

- (i) Payroll cheques.
- (ii) Individual employee records of earning and deduction.
- (iii) Regular report to the governing showing employee earnings and taxes withheld.

2.2.4 Measures to ensure sound and effective internal control system over payroll

Internal control over payroll is the applications of all internal control features explained above towards the wages and salaries paid or payable by the organizations to its employees and other payroll related cost payable to the government or other parties.

This application is achieved by the separation of duties in the payroll section and personnel dependent to different and independence employees and assigning each duty under the supervision of independent staff.

In order to ensure sound and effectiveness internal control over payroll, the management should ensure that:-

- There is a proper authorization of the payroll,
- There is an efficient communication between the payroll such as variation in pay, dismissal and death.
- There is a proper control over the recruitment and payment to casual labours,
- There is a proper method of identifying employees at the time of payroll out (especially when payment cash) to avoid payment unauthorized persons.
- Salaries and wages are calculated currently and are paid to employees of the organization who earned the same.

2.3 Empirical Studies

Ochoge (2011) carried out the study titled “Internal controls and organizational performance: a case of Medipont industries limited in Uganda.” The study sought to establish a relationship between internal control and organizational performance of Medipont Industries Limited.

The study objectives were; to examine the effectiveness of internal controls used in Medipont Industries Limited, to establish the level of performance in Medipont Industries Limited and to establish a relationship between internal control and performance in Medipont Industries Limited.

It was concluded; the study findings indicated that the internal controls used in Medipont Industries Limited were ineffective and unsatisfactory, the level of organizational performance was found to be inadequate and a significant positive relationship between internal controls and organizational performance was established to exist.

It was recommended that; management of Medipont Industries Limited should design effective internal control systems through ensuring that adequate asset listings is done by management, capital assets purchased are approved by appropriate level of management and asset numbering is done to show location and protection of the assets; management ensures that it strengthens strategies aimed at improving organizational performance in all categories of staff; management should appreciate the findings in the relationship between internal controls and organizational performance to ensure its continued production in a competitive industry in Uganda.

Another study was carried out by Anad (2007). The study was on effectiveness of internal control in small and medium enterprises (SME) in Tanzania. According to the study SMEs constitute a huge portion of the enterprise population in Tanzania. SMEs contribute to employment, GDP, and exports.

Unfortunately, SMEs contribution has been constrained by a number of problems; including problem on maintaining proper internal controls over record keeping and other operations.

The main objective of this study was to investigate whether or not small and medium enterprises (SMEs) maintain effective internal control in their day-to-day operations. The study was conducted by a way of survey, fifty SMES (employing between 1-49) based in Dar es Salaam were randomly selected and 60 respondents were interviewed by use of questionnaires.

The respondents were divided into two groups i.e. the owners/ managers and employees working in SMEs. The analysis was performed using statistical package for social sciences (SPSS) whereby comparisons and tabulations were obtained to help explain the results.

The result revealed that there is weak accounting control in SMEs due to lack of segregation of duty, inadequate documentation, unclear organization structure, few numbers of employees and possibility for management override.

Also it was found that the use of professional accountant in SMEs is very limited due to high costs of recruiting and maintaining them.

The result also point to the need of NBAA to promote accounting professional by conducting seminars, workshops to their members on the need of maintaining effective internal controls.

Edwin (2009) carried out a study on an assessment of the effectiveness of internal financial control system in local government authorities in Tanzania, The Case Study of Kisarawe District Council.

The objective of this study was to assess the effectiveness of the internal financial control system in local government authorities in Tanzania. Specifically the study aimed at the assessment of the effectiveness of internal financial control system in accounting department of local government authorities; determination of the effectiveness of the internal audit unit in local government authorities; determination of the effectiveness of the procurement management unit in local government authorities and the assessment of the effectiveness of budget as internal control tool in local government authorities.

A cross-sectional study design was employed, basically quantitative method of data collection was used where by both structured questionnaires with open and closed ended options were used. The researcher collected data from sixty three respondents comprised of; nineteen councilors, seventeen heads of departments and projects, thirteen procurement unit staffs and tender board members, thirteen finance department staffs and one internal audit staff. Data obtained were analyzed quantitatively using the Statistical Package for Social Sciences (SPSS) and tested using CHI-square.

The findings indicated that there was poor internal financial control in accounting department including lack of monthly bank reconciliations and trial balances.

Also there were lack of updated fixed asset register, vote book and computerized accounting package. Budgeted votes and procurement regulation were not followed accordingly. Internal auditing was understaffed and lack facilities which impair its efficiency.

The study recommended that there should be close supervision of accounting procedures with job description and rotation in finance department. Also the use of full computerized accounting system to enhance internal financial control and timely financial report delivery. The procurement regulations and plan should be properly adhered. The internal audit unit should be added with more staffs and given more facilities to perform its work efficiently.

Christopher (2007) carried out a study on effectiveness of internal control systems over cash in financial institutions the case of bank of Tanzania. The general objective of this study centered in assessing the effectiveness of internal cash control systems which are being used by financial institutions in Tanzania using the case of the central bank of Tanzania (BOT).

The population of this study was the employees of the Bank of Tanzania (BOT) covering senior employees and operational (supporting) employees. The simple random sampling was employed to select respondents from the supporting staff after stratifying the respective supporting staff into their respective departments.

On the other hand purposive sampling was applied to the senior management officials. The survey instrument comprised six sections: employee fraud incidence, internal control procedural quality, organizational justice perceptions, ethical environment, and general information on various governance features such as internal audit activities, risk management activities and participants' perception of the internal cash control systems in the bank.

According to the study findings, the first model revealed that internal control procedural quality has a moderating effect on the relationship between perceptions of organizational justice and employee fraud. In specific, the negative relationship between perceptions of organizational justice and employee fraud is seen to grow stronger as internal control procedural quality improves. The second model found that internal control procedural quality was significantly and positively related to three organizational factors: the organization's ethical environment, internal audit activity level and the extent of risk management training.

Mbosela (2008) conducted a study on effectiveness of internal audit in public higher learning institutions in Tanzania. The rapid increase of higher learning institutions in Tanzania has come along with a set of challenges to the higher education sector.

These challenges have become constraints to the development of public higher learning institutions and has forced to put in place a better internal control system in order to get value for money from the increasingly little funds they get. The purpose of this study was to examine the effectiveness of internal audit in public higher learning institutions in Tanzania.

In examining the effectiveness of the internal audit, triangulation method was employed; reason behind using it is that it compliments each other and assists to clarify issues arising from one method. The questionnaires and interview were instituted. A total of 88 questionnaires were distributed of which 80 (90.9%) questionnaires were filled and collected back. The data collected was analysed using SPSS and presented through tables.

The study found out that internal audit in public higher learning institutions is effective. The above finding led the researcher to conclude that the internal control system whereby internal audit is one of the element instituted by the institutions is very effective in ensuring those little funds allocated to these institutions are well utilised.

However, a number of recommendations are put forth; Management of public higher learning Institutions have to increase number of internal auditors, recruit internal auditors on permanent basis with right qualifications and skills, restructuring of internal audit units to increase independence, increase working tools such as audit software and office space and allocate more financial resources to internal audit unit.

The recommendations aimed at strengthening effectiveness of internal audit in public higher learning institutions.

Miraji (2006) conducted a research on effectiveness of collecting revenue in local authorities. One of the cardinal problems in local government authorities is to improve the critical financial condition caused by lack of revenue. Therefore, the purpose of the study was to examine the effectiveness of collecting revenue: a case of Produce cess in Korogwe District Council.

In examining the effectiveness of the method, control mechanism instituted and criteria used in levy rating by the council in collecting produce cess were taken into account. A total of 100 respondents were contacted from the district. The data were collected using three instruments namely; documentary review, interviews/discussions and questionnaires. These instruments were applied to the 100 respondents purposefully chosen. The data collected are presented and analyzed through tables, graphs and percentages.

The study found out that produce cess collection has surpassed development levy collection because the revenue has increased by an average of 71.4 percent over and above revenue collected per annum through development levy method. The study also found that the guidelines and procedures used in collecting produce cess as the major source of council's revenue, has been very effective in comparison to the previous method. Thus making produce cess the major source of revenue.

The above finding led the researcher to conclude that the procedures and guidelines instituted by the council have been very effective in ascertaining maximum revenue collection. However, a number of recommendations are put forth, all aimed at tightening effective control and supervision in revenue collection.

Muchunguzi (2008) carried out a study on the effectiveness of taxpayers' education on tax compliance in Tanzania.

Globally, Education to Taxpayers has always been recommended in various literatures as a major tool in promoting tax compliance and in turn thus boosting tax collection rates. However, to date, in Tanzania, there are limited studies on the effectiveness of Taxpayers' Education on Tax Compliance.

This research attempted to assess the effectiveness of taxpayers' education in Tanzania. The purpose was to find out the ways and extent to which one may improve the existing strategies in disseminating tax information to both potential and existing taxpayers.

The study used questionnaires, interview schedules and observation to collect data deploying strata sampling of taxpayers in Dar es Salaam.

About 62 businesspersons responded to the structured questionnaires. Face to face interviews were administered on two officers from TRA in the Department of Taxpayers' Service and Education. Findings from the study show that, at present, majority of the taxpayers are still ignorant about tax matters affecting their businesses. This is a major setback on self-assessment as a major indicator of tax compliance. In order to address this problem, it is suggested to the TRA to increasing tax education outreach, proper involvement of tax consultants in tax education systems and establishing more tax-centersfor disseminating tax.

Alfred (2008) conducted a research on effectiveness of tax incentives in promoting investments in Tanzania.Governments provide tax incentives to attract investment and promote economic activities for economic growth. The objective of this study was to evaluate effectiveness of tax incentives in promotion of investment in Tanzania.The researcher adopted descriptive methodology in the study. 95 out of 452 Dar es Salaam investors, 26 consultants from consultancy firms and 24 government officers working with the Ministry of Finance and Economy, TRA, NDC, TIC and the National Bureau of Statistics were interviewed by using questionnaires.

In the course of evaluating the effectiveness of tax incentives other relevant factors attributable to investments were also considered to enable the researcher to make precise conclusions on the study. It was established that non-tax factors such as opening up of the economy, proximity to market, political stability, etc are the primary determinants of investment growth and FDI inflows.To improve the investment climate and FDI inflow in the country the research recommends continuous improvement on physical infrastructure, human capabilities, access to vital utilities and stimulation of linkages between different sectors of the economy just to mention a few. However, although tax incentives are not effective, they cannot be ignored completely. Thus, improvements in the tax system, tax administration and revenue management are required.

Uphoo (2006) carried out the study titled “The effectiveness and the perceived value of internal audit in Tanzania commercial banks” Internal Audit has been part of good corporate governance. To achieve this potential, however, an internal audit must show superior levels of performance and effectiveness. The purpose of this study was to determine the effectiveness and perception of internal audit function in Tanzania commercial banks.

The study also examined major challenges facing banks’ Internal Auditors when undertaking audits and captured views from auditees on factors affecting the effectiveness of internal audit function. how internal audit function is perceived and how to make Internal function more effective and positively perceived.

The study was conducted by way of a survey. Out 145 questionnaires distributed, one hundred and nine 109 questionnaires were received back. The collected data was statistically analyzed using SPSS tool.

Results indicate that auditees in commercial banks views Internal Audit function as a value adding function that the banks can not do without. However, respondents had some reservations on a number of issues that hinders effectiveness of Internal Audit function. For example shortages of internal audit staff, limited internal auditors’ exposure and using manual system to audit computerized environment. The researcher makes some recommendations that take into account the study findings including suggestions from respondents for improving effectiveness of the Internal Audit in the banks.

Machura (2007) carried out a study on effectiveness of internal auditing in the Tanzanian public sector.

This study assesses the effectiveness of internal auditing in Tanzanian public sector whereby ministries, independent department and agencies (MDAs) were selected as case study.

The study is based on field work that concentrated in Dar es Salaam and Dodoma regions whereby discussions and interviewees were used to collect data. The study revealed that generally internal auditing in Tanzanian public sector is not effective.

It was found that internal audit units are inadequately staffed, and there is little understanding among key stakeholders on the roles of internal auditing services in MDAs. Some perceive it as policing service hence provide little or no support to internal auditors. Internal audit units in MDAs have low organizational status, many operating without budget lines, and very few executives who take actions on findings raised by chief internal auditors.

The results also showed that internal auditors contribute to the ineffectiveness by performing financial audits only, and performing their duties without having official auditing standards and manuals which could be used as guidance. The researcher therefore recommends to the Ministry of Finance to make sure that the required number of internal auditing staff with relevant skills is recruited and maintained, action enforcing provisions within the legislations are in place, and independent and functional audit committees within MDAs are made operational. Executives should provide conducive working environment by allocating enough funds to internal auditing units, also by raising the status of internal auditing units in terms of remuneration and the organizational status.

Mrisho (2008) carried out a study titled “Assessment of effectiveness of foreign management contractors in public enterprises” The case of TTCL and TANESCO.

The objective of the study was to examine the role and effectiveness of foreign management contractors in Tanzanian commercial public enterprises. It focused on two cases namely, Tanzania Telecommunications Company Limited (TTCL) and Tanzania Electric Supplies Company Limited (TANESCO) (“the public enterprises”). Both of them were managed by foreign management contractors at different times.

The case study method was adopted. The primary data was collected through questionnaires and direct interviews with TTCL and TANESCO managers and staff and Government officials. The secondary data were obtained from the enterprises' audited financial statements for the period of the management contractors. The interpretation of the findings from the research shows that the foreign management contractors were unable to achieve fully the key performance objectives in accordance with the terms of contracts.

The research has not identified improvements in the key performance areas of revenue and profitability, commercial (sales and marketing), technical performance (infrastructure development), financing and knowledge and skills transfer (capacity building) as per TTCL management contracts. Likewise, the findings revealed lack of improvements in quality and reliability of power supply in the country during the tenure of the management contractor, Net Group Solutions in TANESCO, against the contract terms. In addition, specific objectives of engaging Net Group Solutions of restructuring and unbundling the electricity sector and advising on the privatization transactions for the companies which would have been created as part of the restructuring process were not achieved.

Challenges that affected the performance of the public enterprises in general included poor marketing/ sales strategy; lack of adequate capital; poor industrial relations/staff morale; and poor executive management and organization culture. Organization culture affected performance because the management contractors were unable to transform fully staff working practices they found into modern and effective international practices. It was also revealed that the foreign managers faced resistance from local staff and trade unions because of the poor performance and inability to meet their expectations. Furthermore, staff sentiments were still negative and the experienced resistance is likely to continue until the relationships between managers and staffs are improved.

It is recommended to search and pursue alternative management strategies for the public enterprises to improve performance. These include, but not limited to engagement of foreign counter parties to perform the capacity building role, not as executive managers as well as emphasis and enforcement on good governance practices to local managers.

Godfrey (2009) conducted a research on effectiveness of internal audit in fraud detection in Tanzania commercial banks.

Internal audit processes are integral part of fraud fighting functions in organisations. The main thrust of this research was to explore the effectiveness of internal audit function in fraud detection in Tanzania commercial banks. It also examined ways through which internal audit function and other functions can further help fraud detection in Tanzania commercial banks. Given the nature of the research, it was deemed appropriate to use the survey approach with deployment of questionnaires to selected commercial banks, from which the researcher believed that data would be a fair representative of the commercial banking industry in Tanzania.

The study found out that analytical reviews, independent confirmations and inquiry techniques are effective ways of detecting fraud. It also found that other ways through which fraud can be detected includes use of forensic accountants, continuous auditing, staff rotation, whistle blowing and fraud reporting.

The study also found that relevant training has a direct impact on internal auditors' ability to detect fraud. For effectiveness of internal auditors in fraud detection to be more pronounced, it is recommended that commercial banks' management should extend more support to their respective internal audit functions in terms of training, resources and general attitude change towards internal audit. Management of commercial banks should consider staff rotations, introduction of continuous auditing and defining clear and rewardfull whistle blowing channels to supplement the existing fraud fighting efforts.

These initiatives, if implemented, will go a long way in enhancing internal audit capacity to effectively detect and prevent significant frauds in commercial banks in Tanzania.

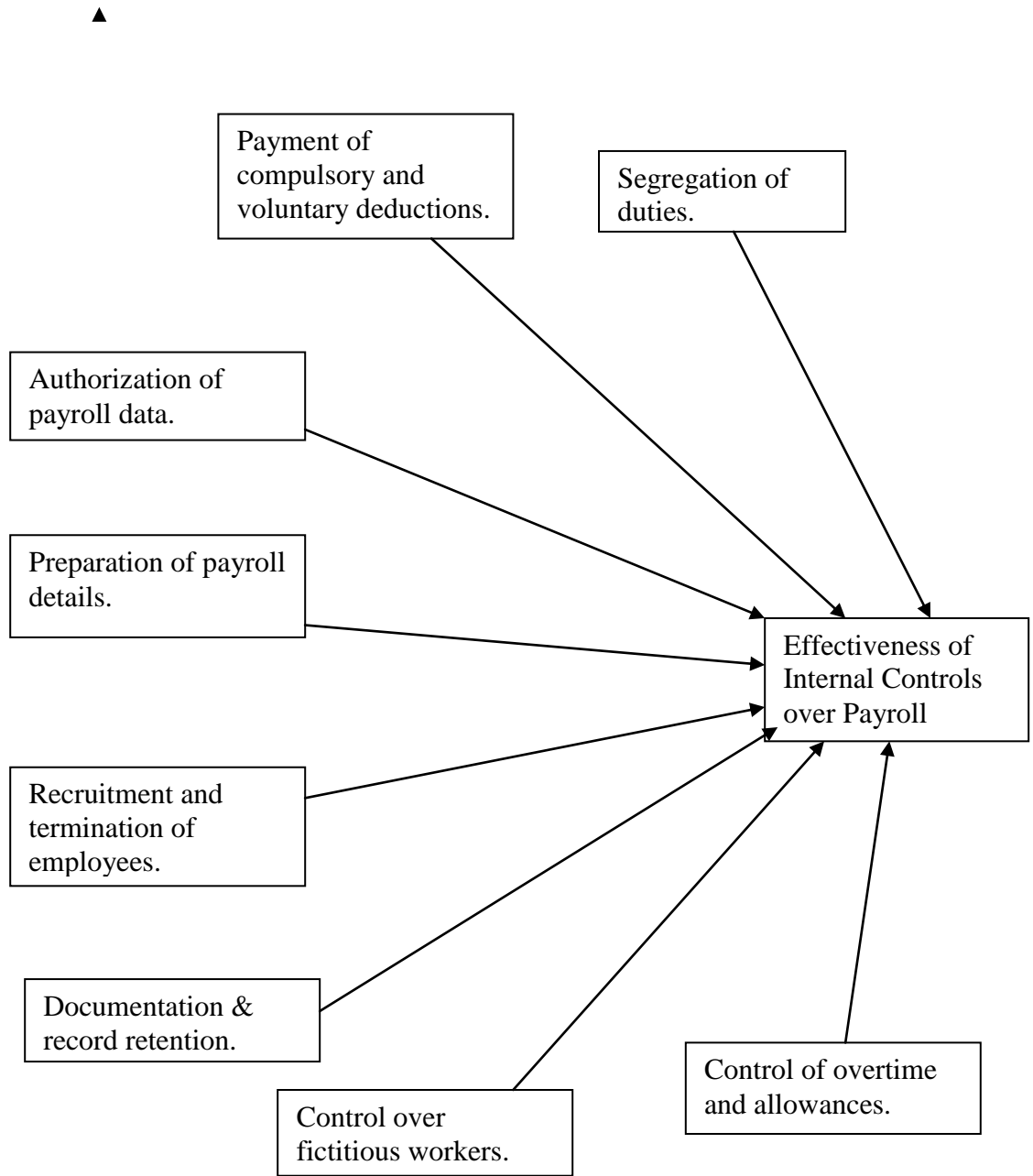
2.4 Conceptual Framework

2.4.1 Independent and Dependent Variables

In any research work, there should be two variables, which are workshops for testing hypotheses. One variable, which is known as independent variables and another variable is dependent variable. The nature of this relationship between independent variable and dependent variable is perceived and stated in the form of casual hypotheses.

A closely controlled procedure is adopted to test them. Here, independent variable is the extent to which the key payroll procedures or activities are performed and effectiveness of internal control is dependent variable.

Figure 2.1 Conceptual Framework



A research model showing relationship of variables influencing effectiveness of internal control over payroll

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology used in this study. Type of the study, study area, study population, units of analysis, variables and their measurements, sample size and sampling techniques, types and sources of data, data collection methods, validity issues, and data analysis methods.

3.2 Research Design

This study used a case study approach. In this case the Institute of Adult Education in Dar es Salaam was used a case study.

3.3 Area of the Study

The study was conducted at Institute of Adult Education Headquarters in Dar es Salaam, which is situated along Bibi Titi Mohamed Street in the building of Open and distance learning closer to NBAA building.

3.4 Study Population

Due to time and other resources constraints, the study did not cover the whole population of IAE headquarters, but it only covered those departments which had direct connection with the payroll matters. These are personnel and administration department, Auditing, and accounts department.

3.5 Variables and their Measurement

In any research work, there should be two variables, which are workshops for testing hypotheses. One variable, which is constant, is known as independent variables and another variable is dependent variable.

The nature of this relationship between independent variable and dependent variable is perceived and stated in the form of casual hypotheses.

3.6 Sample Size

This refers to the number of items to be selected from the universe to constitute a sample. This study used a sample size of 27 respondents drawn from a population of 35 respondents in the accounts, internal audit, and administration departments.

This sample size was selected because it was not too big and not too small compared to the total population, it was within the budget and it fulfilled the requirements of efficiency, representativeness, reliability and flexibility.

3.7 Sampling Techniques

3.7.1 Probability Sampling

3.7.1.1 Simple Sampling

Probably the best known form of probability sample is the simple random sampling. In random sample each person in the universe has an equal chance of being chosen for the sample and every collection of persons of the same size has an equal probability of becoming the actual sample. The most important feature of this method is that, the sampling process is carried without replacement. Therefore all 27 respondents selected by using simple sampling technique.

3.7.2 Non probability Sampling

3.7.2.1 Purposive (Judgment) Sampling

This is the one of the sampling methods whereby the researcher used his or her own judgment about which respondents to be chosen and picks only those which best meet the purpose of the study. The advantage of using this method is that, it enables the researcher to use his or her research skills and prior knowledge in choosing respondents.

In this research, the researcher used this kind of sampling to select a sample of employees who had important data to be included in this report.

3.8 Type and Source of Data

Data, will be used in the study, are both primary and secondary data. Primary data are those which are collected afresh and for the first time and thus are fresh in character. Secondary data are those which have already been collected by some else and which have already collected through questionnaire, interview and observation. The secondary data also will be collected from the institution files, report and books from different author.

3.9 Data Collection Methods

In collecting relevant data for this research paper, various methods of data collection were employed, they include the following methods:

3.9.1 Primary Data

3.9.1.1 Observation

This is a systematic method of collecting data in the strict sense which implies the use of eyes, ears or voices. The researcher managed to get a clear picture on how payroll control sheets were being affected by responsible persons and seeing what was actually being done.

3.9.1.2 Interview

This is a form of verbal questioning administered by one person to another for the purpose of seeking information concerning some important matters. Different employees of the personnel department and accounts department and head of other departments were interviewed in data collection process so as to fulfill the desired goals.

3.9.1.3 Participation

This is a type data collection technique whereby the researcher interacts with the organization he is deservng in whatever areas of their daily activities. The researcher fully participated in the day-to-day operations of the firm as far as payroll activities were concerned. He physically participated in payroll computation, recording various deductions of individual earnings, payments, salary advance, etc. This method helped the researcher to know what is actually being done in the payroll section and also is a part of the data collection strategy.

3.9.1.4 Questionnaires

This refers to series of questions which are prepared for collecting information. These questions are distributed to different respondents and they are self-administered (Kothari: 2004: 100).

Because of the small number of employees who were always busy with the work, especially accounting section, the questionnaires which were supposed to be supplied to the employees were not distributed; instead the researcher filled them through observations. Despite the fact that the questionnaires were not completed by the intended people, the information so required was successfully collected as scheduled.

3.9.1.5 Documentation

This is a type of data collection technique whereby the various documents of the area of study were used to get the needed data. Data in this report were obtained after going through accounting manuals, budget books, job description, legal documents, payroll summaries and the like.

3.9.2 Secondary Data

This include going through different official records and documents kept by the organization. The method include going through books of accounts, financial/accounting manual and staff regulations.

Through reviewing documentary evidence and records, the researcher's knowledge as well as understanding of the organization's financial matters was enriched.

This is type of data collected technique where by various document of area of study are used to get the needed. E.g. of those data are description, legal documents, payroll summaries and the like.

3.10 Data Analysis Methods

Data was collected, edited and was analyzed using Statistical Package for Social Sciences (SPSS). Analysis output included; Descriptive statistics (means, standard deviation, frequencies, percentages and factor analysis).

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE FINDINGS

4.1 Introduction

This chapter presents key findings of this study according to the three research questions shown in Chapter One. It includes both the findings and interpretation of data. Quantitative data were analysed using SPSS and Microsoft Excel Spread Sheet. In most cases descriptive statistics were derived shown in frequencies and percentages.

Data analysis is the process of moving from raw data to evidence-based interpretations that the foundation for published reports. Since numbers from quantitative information by themselves do not give adequate meaning, qualitative information which is relevant to the issue being studied was used to supplement them. There are different ways of analysing qualitative data as argued by different authors such as Gill and Johnson, (2002). In this research content analysis was used for the qualitative data, where theory was compared to practice. Direct quotations were used to show what respondents said about the issue being analysed, thereby supporting the statistical information.

4.2 Demographic Characteristics of Respondents in the Study Areas

In social sciences research personnel characteristics of respondents have very significant role to play in expressing and giving the responses about the problem, keeping this in mind, in this study a set of personal characteristics namely, age, sex, education, occupation, etc of the 27 respondents have been examined and presented in this section.

4.2.1 Distribution of Respondents by Sex

Data related to sex of the respondents is presented in the Table 1 . The total number of all respondents was 27, who included staff working in the accounting section, auditing and human resource office/section 16(59.26%) of whom were male and 11(40.74%) were female.

Table 4.1 below indicates the statistical data of the sex of respondents in frequencies and percentages. The paramount reason of including this variable is to get different responses from different sex/gender.

Table 4.1: Distribution of respondents by sex/gender (N=27)

Category of Response	Frequency	Percent
Male	16	59.26
Female	11	40.74
Total	27	100.0

Source: Field Survey 2013

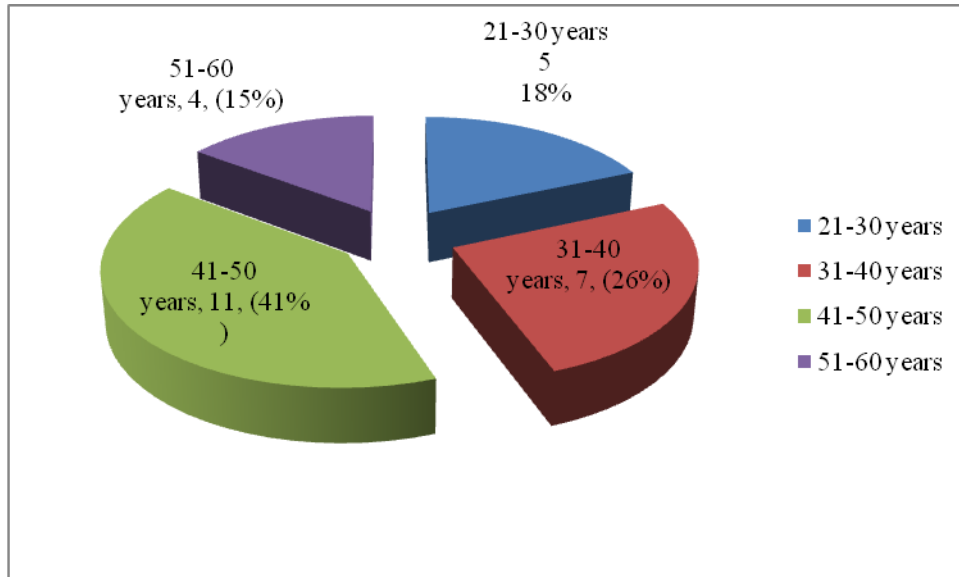
4.2.2 Age of the Respondents

Age of the respondents is one of the most important characteristics in understanding their views about the particular problems; by and large age indicates level of maturity of individuals in that sense age becomes more important to examine the response.

Figure 4.1 below indicates that a majority of the respondents were of age between 41-50 years 11 (41%), those of age 31-40 years were 7 (26%) , 21-30 years were 5(18%) whereas 51-60 years were 4 (15%) of all respondents.

To be more specific large number of respondents fall in the age group which range from 31- 50 years of age in the sample. Some interesting feature of this sample is that age group 51-60 years had the lowest staff.

Figure 4.1 : Distribution of respondents by age (N=27)



Source: Field Survey 2013

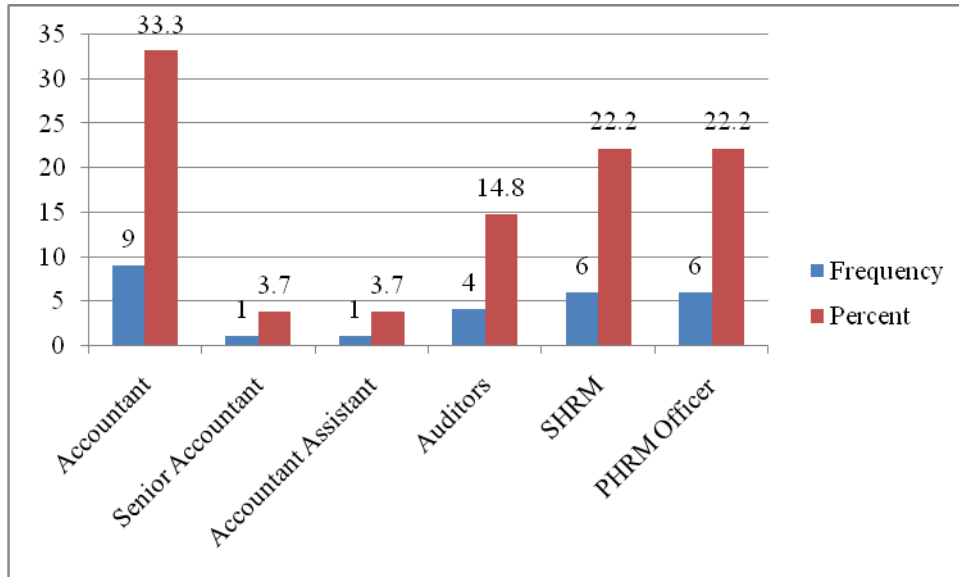
4.2.3 Distribution of the respondents by job title

Person's occupations do have a bearing on his or her personality and so also the ways of looking at the problem before him. The quality of life is also determined by an individual's occupation and the incomes he derives from it. Occupation of an individual also socialized him or her in a particular fashion which in turn reflects his or her pattern of behaviors and his/her level of understanding of particular phenomenon.

In other words the person's response to a problem is possible determined by the type of occupation he is engaged in and hence variable occupation was investigated by the researcher and data pertaining to occupation is presented in Figure 4.2 below.

According to these results in figure 4.2 shows that respondents 9 (33.3%) are accountants, respondent 1 (3.7%) is senior accountant, respondents 1 (3.7%) is accountant assistant, respondents 4 (14.8%) are auditors, respondents 6 (22.2%) are senior human resource officer, and respondents 6 (22.2%) are principal human resource officer.

Figure 4.2: Respondents job ranks (N=27)



Source: Field Survey 2013

4.2.4 Respondents Duration of Employment with the Organization

The respondents were provided with questionnaire item which require them to state number of years they have worked with the organization. This question was set purposely in order to extract information especially on time the respondent has work in the payroll section. The findings are as summarized on Table 4.2. 5 (18.22%) of the respondents stayed in the organization for time below two years, 6 (22.22%) worked for a range of 3-5years, 11(40.74%) had worked for a range of 6-10 years whereas 5 (18.52%) of the respondents worked for a period of 10 and above years.

The findings indicated that a majority of the respondents stayed in the organization for over 6 years. This is likely an indication that they have experiences in working with both payroll and human resource sections in the organization and therefore these are the potential respondents in this study.

Table 4.2 : Duration of respondents in the Organisation (N=27)

Value Label	Frequency	Percent
Below 2 years	5	18.52
3-5 years	6	22.22
6-10 years	11	40.74
Above 10 years	5	18.52
Total	27	100.0

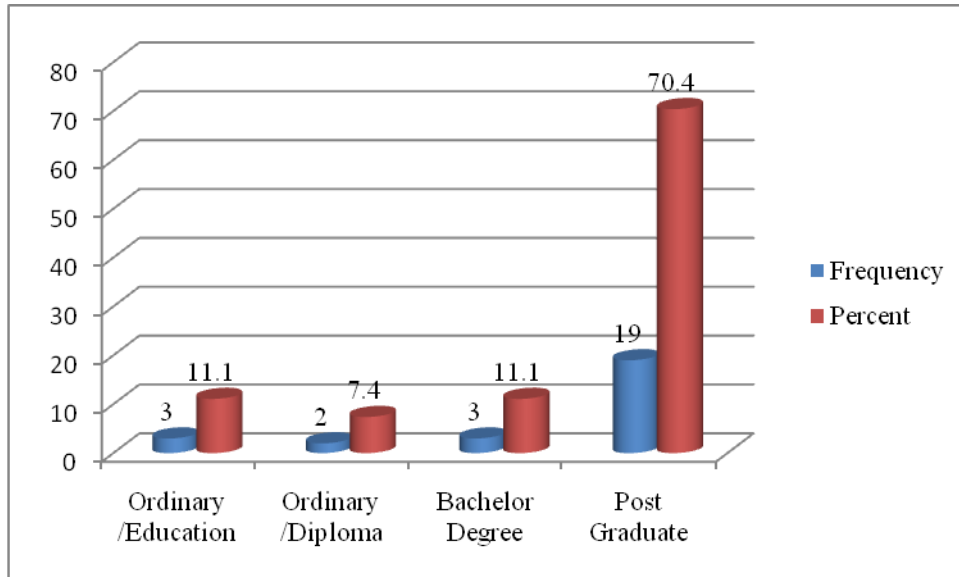
Source: Field Survey 2013

4.2.5 Distribution of Respondents by Level of Education

Education is one of the most important characteristics that might affect the person's attitudes and the way of looking and understanding any particular social phenomena. In a way, the response of an individual is likely to be determined by his/her educational status and therefore it becomes imperative to know the educational background of the respondents. Hence the variable 'Educational level' was investigated by the researcher and the data pertaining to education is presented in Figure 4.3.

The survey results shown in Figure 4.3 summarize the frequency and percentage of education level of respondents in the study area. The majority of the respondents 19 (70.4%) attained postgraduate qualification, respondents 3 (11.1%) attained ordinary education, respondents 3 (11.1%) attained bachelor education, and respondents 2 (7.4%) attained ordinary diploma education. It can be concluded from the Figure 4.3 below that by and large the respondents were progressive in education but they were still far away from the higher education which is so important today to create a knowledge based society.

Figure 4.3: level of education of the respondents (N= 27)



Source: Field Survey 2013

4.3 An Assessment of the Key Components of Internal Control System over Payroll

4.3.1 Segregation of duties between those responsible for the preparation and processing of payroll and those responsible for the recruiting and disciplining and removal of personnel

Segregation of duties is one of the most important features of an internal control plan. Its fundamental premise is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual. Examples of incompatible duties include situations where the same individual (or small group of people) is responsible for:

- (i) Managing both the operation of and record keeping for the same activity.
- (ii) Managing custodial activities and record keeping for the same assets.
- (iii) Authorizing transactions and managing the custody or disposal of the related assets or records.

There are four kinds of functional responsibilities that should be performed by different work units, or at a minimum, by different persons within the same unit:

- (i) Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions.
- (ii) Recording transactions: This duty refers to the accounting or record keeping function, which in most organizations, is accomplished by entering data into a computer system.
- (iii) Custody of assets involved in the transactions: This duty refers to the actual physical possession or effective physical control/safekeeping of property.
- (iv) Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making comparisons at regular intervals and taking action to resolve differences.

The advantage derived from proper segregation of duties is twofold:

- (i) Fraud is more difficult to commit because it would generally require collusion of two or more persons, and most people hesitate to seek the help of others to conduct wrongful acts.
- (ii) By handling different aspects of the transaction, innocent errors are more likely to be found and flagged for correction.

At a minimum, the following are examples of activities that should be segregated:

- (i) Individuals responsible for data entry of encumbrances and payment vouchers should not be responsible for approving these documents.
- (ii) A department should not delegate expenditure transaction approval to the immediate supervisor of data entry staff or to data entry personnel. Individuals approving expenditure transactions should not supervise data entry staff.
- (iii) Delegated expenditure authority must be in writing and approved by the appointing authority.

- (iv) Individuals responsible for acknowledging the receipt of goods or services should not be responsible for purchasing or accounts payable activities.
- (v) Individuals who prepare/record checks should not sign the checks.
- (vi) Individuals who prepare/record checks should not reconcile the checking account.
- (vii) Individuals responsible for cash receipts functions should be separate from those responsible for cash disbursements.
- (viii) Individuals responsible for billing for services and fees should be separate from those for collection and accounting.
- (ix) Mail potentially containing receipts should be opened by two people and distributed by an individual other than accounting personnel.

Kidula (2009) found contrary results by revealing the staffs are not enough so there is no segregation of duties as far as the internal control system is concerned.

The findings on the table 4.2 below showed that all respondents 27 (100%) indicated that Segregation of duties exists between those responsible for the preparation and processing of payroll, and those responsible for the recruiting, disciplining and removal of personnel.

Table 4.3: Segregation of duties exists between those responsible for the preparation and processing of payroll, and those responsible for the recruiting, disciplining and removal of personnel (N=27)

Category of Response	Frequency	Percent
Yes	27	100
No	0	0
Total	27	100.0

Source: Field Survey 2013

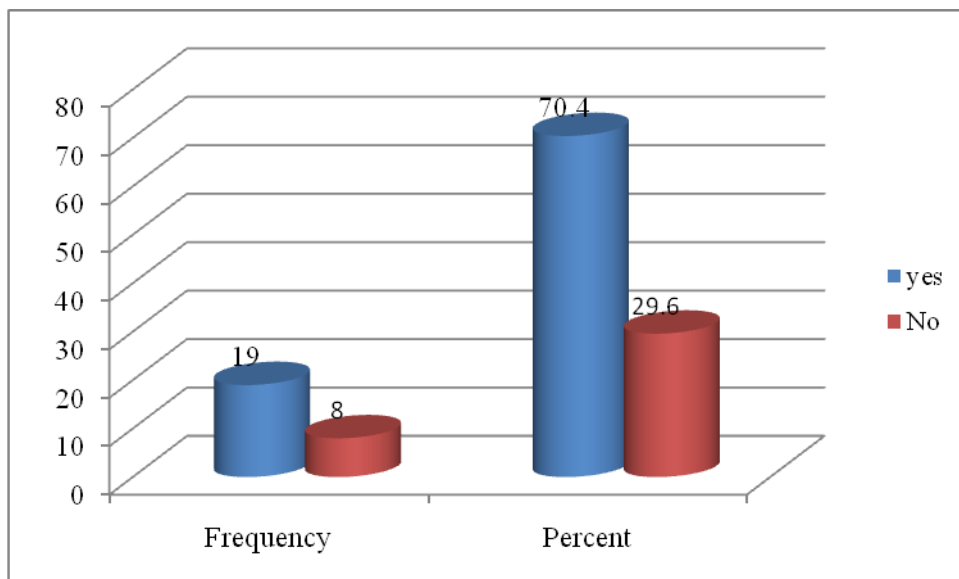
4.3.2 Authorization of Payroll Data

All transaction should require authorization or approval by an appropriate person. It is important that limits to those authorizations should be specified and followed.

To further secure a system of checks and balances, designate a payroll clerk as a supervisor with the authority to process payroll. This person acts as an authorized signer for checks in the payroll account and has the authority to electronically transmit payroll and applicable taxes via electronic funds transfer. Also, proper separation of duties suggests this individual not have access to bank routing and accounting numbers. This prevents an employee from improperly accessing bank accounts.

Findings on Figure 4.4 below indicate that 19 (70.4%) of the respondents agreed that access to payroll secure are limited to authorized persons only. On the other hand, 8 (29.6%) were of the view disagreed that access to payroll secure and limited to authorized persons only.

Figure 4.4: Access to payroll secure & limited to authorized persons only (N=27)



Source: Field Survey 2013

4.3.3 Preparation of Payroll Details

Data sheet is a special form which is filled and sent to the computer department regarding all amendments of the individual month salary. These amendments include:

- (i) Recovery of salary advance, imprests ,staff loans, etc.,
- (ii) Deletion/addition (in case of termination or employment).
- (iii) Changes of status i.e. increase or decrease of salary due to promotion or demotion as the case may be.
- (iv) Other deductions such as RAAWU, SACCOS, etc

The findings on the table 4.3 below showed that all respondents 27 (100) % indicated that there is a good preparation of payroll details.

Table 4.4: Preparation of payroll details (N=27)

Category of Response	Frequency	Percent
Yes	27	100
No	0	0
Total	27	100.0

Source: Field Survey 2013

4.3.4 Timely Communication of Recruitment and Termination of Employees

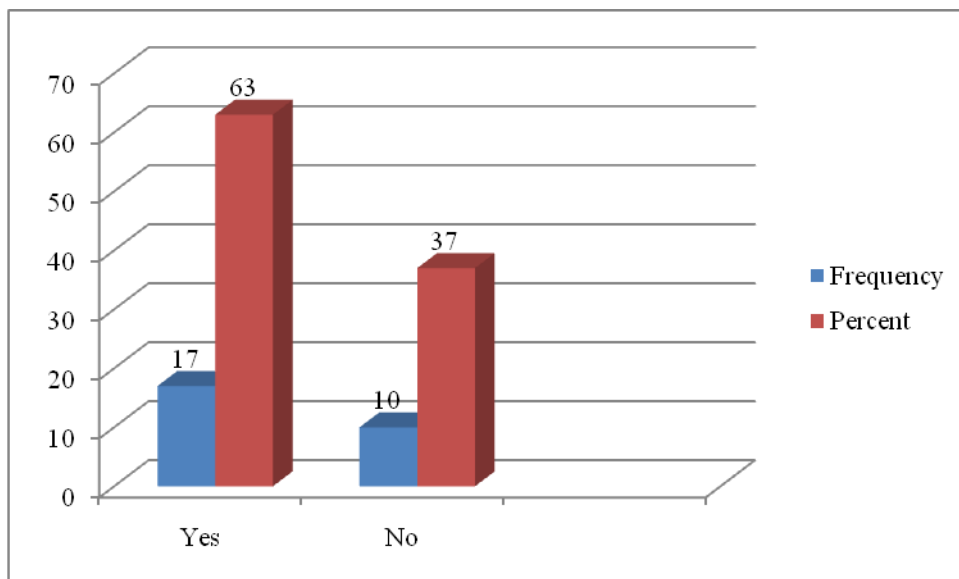
The work of the personnel or employment may begin with screening of applicants. For those applicants who appear acceptable, interviews are arranged with the one supervisor for those they would work and hiring job applicants. When a new employee is hired, the personnel department prepares records showing the data of employment, the authorized rate of pay and payroll deductions. The personnel department sends a written notice to the payroll department to place the new employee on the payroll. Changes in pay rates and termination of employee will be recorded in personnel department records.

When a person's employment is terminated, the personnel department should conduct an exit interview and notify the accounts department to remove the employee's name from the payroll, Meigs & Meigs (1988).

Findings on Figure 4.5 below indicate that 17 (63%) of the respondents agreed that termination settlements (resulting from interviews with employees separating from service) properly approved and communicated to payroll staff in a timely fashion, where 10 (37%) disagreed. IAE maintains a record of the employment history of each person by maintaining a file for each employee.

The personnel department keeps a record for each employee of all engagements, dismissals, increments, promotions, absences, holidays, etc. The personnel department notifies the payroll section immediately of all variations in pay, engagement or dismissals.

Figure 4.5: Recruitment and termination of employees are communicated to payroll staff in timely fashion (N=27)



Source: Field Survey 2013

4.3.5 Timely Processing of Payroll and Accurately

Timely processing of payroll in any organization can be regarded as indirect incentive and motivation to the organization workers. Timely processed payroll would mean that staff salaries will be out at right time and with minimal or no errors at all. A finding on Table 4.4 below indicates that all respondents' 27 (100%) shows that the payroll is timely processed.

Table 4.5: Payroll is processed timely and accurately (N=27)

Category of Response	Frequency	Percent
Yes	27	100
No	0	0
Total	27	100.0

Source: Field Survey 2013

4.3.6 Establishment and Proper Maintenance of Employees Attendance Records

Maintenance of employee attendance records is of paramount importance in any organization. It can be used as a tool to monitor number of employees in the organization and also providing information on their job attendance. This also help to match payment to workers/employees and number of days they have attended the job.

These helpful factors include the required frequent filling of payroll data with the government and universal use of employer identification numbers and employees' social security numbers. For example, "padding" a payroll with fictitious names is more difficult when social security number must be on file for every employee. Individual earnings records must be created and monthly reports must be submitted to the internal revenue service showing for every employee the gross earnings, social security taxes and income tax withheld.

Findings on Table 4.6 indicate that 16 (59%) of the respondents agreed that employees records on attends are well established and properly maintained. On the other hand, 11 (41%) were of the view that such records are not well established and properly maintained. In case of IAE, there is a book for signing on arrival and departure time.

Table 4.6: Employees attendance records are established and properly maintained (N=27)

Category of Response	Frequency	Percent
Yes	16	59
No	11	41
Total	27	100.0

Source: Field Survey 2013

Source: Field Survey 2013

4.3.7 Promptness in Reporting Changes in employments status to the Payroll Processing Unit

On employment the administration (personnel) department will notify the account department (chief accountant) about new employment. The chief accountant in turn will instruct the accountant who is responsible for payroll preparation to include the new employment into payroll.

Findings on Table 4.5 showed that, 25 (92.6%) of the respondents agreed that changes in employments status are promptly reported to the payroll unit. On the other hand, 2 (7.4%) were not agreed.

Table 4.7: Changes in employments status are promptly reported to the payroll processing unit (N=27)

Category of Response	Frequency	Percent
Yes	25	92.6
No	2	7.4
Total	27	100.0

Source: Field Survey 2013

4.3.8 Documentation of Payrolls in Compliance with State Laws and Regulations

The government requires the employer to withhold a country income tax, social security tax and other taxes from employee paychecks. Most states require state income tax withholding. If country income tax applies, the employer must withhold them as well. Payroll processing includes ensuring that these taxes are appropriately withheld. Employers are required to adhere to the different payroll laws the government regulates. The findings on the table 4.6 showed that 27 (100) % of all respondents indicated that payrolls are documented and in compliance with state laws and regulations.

Table 4.8: Payrolls are documented and in compliance with state laws and regulations (N=27)

Category of Response	Frequency	Percent
Yes	27	100
No	0	0
Total	27	100.0

Source: Field Survey 2013

4.3.9: Proper Recording of Transactions

As employees, it is our responsibility to utilize the organization's funds in the most effective and efficient way possible while adhering to laws and regulations governing those processes. Internal controls over the accounting system are necessary to ensure timely and accurate financial reporting to higher authorities can make appropriate decisions and annual financial reports to the board are correctly stated.

Examples of the results of those controls are to support that:

- (i) All revenues/expenditures are sufficiently documented, accurately and completely recorded, charged to the proper accounting period (fiscal year) and properly classified as to category of revenue/expense.
- (ii) Accounts payable are properly classified by type (due to other funds, due to other governmental agencies, etc.). If year-end accrual entries involve accounting estimates, the estimates are reasonable and sufficiently documented.
- (iii) Segregation of duties or mitigating controls exists between transaction processing, authorization, custody, and the recording functions.

Payroll clerks handle sensitive financial data for employees. To help protect current and former employees and prevent a clerk from accessing sensitive data, the record-keeping function should be separated from the payroll process.

Record keeping involves obtaining the names, addresses and bank routing and account numbers of every person on a company's payroll. Ideally, the person responsible for collecting and maintaining a log of this information is not employed in the payroll department. Human resources personnel are good candidates to handle this data, since information is collected in the initial hiring process. This also prevents a payroll clerk from creating a non-existent employee and issuing herself a paycheck.

Findings on Figure 4.7 below indicate that 20 (74.1%) of the respondents agreed that transactions are properly recorded, where 7(25.9%) of the respondents disagreed.

Table 4.9: Transactions are properly recorded (N=27)

Category of Response	Frequency	Percent
Yes	20	74.1
No	7	25.9
Total	27	100.0

Source: Field Survey 2013

4.3.10: An Assessment on whether Staff understands their Duties, Responsibilities and Accountabilities

A sensible early action is to ensure that your people have the resources they need to do their job. This might include providing training, equipment, access to mentors and coaches, and suchlike.

This is a key step in helping people take responsibility for their work, if they don't have the "tools" needed to do their jobs, it's easy to shun responsibility. Your people also need to know clearly what their job roles and responsibilities are. Make sure that you have an up-to-date job description for each team member, and be as detailed as possible about every responsibility that they have.

When working with your team on a project, use a Responsibility Assignment Matrix to help keep assignments and responsibilities clear. You may also want to use a Team Charter to define everyone's roles and responsibilities within the team.

Sometimes, people don't take responsibility because they feel apathetic about their work. They can't see how their efforts tie into the "bigger picture." So, make sure that they understand how their work ties into the larger goals of the organization.

Highlight the importance of what they're doing, and also paint a picture that details the unpleasant direct and indirect consequences that happen when they don't do their work properly.

Findings on Table 4.8 below indicate that 15 (55.6%) of the respondents agreed that staff understands their duties, responsibilities and accountabilities. On the other hand, 12 (44.4%) were of the view that staff are not understands their duties, responsibilities and accountabilities.

Table 4.10: Staff understands their duties, responsibilities and accountabilities (N=27)

Category of Response	Frequency	Percent
Yes	15	55.6
No	12	44.4
Total	27	100.0

Source: Field Survey 2013

4.3.11: Control of Overtime and Allowances

Good management of overtime and allowances requires that overtime and allowances needs be assessed, alternative methods of meeting or eliminating these needs be considered and appropriate action plans developed. We found, however, that organization tends to use overtime and allowances in reaction to circumstances where careful planning might have led to a more economical approach. Planning is restricted to the preparation of an annual budget for overtime and allowances, developed on the basis of historical data without either assessing the reasons for overtime and allowances or evaluating alternative methods of eliminating or coping with it. The limited involvement of operational organization in managing overtime and allowances results from the lack of effective accountability for overtime and allowances expenditures.

Findings on Table 4.9 indicate that 17 (63%) of the respondents agreed that there is a control of overtime and allowances, on the other hand, 10 (37%) were disagreed.

Table 4.11: Control of overtime and allowances (N=27)

Category of Response	Frequency	Percent
Yes	17	63
No	10	37
Total	27	100.0

Source: Field Survey 2013

4.3.12: Annual Leave

There is a well arranged procedure to ensure staff in the accounts department (including the payroll in charge), take her/his leave annual at any year so that he/she duties may be performed by somebody else who will likely to detect any errors or frauds committed deliberately or by negligence.

Findings on Table 4.10 below indicate that 21 (78%) of the respondents agreed that there is a well arranged procedure to ensure staff in the accounts department (including the payroll in charge), take her/his leave annual at any year so that he/she duties may be performed by somebody else who will likely to detect any errors or frauds committed deliberately or by negligence, on the other hand 6 (22%) of the respondents disagreed.

Table 4.12: Annual leave (N=27)

Category of Response	Frequency	Percent
Yes	21	78
No	6	22
Total	27	100.0

Source: Field Survey 2013

4.4 The Areas of Weakness in the Payroll System at the Organization

4.4.1: Computer Data Security

The findings on the table 4.11 showed that all respondents 27 (100%) indicated that replication servers used for back-ups are located on-site with no back-ups stored at an off-site location.

Table 4.13: Computer data security (N=27)

Category of Response	Frequency	Percent
Yes	0	0
No	27	100
Total	27	100.0

Source: Field Survey 2013

4.5 The Measures to be taken by the Management to overcome the Weaknesses in the Payroll System

4.5.1: Computer Data Security

The backup disks should be kept in different building so that in case the computer system is destroyed by either fire or floats, the backup disk will be safe and thus will be used in new system to retrieve the lost data.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the study findings and recommendations. This study as evaluated the Effectiveness of Internal Control System over Payroll of IAE head office, Dar es salaam. The specific objectives of this study were:

- (i) To assess the extent to which the key components of internal control over payroll are performed.
- (ii) To identify the areas of weakness in the payroll system in the organization.
- (iii) To suggest the measures to be taken by the management to overcome the Weaknesses in the payroll system.

5.2 Summary

Based on the respondents characteristics in the study area, the majority of the respondents were of age between 41-50 years 11 (41%), those of age 31-40 years were 7 (26%) , 21-30 years were 5(18%) whereas 51-60 years were 4 (15%) of all respondents. 16 (%) of the respondents were found to have experience with the jobs in the organization.

The first objective of this study was to identify the areas of weakness in the payroll system in the organization, secondly objective was to suggest the measures to be taken by the management to overcome the weaknesses in the payroll system, and thirdly to investigate the effectiveness of the internal control system over payroll at the Institute of Adult Education headquarters in Dar es Salaam. To achieve these objectives, descriptive analysis was performed.

The findings indicated that;

1. Segregation of duties exists between those responsible for the preparation and processing of payroll, and those responsible for the recruiting, disciplining and removal of personnel ,
2. There is no problem of fictitious workers as each permanent employee is given an employee number.
3. Access to payroll secure and limited to authorized persons only
4. Preparation of payroll details is better.
5. Recruitment and termination of employees are communicated to payroll staff in a timely fashion.
6. Timely processing of payroll and accurately.
7. Employee's attendance records are established and properly maintained.
8. There is a good communication for the organization management with makes sure that any changes occur and can affect payroll section is reported as soon as possible so as to effect change in the payroll.
9. There is a well arranged procedures to ensure that every staff in the accounts department (Including the payroll in charge), take her/his leave annually at every year so that her/his duties may be performed by somebody else who will likely to detect any errors or frauds committed deliberately or by negligence.
10. Payrolls are documented and in compliance with state laws and regulations.
11. Transactions are properly recorded.
12. Staffs understand their duties, responsibilities and accountabilities.

13. There is no proper computer data security in case the computer system is damaged by either fire or floods, as the backups disks are kept in the same building.

5.3 Conclusion

Basing on the findings, it is concluded that, accounting is the most important part of any management information system. To assist management in planning and controlling operations, the accounting system should be independent and efficient and provide a measure of security for the firm's resources. A system with these attributes provides an adequate measure of internal control.

Internal controls, or a business entity's organizational structure, provide checks and balances for every level of an organization, whether it's a big corporation or small business. An effective system of internal controls incorporates separation of duties of accounting functions and other areas that deal with sensitive or valuable data. Duties that are properly separated segregate the record keeping, calculation, and authorization and review process of every business function. A functioning system of internal controls helps prevent fraud and collusion among an entity's employees.

In case of IAE headquarter Dae es Salaam, generally we can say that the internal control system over payroll is good, despite the few weakness observed. However, I would like to advise the management of IAE that, they should preserve the proper functioning of internal control system by remaining alerted to problems and making regular test and investigations on those phases of the system which indicate some weaknesses.

5.4 Recommendations

The following recommendations can be made from the conclusion drawn above.

The management of IAE is hereby advised to take the following step so as to improve the area of weakness observed:

(i) Proper computer data security

The backup disks should be kept in different building so that in case the computer system is destroyed, the backup disk will be safe and thus will be used in new system to retrieve the lost data.

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APPENDIX: 1

QUESTIONNAIRE FOR SELECTED EMPLOYEES IN THE ACCOUNTS, AUDITING, AND PERSONNEL DEPARTMENTS:

Dear Sir / Madam,

I am graduate student at Mzumbe University. I am currently conducting a study related to internal control system over payroll. Would you please take few minutes to answer the following question listed below. The information given is only for academic purpose and not otherwise. Your answer will be highly valued and completely kept confidential.

Thus your names are not required. Many thanks for your profound contribution towards this study.

Tick or fill in the blacks at the appropriate place.

PART I : PROFILE OF THE EMPOLYEE

(a) Age

1	Below 20	4	41-50
2	21-30	5	51-60
3	31-40	6	Over 60

(b) Gender

1	Female	2	Male
---	--------	---	------

(c) What is your job title

Accountant II	1
Accountant I	2
Senior Accountant II	3
Senior Accountant I	4
Principal accountant II	5

Principal accountant I	6
Accounts assistant II	7
Accounts assistant I	8
Senior accounts assistant II	9
Senior accounts assistant I	10
Internal auditor II	11
Internal auditor I	12
Senior internal auditor II	13
Senior Internal auditor I	14
Principal Internal auditor II	15
Principal Internal auditor I	16
Human resource management officer II	17
Human resource management officer I	18
Senior Human resource management officer II	19
Senior Human resource management officer I	20
Principal Human resource management officer II	21
Principal Human resource management officer I	22
Other please specify:	23

(d) Duration of employment with Organization.

Below 2 years	1
3 – 5 years	2
6 – 10 years	3
Above 10 years	4

(e) Employee's level of education

Primary school	1
O-level education	2

A-level education	3
Ordinary diploma	4
Advance diploma	5
Bachelor degree	6
Postgraduate qualifications	7
Other please specify:	8

PART II: PERSONNEL/RECORDING/MONITORING

1	PERSONNEL/RECORDING/MONITORING	Yes	No
(a)	Payroll is processed timely and accurately?	1	2
(b)	Have employee attendance records been established and properly maintained?	1	2
(c)	Are changes in employment status promptly reported to the payroll processing unit?	1	2
(d)	Recruitment and termination of employees are communicated to payroll staff in a timely fashion?	1	2
(e)	Is the payroll processing function promptly notified of changes in employment, salaries/wages and deductions?	1	2
(f)	Is preparation of payroll details maintained?	1	2
(g)	The payroll system is updated with changes in state laws and taxes?	1	2
(h)	Payroll practices are documented and in compliance with state laws and regulations?	1	2
(i)	Transaction activities are properly authorized?	1	2
(j)	Payroll amounts are properly verified before disbursement?	1	2

1	PERSONNEL/RECORDING/MONITORING	Yes	No
(k)	Accountability for refunds and credits is maintained.	1	2

(l) How long have you been in the accounts/auditing/administration department?

.....

(m) Overtime is authorized? Yes (1) No (2)

(n) If No why? Please explain:

.....

(o) Overtime is accurately recorded and approved? Yes (1) No (2)

(p) Employees are payed on time? Yes (1) No (2)

(q) If No why? Please explain:

.....

(r) Transactions are properly recorded? Yes (1) No (2)

(s) If No why? Please explain:

.....

(t) Staff understands their duties, responsibilities, and accountabilities? Yes (1) No (2)

(u) If No why? Please explain:

.....

(iv) How long have you been in the Payroll section?

PART III: SEGREGATION OF DUTIES

2.	Segregation of Duties:	Yes	No
(a)	Are salaries and wage rates paid verified by someone outside of the payroll process?	1	2
(b)	Is update access to both payroll and personnel records allowed only with proper approval?	1	2
(c)	Are responsibilities for approving employment actions; such as hiring, terminating and approving promotions; segregated from those for preparing payroll transactions or inputting data?	1	2
(d)	Are responsibilities for approving payroll segregated from those preparing payroll transactions or inputting data?	1	2
(e)	Is payroll data entry staff prohibited from having payroll approval authority?	1	2
(f)	There is a well arranged procedures to ensure staff in the accounts department (including the payroll in charge), take her/his leave annual at any year so that he/she duties may be performed by somebody else who will likely to detect any errors or frauds committed deliberately or by negligence.	1	2
(g)	Are pay adjustment reports reviewed and/or approved by someone other than those who enter the adjustments?	1	2
(h)	Replication servers used for back-ups are located on-site with no back-ups stored at an off-site location?	1	2
(i)	Segregation of duties exists between those responsible for the preparation and processing of payroll, and those responsible for the recruiting, disciplining and removal of personnel.	1	2
(j)	Segregation of duties exists within the payroll approval, data entry, and disbursement functions?	1	2

2.	Segregation of Duties:	Yes	No
(k)	Payroll records are protected from unauthorized access, theft, obsolescence, or destruction.	1	2
(l)	Payroll records are maintained in accordance with established requirements.	1	2

(m) Who prepare payroll?

.....

(n) Who authorizes deductions on payroll?

.....

(o) When the payroll is prepared each month?

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(p) How is the payroll prepared step by step?

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(q) Which procedures do you follow in preparing payroll?

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(r) The payroll process is divided in how many steps?

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(s) Please mention

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(w) Segregation of duties is properly maintained? Yes (1) No (2)

(x) If No why? Please explain:

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.....

(y) Do you favor the current procedure? Yes (1) No (2)

(z) If No then what are your recommendation to improve the procedures?

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THANK YOU FOR YOUR SUPPORT