

**ANALYSIS OF EFFECTIVENESS OF INTERNAL CONTROL
SYSTEMS IN MANAGING EDUCATION CAPITATION GRANTS
IN LOCAL GOVERNMENT AUTHORITIES IN TANZANIA:**

**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN
MOROGORO MUNICIPAL COUNCIL**

2014

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**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN MOROGORO
MUNICIPAL COUNCIL**

By

EDWARD TEMU

**The Dissertation submitted in partial fulfilment of the requirements for awards of
degree of Masters of Science in Accounting and Finance (MSc. A and F) of the
Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled the Analysis of effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, in partial fulfilment of the requirement for the award of degree of masters of Science in finance and Accounting of Mzumbe University.

Major Supervisor

Internal Examiner

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I, **Edward Temu**, declare that this Dissertation is my own original work and my own investigations except where otherwise identified by references and that I have not plagiarized another's work. I also declare that this work have not been presented and will not be presented to any other University for a similar or any other degree award.

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ACKNOWLEDGEMENTS

The completion of this work cannot go without acknowledging the contribution made by few special individuals who have devoted their time, means and intellectual abilities to make my Masters studies at Mzumbe University a success.

First, I would like to thank Mr. Robert Makorere my supervisor who worked tireless and patiently in assessing me to accomplish this work. He always welcomed me when I needed help and guidance for this work. I would like also to thank all my lecturers at Mzumbe University who in one way or another enriched my intellectual ability during the all period of my studies.

Second, I would like to thank my Classmates for their advices and challenges which helped to make a good progress of this study.

Finally I would like to thank my parents and my wife Linda and my Children Adrian and Ariella, for their Moral support and their encouragements. May God bless all.

ABBREVIATIONS AND ACRONYMS

CE	-	Control Environment
COSO	-	Committee of Sponsoring Organization
DPEO	-	District Primary Education Officer
ICS	-	Internal Control System
LGAs	-	Local Government Authorities
LGRP	-	Local Government Reform Programme
MMC	-	Morogoro Municipal Council
MoEVT	-	Ministry of Education and Vocation Training
MoF	-	Ministry of Finance
OECD	-	Organizations of Economic and Co-operation and Development
PEDP	-	Primary Education Development Plan
POLALG	-	President's Office Regional Administration and Local Government
RBO	-	Religions Based Organizations
SLO	-	Statistics and Logistic Officer
VFM	-	Value for Money

ABSTRACT

This study was aiming at analysing the effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, the case of Morogoro Municipal council.

The study interviewed 150 respondents using questionnaires. However, the study employed convenience and purposively sampling method to select Teachers, school and auditors, accountants, statistic logistic officers as well as politician respectively. In addition the study analysed data collected by employing descriptive and descriptive statistics using frequencies and percentages.

The findings revealed that the internal control system on the capitation grants in local governments, in particular Morogoro municipal council is ineffective. Most of the payments of the money related to capitation grants are not done through banks. Also there is no value for money on the goods and services that are obtained through capitation grants.

In view of the findings above, the study recommended that the available internal control system in Morogoro Municipal council should be implemented and improved to be more effective so as to achieve the goal of proper management of capitation grants.

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CHAPTER ONE

1.0 Introduction

This chapter introduces the study by presenting the introduction section, followed by background of the study, statement of the problem, research objectives, research questions, scope and limitation of the study, significance of the study, and organization of the study.

1.1 Background of the Study

Historically Tanzania has a long history of functioning local government, starting with the Native Authorities Ordinance in 1926. In 1972, the local government was abolished and replaced with a direct central government rule. The local government was reintroduced in 1982 when the rural councils and rural authorities were re-established (Jaba, 2010). The local government elections took place in 1983 and established the functions of councils in 1984. The LGRP covered four areas: political Decentralization, financial decentralization, administrative decentralization, and Changed central-local relations, with the mainland government having over-riding powers within the framework of the Constitution (Sine Anno; Kuusi 2009).

Local Government in Tanzania for many years has been required to develop and adhere to effective Internal Control Systems (ICS) in order to attain Value for Money (VFM) particularly in development expenditure Matrix (Davies, 2007). These Internal Control requirements have increased significantly due to an increased awareness of people and the members of parliament that has led the government of Tanzania to establish an independent internal control organ following the Amendments of the Public Finance Act (PFA) CAP 348 in 2010.

Decentralization mandates Local Government(LG) council to set up effective Internal Control Systems (ICS) that ensures the reliability and integrity of information, compliance with policies, plans procedures, laws and regulations, safeguard of assets, check on the misappropriation of their resources, as well as proper authorization of expenditure and regular update of books of accounts in order to attain Value for Money (Lubabah, 2009; Assimwe & Nakanyike, 2007; LG Act 1997).

Primary education is one of the key sectors that the government of Tanzania has selected to be one among the priorities under the “Big Results Now” (BRN), whereby the aim of making more development in this sector started effectively when the government established the so called the capitation grants for the primary and secondary schools in 2002. Establishment of capitation grant system was geared toward compensating the revenue loss in schools due to the abolition of school fees and contributions. The introduction of the capitation grant allowed children from all wealth backgrounds to go to school and hence reducing social exclusion as children from poor households could now afford to attend school. Net enrolment rates rose sharply from less than 60% of eligible school age children in the year 2000 to more than 95% since 2006 (Hakielimu Report, 2010).

Since the Tanzania Government invests large sums of money in the Schools as Capitation grant, the outputs in terms of teaching and learning materials are expected to match with development expenditures, which is not the case (CAG Report, 2010).

In addressing the problem, The Tanzania Local Government Authorities have been going on many reforms in the area of Public Financial Management (PFM) since 1998 under the name Public Financial Management Reform Programme (PFMRP) as well the introduction of Decentralisation by Devolution (D by D) policy which intends to provide autonomous power to local authorities hence be accountable, transparency and be assessed on their performance.

1.2 Statement of the Problem

As local governments have been given powers through decentralisation, government primary schools began being managed by the local government authorities (Issa, 2004). This management of public primary schools enhances implementation of various education activities and improves the quality of education offered in primary schools. However, Mushi (2006) shows that there are financial management malpractices that entail collusions between school committee chairpersons and head-teachers, and between head-teachers and District Primary Education Officers (DPEOs). These malpractices of collusions undermine the efforts done by the government and hinder the implied transparency and efficiency of the direct support to schools. Moreover, Halleck and Poisson (2007) list a number of malpractices such as use of educational funds on unplanned activities such as to cover irregular payments. Also there have been a problem of capitation grant being underfunded for example a 2004 public expenditure tracking study (PETS) administered by REPOA found that 40% of capitation grant did not reach the school level on time (Hakielimu Education Brief No 7.2E, 2010). On their report REPOA also argued on the complexity system of disbursement of capitation grant.

Therefore, the problem of misuse of public funds is so prevalent even when funds are allocated fairly across schools at the individual level. Thus, increasing capitation grant disbursements to primary schools may not be a panacea for improving quality of public primary schooling in Tanzania. However, full capitation grant can be prioritised on the budget, a clear disbursement system and clear schedule and transparency in all levels may increase the efficient use of these public funds. Furthermore there is no clear study or auditoria report that has shown the chance of the internal system in our district councils in supervising the allocation and uses of the capitation grant in government primary schools. Therefore, this study will analyse the effectiveness of internal control systems in managing capitation grant for government primary schools in Tanzania.

The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

1.3 Objectives of the Study

The study is designed to achieve a general objective and narrowed down to three specific objectives as presented below;

1.3.1 General Objective

The general objective of this study was to analyse the effectiveness of internal control systems in managing education capitation grants in local government authorities of Tanzania particularly funds allocated in primary education in Morogoro municipal as a study area.

1.3.2 Specific Objectives

The specific objectives of the study were as follows:

- i. To find out the presence of the internal control system on the capitation grants in primary schools.
- ii. To examine the effectiveness of the internal control system in capitation grants in primary schools.
- iii. To examine Value for Money attained on the capitation grants granted to primary schools in the study area.

1.4 Research Questions

- i. Is there internal control system on the capitation grants in primary schools?
- ii. How effective is the internal control system in capitation grants in primary schools?

- iii. What is the Value for Money on the Capitation grant, granted to government primary schools?

1.5 Scope of the Study

Public funds not only capitation grant have complex system of disbursement, however when followed in transparency, it reduces complains and the misuse. The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

The study focused at these two lower levels in the disbursement process due to two reasons. One there some argument that money received by local councils for capitation grant are not sent all or sent partially or delayed to primary schools as directed. Second, it will be in researcher's capacity to obtain data as one among the stake holders and collect data given constraint of time of the research.

1.6 Significance of the Study

The study will help the policy makers realize the need to have and implement effective Internal Control Systems in the implementation of development grants which in turn will help achieve Value for Money to the intended users of these development programmes.

1.6.1 To Local Government Authorities

The study will generate knowledge to link Internal Control Systems and Value for Money which will guide Policy makers in the planning for the public resources.

1.6.2 To the Finance and Accounting Practitioners

The study will be helpful to all academicians and practitioners in finance and accounting management. The study will help them generate knowledge on the way internal control should be practised in a reliable manner to help their firms safeguard their assets.

1.6.3 To the Researcher (s)

The study has helped the researcher to acquire knowledge and understand the techniques of doing research. Above all, the study has helped the researcher to have knowledge on internal control systems in local governments – as its findings informed him on how internal control may be the tool for MMC to achieve effective VFM of education capitation grants. Also, the Study will enable a researcher to complete master's degree in Finance and Accounting.

1.7 Limitation of the study

The study concentrated only to Morogoro Municipal Council and all government primary school supervised by it, thus provided a lesson to other Municipal councils. There was a poor response especially at the school level as the respondents were reluctant to provide information on Capitation Grant. The study frequently explained to the respondents that it was purely for academic purposes to eliminate information concealment.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the definitions of key terms, reviews some related literatures, both theoretical and empirical concerning the internal control systems and the capitation grant, afterwards, it draws the conceptual framework based on the assumptions presented in the available literature.

2.1 Definition of Key Terms

This section provides definitions of key terms or concepts as employed in this study. The process of definition and description is carried out in the following arrangement; Internal control systems then the capitation grant.

2.1.1 Internal Control Systems (ICS)

According to Motlia (2009) internal control systems refer to internal controls with a common purpose grouped together. Basically, internal control as defined in accounting and auditing is a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organisation (Gervais, 2004).

The International Standards on Auditing number 400 (ISA 400) defined Internal control Systems as comprising the controlled environment and control procedures. It includes all policies and procedures adopted by the management of an entity to assist in their objectives achievements, as far as practicable, the orderly and efficiently conduct

business, including adherence to management policies, safeguard of assets, prevention and detection of frauds and errors, the occurrence and completeness to accounting records, and the time when preparing the financial information.

Based on the definitions above, internal control is therefore, a means by which an organisation's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organisation's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

2.1.2 Capitation Grants

The term capitation grants is defined by Ablutz (2009) as an amount of money given to an organisation for each person it deals with, teaches, or cares for. So it is all money given to government primary schools for education improvements. Manara and Mwombela (2012) shows that the capitation grant for primary education in Tanzania is meant to provide money for teaching and learning materials for pupils enrolled in public schools at Tshs 10,000 per pupil per annum in the following allocation; Text books, teaching guides, supplementary reading materials Tsh 4000, Chalk, exercise books, pens, pencils Tsh 2000, Facility repairs Tsh 2000, Examination paper, purchase and printing Tsh 1000, Administration Materials Tsh 1000.

2.2 Theories of Internal Control Systems

There exist different theories about internal control; in this study dempster-shafer theory and Agency Cost theory of Internal Control have been reviewed.

2.2.1 Dempster-Shafer Theory of Internal Control

According to Dempster-Shafer theory of internal control, both quantitative and qualitative methods exist for the evaluation of internal controls. Conventionally, auditors often adopt qualitative methods, such as questionnaires, checklists, flow charts, and test of transactions for evaluation purposes.

The theory provides a systematic way to represent the interrelationships amongst key accounting systems components for the evaluation of IC for financial resources and others – including; significant accounts being evaluated, business processes impacting these accounts, risks to which business processes are exposed, control procedures implemented to counter the risks, and evidence gathered to evaluate the effectiveness of control procedures (Srivastava, & Vasarhelyi, 2012). Furthermore, Srivastava, and Vasarhelyi (2012) Explained that the theory believes at given judgements on strength of the audit evidence gathered as input, the proposed method provides a rigorous algorithm to aggregate these judgements, propagate, and aggregate the results, and output quantitative risk assessments on various levels within the accounting information system. Included are assessments related to the overall IC, significant accounts level, business process level, individual risk level, and individual control procedure level.

Basically, the evidential reasoning of this approach is a process of risk assessment where several variables (assertions) when combined together inform us about a variable of interest such as the effectiveness of internal control. It allows the decision maker to develop a framework that aggregates all the evidence available in the situation pertaining to various intermediate variables and then infer about variables of interest such a feature makes the theory appealing to the evaluation of the effectiveness of the IC system because the ultimate effectiveness relies upon multiple factors such as effectiveness of multiple control procedures, the control environment, and evidence gathered from various sources (Yeager, and Liu, 2008).

2.2.2 Agency Cost Theory of Internal Control

According to this theory there is an intense interrelationship between effective internal control performance and agency cost and asset security. The theory maintains that reporting on internal control may be considered as a monitoring function to reduce conflict between debt holders, shareholders, and management (Ziurtv, 2007; Williamson, 1998).

The theory puts much of emphasis on the relationship between firm's asset security and effective performance of internal control. Ziurtv (2007) argued that based on that relationship, the theory thus, provides that; adequate appropriation and security of resources lie in the capability of effective internal control system.

The Institute of Chartered Accountants (2005) elucidated that agency theory is a useful Economic theory of accountability, which helps to explain the development of the control and the way it should be viewed. In order to better explicate the relationship opinions, this theory has put aside two variables ruling in principals such as company 'stop management on one side, as well agents like, auditors on the other side. Therefore, a simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour.

Gervais (2004) argued that delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent such as auditor to act in the principal's best interests like; performing internal control with full focus of safeguarding company's assets.

2.3 Internal Control Systems

This section presents the theoretical part of the study. The purpose of reviewing theoretical literature is to allow the study to capture certain thoughts and opinions from various authors and writers so as to get a guide towards understanding the way internal control systems may be effective in achieving value for money under situation either identical or similar to the topic under concern.

According to Storkey (2011) Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGAs as managing financial risk is very important to modern organisations. In achieving the effective internal control, the agency theory suggested the presence of a third party called “auditor” to ensure and reduce the asymmetric of information among principal and the agent. For that reason Jsegying (2009) explained that professional auditors must be given cooperation to play crucial task to make sure that they achieve the highest level of asset security. It is for the same reason the constitution of united republic of Tanzania of 1977 as amended from time to time section 140 empowers the Controller and Auditor General to have full power to access any documents during auditing process at any public entity. During auditing process auditors must examine internal controls to check if there working properly. However, there are different types of internal controls within an organisation and it depends with complexity of the organisation structure.

2.3.1 Types of Internal Controls

Generally speaking, there are two major types of internal controls - one being; preventive and the other being; detective. These two types of internal controls are discussed below;

2.3.1.1 Preventive Controls

As the term itself specifies, preventive controls are kind of controls designed to discourage errors or irregularities from occurring (Oliver, 2014). They are proactive controls that help to ensure department objectives are being met. Examples of preventive controls are: segregation of duties: where duties are segregated among different people to reduce the risk of error or inappropriate action (Oliver, 2014).

Normally, responsibilities for authorising transactions (approvals), recording transactions (accounting) and holding the related asset (custody) are divided.

Second are; approvals, authorisations and verifications: management authorizes employees to perform certain activities and execute certain transactions within limited parameters. In addition, management specifies those activities or transactions that need supervisory approval before they are performed. And the third and last is the security of assets (preventive and detective): access to equipment, inventories, securities, cash and other asset is restricted; assets are periodically counted and compared to amounts shown on control records (Oliver, 2014).

2.3.1.2 Detective Controls

Detective controls are the types of controls designed to find errors or irregularities after they have occurred. Examples of detective controls include: First; review of performance: in which management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up (Oliver, 2014). The second example include; reconciliations: wherein an employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary. The third example includes physical inventories. And the fourth one involves audits (Ibid).

2.4 Components of Internal Control system

Under the basis for developing and providing business control systems and assessment and addressing their effectiveness (internal control issues) the study has identified the following component of internal control according to the Committee of Sponsoring Organisation, (2014) and Bushman, (2007) as; the control environment; risk assessment; control activities; information and communication and monitoring.

2.4.1 The control Environment

Control environment relates to the organisation's identification, analysis, and management of the risks that are related to financial statement preparation. The control environment is the basis for all other components control (COSO, 2014; Bushman, 2007).

According to DiNapoli (2007), Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical value integrity and morale of the people of the organization. The control environment is further affected by the organization's structure and accountability relationship. It is the attitude and actions of Council and Management regarding the significance of control within the LGAs. Control Environment provides the discipline and structure for the achievement of the primary objectives of the System of Internal Control. According to Letsuy (2012) control environment is the foundation of the ICS and sets the tone of an organization, influencing the control consciousness of its staff. This is the overall LGA attitude, value and philosophy of senior political and management executive and the culture throughout the LG relating to the timeliness, integrity, and accuracy of financial reporting (Thuy, 2007).

It provides the discipline and structure as well as the climate which influences the overall quality of the Internal Control Systems. Elements of the control environment are; the personal and professional integrity and ethical value of management and staff,

appropriate culture in the organization attitude towards internal control throughout the organization; commitment to competence; the “tone at the top”(i.e. management’s philosophy and operating style); a good organizational structure (an independent Internal Audit function and segregation of duties)’ set up proper authorization limits and human resources policies and practices(Kaplan, 2008; 2007; INTOSAI, 2004, and Laura, 2002).

2.4.2 Risk Assessment

This component refers to the organisation’s identification, analysis, and management of the risks that are related to financial statement preparation, in order to ensure that financial statements are presented fairly and in compliance with generally accepted accounting principles (GAAP) (COSO, 2014; Bushman, 2007).

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity’s objectives and determining the appropriate response (DiNapoli, 2007; INTOSAI, 2004). It involves risk identification; risk evaluation (estimating the Impact of risk; assessing the like hood of the risk occurrence); assessment of the risk appetite of the organization and development of responses.

Risk assessment should be performed and should identify; controllable risks (risks that are caused by the external environment that the entity operated in). According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organization. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analysing altered conditions and opportunities and risk (risk assessment cycle) and modifying internal control to address changing risk (Heald, 2003).

2.4.3 Control Activities

The organisation's policies and procedures which help ensure that necessary actions are taken to address the potential risks involved in accomplishing the entity's objectives (COSO, 2014; Bushman, 2007).

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy (2007); Sarbanes – Oxley Act (SOX, 2002); Control Activities are comprised of policies procedures and systems relating to the reliability of financial reporting.

They include; authorizations and approvals, verifications, reconciliations, review of performance, security of assets, segregation of duties and controls over information systems (Laura, 2002). The elements with cheques issued, procedures governing the counting and valuation of inventory, the procurement and disposal systems and codes of conduct to guide employee behaviour (Kaplan, 2008; Thuy 2007, SOX, 2002). Control activities can be preventive and /or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the organization objectives hence realizing Value for Money.

2.4.4 Information and Communication

This component focuses on the nature and quality of information needed for effective control, the systems used to develop such information, and reports necessary to communicate it effectively (internal control issues (COSO, 2014; Bushman, 2007).

2.4.5 Monitoring

This component involves assessing the quality and effectiveness of the organisations internal control process over time. It includes assessing the design and operation of controls, and assessing compliance with policies and procedures. It also provides for the implementation of appropriate actions when necessary (COSO, 2014; Bushman, 2007).

2.5 Capitation Grant in Local government Education

School fees abolition is becoming increasingly acknowledged as one of the strategies toward Universal Primary Education and as a key measure to achieving children's right to education. In view of this, the World Bank and UNICEF in 2005 launched the School Fee Abolition Initiative which aimed to disseminate lessons from the experience of countries that have abolished fees and provide context specific advice to countries that are seeking to do so (Manara and Mwombera 2012).

Experience in several countries shows that the private costs of schooling are a major barrier that prevent many children from accessing and completing a quality basic education. They are especially burdensome in countries where poverty imposes tough choices on families and households about how many and which children to send to school, and for how long.

School fees represent a regressive taxation on poor families, and the enrolment of poor, excluded and vulnerable children is very sensitive to fees, even when these are small.

School fee abolition is not just about "tuition fees" (which do not necessarily constitute the main bulk of fees). School fee abolition must take into consideration the wide range of the costs of schooling to families and households. This means any direct and indirect costs/charges (tuition fees, costs of text books, supplies and uniforms, other contributions, costs related to sports and other school activities, costs related to

transportation, contributions to teachers' salaries, and the like.) as well as opportunity costs and other burdens on poor families.

To meet the Millennium Development Goal (MDG) for education and national targets the Tanzania Government took a bold step forward by abolishing all fees charged by schools and also providing schools with a small grant for each pupil enrolled. The grant provided is called the capitation grant.

The decision to replace school fees with capitation grants has some advantage which include increased enrolment however it has critics that whether it have the desired impact on the quality of education. It can be seen that increase in enrolment will result to increased demand for additional classrooms; demand for additional teachers; Demand for additional textbooks and other teaching and learning materials and it is difficult to sustain community participation.

2.6 Capitation Grant Governance in public sector industry

The governance of the capitation grant in Tanzania can be categorised into two; the civic engagement and the school autonomy.

2.6.1 The Civic Engagement

Civic engagement refers to citizens' interaction with a particular field of interest, for example, public finance policy, with a view to obtaining a favourable outcome from such interaction (World Bank, 2001).

Thus, aspects of social accountability such as citizens' agency, volunteerism and political awareness are all forms of civic engagement in Tanzania. For instance, budget advocacy through villagers' participation in Village Assemblies (VA), civil society participation in Ward Development Committees (WDCs), District Consultative Committees (DCCs) and Regional Consultative Committees (RCCs) have become some

of the most popular forms of exercising citizens' agency in Tanzania. The civic engagement comprises of citizens' agency, volunteerism and political awareness.

2.6.1.1 Citizens' Agency

Citizens' agency concept assumes that ongoing contact between the public and their leaders provides the citizenry with the opportunity to draw attention to weaknesses in service delivery, and, as a result, the leaders would take appropriate measures in line with user preferences (Manara & Mwombela 2012).

In Tanzania, the quality of exchanges between community members and government at different levels has reached a higher platform recently as each side appreciates the attitude and effort of the other

2.6.1.2 Volunteerism

Volunteering is working, the putting in of time and energy, which one person does for another or for the public, of their free will, and with no material compensation similar in quantity or quality to the market value for these services (Cohen, 2009). The participatory aspect of volunteerism can contribute to a heightened understanding of the forces which shape governments and societies, leading to greater transparency, accountability.

2.6.1.3 Political Awareness

Political awareness manifests itself through voter turnout, attendance in political rallies, and listening to and/or reading news from the mass media. People are more active today in terms of participation in elections despite the fact that attempts to influence the results through both legal and illegal means are common (Kessy et al., 2006).

Mass media is by far the most important means by which people access information. Of the three main types of mass media, radio continues to be the most accessible, followed by newspapers and then television (HakiElimu & REDET, 2006). A radio is the most commonly owned item within households, most likely due to its affordability, portability and low maintenance costs. Currently, internet may be limited in access, affordability and utility, but it is gaining in influence. Information via the internet travels faster, especially with the current wave of providing internet services through mobile phones and short message services (SMS).

2.6.2 School Autonomy

School autonomy is a form of school management in which schools are given decision-making authority over their operations (Arcia et al., 2011). Some authors have suggested using “de facto” autonomy as opposed to “de jure” autonomy as the relevant measure of autonomy. While “de jure” autonomy refers to whether the school has been appointed as autonomous or not, “de facto” autonomy is related to the level of autonomy the school is actually enjoying or exercising as measured by the number (or the percentage) of decisions the school makes (Manara & mwombela 2012).

Public primary schools in Tanzania derive their autonomy from their local councils. Thus, current school autonomy in Tanzania should be viewed in the context of the Decentralisation-by-Devolution Policy of 1998. School autonomy includes freedom to determine own school needs, set priorities and budgets on the basis of the total resource envelope available at school level including subventions from the government (Mushi, 2006).

There two sets of indicators for school autonomy; one for authority over the use of the school budget (school decision-making power) and authority to seek additional funds from non-government sources (share of school own source revenues).

2.6.2.1 School Decision-Making Power

The progression in school autonomy in the last two decades has led to the conceptualisation of school-based management as a form of decentralisation in which the school is in charge of most managerial decisions but with the participation of parents through school committees (Manara and Mwombela 2012). School autonomy fosters governance by making the school committee in charge of school management (Arcia et al., 2011).

Although the capitation grant programme has increased school autonomy, the role of local governments at district, ward and village levels in the delivery of primary education remained unclear. Interference by the District Primary Education Office (DPEO), Ward Education Coordinators (WECs) and village government officials have been creating tensions among the school committee members and teachers. The school committee is the lynchpin of the success of the strategy at the community level (Manare & Mwombela 2012) but members do not have full mandate on school management.

2.6.2.2 Share of Own Source Revenues

Public schools are fiscally decentralised if they are allowed to mobilise own resources for school operations and development expenditures (Eskeland & Filmer, 2002). Innovative local sources of education development finance can easily be tapped where there are effective community-based school committees running the relevant school (Lwaitama, 2004). In Tanzania, there are two sources of own school revenues, namely donations from the private sector and non-governmental organisations (NGOs) and contributions from parents and the wider community.

Government primary schools also generate own revenues from gardening, selling tree seedlings, small restaurants and milling machines. Other schools, especially those in urban centres, rent out their premises and charge those who operate petty businesses within their compounds.

2.7 Ways to Achieve Successful Value for Money

2.7.1 To eradicate waste in benefits services processes and systems

Value for Money (VFM) can be achieved by eradicating waste in benefits services processes and systems. The “critical success factor” for a public sector organization is the degree to which it fulfils its set objectives and mission in terms of being efficient, effective, and economical. The Internal control systems are keys in achieving the organizational set mission and objectives; hence Value for Money.

2.7.2 Local Governments control over the use of resources

The main approach to VFM is the LG’s control over the use of resources in order to achieve its set objectives, LGIAM (2007). Regulation 106 of the LGFAR (2007) requires the Head of Internal Audit to carry out regular review to ascertain whether council receives VFM in all its activities. Heads of Department should establish sound arrangements for planning, appraising, authorizing, and controlling operations in order to achieve Value for money LGFAR (2007). Davies (2007) holds that the public sector applies no consistency in defining Value for money (VFM) and the decision making strategies of LGs are poorly defined and applied irregularly hence LGs are able to exploit the definition of VFM to justify their actions.

However, many authors hold that Value for money is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. Value for Money is not paying more for a good or service than its quality or availability justifies as well public spending implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness(full attainment of the intended results) (Glendenning 1998; Davies 2007; Deakin 1998 and LGIAM, 2007).

The most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Government's system of internal financial control (Kaplan, 2009; LGFAR 200).

During the process, communication needs to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost. However, Kerr (2005) observed that the will to provide Value for Money in Government spending is weak because accountability to taxpayers and the public is generally weak.

According to Heald (2003) VFM analysis needed to pay attention to total risk and VFM is related to concept of efficiency and effectiveness. Jiju and Ogded (2009) hold that despite a long period of implementing performance management within the public sector improvement in performance, accountability, transparency, quality of services and Value for Money have not yet been achieved.

2.8 Empirical Literature Review

This part reviewed the study done by other authors or researchers relating to internal controls and the capitation grant.

Yustaria (2010) conducted a research to find the role of internal controls in financial institution. The research was titled "the emerging role of internal control practice on the security of assets in small financial lending institution in Tanzania". From this research the findings revealed that, internal control was the mere instrument through which most of small financial lending institution was capable of scrutinising all financial performances relating to the level of lending. The finding shows that internal controls helps the reliability of financial reporting and detection of errors as a result minimise risks which occurred with regard to financial utilisation.

In addition Shaban (2011) focused on determining the impact of internal control on the financial performance of Financial-Based Institutions in Tanzania; the case of National Microfinance Bank (NMB), head office, Ilala, Dar es Salaam found that there was a big

impact derived from the application of internal control on the financial performance of financial-based institutions in Tanzania. The findings further shows that with the presence and application of internal control, every aspect relating to banking operation including; transactions which were to be recorded and in turn could be evaluated; Internal controls influences everyone in the bank to adhere to the keeping record of every asset used; none of the errors, fraud, and misappropriation could be deliberately undertaken.

According to John (2011) who studied the relationship between internal control and organizational performance of Limited Industries finding's shows that there is a significant positive relationship between internal control system and management of a limited companies.

Moreover, Makubi (2012), studied the impact of financial internal control on financial performance in Religious-Based Organizations (RBOs), the study found that Financial Internal Control plays a significant role especially in preventing the occurrence of fraud, and likewise may impact financial performance by detecting various aspects involved in financial performance. The finding also shows that Financial Internal Controls may be used as a tool which can reveal all necessity financial-related matters such as fraud, cost and expenses.

Ritva and Svensson (2005) did a research titled "Fighting Corruption To Improve Schooling: Evidence From A Newspaper Campaign In Uganda" with the question "What is the most effective way to increase primary school enrolment?" A newspaper campaign in Uganda aimed at reducing capture of public funds by providing schools (parents) with information to monitor local officials' handling of a large education grant program. The findings in this research shows that both enrolment and test scores increased significantly more in schools in areas with higher newspaper penetration, and thus in schools with more funds.

The findings further shows that since schools were free to spend their grants on whatever nonwage items they needed, be it textbooks, school meals, school uniforms, or flipcharts, the indirectly enhancement learning activities should be addressed by the policy.

However, Manara and Mwombela (2012) in their research titled “The Governance of the Capitation Grant in Primary Education in Tanzania: Why Civic Engagement and School Autonomy Matter” finding shows that the level of capitation grant governance in schools in average-spending councils (Morogoro MC and Kondoa DC) is higher than in high-spending councils (Singida MC and Mvomero DC) and low-spending councils (Songea MC and Mbeya DC). This suggests that increasing public expenditures is not a panacea for solving quality problems currently haunting the primary education sub-sector in Tanzania. Improving governance of disbursed funds at the school level is equally important. The evidence across case councils has shown that frequent cuts and chronic delays of capitation disbursements are just one part of the story. More often than not, the untold story is how school committees and school administrations manage the funds that do reach the schools.

This study found that demand-side factors matter most for the governance of the capitation grant in schools. In particular, parental monitoring of school revenues and expenditures can play a critical role in improving the governance of the capitation grant in schools.

Noncompliance to the Internal Controls is one of the major hindrances to the attainment of VFM in LGAs as addressed by most authors, writers, and academic researchers. From the side of empirical studies, a lot has been done to address the role of internal control in financial performance, and its impact on the security of assets in organisations different from LGAs. Whereas, there is little and perhaps nothing of attention was addressed about internal control in relation to capitation grants in government primary schools in Tanzania.

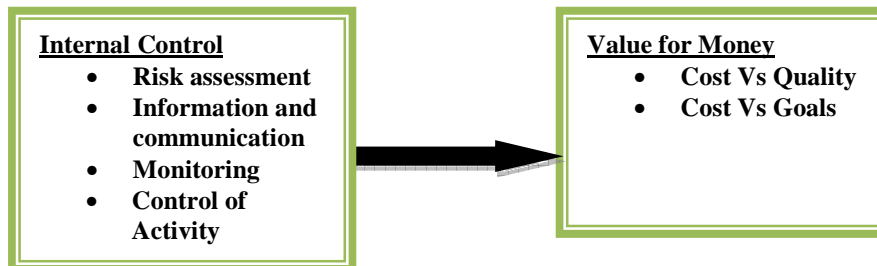
Most of them had shown interest in areas like; internal audits and financial performance in financial institutions and RBOs. Weak, non-compliance, non-existent or absent public financial management functions (Internal Control Systems) are likely to negate any advantages that might be inherent in bringing public services “closer” to people (Value for money). In contrast, those studies needed to establish the relationship between the Internal Control Systems and Value for Money in LGAs in Tanzania. Therefore, it can be concluded from the literature that there is an urgent need to analyse the effectiveness of internal control system in managing education capitation grants in LGAs in Tanzania particularly.

2.9 Conceptual Framework

In presenting the conceptual framework for the study, this section bases much on providing assumptions based on the objectives to be achieved by the study in hand. That is to say; most of the assumptions laid down in this context are in parallel with the assumption portrayed from the objective as well.

This study is based on two variables the dependent variable which is value for money and the independent variables collectively internal controls. The dependent variable will be measured by three elements namely the efficiency, the effectiveness and the economy. The independent variable comprise of preventive controls (control environment and control activities) and the detective controls namely risk management, information and communication and monitoring. In summary the conceptual is summarised below in figure 2.1;

Figure 2.1: Conceptual framework



Source: Researcher's (2014)

The model above explains the relationship amongst the variable under study; it explains Internal Control System as the Independent variable while Value for Money as the dependent variable. According to the Figure 2.1 above, internal control performance may influence accurate distribution of grants to public schools by MMC, the detection of resource performance and use, and may influence the prevention of errors to occur during the financial performance.

That means, internal control promotes effective management of resources while stressing the values of economy, efficiency and effectiveness (Value for Money) Control. Environment, control Activities, Risk Assessment, Information and Communication and Monitoring are a necessary to help the performance of internal control to be in place and in turn help LGAs achieve effective value for money of capitation grant to public schools under their supervision.

Internal Control are viewed in terms of construct of its influential positions like; role, impact, influence – as well as its relative activities such as; risk assessment, information and communication and monitoring. While, Value for Money is understood based on its position as; being dependent variable which may result in Efficiency and Effectiveness.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the procedures that were employed in the study. The chapter therefore, presents the methodology deployed in the study by specifying the study area, research design, study population, sampling size and sampling Techniques, data collection methods and data analysis.

3.1 Study Area

The study area in which the study was carried out is Morogoro Municipal Council (MMC). The said council is located in the region of Morogoro, Tanzania. In that area, the study collected data from all public primary schools which are supervised by the MMC. The area covers about 195 kilometres to the West of Dar es Salaam and is situated in the lower slopes of the Uluguru Mountains. The Municipality has total area of 531 square kilometres and is divided into nineteen wards (Morogoro Municipal Council, (MMC), 2008). According to Hilfswerk *et al'*, (2013) the MMC has sixty two government primary schools.

The researcher is a member of the society at MMC and he is interested in seeing whether there is effective ICS on capitation grant that is granted to Government primary schools in achieving Value for Money (VFM).

3.2 Research Design

The study employed survey design. The survey study design is selected based on the researchable reasons that is; it focuses more on a identical areas or organisation. Therefore, it is important to note that survey study design can permit the use of variety of data collection methods to be deployed during the whole conduct of the study.

The focus is that, this type of research design permitted the researcher to explore and analyse information over the life of a single unit, which is Morogoro Municipal Council (Birkinshaw, 2004; and Welch, 1998)

3.3 Study Population

The target population for this study included all 62 government primary schools under the supervision of MMC and 281MMC staff including internal auditors, Statistical Logistic Officers, Accountants and politician. The municipal have around 1120 primary school teachers. (Municipal quarterly report 2014)

3.4 Sample Size and Sampling Technique

Sample is a small or selected group used to represent the whole population. The following are the Sample Size and Sampling technique employed:-

3.4.1 Sample Size

The study employed sample size of 150 respondents, whereby, politicians and a cluster of 30 government primary schools were selected and from each school 4 teachers selected through convenience sampling technique, also 30 staffs from the MMC including internal auditors, accountants and Statistical and Logistic Officers were selected basing on purposive sampling. From these samples the key informants are Statistical and Logistic Officers, Auditors and Accountants. The sample composition is presented in Table 3.1.

Table 3.1: Selection of Sample Size

Department/ section	Target Population	Sample Selected	Method of selection of sample
Staff-Primary school	1120	120 respondents from 30 primary schools	Convenience method
Auditors	8	6	Purposive sampling
Accountants	16	7	Purposive sampling
Statistical and Logistic Officers	2	2	Purposive sampling
Politician	31	15	Convenience method
Total	1177	150	

Source; Researcher's (2014)

3.4.2 Sampling Techniques

According to Stasch *et al.*, (1985) the procedure of selecting a sample for a study is an important step in any research project since it is rarely practical, efficient, and costly, to study the whole population. The researcher therefore employed purposive and convenience sampling techniques.

3.4.2.1 Purposive Sampling Technique

The researcher employed purposive sampling in selecting the key respondents, namely Statistical and Logistic Officers, Accountants and Auditors who are the custodians of the internal control system, education department, finance department and planning department as they involve on the study by ensuring the internal control or affect the capitation grant fund directly. This sample provided special information regarding the practice of internal Control in achieving VFM of grants provided to primary schools under supervision.

3.4.2.2 Convenience Sampling Technique

This technique employed whereby teachers and politicians were selected based on their availability. Therefore the cluster of schools were selected i.e. 30 primary schools was chosen randomly then from each primary school 4 teachers were selected one being the head teacher. Furthermore the study employed this technique to politicians i.e. ward representatives because they are located in various places of which it is not easy for study to reach them all, however selection process continued until the sample size was obtained. The selection was determined by aspects like self-selection, administrative decision, time of the class, and number of the years of exposure (Muijis, 2004).

3.5 Data Collection Methods

These are ways used to extract information. The methods employed by this study were observations, documentary and questionnaires. The researcher has considered these methods as appropriately to enable gathering accurate and enough information.

Primary data were collected through questionnaire and interview. Secondary data were gathered from documentary review.

3.5.1 Questionnaire Method

This study used questionnaires as one of the methods of data collection. The questionnaires were administered to the MMC staffs (internal auditors, accountants, SLOs and Politician), primary school teachers and members of primary schools management committee. The method of administering questionnaires helped this study to have the intended numbers of the respondents. Also administering reduced some ambiguities of understanding some of the word(s) on the questionnaires where by clarifications were provided. The information expected from this method involved in answering the methods of internal control available and its roles and more specifically, questionnaire was employed by this study in gathering data, which determined the

impact of internal control activities in achieving VFM. Also, through it, suggestions about ways to be adopted by MMC to achieve effective VFM was provided.

3.5.2 Interview Method

Interview was conducted to the top management of the council which include the municipal accountant and the municipal executive officer using interview guide. Also the interview was conducted to some members of finance committee. During the process of interview, some structured questions were asked and the study took note on the answers provided. Respondents were given almost full liberty to express themselves on matter, which was used to support the smooth achievement of the study in hand.

However, it should be remembered that; during this process, researcher gave leading questions observing non-verbal actions and meanwhile recording the responses for further analytical and conclusion steps.

Interview process was performed in such a way that it collects data that assessed the influence of internal control in helping MMC distribute all capitation grants to all schools under their supervision as well as they were allocated by the central government.

3.5.3 Documentary Review

Documentary review is the kind of data collection technique which was used in collecting secondary data. In this study specifically, documentary review was utilized simply to collect the trend of capitation grant for five years from 2009 to 2013. In view of this study, this was done by reviewing financial statements and different annual and quarterly reports at MMC.

3.6 Data Analysis methods

Data collected were divided into two categories, qualitative data and quantitative data. To analyse these data the study used tabular way of analysing data, percentage and descriptive ways.

3.6.1 Qualitative Data Analysis

The data were analysed in a descriptive way by refining the common responses also the software were used in analysing these kinds of data. The study analyzes the raw data obtained from the interview by recording the answers of the respondents and read other MMC reports relating Capitation Grants. The findings from respondents were interpreted in comparison with our objective together with factual and logical interpretation of the study findings.

3.6.2 Quantitative Data Analysis

Data were collected, coded and were analysed. The quantitative analysis was conducted to enable the researcher to summarize the collected data and organize in a way that the researcher was able to answer the research questions. The use of different tools like Tables, frequencies, percentages were utilized whereby data were quantified and analysed, also in some areas further analysis was conducted.

3.7 Ethical Consideration

All important norms for collecting data from the field are available and should always be respected in the whole course. That is to say; the said process was amongst the topmost attentions that were put into consideration by the researcher during the entire process. The researcher obeyed ethical norms. Based on this statement, the researcher was given a written recommendation from the academic authority of Mzumbe University, which

was presented to the concerned offices for approval to collect all necessary information from the intended field. The researcher ensured all respondents that whatever information given by them were treated and guarded with a high sense of confidentiality and no any piece of it was taken out of concealment.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

This Chapter presents and interprets the data collected and analysed in Chapter three. The presentation is guided by the objectives of the study.

4.1 Socio-economic characteristics of respondents

In this stage, the study first, studied about different characteristics of respondents. In this regards, the study was aiming at findings different general information of the respondents pertaining to various elements like Gender, Education, Age, Designation and work experiences. The main aim of findings in this particular information was based on the idea that general information would necessarily help the study in knowing whether different considerations such as Gender balance, non discrimination in terms of age. Also this information was so useful as it could help the study understands the extent to which the studied respondents were very much informed, acquainted and even knowledgeable concerning the whole matter relating to management of education Capitation Grants.

Table 4.1 Socio-economic characteristics of respondents

Characteristics	Frequency	Percent
Gender of respondents:		
Male	86	57
Female	64	43
Education of respondents:		
Form four	5	3
Certificates	91	61
Diploma	25	17
Degree	23	15
Masters	4	3
Others	1	1
Age of the respondents:		
18-35 (Youth age)	50	33
36-55 (Adult Age)	84	56
55+ (Old age)	16	11
Designation of respondents:		
Accountants	7	5
Auditors	6	4
Statistical and Logistic Officers	2	1
Politicians	15	10
Teachers	120	80
Working experience of the respondents:		
Less than 5 years	55	38
6-10 years	33	21
11-20 years	51	34
21-30 years	10	6
above 30 years	1	1

Source: Survey Data (2014).

4.1.1 Gender of respondents

Table 4.1 above shows that out of 150 respondents, male were 86 which is equivalent to 57% and female were 64 which is equivalent to 43%. This shows that the findings were from both male and female respondents and the gender sensitivity were considered; though male were the majority with 57% of all the respondents. Therefore Morogoro Municipal Council put equal employment opportunity to both males and females.

4.1.2 Level of Education of the respondents

Level of Education of the respondents was greatly useful as to whether through it, particular analysis would be found and certify the extent to which the studied respondents were educated, something, which consequently was useful to determine the extent to which they had useful, valid, and even reliable information about topic under concern.

Table 4.1 above shows the education level of the respondents, 5 respondents were the form four leavers which is equivalent to 3%, 91 respondents were having certificates which is equivalent to 61%, 25 respondents were having diploma which is equivalent to 17%, 23 respondents were having bachelor degrees which is equivalent to 15%, 4 respondents were having masters degree which is equivalent to 3% and other level of education was 1 respondent which constitute of 1%. The information justifies that most of the respondents were the qualified personnel in their carrier, so this provides the researcher with high level of reliability of the findings.

4.1.3 Age of the respondents

Table 4.1 above shows that (50)33% of the respondents were the youth, (84) 56% of the respondents were the adults and (16) 11% of the respondents were the old age people. The data implies that most of the respondents were the adults of the age between 36 to

55 years and there MMC is responsive in employing all generations without discrimination of none of them

4.1.4 Designation of the respondents

Table 4.1 above shows different designation of the respondents in MMC whereby among 150 respondents, accountants were 7 which is equivalent to 5%, auditors were 6 which is equivalent to 4%, Statistical and Logistic Officers (SLO) were 2 which is equivalent to 1%, politician were 15, which is equivalent to 10% and Teachers were 120 which is equivalent to 80%.

The information presented above revealed that the findings came from teachers in a large percentage. This is due to the reason that teachers are the one who receive and implements all matter concerning with the education capitation grants and their expected outcome. The other groups were presented as shown above as part of those who links between the government who are the providers of the capitation grants and the teachers who are the main implementers.

4.1.5 Working experience of the respondents

Table 4.1 above presents the experiences of the respondents in the work in terms of years. This shows that, the respondents of the working experience of below 5 years were 38%, 6-10 years were 21%, 11-20 years were 34%, 21-30 years were 6% and above 30 years of the working experience were 1%.

These findings revealed that the findings come from the experienced workers who actually have the understanding of the capitation grants and its management to enable the expected results be achieved since justified with the data since only 38% of the respondents are below 5 years of working experience.

4.2 Types of internal control existing in MMC

In Morogoro Municipal Council use different types of internal control in controlling the capitation grants in primary schools basing on the guideline for the use of capitation grants for primary schools as it was provided PMO-RALG. These control are as shown below;

4.2.1 Budgetary control

Findings show that budgetary control is one among the control system on capitation grant in MMC. The budgetary control is done by taking the numbers of pupils in primary schools that helps to consolidate the school capitation grants (CG) budget. The consolidated budget is submitted to RAS for compilation and onward transmitted to PMO-RALG and MoEVT to initiate disbursement of the fund to the councils by Ministry of Finance and Economic Affairs

Moreover, the study had strived to generate further findings by which it could be precisely explain the way budgetary control is among the control systems commonly used on capitation grant at MMC. In fact, during this process, respondents were studied through interview in which they asked to give more evidences concerning the way budgetary control is one of the control systems used on controlling capitation grants at MMC. Therefore, several opinions were raised by respondents but some of them tended to be common as are presented in the following array.

... Budgetary control is one of the common control systems used not only by MMC rather by almost any government agency in controlling the capitation grants accorded to them. For the case of public primary schools operating in MMC used in this study, budgetary control is control system often performed by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget. In other words, this process involves making control over the budget linked to any money granted by the

government for teaching materials, and learning materials for students enrolled in government schools ... Survey data, (2014).

In reality, findings presented in terms of citation above have yielded the same evidence as found in the preceding information. Based on the findings collected on the basis of interview and presented above, the study had thus, established that the budgetary control in the kind of control system commonly applied not only in MMC rather almost all government agencies when making control over the capitation grants accorded to them. More specifically, budgetary control is control system often performed at MMC by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget.

4.2.2 Expenditure Control

According to the findings, MMC performs the expenditure control by making sure that the fund is disbursed timely to every school's account with clearly directives depends on the available budget. Also MMC supervise the implementation of capitation of Capitation Grants (CG) guidelines at the school level.

In order to ascertain the accurateness of the above findings, the study had employed interview in which respondents were asked to provide more details and description on how the expenditures are controlled in their areas of works specifically in primary schools. This element was very useful for this study as its findings have helped in describing the whole process used in making control of expenditure performed in there. Thus, when giving responses, respondents were of various opinions, but most of them were more common than other and are summarised and presented in the following manner.

... The expenditure control for the case of primary schools in MMC is performed by checking whether the allocated grants were consumed according to budget

allocation with reference to time and specific amount accorded to every school. But also, expenditure control is carried often, to assure the grants (funds) are allocated and disbursed on time to every concerned school's account and whether all what needed to be covered in the budgets were done accordingly. This process helps maintain adequate budget use and adequate follow up of procedures in budgetary use ... Source: Survey data, (2014).

Based on the findings presented above, it was found that the process of expenditure control is performed by making sure all the allocated funds are given to every concerned school by putting them in school respective account. In simple and clear terms, findings presented above had elucidated that the expenditure control involves checking out whether the budget was performed according to the way it was allocated and that all expenditures conform with the stipulation of budgets with respective fund in it.

4.2.3 Report writing

The study's findings show that, MMC ensures that schools prepare quarterly report which shows income and expenditure of CG funds which are audited. These school's quarterly reports are compiled and submitted to RAS for compilation and onward transmission to MoEVT and PMO-RALG.

4.2.4 Communication

Then findings depict that, MMC ensures public disclosure and transparent for the amount of capitation grants received and expended by directing the schools to present these reports on the school board and school community.

4.3 Presence of internal control of capitation grants in Morogoro Municipal Council

Table 4.2 – 4.4 presents internal control system of capitation grants in MMC, these includes; to check if capitation grants is received through Banks, to check if the payments of money related to capitation grants is done through banks and to examine if there is bank reconciliation statement done every month on the capitation grants.

4.2.1 Receiving of capitation grants through Banks

In this context, the study focused on how well capitation grants are managed. Before CG issued to the school level the study interested to confirm on the model of payments so as to analyse the controls available, Table 4.2 below presented the findings as follow:

Table 4.2 Receiving of capitation grants through Banks

Response	Frequency	Percent
Available	150	100.0

Source: Survey Data (2014)

Table 4.2 shows that all 150 respondents equivalent to 100% agree that they receive the capitation grant through Banks and therefore controls on the model of issuing CG from Morogoro Municipal Council to a schools level is well safeguarded this implies that transactions for bank gives a good audit trail.

In similar vein, the study had strived to find more evidences about the way in which capitation grants are received by primary schools in MMC. This was so searched based on the fact that in the preceding findings, it was found that most of grants accorded to government agencies, especially to primary schools are given to them through

depositing into every school's bank account. Therefore, the interest in this stance was to ascertain the way public primary schools receive their capitations as granted by the government. However, results gathered on the basis of this concern have revealed out the following information.

... All the capitation grants are always received through our bank accounts. They are allocated by the government and in turn they get delivered to every school's bank account. This is the common and standard way through which most of public primary schools in MMC receive their capitation grants. After receiving the capitation grant, normally, Morogoro Municipal Council often provides direction about the controls and the model of issuing capitation grants to each respective school – whereby, from this the control process is well performed and adequate use of CG is well assured. And above all, all the expenditures and uses of CG are recorded by banks, of which in turn all transactions are carried in a respective bank which in turn give and direct audit details in most precise manner ... Source: Survey data, (2014).

Findings collected on through interview and presented in terms of citation above have revealed out that the only way through which primary schools in MMC receive their capitation grants is the respective bank account. This was so mentioned based on the fact that majority of all interviewed respondents have ascertained the exactness of this fact. In similar words, findings presented above have elucidated that the fact of receiving capitation grant through bank account facilitate the performance of audit control since all transactions carried over there can be scrutinised, recorded, and in turn there is adequate budget use.

4.2.2 Payments for school facilities and services rendered using bank accounts

All government primary schools opened current account on Capitation Grant as per PEDP guidelines requirement. The study focuses on modality to which payments are done to different suppliers in terms of acquiring teaching facilities and services. Table 4.4 below presented the findings as follow:

Table 4.3: Payments for school facilities and services rendered using bank accounts

Response	Frequency	Percent
Available	40	26.7
Not available	110	73.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.3 shows the results that 40 respondents equivalent to 26.7% agreed that the payment of the money related to capitation grants is done through banks. While 110 equivalents to 73.3% respondents said that the payment related to capitation grant is not done through Banks. Therefore the findings revealed that most of the payments of facilities and services that related to capitation grant are not done through banks. This implies that audit trail can easily be lost if some of the transactions are done on cash bases.

Having found the above findings, the study was interested to know the way bank transaction can facilitate the running of internal audit and ensure the adequate use of any capitation grant accorded to schools. This information was considered to be very useful in the sense that the study assumed that bank transactions are always carried in a systematic way and every aspect involved in them must be recorded accordingly to the extent it is easy to carry any audit activity. Therefore, in order to find the logic about this

matter, respondents were studied by interview in which they were asked to explain, the way receiving capitation grants through bank account can facilitate the performance of internal audit. Their responses were collected and are summarised in the following manner.

... Receiving capitation grants through bank account is very important and above all it assures the security of fund usage. This is because, every transactional activity performed through bank must be recorded and in turn it will be clear to make any evaluation in precise manner. Based on this understanding, it therefore, very easy for any internal audit to carry it auditing activities with consistency and precision. But also, through this phenomenon, the internal audit will be afforded easiness of carrying audit activities and every step and activity involved when either procuring, or supplying particular item will be clearly scrutinised. So, the use of bank account to receive capitation grants is very useful to both internal auditors as well as to primary schools as it assures the security of grants (funds) use and facilitates the undertaking of audit activities ... Source: Survey data, (2014).

Findings gathered from interview and presented in terms of citation above have revealed out that the fact of receiving capitation grants through bank is of great importance and should be seen as the most secure way for keeping and using fund. So, based on the same findings, this study has established that reception of capitation grants by primary schools facilitate both the adequate use of funds by primary schools as well as the internal audit practice. The reason stated from the findings above was that, bank have huge stance of security for grants and facilitates the running of internal audit since every transactions carried over there within a budget life cycle must be easily scrutinised as the result of having been recorded. Due to this findings, this study urges all government primary schools to place priority on opening account with required bank so that to increase the security of funds and their budget usage.

4.2.5 Monthly Bank reconciliation statement on capitation grants

Bank reconciliation is one of the control tool on managing funds movement i.e. Capitation Grant in this aspect. Cash book records at the school level need to be reconciled with bank balances so as to have accurate bank balance. At least if monthly bank reconciliation done then few risks like overdraft charges can be avoided since all checks in transit can be identified. Table 4.4 below presented the findings as follow:

Table 4.4: Monthly Bank reconciliation statement on capitation grants

Responses	Frequency	Percent
Available	99	66.0
Not available	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.4 shows that 99 respondents equivalent to 66.0% agreed that there is bank reconciliation. While 51 respondents' equivalents to 34.0% respondents said that there is no bank reconciliation. Therefore the findings revealed that most of the primary school is performing the bank reconciliation in every month on the money related to capitation grant. Generally the findings give the reasons to conclude that in MMC there is internal control system on capitation grants in primary schools, though some of the payments are not done through banks.

These results shows that MMC has seen the importance of internal control system as argued by Storkey (2011) that, Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGA as managing financial risk is very important to modern organisations.

4.4 Effectiveness of the internal control system especially on in capitation grants for primary schools

The contribution of internal audit to enhance proper distribution of capitation grants, receiving capitation grant through banks to enhance proper distribution of capitation grant, payments through bank to enhance proper use of capitation grants and banks reconciliation statement monthly to enhance proper use of capitation grants.

Also the indicators on the effectiveness of internal control system in capitation grants were considered; these includes the enrolment of primary school pupils, Quality improvement of teaching materials and education standards, availability of teaching materials and adherences to procurement and financial regulations.

4.4.1 The contribution of internal audit to enhance proper distribution of capitation grants

Internal Audit is one of the key components in the internal control system of any organizations. In this stance, the study wanted to find whether the integration of internal audit has or not helped MMC in improving proper distribution of capitation grants. Respondents were studied through a query from questionnaire process which was exactly requiring them to state 'very well, well, not sure, bad or worse' if internal audit contributes in proper distribution of capitation grant

Respondents were largely accredited and even believed to possess intense information and knowledge pertaining to the whole practice of the internal audit as well as its interventional actions. Table 4.5 below presented the findings as follow:

Table 4.5: The contribution of internal audit to enhance proper distribution of capitation grants

Responses	Frequency	Percent
Very well	30	20.0
Well	101	67.3
Not sure	9	6.0
Bad	5	3.3
worse	5	3.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.5 shows that 30 respondents equivalent to 20% responded “very well”, 101 respondents equivalent to 67.3% responded “well”, 9 equivalent to 6.0% respondents responded “Not sure”, 5 respondents equivalent to 3.3% responded “Bad” and 5 respondents equivalent to 3.3% responded “Worse” on the statement that how internal audit enhance proper distribution of capitation grants.

The findings justifies that majority of the respondents agreed that the internal audit enhance proper distribution of capitation grants, though not at a maximum scale of agreement as stated in the statement.

The study had further searched for other similar evidences on whether the application of internal audit has been yielding a positive contribution in assuring there is appropriate distribution of capitation grant to every respective school. The assumption in this regard was that, the study wanted to find whether the use of internal audit has helped the MMC to get rid of any misconduct relating to distribution of capitation grants. In other simple words, the study wanted to know whether the application of internal audit should always be seen as the mere instrument by which the adequate distribution of capitation grants is apparent.

In this respect, respondents were asked to explain the way internal audit contribute in assuring there is effective distribution of capitation grants – whose findings are summarised and presented in the following manner.

... The application of internal audit is a very vital instrument and should be regarded as the most powerful tool that assures the equitable distribution of capitation grants to any concerned primary school in the context of MMC. The reason is that internal audit helps in preventing, detecting, and even controlling or monitoring any activity involved in the budget performance. As the consequence, it is very difficult for MMC to make the distribution of grants in an unacceptable manner, since every step in this process must be known through the performance of internal audit. But also, the central essence of internal audit is geared towards alleviating and avoiding any misconducts relating to fund usage along the budget life cycle. So, it is in this manner the how internal audit contribute on adequate distribution of grants to all coerend primary schools in MMC ... Source: Survey data, (2014).

Based on the findings presented above, this study had found that the contribution of internal audit on effective and adequate distribution of capitation grants is seen in terms of the role it plays in avoiding, alleviating, and detecting any mistakes that might occur during the budget life cycle. But also, it is very difficult to make misconduct on fund usage in the presence of internal audit – since any misconduct of that kind can be detected in most clear manner. Therefore, based on the findings presented above, this study has established that the integration of internal audit has helped MMC in improving proper distribution of capitation grants.

4.4.2 Receiving capitation grant through banks to enhance proper distribution

In this stage, the study used this aspect as one of the element in assessing proper distribution of capitation grant via banks. Since Capitation Grant are distributed based on the numbers of pupils available at schools then the study believed that if this funds

distributed via banks chances of frauds and errors would be reduced, however logic about this aspect needed to be confirmed by respondents by employ questionnaires which was asking respondents to state ‘very well, well and Not sure’ if receiving capitation grants through banks enhance proper distribution of CG. Table 4.6 below presented the findings as follow:

Table 4.6: Receiving capitation grant through banks to enhance proper distribution

Responses	Frequency	Percent
Very well	137	91.3
Well	6	4.0
Not sure	7	4.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.6 shows that out of 150 respondents, 137 respondents equivalent to 91.3% agreed that receiving capitation grant through banks enhance proper distribution of capitation grant, 6 respondents agreed by saying “well” and only 7 respondents equivalent to 4.7% said they are not sure. Therefore the findings justifies that when capitation grant is received through banks, it enhance proper distribution.

4.4.3 Payments through bank to enhance proper control and uses of capitation grants

In this context, the study wanted simply to ascertain whether payments through bank enhance proper control and uses of Capitation Grant. In analyzing related party transactions, payments is one of the indicator which show relationship of suppliers and the schools in acquiring school facilities and services in ascertaining amounts paid and the services/facilities obtained. In this regards, the study wanted respondents to state 'very well, well and Not Sure' if payments of through bank to enhance proper control and uses of capitation grants. Table 4.7 below presented the findings as follow:

Table 4.7: Payments through bank to enhance proper control and uses of capitation grants

Responses	Frequency	Percent
Very well	15	10.0
Well	93	62.0
Not sure	42	28.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.7 shows that 15 respondents which is equivalent to 10% responded very well, 93 respondents which is equivalent to 62.0% responded well and 42 respondents which are equivalent to 28% responded that they are not sure. Basing on the results presented, it justify that the payments of the money related to capitation grants through banks on different services, enhance proper use of capitation grants.

4.4.4 Monthly Banks reconciliation statement enhance proper management of capitation grants

Since the money related to capitation grants is received through bank, then bank reconciliation in monthly bases is very important. To check if bank reconciliation on the capitation grants enhance proper management of capitation grants or not, Table 4.8 below presented the findings as follow;

Table 4.8 Monthly Banks reconciliation statement enhance proper management of capitation grants

Response	Frequency	Percent
Very well	99	66.0
Well	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.8 shows that among 150 respondents, 99 respondents who are equivalent to 66.0% agreed by responding very well that the bank reconciliation on capitation grants enhance proper use of it. While 51 respondents who are equivalent to 34.0% agreed by responding well. Therefore the findings shows that if there is bank reconciliation on the money related to capitation grants every month will enhance proper management of these capitation grants.

4.4.5 Enrolment of pupils in primary schools in MMC from 2011 to 2014

To justify the effectiveness of internal control on the capitation grants to government primary schools in MMC the enrolment of pupils for four years consecutively were observed as shown in Table 4.9 below

Table 4.9 Enrolment of pupils in primary schools in MMC from 2011 to 2014

Year	Expected		Total	Registered		Total	Percent
	Boys	Girls		Boys	Girls		
2011	2907	3099	6066	3036	3185	6221	102.5
2012	2856	3096	5952	2786	2960	5746	96.3
2013	2685	2863	5548	3367	3412	6779	122
2014	3056	3110	6166	3011	3259	6270	101.7

Source: Primary Education Department Report of MMC (2014).

Table 4.9 shows the number of pupils registered to join standard one at MMC government primary schools since 2011 up to 2014. Enrolment expected for 2014 was 6166 pupils out of which 3056 were boys, and 5,623 were girls but actually 6270 pupils were enrolled where by 3011 boys and 3259 were girls. This shows that abolition of school fees and effective internal control of capitation grants gives a positive results.

4.4.5.1 Quality improvement of teaching materials and education standards

Findings show that education quality improved in primary schools due to the capitation grants provided. The quality improvement has been observed in terms of teachers' effectiveness and ensuring adequate availability of good quality learning and teaching

materials. But according to this study the findings shows that there is no quality facilities that are obtained through the capitation grants as it showed in item 4.8.2. Also the findings obtained through interview show that most of the teaching facilities are not of the good quality in relation to the syllabus which leads to ineffective teaching of most of the teachers and it leads to number of standard seven leavers who does not know how to read and write. This implies that the standard of education are not met, hence ineffectiveness of internal control system in MMC to enable proper use of capitation grants in bringing expected education outcome.

4.4.5.2 Availability of teaching materials

The study revealed that capitation grants is very pervasive for acquiring learning materials including books in order to satisfy the need of the pupils. The findings from the interview which was made revealed that the leaning materials particularly the books are not of the high quality as it is expected. Also the facilities are not satisfying the needs of the pupils. Some MMC staff revealed there is a high misuse of the primary schools capitation grants in such a way that the 40% of books as indicated by Mnari and Mwombeki (2012) is not properly used. So this shows the ineffectiveness of internal control system in MMC on Capitation Grants.

4.4.5.3 Compliance to procurement regulations

The findings show that there is no compliance to procurement regulations as it was argued that most of the fund related to CG is not paid through Banks as indicated in item 4.2.4 of this study which does not comply with the procurement regulations. Some of the purchases are done without tendering notice and those of tendering notice purchases of teaching materials and books are bought without following specifications required on the tender documents.

Table 4.10 Compliance to Procurement regulations

Response	Frequency	Percent
Rare	92	61.3
Not sure	22	14.7
Often	36	24.0
Total	150	100.0

Source: Survey Data (2014)

Findings presented in table 4.10 above show that, out of 150 respondents 92 equivalents to 61.3% said rare, 22 equivalents to 14.7% said not sure and 36 equivalent to 24.0% said often on the truth of the statement that spending of capitation grants follows the procurement regulation. These findings revealed that most of the spending of capitation grants do not follows the procurement regulations. Therefore non compliance with tender policy implies ineffectiveness on procurement procedures as supported by findings presented in the above Table.

4.5 The roles of internal controls on capitation grant implemented by MMC

The study also wanted to search on the role of internal control on capitation grants implemented by MMC. The results have been presented in Table 4.11-4.12 below.

4.5.1 Internal control enhances proper preparations of financial reports

The questionnaires for this item provided scale items to be selected among strong disagree, disagree, not sure, agree and strong agree. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that internal control enhances proper preparations of financial reports. The findings were presented in Table 4.10 below.

Table 4.11: Internal control enhances proper preparations of financial reports

Response	Frequency	Percent
Not sure	17	11.3
Agree	20	13.3
Strong agree	113	75.3
Total	150	100.0

Source: Survey Data (2014)

From Table 4.11 above, the results show that out of 150 respondents, 17 who are equivalent to 11.3% said they are not sure, 20 who are equivalent to 13.3% said they agree and 113 who are equivalent to 75.3% said they strongly agree with the statement that internal control enhances proper preparations of financial reports in MMC.

In similar stance, the study was interested to find whether the application of internal control played a role in influencing the preparation of financial reports relating to the usage of grants allocated to primary schools in MMC. In this respect, however, the study intended to know whether the preparations of financial reports was effectively undertaken as the consequence of applying internal control over the use of grants in different government schools in MMC. In fact, the following opinions are some of the common responses given by respondents from the interview question that asked them to explain whether the application of internal control has helped the appropriate preparation of financial reports in their respective primary schools and how.

... The presence of internal control has been playing a very significant role on adequate preparations of financial reports in most primary schools operating under the control of MMC. In clear views, internal control plays role by influencing the adequate use of grants allocated to them due to the reason that with internal control there is an

aspect of adequate budget performance – the phenomenon, which in turn forces the concerned staff to prepare financial reports that go parallel with the way budget was performed within a specific period of time. This means that it is easy for finance professionals to get the insight about every step and item used relating to grants and in turn they prepare financial reports that are adequate and which provide clear details about financial usage in most precise manner ... Source: Survey data, (2014).

Findings presented above have shown that the role of internal control on the proper preparation of financial reports is apparent. The apparentness of its role is because, internal control influence the adequate and systematic use of capitation grants – then in turn it becomes easy for financial reports to be prepared adequately since there will few misconducts occurred in there.

4.5.2 Enhancing availability of facilities and proper teaching in primary schools

Morogoro Municipal Council issuing Capitation Grant to schools with directives for acquiring teaching facility and administrative issues. The study focuses on the availability of teaching resources as an indicator of proper utilization of CG on achieving the expected results i.e. proper teaching and facilities controls, In order to have facts this variables, respondents were needed to state whether they ‘Disagree, Not Sure, Agree, and Strong Agree’. The findings were presented in Table 4.10 below.

Table 4.12: Enhancing availability of facilities and proper teaching in primary schools

Response	Frequency	Percent
Disagree	24	16.0
Not sure	23	15.3
Agree	99	66.0
Strong agree	4	2.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.12 above show that out of 150 respondents, 24 respondents who are equivalent to 16.0%, disagreed, 23 respondents who are equivalent to 15.3% were not sure, 99 respondents who are equivalent to 66.0% agreed and 4 respondents who are equivalent to 2.7% strongly agreed with the statement that internal control on capitation grants in MMC enhances availability of facilities to enhance proper teaching in primary schools. This implies that the desired results for the available controls are met when MMC whole system monitored.

4.5.3 Helping MMC to comply with the capitation grants regulations

In order to facilitate the implementation of CG, the Government provides funds to the council and schools. All schools managed to open bank accounts namely capitation account. With the assistance of the council, schools now do smoothly operation of their accounts and this help to make proper bank transactions. The Municipal council assists in the overall control and use of school funds by authorising cheques in order to ensure that funds are used in accordance to stipulated directives and subject to school committees' approval. As for the previous parts the respondents were required to show their level of agreement with statement, and the results were presented in table 4.13 below

Table 4.13: Helping MMC to comply with the capitation grants regulations

Response	Frequency	Percent
Not sure	20	13.3
Agree	125	83.3
Strong disagree	5	3.3
Total	150	100.0

Source: Survey Data (2014)

The findings from Table 4.13 show that out of 150 respondents 20 who are equivalent to 13.3%, said they are no sure, 125 who are equivalent to 83.3% agreed and 5 who are equivalent to 3.3% strongly agreed with the statement that internal control on capitation grants helps MMC to comply with the capitation grants regulations and hence proper management of capitation grant.

4.6 Variable of value for money on CGs expenditures

The study revealed that the success of CG spent is the degree to which it attains its set objectives by utilization of resources economically, efficiently and effectively. It is further revealed that Value for Money is improved by reducing costs and maintaining the same level of output in terms of goods and services rendered. To assess Value for money the following were observed:

4.6.1 Quality on goods and services for CGs expenditures

The questionnaires for this item provided scale items to be selected among Rare, not sure, and often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a quality on goods

and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.14 below.

Table 4.14: Quality on goods and services for CGs expenditures

Response	Frequency	Percent
Rare	88	58.7
Not sure	24	16.0
Often	38	25.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.14 above shows that out of 150 respondents, 88 who are equivalent to 58.7% said rare, 24 who are equivalent to 16.0% said not sure and 38 who are equivalent to 25.3% said often, on the statement that spending of the capitation grants is of high quality on goods and services. Basing on the majority of the response, the findings justify that the goods and services that are obtained through the capitation grant is not of good quality.

Therefore, these findings provide a good sight toward the effectiveness of the internal control in MMC, meaning that if the internal control system is effective, then it would have monitored all the spending of the capitation grants to provide quality goods and services in relation to the fund spent. The internal control of MMC lacks of quality assurance/ evaluation team which could be used to monitor and evaluating the standards of material as per capitation grant guidelines.

4.6.3 Cost in relation to quality of goods and services

The Capitation Grant funds are directly channeled to schools, which could be used for physical inputs by the schools discretion. The costs of physical inputs like teaching materials (e.g. chalks, books and pens) need to be assessed in relation to the quality of output of teaching facilities and services. The questionnaires for this item provided scale items to be selected among rare, not sure, often and very often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a reasonable cost to the quality on goods and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.15 below.

Table 4.15: Cost in relation to quality of goods and services

Response	Frequency	Percent
Rare	120	80.0
Not sure	18	12.0
Often	11	7.3
Very often	1	.7
Total	150	100.0

Source: Survey Data (2014)

The findings presented in Table 4.15 shows that out of 150 respondents 120 who are equivalent to 80.0% said rare, 18 who are equivalent to 12.0% said not sure, 11 who are equivalent to 7.3% said often and only one respondent said very often, for the statement that Spending of capitation grants is of reasonable cost in relation to the quality of goods and services provided. The results justify that Spending of capitation grants is not of reasonable cost in relation to the quality of goods and services.

These findings revealed that the value for cannot be achieved if the cost of the goods and services are not proportional to its quality. There must be effective ways in MMC of improving value for money as argued by Kaplan (2009) and LGFAR (2000) that the most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Governments system of internal financial control.

CHAPTER FIVE

CONCLUSION, RECOMMENDATION AND POLICY IMPLICATIONS

5.0 Introduction

This chapter presents the conclusions, policy implication and recommendations of the findings on this study that was about the analysis of the effectiveness of the internal control on capitation grants to the government primary schools.

5.1 Conclusion

Generally, this research examined the effectiveness of Internal Control Systems on capitation grants to the government primary schools in Morogoro municipal council. The findings have shown that in MMC there is internal control system on capitation grants to government primary schools. These control system that are available in MMC council are; Internal control on capitation grants, internal audit on capitation grants, all the capitation grants are received through banks and monthly bank reconciliation statement on capitation grants to government primary schools.

The findings have further revealed that in MMC, the payments of school facilities and services related to the capitation grant are not done through banks. This situation does not comply with the procurement guidelines and capitation grants guidelines that require the payment to be done through banks for easy management and auditing of this fund.

The findings have justified that if all the above internal control system available in MMC was well implemented then the control system would be effective in the management and uses of the capitation grants to the government primary schools. The study have reviewed that the effectiveness of the internal control system in MMC is not effective in all the spheres due to the weaknesses of allowing the payment of school facilities and services for the money related to the capitation grants to the government

primary school to be done in other ways rather banking system. This is a weakness since it reduces audit trail.

The internal control in MMC is ineffective since the study have revealed that there is no value for money on the school facilities and services paid up by the money related to capitation grants. This conclusion have been drawn due to the reasons that; spending of the money related to capitation grants are not following the procurement regulations and spending of the money related to capitation grants is not of the high quality on school facilities and services in relation to the price paid. Also from the interviews made by some of the respondents it shows that there is no much information to stakeholders on how the money are spent, since information and value for money are very much related as it was argued by DiNapoli, (2007 INTOSAI, (2004), that there is statistically significant relationship between Information and Communication and Value for Money in local Governments.

Lastly the study have found that, on the effective uses of capitation grants, most of the government primary schools are incorporating the capitation grants in the school plans and they are keeping some of CG transactions records in schools as it is required by the financial requirements. But contrary to this, the spending of money related to capitation grants are not complying with the PEDP and procurement guidelines in a great extent.

5.2 Policy implications

The findings of this study provide a chance to the policy makers to review the controlling and auditing process that help the internal auditors in local government to work effectively in supervising the uses of the public funds provided for different public functions. It also provide a room for more exploration on the effectiveness of the current situation of providing fund to the government schools against the demands of schools' teaching and learning materials.

5.3 Recommendations

5.3.1 Internal Control System Reviews

Having known the level of effectiveness and significance of Internal Control Systems on capitation grants to government primary schools in Morogoro Municipal Council, Local Governments need to ensure that they continuously review these Internal Control Systems so as to ensure that they are operational toward the achievement of the desired goal on every public fund for the development of the country.

5.3.2 Planning and Budget Setting

Moreover since CG is distributed based on the number of pupils available at the government primary schools, then it is necessary for the authority to verify the actual number pupils obtained from the head teachers by conducting auditing so as to minimize the risk of incurring cost on dummy pupils

5.3.3 Cost Controls

For further studies I recommend to be done on the real cost that covers the study of a single student in government primary schools that will provide effective outcome. Also the study should be on the reason for the delay of the capitation grants from the top authority to the government primary schools.

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APPENDIX I

QUESTIONNAIRE

Dear Respondents,

I am EDWARD TEMU a student at Mzumbe University. The intent of this survey is to study the effects of internal control systems in managing education capitation grants in local authorities. The research is conducted in partial fulfilment of the requirement for the degree of Master of Accounting and Finance. I would be very grateful if you could take about 15 to 20 minutes in filling this questionnaire.

Your feedback is very important and your answers will be kept in strict confidence and will be used only for the purpose of this study.

PART A; PERSONAL INFORMATION

1. Your gender (a) Male [] (b) Female []
2. Education level (a) Primary [] (b) O-level [] (c) A-level []
(d) Certificate [] (e) Diploma [] (f) Degree [] (g) Masters []
(h) Others []
3. Age (a) 18-34 [] (b) 35-55 [] (d) 56±
4. How long have you worked in current position?years
5. Designation

PART B; INTERNAL CONTROL SYSTEMS RELATING TO EDUCATION CAPITATION GRANT

1. Are there any internal controls in managing primary education capitation grant?
a) Yes b) No c) I don't know

2. The following are expected internal controls expected to be in place, show if these internal controls are available or not.

Internal control	Available	Not Available
Existence of internal Audit		
All money relating to CG are received through bank		
All payments relating to CG are done through cheque/bank		
Preparation of Bank reconciliation monthly		

3. To what extent does each of these controls enhance proper distribution of capitation grant? Rank the extent from 1(very well) to 5(worse)

Internal control	1	2	3	4	5
Existence of internal Audit					
All money relating to CG are received through bank					
All payments relating to CG are done through cheque/bank					
Preparation of Bank reconciliation monthly					
Key; 1=very well 2=well, 3= Not sure, 4=Bad, 5=worse					

4. The roles of internal controls on capitation grant implemented by MMC are as follows; show your agreement or disagreement on the statement by ranking 1(strongly disagree) to 5(strongly agreed)

Role	1	2	3	4	5
Internal controls helps management in preparation of financial reports and that ensures information to be fairly presented					

Internal controls within a MMC encourage efficient and effective use of capitation grant to optimize the Teaching and Learning and Materials (TLM) at primary schools.					
Having established internal controls, MMC can comply with regulations involved with capitation grant					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree, 5=strongly agree					

5. In general what do you consider to the contribution of the available internal control system in achieving the effective distribution of capitation grant in primary school?

- a) High (b) Average (c) Low

PART C; THE LEVEL OF VALUE FOR MONEY ATTAINED

ECONOMIC;

6. Rank the following statements on economic variable of value for money. Rank from 1(very rare to 5(very often)

Statement	1	2	3	4	5
Capitation grant spending have been following procurement regulations					
All spending (goods or service) have been of high quality					
The spending of goods or services have been of reasonable cost compared to its quality					
Key; 1=very rare, 2=Rare, 3=not sure, 4=often 5=very often					

EFFECTIVENESS

7. Rank the following statement on the effectiveness of the use of capitation grant at primary school. Rank by showing your agreement or disagreement on the statement

Statement	1	2	3	4	5
We have been incorporated capitation items in the school plans					
We have been complied with PEDP financial and procurement					

guidelines					
We have been keeping capitation transactions record at our school(s)					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree,					
5=strongly agree					

EFFICIENT

8. How do you rank the inputs (costs) used in relation to goods/service obtained?
 a) Very efficient b) efficient c) inefficiency

**ANALYSIS OF EFFECTIVENESS OF INTERNAL CONTROL
SYSTEMS IN MANAGING EDUCATION CAPITATION GRANTS
IN LOCAL GOVERNMENT AUTHORITIES IN TANZANIA:**

**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN
MOROGORO MUNICIPAL COUNCIL**

2014

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GOVERNMENT AUTHORITIES IN TANZANIA:**

**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN MOROGORO
MUNICIPAL COUNCIL**

By

EDWARD TEMU

**The Dissertation submitted in partial fulfilment of the requirements for awards of
degree of Masters of Science in Accounting and Finance (MSc. A and F) of the
Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled the Analysis of effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, in partial fulfilment of the requirement for the award of degree of masters of Science in finance and Accounting of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the Board of _____

FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATION AND COPYRIGHT

I, **Edward Temu**, declare that this Dissertation is my own original work and my own investigations except where otherwise identified by references and that I have not plagiarized another's work. I also declare that this work have not been presented and will not be presented to any other University for a similar or any other degree award.

Signature _____

Date _____

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ACKNOWLEDGEMENTS

The completion of this work cannot go without acknowledging the contribution made by few special individuals who have devoted their time, means and intellectual abilities to make my Masters studies at Mzumbe University a success.

First, I would like to thank Mr. Robert Makorere my supervisor who worked tireless and patiently in assessing me to accomplish this work. He always welcomed me when I needed help and guidance for this work. I would like also to thank all my lecturers at Mzumbe University who in one way or another enriched my intellectual ability during the all period of my studies.

Second, I would like to thank my Classmates for their advices and challenges which helped to make a good progress of this study.

Finally I would like to thank my parents and my wife Linda and my Children Adrian and Ariella, for their Moral support and their encouragements. May God bless all.

ABBREVIATIONS AND ACRONYMS

CE	-	Control Environment
COSO	-	Committee of Sponsoring Organization
DPEO	-	District Primary Education Officer
ICS	-	Internal Control System
LGAs	-	Local Government Authorities
LGRP	-	Local Government Reform Programme
MMC	-	Morogoro Municipal Council
MoEVT	-	Ministry of Education and Vocation Training
MoF	-	Ministry of Finance
OECD	-	Organizations of Economic and Co-operation and Development
PEDP	-	Primary Education Development Plan
POLALG	-	President's Office Regional Administration and Local Government
RBO	-	Religions Based Organizations
SLO	-	Statistics and Logistic Officer
VFM	-	Value for Money

ABSTRACT

This study was aiming at analysing the effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, the case of Morogoro Municipal council.

The study interviewed 150 respondents using questionnaires. However, the study employed convenience and purposively sampling method to select Teachers, school and auditors, accountants, statistic logistic officers as well as politician respectively. In addition the study analysed data collected by employing descriptive and descriptive statistics using frequencies and percentages.

The findings revealed that the internal control system on the capitation grants in local governments, in particular Morogoro municipal council is ineffective. Most of the payments of the money related to capitation grants are not done through banks. Also there is no value for money on the goods and services that are obtained through capitation grants.

In view of the findings above, the study recommended that the available internal control system in Morogoro Municipal council should be implemented and improved to be more effective so as to achieve the goal of proper management of capitation grants.

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CHAPTER ONE

1.0 Introduction

This chapter introduces the study by presenting the introduction section, followed by background of the study, statement of the problem, research objectives, research questions, scope and limitation of the study, significance of the study, and organization of the study.

1.1 Background of the Study

Historically Tanzania has a long history of functioning local government, starting with the Native Authorities Ordinance in 1926. In 1972, the local government was abolished and replaced with a direct central government rule. The local government was reintroduced in 1982 when the rural councils and rural authorities were re-established (Jaba, 2010). The local government elections took place in 1983 and established the functions of councils in 1984. The LGRP covered four areas: political Decentralization, financial decentralization, administrative decentralization, and Changed central-local relations, with the mainland government having over-riding powers within the framework of the Constitution (Sine Anno; Kuusi 2009).

Local Government in Tanzania for many years has been required to develop and adhere to effective Internal Control Systems (ICS) in order to attain Value for Money (VFM) particularly in development expenditure Matrix (Davies, 2007). These Internal Control requirements have increased significantly due to an increased awareness of people and the members of parliament that has led the government of Tanzania to establish an independent internal control organ following the Amendments of the Public Finance Act (PFA) CAP 348 in 2010.

Decentralization mandates Local Government(LG) council to set up effective Internal Control Systems (ICS) that ensures the reliability and integrity of information, compliance with policies, plans procedures, laws and regulations, safeguard of assets, check on the misappropriation of their resources, as well as proper authorization of expenditure and regular update of books of accounts in order to attain Value for Money (Lubabah, 2009; Assimwe & Nakanyike, 2007; LG Act 1997).

Primary education is one of the key sectors that the government of Tanzania has selected to be one among the priorities under the “Big Results Now” (BRN), whereby the aim of making more development in this sector started effectively when the government established the so called the capitation grants for the primary and secondary schools in 2002. Establishment of capitation grant system was geared toward compensating the revenue loss in schools due to the abolition of school fees and contributions. The introduction of the capitation grant allowed children from all wealth backgrounds to go to school and hence reducing social exclusion as children from poor households could now afford to attend school. Net enrolment rates rose sharply from less than 60% of eligible school age children in the year 2000 to more than 95% since 2006 (Hakielimu Report, 2010).

Since the Tanzania Government invests large sums of money in the Schools as Capitation grant, the outputs in terms of teaching and learning materials are expected to match with development expenditures, which is not the case (CAG Report, 2010).

In addressing the problem, The Tanzania Local Government Authorities have been going on many reforms in the area of Public Financial Management (PFM) since 1998 under the name Public Financial Management Reform Programme (PFMRP) as well the introduction of Decentralisation by Devolution (D by D) policy which intends to provide autonomous power to local authorities hence be accountable, transparency and be assessed on their performance.

1.2 Statement of the Problem

As local governments have been given powers through decentralisation, government primary schools began being managed by the local government authorities (Issa, 2004). This management of public primary schools enhances implementation of various education activities and improves the quality of education offered in primary schools. However, Mushi (2006) shows that there are financial management malpractices that entail collusions between school committee chairpersons and head-teachers, and between head-teachers and District Primary Education Officers (DPEOs). These malpractices of collusions undermine the efforts done by the government and hinder the implied transparency and efficiency of the direct support to schools. Moreover, Halleck and Poisson (2007) list a number of malpractices such as use of educational funds on unplanned activities such as to cover irregular payments. Also there have been a problem of capitation grant being underfunded for example a 2004 public expenditure tracking study (PETS) administered by REPOA found that 40% of capitation grant did not reach the school level on time (Hakielimu Education Brief No 7.2E, 2010). On their report REPOA also argued on the complexity system of disbursement of capitation grant.

Therefore, the problem of misuse of public funds is so prevalent even when funds are allocated fairly across schools at the individual level. Thus, increasing capitation grant disbursements to primary schools may not be a panacea for improving quality of public primary schooling in Tanzania. However, full capitation grant can be prioritised on the budget, a clear disbursement system and clear schedule and transparency in all levels may increase the efficient use of these public funds. Furthermore there is no clear study or auditoria report that has shown the chance of the internal system in our district councils in supervising the allocation and uses of the capitation grant in government primary schools. Therefore, this study will analyse the effectiveness of internal control systems in managing capitation grant for government primary schools in Tanzania.

The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

1.3 Objectives of the Study

The study is designed to achieve a general objective and narrowed down to three specific objectives as presented below;

1.3.1 General Objective

The general objective of this study was to analyse the effectiveness of internal control systems in managing education capitation grants in local government authorities of Tanzania particularly funds allocated in primary education in Morogoro municipal as a study area.

1.3.2 Specific Objectives

The specific objectives of the study were as follows:

- i. To find out the presence of the internal control system on the capitation grants in primary schools.
- ii. To examine the effectiveness of the internal control system in capitation grants in primary schools.
- iii. To examine Value for Money attained on the capitation grants granted to primary schools in the study area.

1.4 Research Questions

- i. Is there internal control system on the capitation grants in primary schools?
- ii. How effective is the internal control system in capitation grants in primary schools?

- iii. What is the Value for Money on the Capitation grant, granted to government primary schools?

1.5 Scope of the Study

Public funds not only capitation grant have complex system of disbursement, however when followed in transparency, it reduces complains and the misuse. The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

The study focused at these two lower levels in the disbursement process due to two reasons. One there some argument that money received by local councils for capitation grant are not sent all or sent partially or delayed to primary schools as directed. Second, it will be in researcher's capacity to obtain data as one among the stake holders and collect data given constraint of time of the research.

1.6 Significance of the Study

The study will help the policy makers realize the need to have and implement effective Internal Control Systems in the implementation of development grants which in turn will help achieve Value for Money to the intended users of these development programmes.

1.6.1 To Local Government Authorities

The study will generate knowledge to link Internal Control Systems and Value for Money which will guide Policy makers in the planning for the public resources.

1.6.2 To the Finance and Accounting Practitioners

The study will be helpful to all academicians and practitioners in finance and accounting management. The study will help them generate knowledge on the way internal control should be practised in a reliable manner to help their firms safeguard their assets.

1.6.3 To the Researcher (s)

The study has helped the researcher to acquire knowledge and understand the techniques of doing research. Above all, the study has helped the researcher to have knowledge on internal control systems in local governments – as its findings informed him on how internal control may be the tool for MMC to achieve effective VFM of education capitation grants. Also, the Study will enable a researcher to complete master's degree in Finance and Accounting.

1.7 Limitation of the study

The study concentrated only to Morogoro Municipal Council and all government primary school supervised by it, thus provided a lesson to other Municipal councils. There was a poor response especially at the school level as the respondents were reluctant to provide information on Capitation Grant. The study frequently explained to the respondents that it was purely for academic purposes to eliminate information concealment.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the definitions of key terms, reviews some related literatures, both theoretical and empirical concerning the internal control systems and the capitation grant, afterwards, it draws the conceptual framework based on the assumptions presented in the available literature.

2.1 Definition of Key Terms

This section provides definitions of key terms or concepts as employed in this study. The process of definition and description is carried out in the following arrangement; Internal control systems then the capitation grant.

2.1.1 Internal Control Systems (ICS)

According to Motlia (2009) internal control systems refer to internal controls with a common purpose grouped together. Basically, internal control as defined in accounting and auditing is a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organisation (Gervais, 2004).

The International Standards on Auditing number 400 (ISA 400) defined Internal control Systems as comprising the controlled environment and control procedures. It includes all policies and procedures adopted by the management of an entity to assist in their objectives achievements, as far as practicable, the orderly and efficiently conduct

business, including adherence to management policies, safeguard of assets, prevention and detection of frauds and errors, the occurrence and completeness to accounting records, and the time when preparing the financial information.

Based on the definitions above, internal control is therefore, a means by which an organisation's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organisation's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

2.1.2 Capitation Grants

The term capitation grants is defined by Ablutz (2009) as an amount of money given to an organisation for each person it deals with, teaches, or cares for. So it is all money given to government primary schools for education improvements. Manara and Mwombela (2012) shows that the capitation grant for primary education in Tanzania is meant to provide money for teaching and learning materials for pupils enrolled in public schools at Tshs 10,000 per pupil per annum in the following allocation; Text books, teaching guides, supplementary reading materials Tsh 4000, Chalk, exercise books, pens, pencils Tsh 2000, Facility repairs Tsh 2000, Examination paper, purchase and printing Tsh 1000, Administration Materials Tsh 1000.

2.2 Theories of Internal Control Systems

There exist different theories about internal control; in this study dempster-shafer theory and Agency Cost theory of Internal Control have been reviewed.

2.2.1 Dempster-Shafer Theory of Internal Control

According to Dempster-Shafer theory of internal control, both quantitative and qualitative methods exist for the evaluation of internal controls. Conventionally, auditors often adopt qualitative methods, such as questionnaires, checklists, flow charts, and test of transactions for evaluation purposes.

The theory provides a systematic way to represent the interrelationships amongst key accounting systems components for the evaluation of IC for financial resources and others – including; significant accounts being evaluated, business processes impacting these accounts, risks to which business processes are exposed, control procedures implemented to counter the risks, and evidence gathered to evaluate the effectiveness of control procedures (Srivastava, & Vasarhelyi, 2012). Furthermore, Srivastava, and Vasarhelyi (2012) Explained that the theory believes at given judgements on strength of the audit evidence gathered as input, the proposed method provides a rigorous algorithm to aggregate these judgements, propagate, and aggregate the results, and output quantitative risk assessments on various levels within the accounting information system. Included are assessments related to the overall IC, significant accounts level, business process level, individual risk level, and individual control procedure level.

Basically, the evidential reasoning of this approach is a process of risk assessment where several variables (assertions) when combined together inform us about a variable of interest such as the effectiveness of internal control. It allows the decision maker to develop a framework that aggregates all the evidence available in the situation pertaining to various intermediate variables and then infer about variables of interest such a feature makes the theory appealing to the evaluation of the effectiveness of the IC system because the ultimate effectiveness relies upon multiple factors such as effectiveness of multiple control procedures, the control environment, and evidence gathered from various sources (Yeager, and Liu, 2008).

2.2.2 Agency Cost Theory of Internal Control

According to this theory there is an intense interrelationship between effective internal control performance and agency cost and asset security. The theory maintains that reporting on internal control may be considered as a monitoring function to reduce conflict between debt holders, shareholders, and management (Ziurtv, 2007; Williamson, 1998).

The theory puts much of emphasis on the relationship between firm's asset security and effective performance of internal control. Ziurtv (2007) argued that based on that relationship, the theory thus, provides that; adequate appropriation and security of resources lie in the capability of effective internal control system.

The Institute of Chartered Accountants (2005) elucidated that agency theory is a useful Economic theory of accountability, which helps to explain the development of the control and the way it should be viewed. In order to better explicate the relationship opinions, this theory has put aside two variables ruling in principals such as company 'stop management on one side, as well agents like, auditors on the other side. Therefore, a simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour.

Gervais (2004) argued that delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent such as auditor to act in the principal's best interests like; performing internal control with full focus of safeguarding company's assets.

2.3 Internal Control Systems

This section presents the theoretical part of the study. The purpose of reviewing theoretical literature is to allow the study to capture certain thoughts and opinions from various authors and writers so as to get a guide towards understanding the way internal control systems may be effective in achieving value for money under situation either identical or similar to the topic under concern.

According to Storkey (2011) Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGAs as managing financial risk is very important to modern organisations. In achieving the effective internal control, the agency theory suggested the presence of a third party called “auditor” to ensure and reduce the asymmetric of information among principal and the agent. For that reason Jsegying (2009) explained that professional auditors must be given cooperation to play crucial task to make sure that they achieve the highest level of asset security. It is for the same reason the constitution of united republic of Tanzania of 1977 as amended from time to time section 140 empowers the Controller and Auditor General to have full power to access any documents during auditing process at any public entity. During auditing process auditors must examine internal controls to check if there working properly. However, there are different types of internal controls within an organisation and it depends with complexity of the organisation structure.

2.3.1 Types of Internal Controls

Generally speaking, there are two major types of internal controls - one being; preventive and the other being; detective. These two types of internal controls are discussed below;

2.3.1.1 Preventive Controls

As the term itself specifies, preventive controls are kind of controls designed to discourage errors or irregularities from occurring (Oliver, 2014). They are proactive controls that help to ensure department objectives are being met. Examples of preventive controls are: segregation of duties: where duties are segregated among different people to reduce the risk of error or inappropriate action (Oliver, 2014).

Normally, responsibilities for authorising transactions (approvals), recording transactions (accounting) and holding the related asset (custody) are divided.

Second are; approvals, authorisations and verifications: management authorizes employees to perform certain activities and execute certain transactions within limited parameters. In addition, management specifies those activities or transactions that need supervisory approval before they are performed. And the third and last is the security of assets (preventive and detective): access to equipment, inventories, securities, cash and other asset is restricted; assets are periodically counted and compared to amounts shown on control records (Oliver, 2014).

2.3.1.2 Detective Controls

Detective controls are the types of controls designed to find errors or irregularities after they have occurred. Examples of detective controls include: First; review of performance: in which management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up (Oliver, 2014). The second example include; reconciliations: wherein an employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary. The third example includes physical inventories. And the fourth one involves audits (Ibid).

2.4 Components of Internal Control system

Under the basis for developing and providing business control systems and assessment and addressing their effectiveness (internal control issues) the study has identified the following component of internal control according to the Committee of Sponsoring Organisation, (2014) and Bushman, (2007) as; the control environment; risk assessment; control activities; information and communication and monitoring.

2.4.1 The control Environment

Control environment relates to the organisation's identification, analysis, and management of the risks that are related to financial statement preparation. The control environment is the basis for all other components control (COSO, 2014; Bushman, 2007).

According to DiNapoli (2007), Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical value integrity and morale of the people of the organization. The control environment is further affected by the organization's structure and accountability relationship. It is the attitude and actions of Council and Management regarding the significance of control within the LGAs. Control Environment provides the discipline and structure for the achievement of the primary objectives of the System of Internal Control. According to Letsuy (2012) control environment is the foundation of the ICS and sets the tone of an organization, influencing the control consciousness of its staff. This is the overall LGA attitude, value and philosophy of senior political and management executive and the culture throughout the LG relating to the timeliness, integrity, and accuracy of financial reporting (Thuy, 2007).

It provides the discipline and structure as well as the climate which influences the overall quality of the Internal Control Systems. Elements of the control environment are; the personal and professional integrity and ethical value of management and staff,

appropriate culture in the organization attitude towards internal control throughout the organization; commitment to competence; the “tone at the top”(i.e. management’s philosophy and operating style); a good organizational structure (an independent Internal Audit function and segregation of duties)’ set up proper authorization limits and human resources policies and practices(Kaplan, 2008; 2007; INTOSAI, 2004, and Laura, 2002).

2.4.2 Risk Assessment

This component refers to the organisation’s identification, analysis, and management of the risks that are related to financial statement preparation, in order to ensure that financial statements are presented fairly and in compliance with generally accepted accounting principles (GAAP) (COSO, 2014; Bushman, 2007).

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity’s objectives and determining the appropriate response (DiNapoli, 2007; INTOSAI, 2004). It involves risk identification; risk evaluation (estimating the Impact of risk; assessing the like hood of the risk occurrence); assessment of the risk appetite of the organization and development of responses.

Risk assessment should be performed and should identify; controllable risks (risks that are caused by the external environment that the entity operated in). According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organization. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analysing altered conditions and opportunities and risk (risk assessment cycle) and modifying internal control to address changing risk (Heald, 2003).

2.4.3 Control Activities

The organisation's policies and procedures which help ensure that necessary actions are taken to address the potential risks involved in accomplishing the entity's objectives (COSO, 2014; Bushman, 2007).

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy (2007); Sarbanes – Oxley Act (SOX, 2002); Control Activities are comprised of policies procedures and systems relating to the reliability of financial reporting.

They include; authorizations and approvals, verifications, reconciliations, review of performance, security of assets, segregation of duties and controls over information systems (Laura, 2002). The elements with cheques issued, procedures governing the counting and valuation of inventory, the procurement and disposal systems and codes of conduct to guide employee behaviour (Kaplan, 2008; Thuy 2007, SOX, 2002). Control activities can be preventive and /or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the organization objectives hence realizing Value for Money.

2.4.4 Information and Communication

This component focuses on the nature and quality of information needed for effective control, the systems used to develop such information, and reports necessary to communicate it effectively (internal control issues (COSO, 2014; Bushman, 2007).

2.4.5 Monitoring

This component involves assessing the quality and effectiveness of the organisations internal control process over time. It includes assessing the design and operation of controls, and assessing compliance with policies and procedures. It also provides for the implementation of appropriate actions when necessary (COSO, 2014; Bushman, 2007).

2.5 Capitation Grant in Local government Education

School fees abolition is becoming increasingly acknowledged as one of the strategies toward Universal Primary Education and as a key measure to achieving children's right to education. In view of this, the World Bank and UNICEF in 2005 launched the School Fee Abolition Initiative which aimed to disseminate lessons from the experience of countries that have abolished fees and provide context specific advice to countries that are seeking to do so (Manara and Mwombera 2012).

Experience in several countries shows that the private costs of schooling are a major barrier that prevent many children from accessing and completing a quality basic education. They are especially burdensome in countries where poverty imposes tough choices on families and households about how many and which children to send to school, and for how long.

School fees represent a regressive taxation on poor families, and the enrolment of poor, excluded and vulnerable children is very sensitive to fees, even when these are small.

School fee abolition is not just about "tuition fees" (which do not necessarily constitute the main bulk of fees). School fee abolition must take into consideration the wide range of the costs of schooling to families and households. This means any direct and indirect costs/charges (tuition fees, costs of text books, supplies and uniforms, other contributions, costs related to sports and other school activities, costs related to

transportation, contributions to teachers' salaries, and the like.) as well as opportunity costs and other burdens on poor families.

To meet the Millennium Development Goal (MDG) for education and national targets the Tanzania Government took a bold step forward by abolishing all fees charged by schools and also providing schools with a small grant for each pupil enrolled. The grant provided is called the capitation grant.

The decision to replace school fees with capitation grants has some advantage which include increased enrolment however it has critics that whether it have the desired impact on the quality of education. It can be seen that increase in enrolment will result to increased demand for additional classrooms; demand for additional teachers; Demand for additional textbooks and other teaching and learning materials and it is difficult to sustain community participation.

2.6 Capitation Grant Governance in public sector industry

The governance of the capitation grant in Tanzania can be categorised into two; the civic engagement and the school autonomy.

2.6.1 The Civic Engagement

Civic engagement refers to citizens' interaction with a particular field of interest, for example, public finance policy, with a view to obtaining a favourable outcome from such interaction (World Bank, 2001).

Thus, aspects of social accountability such as citizens' agency, volunteerism and political awareness are all forms of civic engagement in Tanzania. For instance, budget advocacy through villagers' participation in Village Assemblies (VA), civil society participation in Ward Development Committees (WDCs), District Consultative Committees (DCCs) and Regional Consultative Committees (RCCs) have become some

of the most popular forms of exercising citizens' agency in Tanzania. The civic engagement comprises of citizens' agency, volunteerism and political awareness.

2.6.1.1 Citizens' Agency

Citizens' agency concept assumes that ongoing contact between the public and their leaders provides the citizenry with the opportunity to draw attention to weaknesses in service delivery, and, as a result, the leaders would take appropriate measures in line with user preferences (Manara & Mwombela 2012).

In Tanzania, the quality of exchanges between community members and government at different levels has reached a higher platform recently as each side appreciates the attitude and effort of the other

2.6.1.2 Volunteerism

Volunteering is working, the putting in of time and energy, which one person does for another or for the public, of their free will, and with no material compensation similar in quantity or quality to the market value for these services (Cohen, 2009). The participatory aspect of volunteerism can contribute to a heightened understanding of the forces which shape governments and societies, leading to greater transparency, accountability.

2.6.1.3 Political Awareness

Political awareness manifests itself through voter turnout, attendance in political rallies, and listening to and/or reading news from the mass media. People are more active today in terms of participation in elections despite the fact that attempts to influence the results through both legal and illegal means are common (Kessy et al., 2006).

Mass media is by far the most important means by which people access information. Of the three main types of mass media, radio continues to be the most accessible, followed by newspapers and then television (HakiElimu & REDET, 2006). A radio is the most commonly owned item within households, most likely due to its affordability, portability and low maintenance costs. Currently, internet may be limited in access, affordability and utility, but it is gaining in influence. Information via the internet travels faster, especially with the current wave of providing internet services through mobile phones and short message services (SMS).

2.6.2 School Autonomy

School autonomy is a form of school management in which schools are given decision-making authority over their operations (Arcia et al., 2011). Some authors have suggested using “de facto” autonomy as opposed to “de jure” autonomy as the relevant measure of autonomy. While “de jure” autonomy refers to whether the school has been appointed as autonomous or not, “de facto” autonomy is related to the level of autonomy the school is actually enjoying or exercising as measured by the number (or the percentage) of decisions the school makes (Manara & mwombela 2012).

Public primary schools in Tanzania derive their autonomy from their local councils. Thus, current school autonomy in Tanzania should be viewed in the context of the Decentralisation-by-Devolution Policy of 1998. School autonomy includes freedom to determine own school needs, set priorities and budgets on the basis of the total resource envelope available at school level including subventions from the government (Mushi, 2006).

There two sets of indicators for school autonomy; one for authority over the use of the school budget (school decision-making power) and authority to seek additional funds from non-government sources (share of school own source revenues).

2.6.2.1 School Decision-Making Power

The progression in school autonomy in the last two decades has led to the conceptualisation of school-based management as a form of decentralisation in which the school is in charge of most managerial decisions but with the participation of parents through school committees (Manara and Mwombela 2012). School autonomy fosters governance by making the school committee in charge of school management (Arcia et al., 2011).

Although the capitation grant programme has increased school autonomy, the role of local governments at district, ward and village levels in the delivery of primary education remained unclear. Interference by the District Primary Education Office (DPEO), Ward Education Coordinators (WECs) and village government officials have been creating tensions among the school committee members and teachers. The school committee is the lynchpin of the success of the strategy at the community level (Manare & Mwombela 2012) but members do not have full mandate on school management.

2.6.2.2 Share of Own Source Revenues

Public schools are fiscally decentralised if they are allowed to mobilise own resources for school operations and development expenditures (Eskeland & Filmer, 2002). Innovative local sources of education development finance can easily be tapped where there are effective community-based school committees running the relevant school (Lwaitama, 2004). In Tanzania, there are two sources of own school revenues, namely donations from the private sector and non-governmental organisations (NGOs) and contributions from parents and the wider community.

Government primary schools also generate own revenues from gardening, selling tree seedlings, small restaurants and milling machines. Other schools, especially those in urban centres, rent out their premises and charge those who operate petty businesses within their compounds.

2.7 Ways to Achieve Successful Value for Money

2.7.1 To eradicate waste in benefits services processes and systems

Value for Money (VFM) can be achieved by eradicating waste in benefits services processes and systems. The “critical success factor” for a public sector organization is the degree to which it fulfils its set objectives and mission in terms of being efficient, effective, and economical. The Internal control systems are keys in achieving the organizational set mission and objectives; hence Value for Money.

2.7.2 Local Governments control over the use of resources

The main approach to VFM is the LG’s control over the use of resources in order to achieve its set objectives, LGIAM (2007). Regulation 106 of the LGFAR (2007) requires the Head of Internal Audit to carry out regular review to ascertain whether council receives VFM in all its activities. Heads of Department should establish sound arrangements for planning, appraising, authorizing, and controlling operations in order to achieve Value for money LGFAR (2007). Davies (2007) holds that the public sector applies no consistency in defining Value for money (VFM) and the decision making strategies of LGs are poorly defined and applied irregularly hence LGs are able to exploit the definition of VFM to justify their actions.

However, many authors hold that Value for money is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. Value for Money is not paying more for a good or service than its quality or availability justifies as well public spending implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results) (Glendenning 1998; Davies 2007; Deakin 1998 and LGIAM, 2007).

The most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Government's system of internal financial control (Kaplan, 2009; LGFAR 200).

During the process, communication needs to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost. However, Kerr (2005) observed that the will to provide Value for Money in Government spending is weak because accountability to taxpayers and the public is generally weak.

According to Heald (2003) VFM analysis needed to pay attention to total risk and VFM is related to concept of efficiency and effectiveness. Jiju and Ogded (2009) hold that despite a long period of implementing performance management within the public sector improvement in performance, accountability, transparency, quality of services and Value for Money have not yet been achieved.

2.8 Empirical Literature Review

This part reviewed the study done by other authors or researchers relating to internal controls and the capitation grant.

Yustaria (2010) conducted a research to find the role of internal controls in financial institution. The research was titled "the emerging role of internal control practice on the security of assets in small financial lending institution in Tanzania". From this research the findings revealed that, internal control was the mere instrument through which most of small financial lending institution was capable of scrutinising all financial performances relating to the level of lending. The finding shows that internal controls helps the reliability of financial reporting and detection of errors as a result minimise risks which occurred with regard to financial utilisation.

In addition Shaban (2011) focused on determining the impact of internal control on the financial performance of Financial-Based Institutions in Tanzania; the case of National Microfinance Bank (NMB), head office, Ilala, Dar es Salaam found that there was a big

impact derived from the application of internal control on the financial performance of financial-based institutions in Tanzania. The findings further shows that with the presence and application of internal control, every aspect relating to banking operation including; transactions which were to be recorded and in turn could be evaluated; Internal controls influences everyone in the bank to adhere to the keeping record of every asset used; none of the errors, fraud, and misappropriation could be deliberately undertaken.

According to John (2011) who studied the relationship between internal control and organizational performance of Limited Industries finding's shows that there is a significant positive relationship between internal control system and management of a limited companies.

Moreover, Makubi (2012), studied the impact of financial internal control on financial performance in Religious-Based Organizations (RBOs), the study found that Financial Internal Control plays a significant role especially in preventing the occurrence of fraud, and likewise may impact financial performance by detecting various aspects involved in financial performance. The finding also shows that Financial Internal Controls may be used as a tool which can reveal all necessity financial-related matters such as fraud, cost and expenses.

Ritva and Svensson (2005) did a research titled "Fighting Corruption To Improve Schooling: Evidence From A Newspaper Campaign In Uganda" with the question "What is the most effective way to increase primary school enrolment?" A newspaper campaign in Uganda aimed at reducing capture of public funds by providing schools (parents) with information to monitor local officials' handling of a large education grant program. The findings in this research shows that both enrolment and test scores increased significantly more in schools in areas with higher newspaper penetration, and thus in schools with more funds.

The findings further shows that since schools were free to spend their grants on whatever nonwage items they needed, be it textbooks, school meals, school uniforms, or flipcharts, the indirectly enhancement learning activities should be addressed by the policy.

However, Manara and Mwombela (2012) in their research titled “The Governance of the Capitation Grant in Primary Education in Tanzania: Why Civic Engagement and School Autonomy Matter” finding shows that the level of capitation grant governance in schools in average-spending councils (Morogoro MC and Kondoa DC) is higher than in high-spending councils (Singida MC and Mvomero DC) and low-spending councils (Songea MC and Mbeya DC). This suggests that increasing public expenditures is not a panacea for solving quality problems currently haunting the primary education sub-sector in Tanzania. Improving governance of disbursed funds at the school level is equally important. The evidence across case councils has shown that frequent cuts and chronic delays of capitation disbursements are just one part of the story. More often than not, the untold story is how school committees and school administrations manage the funds that do reach the schools.

This study found that demand-side factors matter most for the governance of the capitation grant in schools. In particular, parental monitoring of school revenues and expenditures can play a critical role in improving the governance of the capitation grant in schools.

Noncompliance to the Internal Controls is one of the major hindrances to the attainment of VFM in LGAs as addressed by most authors, writers, and academic researchers. From the side of empirical studies, a lot has been done to address the role of internal control in financial performance, and its impact on the security of assets in organisations different from LGAs. Whereas, there is little and perhaps nothing of attention was addressed about internal control in relation to capitation grants in government primary schools in Tanzania.

Most of them had shown interest in areas like; internal audits and financial performance in financial institutions and RBOs. Weak, non-compliance, non-existent or absent public financial management functions (Internal Control Systems) are likely to negate any advantages that might be inherent in bringing public services “closer” to people (Value for money). In contrast, those studies needed to establish the relationship between the Internal Control Systems and Value for Money in LGAs in Tanzania. Therefore, it can be concluded from the literature that there is an urgent need to analyse the effectiveness of internal control system in managing education capitation grants in LGAs in Tanzania particularly.

2.9 Conceptual Framework

In presenting the conceptual framework for the study, this section bases much on providing assumptions based on the objectives to be achieved by the study in hand. That is to say; most of the assumptions laid down in this context are in parallel with the assumption portrayed from the objective as well.

This study is based on two variables the dependent variable which is value for money and the independent variables collectively internal controls. The dependent variable will be measured by three elements namely the efficiency, the effectiveness and the economy. The independent variable comprise of preventive controls (control environment and control activities) and the detective controls namely risk management, information and communication and monitoring. In summary the conceptual is summarised below in figure 2.1;

Figure 2.1: Conceptual framework



Source: Researcher's (2014)

The model above explains the relationship amongst the variable under study; it explains Internal Control System as the Independent variable while Value for Money as the dependent variable. According to the Figure 2.1 above, internal control performance may influence accurate distribution of grants to public schools by MMC, the detection of resource performance and use, and may influence the prevention of errors to occur during the financial performance.

That means, internal control promotes effective management of resources while stressing the values of economy, efficiency and effectiveness (Value for Money) Control. Environment, control Activities, Risk Assessment, Information and Communication and Monitoring are a necessary to help the performance of internal control to be in place and in turn help LGAs achieve effective value for money of capitation grant to public schools under their supervision.

Internal Control are viewed in terms of construct of its influential positions like; role, impact, influence – as well as its relative activities such as; risk assessment, information and communication and monitoring. While, Value for Money is understood based on its position as; being dependent variable which may result in Efficiency and Effectiveness.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the procedures that were employed in the study. The chapter therefore, presents the methodology deployed in the study by specifying the study area, research design, study population, sampling size and sampling Techniques, data collection methods and data analysis.

3.1 Study Area

The study area in which the study was carried out is Morogoro Municipal Council (MMC). The said council is located in the region of Morogoro, Tanzania. In that area, the study collected data from all public primary schools which are supervised by the MMC. The area covers about 195 kilometres to the West of Dar es Salaam and is situated in the lower slopes of the Uluguru Mountains. The Municipality has total area of 531 square kilometres and is divided into nineteen wards (Morogoro Municipal Council, (MMC), 2008). According to Hilfswerk *et al'*, (2013) the MMC has sixty two government primary schools.

The researcher is a member of the society at MMC and he is interested in seeing whether there is effective ICS on capitation grant that is granted to Government primary schools in achieving Value for Money (VFM).

3.2 Research Design

The study employed survey design. The survey study design is selected based on the researchable reasons that is; it focuses more on a identical areas or organisation. Therefore, it is important to note that survey study design can permit the use of variety of data collection methods to be deployed during the whole conduct of the study.

The focus is that, this type of research design permitted the researcher to explore and analyse information over the life of a single unit, which is Morogoro Municipal Council (Birkinshaw, 2004; and Welch, 1998)

3.3 Study Population

The target population for this study included all 62 government primary schools under the supervision of MMC and 281MMC staff including internal auditors, Statistical Logistic Officers, Accountants and politician. The municipal have around 1120 primary school teachers. (Municipal quarterly report 2014)

3.4 Sample Size and Sampling Technique

Sample is a small or selected group used to represent the whole population. The following are the Sample Size and Sampling technique employed:-

3.4.1 Sample Size

The study employed sample size of 150 respondents, whereby, politicians and a cluster of 30 government primary schools were selected and from each school 4 teachers selected through convenience sampling technique, also 30 staffs from the MMC including internal auditors, accountants and Statistical and Logistic Officers were selected basing on purposive sampling. From these samples the key informants are Statistical and Logistic Officers, Auditors and Accountants. The sample composition is presented in Table 3.1.

Table 3.1: Selection of Sample Size

Department/ section	Target Population	Sample Selected	Method of selection of sample
Staff-Primary school	1120	120 respondents from 30 primary schools	Convenience method
Auditors	8	6	Purposive sampling
Accountants	16	7	Purposive sampling
Statistical and Logistic Officers	2	2	Purposive sampling
Politician	31	15	Convenience method
Total	1177	150	

Source; Researcher's (2014)

3.4.2 Sampling Techniques

According to Stasch *et al.*, (1985) the procedure of selecting a sample for a study is an important step in any research project since it is rarely practical, efficient, and costly, to study the whole population. The researcher therefore employed purposive and convenience sampling techniques.

3.4.2.1 Purposive Sampling Technique

The researcher employed purposive sampling in selecting the key respondents, namely Statistical and Logistic Officers, Accountants and Auditors who are the custodians of the internal control system, education department, finance department and planning department as they involve on the study by ensuring the internal control or affect the capitation grant fund directly. This sample provided special information regarding the practice of internal Control in achieving VFM of grants provided to primary schools under supervision.

3.4.2.2 Convenience Sampling Technique

This technique employed whereby teachers and politicians were selected based on their availability. Therefore the cluster of schools were selected i.e. 30 primary schools was chosen randomly then from each primary school 4 teachers were selected one being the head teacher. Furthermore the study employed this technique to politicians i.e. ward representatives because they are located in various places of which it is not easy for study to reach them all, however selection process continued until the sample size was obtained. The selection was determined by aspects like self-selection, administrative decision, time of the class, and number of the years of exposure (Muijis, 2004).

3.5 Data Collection Methods

These are ways used to extract information. The methods employed by this study were observations, documentary and questionnaires. The researcher has considered these methods as appropriately to enable gathering accurate and enough information.

Primary data were collected through questionnaire and interview. Secondary data were gathered from documentary review.

3.5.1 Questionnaire Method

This study used questionnaires as one of the methods of data collection. The questionnaires were administered to the MMC staffs (internal auditors, accountants, SLOs and Politician), primary school teachers and members of primary schools management committee. The method of administering questionnaires helped this study to have the intended numbers of the respondents. Also administering reduced some ambiguities of understanding some of the word(s) on the questionnaires where by clarifications were provided. The information expected from this method involved in answering the methods of internal control available and its roles and more specifically, questionnaire was employed by this study in gathering data, which determined the

impact of internal control activities in achieving VFM. Also, through it, suggestions about ways to be adopted by MMC to achieve effective VFM was provided.

3.5.2 Interview Method

Interview was conducted to the top management of the council which include the municipal accountant and the municipal executive officer using interview guide. Also the interview was conducted to some members of finance committee. During the process of interview, some structured questions were asked and the study took note on the answers provided. Respondents were given almost full liberty to express themselves on matter, which was used to support the smooth achievement of the study in hand.

However, it should be remembered that; during this process, researcher gave leading questions observing non-verbal actions and meanwhile recording the responses for further analytical and conclusion steps.

Interview process was performed in such a way that it collects data that assessed the influence of internal control in helping MMC distribute all capitation grants to all schools under their supervision as well as they were allocated by the central government.

3.5.3 Documentary Review

Documentary review is the kind of data collection technique which was used in collecting secondary data. In this study specifically, documentary review was utilized simply to collect the trend of capitation grant for five years from 2009 to 2013. In view of this study, this was done by reviewing financial statements and different annual and quarterly reports at MMC.

3.6 Data Analysis methods

Data collected were divided into two categories, qualitative data and quantitative data. To analyse these data the study used tabular way of analysing data, percentage and descriptive ways.

3.6.1 Qualitative Data Analysis

The data were analysed in a descriptive way by refining the common responses also the software were used in analysing these kinds of data. The study analyzes the raw data obtained from the interview by recording the answers of the respondents and read other MMC reports relating Capitation Grants. The findings from respondents were interpreted in comparison with our objective together with factual and logical interpretation of the study findings.

3.6.2 Quantitative Data Analysis

Data were collected, coded and were analysed. The quantitative analysis was conducted to enable the researcher to summarize the collected data and organize in a way that the researcher was able to answer the research questions. The use of different tools like Tables, frequencies, percentages were utilized whereby data were quantified and analysed, also in some areas further analysis was conducted.

3.7 Ethical Consideration

All important norms for collecting data from the field are available and should always be respected in the whole course. That is to say; the said process was amongst the topmost attentions that were put into consideration by the researcher during the entire process. The researcher obeyed ethical norms. Based on this statement, the researcher was given a written recommendation from the academic authority of Mzumbe University, which

was presented to the concerned offices for approval to collect all necessary information from the intended field. The researcher ensured all respondents that whatever information given by them were treated and guarded with a high sense of confidentiality and no any piece of it was taken out of concealment.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

This Chapter presents and interprets the data collected and analysed in Chapter three. The presentation is guided by the objectives of the study.

4.1 Socio-economic characteristics of respondents

In this stage, the study first, studied about different characteristics of respondents. In this regards, the study was aiming at findings different general information of the respondents pertaining to various elements like Gender, Education, Age, Designation and work experiences. The main aim of findings in this particular information was based on the idea that general information would necessarily help the study in knowing whether different considerations such as Gender balance, non discrimination in terms of age. Also this information was so useful as it could help the study understands the extent to which the studied respondents were very much informed, acquainted and even knowledgeable concerning the whole matter relating to management of education Capitation Grants.

Table 4.1 Socio-economic characteristics of respondents

Characteristics	Frequency	Percent
Gender of respondents:		
Male	86	57
Female	64	43
Education of respondents:		
Form four	5	3
Certificates	91	61
Diploma	25	17
Degree	23	15
Masters	4	3
Others	1	1
Age of the respondents:		
18-35 (Youth age)	50	33
36-55 (Adult Age)	84	56
55+ (Old age)	16	11
Designation of respondents:		
Accountants	7	5
Auditors	6	4
Statistical and Logistic Officers	2	1
Politicians	15	10
Teachers	120	80
Working experience of the respondents:		
Less than 5 years	55	38
6-10 years	33	21
11-20 years	51	34
21-30 years	10	6
above 30 years	1	1

Source: Survey Data (2014).

4.1.1 Gender of respondents

Table 4.1 above shows that out of 150 respondents, male were 86 which is equivalent to 57% and female were 64 which is equivalent to 43%. This shows that the findings were from both male and female respondents and the gender sensitivity were considered; though male were the majority with 57% of all the respondents. Therefore Morogoro Municipal Council put equal employment opportunity to both males and females.

4.1.2 Level of Education of the respondents

Level of Education of the respondents was greatly useful as to whether through it, particular analysis would be found and certify the extent to which the studied respondents were educated, something, which consequently was useful to determine the extent to which they had useful, valid, and even reliable information about topic under concern.

Table 4.1 above shows the education level of the respondents, 5 respondents were the form four leavers which is equivalent to 3%, 91 respondents were having certificates which is equivalent to 61%, 25 respondents were having diploma which is equivalent to 17%, 23 respondents were having bachelor degrees which is equivalent to 15%, 4 respondents were having masters degree which is equivalent to 3% and other level of education was 1 respondent which constitute of 1%. The information justifies that most of the respondents were the qualified personnel in their carrier, so this provides the researcher with high level of reliability of the findings.

4.1.3 Age of the respondents

Table 4.1 above shows that (50)33% of the respondents were the youth, (84) 56% of the respondents were the adults and (16) 11% of the respondents were the old age people. The data implies that most of the respondents were the adults of the age between 36 to

55 years and there MMC is responsive in employing all generations without discrimination of none of them

4.1.4 Designation of the respondents

Table 4.1 above shows different designation of the respondents in MMC whereby among 150 respondents, accountants were 7 which is equivalent to 5%, auditors were 6 which is equivalent to 4%, Statistical and Logistic Officers (SLO) were 2 which is equivalent to 1%, politician were 15, which is equivalent to 10% and Teachers were 120 which is equivalent to 80%.

The information presented above revealed that the findings came from teachers in a large percentage. This is due to the reason that teachers are the one who receive and implements all matter concerning with the education capitation grants and their expected outcome. The other groups were presented as shown above as part of those who links between the government who are the providers of the capitation grants and the teachers who are the main implementers.

4.1.5 Working experience of the respondents

Table 4.1 above presents the experiences of the respondents in the work in terms of years. This shows that, the respondents of the working experience of below 5 years were 38%, 6-10 years were 21%, 11-20 years were 34%, 21-30 years were 6% and above 30 years of the working experience were 1%.

These findings revealed that the findings come from the experienced workers who actually have the understanding of the capitation grants and its management to enable the expected results be achieved since justified with the data since only 38% of the respondents are below 5 years of working experience.

4.2 Types of internal control existing in MMC

In Morogoro Municipal Council use different types of internal control in controlling the capitation grants in primary schools basing on the guideline for the use of capitation grants for primary schools as it was provided PMO-RALG. These control are as shown below;

4.2.1 Budgetary control

Findings show that budgetary control is one among the control system on capitation grant in MMC. The budgetary control is done by taking the numbers of pupils in primary schools that helps to consolidate the school capitation grants (CG) budget. The consolidated budget is submitted to RAS for compilation and onward transmitted to PMO-RALG and MoEVT to initiate disbursement of the fund to the councils by Ministry of Finance and Economic Affairs

Moreover, the study had strived to generate further findings by which it could be precisely explain the way budgetary control is among the control systems commonly used on capitation grant at MMC. In fact, during this process, respondents were studied through interview in which they asked to give more evidences concerning the way budgetary control is one of the control systems used on controlling capitation grants at MMC. Therefore, several opinions were raised by respondents but some of them tended to be common as are presented in the following array.

... Budgetary control is one of the common control systems used not only by MMC rather by almost any government agency in controlling the capitation grants accorded to them. For the case of public primary schools operating in MMC used in this study, budgetary control is control system often performed by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget. In other words, this process involves making control over the budget linked to any money granted by the

government for teaching materials, and learning materials for students enrolled in government schools ... Survey data, (2014).

In reality, findings presented in terms of citation above have yielded the same evidence as found in the preceding information. Based on the findings collected on the basis of interview and presented above, the study had thus, established that the budgetary control in the kind of control system commonly applied not only in MMC rather almost all government agencies when making control over the capitation grants accorded to them. More specifically, budgetary control is control system often performed at MMC by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget.

4.2.2 Expenditure Control

According to the findings, MMC performs the expenditure control by making sure that the fund is disbursed timely to every school's account with clearly directives depends on the available budget. Also MMC supervise the implementation of capitation of Capitation Grants (CG) guidelines at the school level.

In order to ascertain the accurateness of the above findings, the study had employed interview in which respondents were asked to provide more details and description on how the expenditures are controlled in their areas of works specifically in primary schools. This element was very useful for this study as its findings have helped in describing the whole process used in making control of expenditure performed in there. Thus, when giving responses, respondents were of various opinions, but most of them were more common than other and are summarised and presented in the following manner.

... The expenditure control for the case of primary schools in MMC is performed by checking whether the allocated grants were consumed according to budget

allocation with reference to time and specific amount accorded to every school. But also, expenditure control is carried often, to assure the grants (funds) are allocated and disbursed on time to every concerned school's account and whether all what needed to be covered in the budgets were done accordingly. This process helps maintain adequate budget use and adequate follow up of procedures in budgetary use ... Source: Survey data, (2014).

Based on the findings presented above, it was found that the process of expenditure control is performed by making sure all the allocated funds are given to every concerned school by putting them in school respective account. In simple and clear terms, findings presented above had elucidated that the expenditure control involves checking out whether the budget was performed according to the way it was allocated and that all expenditures conform with the stipulation of budgets with respective fund in it.

4.2.3 Report writing

The study's findings show that, MMC ensures that schools prepare quarterly report which shows income and expenditure of CG funds which are audited. These school's quarterly reports are compiled and submitted to RAS for compilation and onward transmission to MoEVT and PMO-RALG.

4.2.4 Communication

Then findings depict that, MMC ensures public disclosure and transparent for the amount of capitation grants received and expended by directing the schools to present these reports on the school board and school community.

4.3 Presence of internal control of capitation grants in Morogoro Municipal Council

Table 4.2 – 4.4 presents internal control system of capitation grants in MMC, these includes; to check if capitation grants is received through Banks, to check if the payments of money related to capitation grants is done through banks and to examine if there is bank reconciliation statement done every month on the capitation grants.

4.2.1 Receiving of capitation grants through Banks

In this context, the study focused on how well capitation grants are managed. Before CG issued to the school level the study interested to confirm on the model of payments so as to analyse the controls available, Table 4.2 below presented the findings as follow:

Table 4.2 Receiving of capitation grants through Banks

Response	Frequency	Percent
Available	150	100.0

Source: Survey Data (2014)

Table 4.2 shows that all 150 respondents equivalent to 100% agree that they receive the capitation grant through Banks and therefore controls on the model of issuing CG from Morogoro Municipal Council to a schools level is well safeguarded this implies that transactions for bank gives a good audit trail.

In similar vein, the study had strived to find more evidences about the way in which capitation grants are received by primary schools in MMC. This was so searched based on the fact that in the preceding findings, it was found that most of grants accorded to government agencies, especially to primary schools are given to them through

depositing into every school's bank account. Therefore, the interest in this stance was to ascertain the way public primary schools receive their capitations as granted by the government. However, results gathered on the basis of this concern have revealed out the following information.

... All the capitation grants are always received through our bank accounts. They are allocated by the government and in turn they get delivered to every school's bank account. This is the common and standard way through which most of public primary schools in MMC receive their capitation grants. After receiving the capitation grant, normally, Morogoro Municipal Council often provides direction about the controls and the model of issuing capitation grants to each respective school – whereby, from this the control process is well performed and adequate use of CG is well assured. And above all, all the expenditures and uses of CG are recorded by banks, of which in turn all transactions are carried in a respective bank which in turn give and direct audit details in most precise manner ... Source: Survey data, (2014).

Findings collected on through interview and presented in terms of citation above have revealed out that the only way through which primary schools in MMC receive their capitation grants is the respective bank account. This was so mentioned based on the fact that majority of all interviewed respondents have ascertained the exactness of this fact. In similar words, findings presented above have elucidated that the fact of receiving capitation grant through bank account facilitate the performance of audit control since all transactions carried over there can be scrutinised, recorded, and in turn there is adequate budget use.

4.2.2 Payments for school facilities and services rendered using bank accounts

All government primary schools opened current account on Capitation Grant as per PEDP guidelines requirement. The study focuses on modality to which payments are done to different suppliers in terms of acquiring teaching facilities and services. Table 4.4 below presented the findings as follow:

Table 4.3: Payments for school facilities and services rendered using bank accounts

Response	Frequency	Percent
Available	40	26.7
Not available	110	73.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.3 shows the results that 40 respondents equivalent to 26.7% agreed that the payment of the money related to capitation grants is done through banks. While 110 equivalents to 73.3% respondents said that the payment related to capitation grant is not done through Banks. Therefore the findings revealed that most of the payments of facilities and services that related to capitation grant are not done through banks. This implies that audit trail can easily be lost if some of the transactions are done on cash bases.

Having found the above findings, the study was interested to know the way bank transaction can facilitate the running of internal audit and ensure the adequate use of any capitation grant accorded to schools. This information was considered to be very useful in the sense that the study assumed that bank transactions are always carried in a systematic way and every aspect involved in them must be recorded accordingly to the extent it is easy to carry any audit activity. Therefore, in order to find the logic about this

matter, respondents were studied by interview in which they were asked to explain, the way receiving capitation grants through bank account can facilitate the performance of internal audit. Their responses were collected and are summarised in the following manner.

... Receiving capitation grants through bank account is very important and above all it assures the security of fund usage. This is because, every transactional activity performed through bank must be recorded and in turn it will be clear to make any evaluation in precise manner. Based on this understanding, it therefore, very easy for any internal audit to carry it auditing activities with consistency and precision. But also, through this phenomenon, the internal audit will be afforded easiness of carrying audit activities and every step and activity involved when either procuring, or supplying particular item will be clearly scrutinised. So, the use of bank account to receive capitation grants is very useful to both internal auditors as well as to primary schools as it assures the security of grants (funds) use and facilitates the undertaking of audit activities ... Source: Survey data, (2014).

Findings gathered from interview and presented in terms of citation above have revealed out that the fact of receiving capitation grants through bank is of great importance and should be seen as the most secure way for keeping and using fund. So, based on the same findings, this study has established that reception of capitation grants by primary schools facilitate both the adequate use of funds by primary schools as well as the internal audit practice. The reason stated from the findings above was that, bank have huge stance of security for grants and facilitates the running of internal audit since every transactions carried over there within a budget life cycle must be easily scrutinised as the result of having been recorded. Due to this findings, this study urges all government primary schools to place priority on opening account with required bank so that to increase the security of funds and their budget usage.

4.2.5 Monthly Bank reconciliation statement on capitation grants

Bank reconciliation is one of the control tool on managing funds movement i.e. Capitation Grant in this aspect. Cash book records at the school level need to be reconciled with bank balances so as to have accurate bank balance. At least if monthly bank reconciliation done then few risks like overdraft charges can be avoided since all checks in transit can be identified. Table 4.4 below presented the findings as follow:

Table 4.4: Monthly Bank reconciliation statement on capitation grants

Responses	Frequency	Percent
Available	99	66.0
Not available	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.4 shows that 99 respondents equivalent to 66.0% agreed that there is bank reconciliation. While 51 respondents' equivalents to 34.0% respondents said that there is no bank reconciliation. Therefore the findings revealed that most of the primary school is performing the bank reconciliation in every month on the money related to capitation grant. Generally the findings give the reasons to conclude that in MMC there is internal control system on capitation grants in primary schools, though some of the payments are not done through banks.

These results shows that MMC has seen the importance of internal control system as argued by Storkey (2011) that, Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGA as managing financial risk is very important to modern organisations.

4.4 Effectiveness of the internal control system especially on in capitation grants for primary schools

The contribution of internal audit to enhance proper distribution of capitation grants, receiving capitation grant through banks to enhance proper distribution of capitation grant, payments through bank to enhance proper use of capitation grants and banks reconciliation statement monthly to enhance proper use of capitation grants.

Also the indicators on the effectiveness of internal control system in capitation grants were considered; these includes the enrolment of primary school pupils, Quality improvement of teaching materials and education standards, availability of teaching materials and adherences to procurement and financial regulations.

4.4.1 The contribution of internal audit to enhance proper distribution of capitation grants

Internal Audit is one of the key components in the internal control system of any organizations. In this stance, the study wanted to find whether the integration of internal audit has or not helped MMC in improving proper distribution of capitation grants. Respondents were studied through a query from questionnaire process which was exactly requiring them to state 'very well, well, not sure, bad or worse' if internal audit contributes in proper distribution of capitation grant

Respondents were largely accredited and even believed to possess intense information and knowledge pertaining to the whole practice of the internal audit as well as its interventional actions. Table 4.5 below presented the findings as follow:

Table 4.5: The contribution of internal audit to enhance proper distribution of capitation grants

Responses	Frequency	Percent
Very well	30	20.0
Well	101	67.3
Not sure	9	6.0
Bad	5	3.3
worse	5	3.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.5 shows that 30 respondents equivalent to 20% responded “very well”, 101 respondents equivalent to 67.3% responded “well”, 9 equivalent to 6.0% respondents responded “Not sure”, 5 respondents equivalent to 3.3% responded “Bad” and 5 respondents equivalent to 3.3% responded “Worse” on the statement that how internal audit enhance proper distribution of capitation grants.

The findings justifies that majority of the respondents agreed that the internal audit enhance proper distribution of capitation grants, though not at a maximum scale of agreement as stated in the statement.

The study had further searched for other similar evidences on whether the application of internal audit has been yielding a positive contribution in assuring there is appropriate distribution of capitation grant to every respective school. The assumption in this regard was that, the study wanted to find whether the use of internal audit has helped the MMC to get rid of any misconduct relating to distribution of capitation grants. In other simple words, the study wanted to know whether the application of internal audit should always be seen as the mere instrument by which the adequate distribution of capitation grants is apparent.

In this respect, respondents were asked to explain the way internal audit contribute in assuring there is effective distribution of capitation grants – whose findings are summarised and presented in the following manner.

... The application of internal audit is a very vital instrument and should be regarded as the most powerful tool that assures the equitable distribution of capitation grants to any concerned primary school in the context of MMC. The reason is that internal audit helps in preventing, detecting, and even controlling or monitoring any activity involved in the budget performance. As the consequence, it is very difficult for MMC to make the distribution of grants in an unacceptable manner, since every step in this process must be known through the performance of internal audit. But also, the central essence of internal audit is geared towards alleviating and avoiding any misconducts relating to fund usage along the budget life cycle. So, it is in this manner the how internal audit contribute on adequate distribution of grants to all coerend primary schools in MMC ... Source: Survey data, (2014).

Based on the findings presented above, this study had found that the contribution of internal audit on effective and adequate distribution of capitation grants is seen in terms of the role it plays in avoiding, alleviating, and detecting any mistakes that might occur during the budget life cycle. But also, it is very difficult to make misconduct on fund usage in the presence of internal audit – since any misconduct of that kind can be detected in most clear manner. Therefore, based on the findings presented above, this study has established that the integration of internal audit has helped MMC in improving proper distribution of capitation grants.

4.4.2 Receiving capitation grant through banks to enhance proper distribution

In this stage, the study used this aspect as one of the element in assessing proper distribution of capitation grant via banks. Since Capitation Grant are distributed based on the numbers of pupils available at schools then the study believed that if this funds

distributed via banks chances of frauds and errors would be reduced, however logic about this aspect needed to be confirmed by respondents by employ questionnaires which was asking respondents to state ‘very well, well and Not sure’ if receiving capitation grants through banks enhance proper distribution of CG. Table 4.6 below presented the findings as follow:

Table 4.6: Receiving capitation grant through banks to enhance proper distribution

Responses	Frequency	Percent
Very well	137	91.3
Well	6	4.0
Not sure	7	4.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.6 shows that out of 150 respondents, 137 respondents equivalent to 91.3% agreed that receiving capitation grant through banks enhance proper distribution of capitation grant, 6 respondents agreed by saying “well” and only 7 respondents equivalent to 4.7% said they are not sure. Therefore the findings justifies that when capitation grant is received through banks, it enhance proper distribution.

4.4.3 Payments through bank to enhance proper control and uses of capitation grants

In this context, the study wanted simply to ascertain whether payments through bank enhance proper control and uses of Capitation Grant. In analyzing related party transactions, payments is one of the indicator which show relationship of suppliers and the schools in acquiring school facilities and services in ascertaining amounts paid and the services/facilities obtained. In this regards, the study wanted respondents to state 'very well, well and Not Sure' if payments of through bank to enhance proper control and uses of capitation grants. Table 4.7 below presented the findings as follow:

Table 4.7: Payments through bank to enhance proper control and uses of capitation grants

Responses	Frequency	Percent
Very well	15	10.0
Well	93	62.0
Not sure	42	28.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.7 shows that 15 respondents which is equivalent to 10% responded very well, 93 respondents which is equivalent to 62.0% responded well and 42 respondents which are equivalent to 28% responded that they are not sure. Basing on the results presented, it justify that the payments of the money related to capitation grants through banks on different services, enhance proper use of capitation grants.

4.4.4 Monthly Banks reconciliation statement enhance proper management of capitation grants

Since the money related to capitation grants is received through bank, then bank reconciliation in monthly bases is very important. To check if bank reconciliation on the capitation grants enhance proper management of capitation grants or not, Table 4.8 below presented the findings as follow;

Table 4.8 Monthly Banks reconciliation statement enhance proper management of capitation grants

Response	Frequency	Percent
Very well	99	66.0
Well	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.8 shows that among 150 respondents, 99 respondents who are equivalent to 66.0% agreed by responding very well that the bank reconciliation on capitation grants enhance proper use of it. While 51 respondents who are equivalent to 34.0% agreed by responding well. Therefore the findings shows that if there is bank reconciliation on the money related to capitation grants every month will enhance proper management of these capitation grants.

4.4.5 Enrolment of pupils in primary schools in MMC from 2011 to2014

To justify the effectiveness of internal control on the capitation grants to government primary schools in MMC the enrolment of pupils for four years consecutively were observed as shown in Table 4.9 below

Table 4.9 Enrolment of pupils in primary schools in MMC from 2011 to 2014

Year	Expected		Total	Registered		Total	Percent
	Boys	Girls		Boys	Girls		
2011	2907	3099	6066	3036	3185	6221	102.5
2012	2856	3096	5952	2786	2960	5746	96.3
2013	2685	2863	5548	3367	3412	6779	122
2014	3056	3110	6166	3011	3259	6270	101.7

Source: Primary Education Department Report of MMC (2014).

Table 4.9 shows the number of pupils registered to join standard one at MMC government primary schools since 2011 up to 2014. Enrolment expected for 2014 was 6166 pupils out of which 3056 were boys, and 5,623 were girls but actually 6270 pupils were enrolled where by 3011 boys and 3259 were girls. This shows that abolition of school fees and effective internal control of capitation grants gives a positive results.

4.4.5.1 Quality improvement of teaching materials and education standards

Findings show that education quality improved in primary schools due to the capitation grants provided. The quality improvement has been observed in terms of teachers' effectiveness and ensuring adequate availability of good quality learning and teaching

materials. But according to this study the findings shows that there is no quality facilities that are obtained through the capitation grants as it showed in item 4.8.2. Also the findings obtained through interview show that most of the teaching facilities are not of the good quality in relation to the syllabus which leads to ineffective teaching of most of the teachers and it leads to number of standard seven leavers who does not know how to read and write. This implies that the standard of education are not met, hence ineffectiveness of internal control system in MMC to enable proper use of capitation grants in bringing expected education outcome.

4.4.5.2 Availability of teaching materials

The study revealed that capitation grants is very pervasive for acquiring learning materials including books in order to satisfy the need of the pupils. The findings from the interview which was made revealed that the leaning materials particularly the books are not of the high quality as it is expected. Also the facilities are not satisfying the needs of the pupils. Some MMC staff revealed there is a high misuse of the primary schools capitation grants in such a way that the 40% of books as indicated by Mnari and Mwombeki (2012) is not properly used. So this shows the ineffectiveness of internal control system in MMC on Capitation Grants.

4.4.5.3 Compliance to procurement regulations

The findings show that there is no compliance to procurement regulations as it was argued that most of the fund related to CG is not paid through Banks as indicated in item 4.2.4 of this study which does not comply with the procurement regulations. Some of the purchases are done without tendering notice and those of tendering notice purchases of teaching materials and books are bought without following specifications required on the tender documents.

Table 4.10 Compliance to Procurement regulations

Response	Frequency	Percent
Rare	92	61.3
Not sure	22	14.7
Often	36	24.0
Total	150	100.0

Source: Survey Data (2014)

Findings presented in table 4.10 above show that, out of 150 respondents 92 equivalents to 61.3% said rare, 22 equivalents to 14.7% said not sure and 36 equivalent to 24.0% said often on the truth of the statement that spending of capitation grants follows the procurement regulation. These findings revealed that most of the spending of capitation grants do not follows the procurement regulations. Therefore non compliance with tender policy implies ineffectiveness on procurement procedures as supported by findings presented in the above Table.

4.5 The roles of internal controls on capitation grant implemented by MMC

The study also wanted to search on the role of internal control on capitation grants implemented by MMC. The results have been presented in Table 4.11-4.12 below.

4.5.1 Internal control enhances proper preparations of financial reports

The questionnaires for this item provided scale items to be selected among strong disagree, disagree, not sure, agree and strong agree. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that internal control enhances proper preparations of financial reports. The findings were presented in Table 4.10 below.

Table 4.11: Internal control enhances proper preparations of financial reports

Response	Frequency	Percent
Not sure	17	11.3
Agree	20	13.3
Strong agree	113	75.3
Total	150	100.0

Source: Survey Data (2014)

From Table 4.11 above, the results show that out of 150 respondents, 17 who are equivalent to 11.3% said they are not sure, 20 who are equivalent to 13.3% said they agree and 113 who are equivalent to 75.3% said they strongly agree with the statement that internal control enhances proper preparations of financial reports in MMC.

In similar stance, the study was interested to find whether the application of internal control played a role in influencing the preparation of financial reports relating to the usage of grants allocated to primary schools in MMC. In this respect, however, the study intended to know whether the preparations of financial reports was effectively undertaken as the consequence of applying internal control over the use of grants in different government schools in MMC. In fact, the following opinions are some of the common responses given by respondents from the interview question that asked them to explain whether the application of internal control has helped the appropriate preparation of financial reports in their respective primary schools and how.

... The presence of internal control has been playing a very significant role on adequate preparations of financial reports in most primary schools operating under the control of MMC. In clear views, internal control plays role by influencing the adequate use of grants allocated to them due to the reason that with internal control there is an

aspect of adequate budget performance – the phenomenon, which in turn forces the concerned staff to prepare financial reports that go parallel with the way budget was performed within a specific period of time. This means that it is easy for finance professionals to get the insight about every step and item used relating to grants and in turn they prepare financial reports that are adequate and which provide clear details about financial usage in most precise manner ... Source: Survey data, (2014).

Findings presented above have shown that the role of internal control on the proper preparation of financial reports is apparent. The apparentness of its role is because, internal control influence the adequate and systematic use of capitation grants – then in turn it becomes easy for financial reports to be prepared adequately since there will few misconducts occurred in there.

4.5.2 Enhancing availability of facilities and proper teaching in primary schools

Morogoro Municipal Council issuing Capitation Grant to schools with directives for acquiring teaching facility and administrative issues. The study focuses on the availability of teaching resources as an indicator of proper utilization of CG on achieving the expected results i.e. proper teaching and facilities controls, In order to have facts this variables, respondents were needed to state whether they ‘Disagree, Not Sure, Agree, and Strong Agree’. The findings were presented in Table 4.10 below.

Table 4.12: Enhancing availability of facilities and proper teaching in primary schools

Response	Frequency	Percent
Disagree	24	16.0
Not sure	23	15.3
Agree	99	66.0
Strong agree	4	2.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.12 above show that out of 150 respondents, 24 respondents who are equivalent to 16.0%, disagreed, 23 respondents who are equivalent to 15.3% were not sure, 99 respondents who are equivalent to 66.0% agreed and 4 respondents who are equivalent to 2.7% strongly agreed with the statement that internal control on capitation grants in MMC enhances availability of facilities to enhance proper teaching in primary schools. This implies that the desired results for the available controls are met when MMC whole system monitored.

4.5.3 Helping MMC to comply with the capitation grants regulations

In order to facilitate the implementation of CG, the Government provides funds to the council and schools. All schools managed to open bank accounts namely capitation account. With the assistance of the council, schools now do smoothly operation of their accounts and this help to make proper bank transactions. The Municipal council assists in the overall control and use of school funds by authorising cheques in order to ensure that funds are used in accordance to stipulated directives and subject to school committees' approval. As for the previous parts the respondents were required to show their level of agreement with statement, and the results were presented in table 4.13 below

Table 4.13: Helping MMC to comply with the capitation grants regulations

Response	Frequency	Percent
Not sure	20	13.3
Agree	125	83.3
Strong disagree	5	3.3
Total	150	100.0

Source: Survey Data (2014)

The findings from Table 4.13 show that out of 150 respondents 20 who are equivalent to 13.3%, said they are no sure, 125 who are equivalent to 83.3% agreed and 5 who are equivalent to 3.3% strongly agreed with the statement that internal control on capitation grants helps MMC to comply with the capitation grants regulations and hence proper management of capitation grant.

4.6 Variable of value for money on CGs expenditures

The study revealed that the success of CG spent is the degree to which it attains its set objectives by utilization of resources economically, efficiently and effectively. It is further revealed that Value for Money is improved by reducing costs and maintaining the same level of output in terms of goods and services rendered. To assess Value for money the following were observed:

4.6.1 Quality on goods and services for CGs expenditures

The questionnaires for this item provided scale items to be selected among Rare, not sure, and often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a quality on goods

and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.14 below.

Table 4.14: Quality on goods and services for CGs expenditures

Response	Frequency	Percent
Rare	88	58.7
Not sure	24	16.0
Often	38	25.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.14 above shows that out of 150 respondents, 88 who are equivalent to 58.7% said rare, 24 who are equivalent to 16.0% said not sure and 38 who are equivalent to 25.3% said often, on the statement that spending of the capitation grants is of high quality on goods and services. Basing on the majority of the response, the findings justify that the goods and services that are obtained through the capitation grant is not of good quality.

Therefore, these findings provide a good sight toward the effectiveness of the internal control in MMC, meaning that if the internal control system is effective, then it would have monitored all the spending of the capitation grants to provide quality goods and services in relation to the fund spent. The internal control of MMC lacks of quality assurance/ evaluation team which could be used to monitor and evaluating the standards of material as per capitation grant guidelines.

4.6.3 Cost in relation to quality of goods and services

The Capitation Grant funds are directly channeled to schools, which could be used for physical inputs by the schools discretion. The costs of physical inputs like teaching materials (e.g. chalks, books and pens) need to be assessed in relation to the quality of output of teaching facilities and services. The questionnaires for this item provided scale items to be selected among rare, not sure, often and very often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a reasonable cost to the quality on goods and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.15 below.

Table 4.15: Cost in relation to quality of goods and services

Response	Frequency	Percent
Rare	120	80.0
Not sure	18	12.0
Often	11	7.3
Very often	1	.7
Total	150	100.0

Source: Survey Data (2014)

The findings presented in Table 4.15 shows that out of 150 respondents 120 who are equivalent to 80.0% said rare, 18 who are equivalent to 12.0% said not sure, 11 who are equivalent to 7.3% said often and only one respondent said very often, for the statement that Spending of capitation grants is of reasonable cost in relation to the quality of goods and services provided. The results justify that Spending of capitation grants is not of reasonable cost in relation to the quality of goods and services.

These findings revealed that the value for cannot be achieved if the cost of the goods and services are not proportional to its quality. There must be effective ways in MMC of improving value for money as argued by Kaplan (2009) and LGFAR (2000) that the most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Governments system of internal financial control.

CHAPTER FIVE

CONCLUSION, RECOMMENDATION AND POLICY IMPLICATIONS

5.0 Introduction

This chapter presents the conclusions, policy implication and recommendations of the findings on this study that was about the analysis of the effectiveness of the internal control on capitation grants to the government primary schools.

5.1 Conclusion

Generally, this research examined the effectiveness of Internal Control Systems on capitation grants to the government primary schools in Morogoro municipal council. The findings have shown that in MMC there is internal control system on capitation grants to government primary schools. These control system that are available in MMC council are; Internal control on capitation grants, internal audit on capitation grants, all the capitation grants are received through banks and monthly bank reconciliation statement on capitation grants to government primary schools.

The findings have further revealed that in MMC, the payments of school facilities and services related to the capitation grant are not done through banks. This situation does not comply with the procurement guidelines and capitation grants guidelines that require the payment to be done through banks for easy management and auditing of this fund.

The findings have justified that if all the above internal control system available in MMC was well implemented then the control system would be effective in the management and uses of the capitation grants to the government primary schools. The study have reviewed that the effectiveness of the internal control system in MMC is not effective in all the spheres due to the weaknesses of allowing the payment of school facilities and services for the money related to the capitation grants to the government

primary school to be done in other ways rather banking system. This is a weakness since it reduces audit trail.

The internal control in MMC is ineffective since the study have revealed that there is no value for money on the school facilities and services paid up by the money related to capitation grants. This conclusion have been drawn due to the reasons that; spending of the money related to capitation grants are not following the procurement regulations and spending of the money related to capitation grants is not of the high quality on school facilities and services in relation to the price paid. Also from the interviews made by some of the respondents it shows that there is no much information to stakeholders on how the money are spent, since information and value for money are very much related as it was argued by DiNapoli, (2007 INTOSAI, (2004), that there is statistically significant relationship between Information and Communication and Value for Money in local Governments.

Lastly the study have found that, on the effective uses of capitation grants, most of the government primary schools are incorporating the capitation grants in the school plans and they are keeping some of CG transactions records in schools as it is required by the financial requirements. But contrary to this, the spending of money related to capitation grants are not complying with the PEDP and procurement guidelines in a great extent.

5.2 Policy implications

The findings of this study provide a chance to the policy makers to review the controlling and auditing process that help the internal auditors in local government to work effectively in supervising the uses of the public funds provided for different public functions. It also provide a room for more exploration on the effectiveness of the current situation of providing fund to the government schools against the demands of schools' teaching and learning materials.

5.3 Recommendations

5.3.1 Internal Control System Reviews

Having known the level of effectiveness and significance of Internal Control Systems on capitation grants to government primary schools in Morogoro Municipal Council, Local Governments need to ensure that they continuously review these Internal Control Systems so as to ensure that they are operational toward the achievement of the desired goal on every public fund for the development of the country.

5.3.2 Planning and Budget Setting

Moreover since CG is distributed based on the number of pupils available at the government primary schools, then it is necessary for the authority to verify the actual number pupils obtained from the head teachers by conducting auditing so as to minimize the risk of incurring cost on dummy pupils

5.3.3 Cost Controls

For further studies I recommend to be done on the real cost that covers the study of a single student in government primary schools that will provide effective outcome. Also the study should be on the reason for the delay of the capitation grants from the top authority to the government primary schools.

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APPENDIX I

QUESTIONNAIRE

Dear Respondents,

I am EDWARD TEMU a student at Mzumbe University. The intent of this survey is to study the effects of internal control systems in managing education capitation grants in local authorities. The research is conducted in partial fulfilment of the requirement for the degree of Master of Accounting and Finance. I would be very grateful if you could take about 15 to 20 minutes in filling this questionnaire.

Your feedback is very important and your answers will be kept in strict confidence and will be used only for the purpose of this study.

PART A; PERSONAL INFORMATION

1. Your gender (a) Male [] (b) Female []
2. Education level (a) Primary [] (b) O-level [] (c) A-level []
(d) Certificate [] (e) Diploma [] (f) Degree [] (g) Masters []
(h) Others []
3. Age (a) 18-34 [] (b) 35-55 [] (d) 56±
4. How long have you worked in current position?years
5. Designation

PART B; INTERNAL CONTROL SYSTEMS RELATING TO EDUCATION CAPITATION GRANT

1. Are there any internal controls in managing primary education capitation grant?
a) Yes b) No c) I don't know

2. The following are expected internal controls expected to be in place, show if these internal controls are available or not.

Internal control	Available	Not Available
Existence of internal Audit		
All money relating to CG are received through bank		
All payments relating to CG are done through cheque/bank		
Preparation of Bank reconciliation monthly		

3. To what extent does each of these controls enhance proper distribution of capitation grant? Rank the extent from 1(very well) to 5(worse)

Internal control	1	2	3	4	5
Existence of internal Audit					
All money relating to CG are received through bank					
All payments relating to CG are done through cheque/bank					
Preparation of Bank reconciliation monthly					
Key; 1=very well 2=well, 3= Not sure, 4=Bad, 5=worse					

4. The roles of internal controls on capitation grant implemented by MMC are as follows; show your agreement or disagreement on the statement by ranking 1(strongly disagree) to 5(strongly agreed)

Role	1	2	3	4	5
Internal controls helps management in preparation of financial reports and that ensures information to be fairly presented					

Internal controls within a MMC encourage efficient and effective use of capitation grant to optimize the Teaching and Learning and Materials (TLM) at primary schools.					
Having established internal controls, MMC can comply with regulations involved with capitation grant					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree, 5=strongly agree					

5. In general what do you consider to the contribution of the available internal control system in achieving the effective distribution of capitation grant in primary school?

- a) High (b) Average (c) Low

PART C; THE LEVEL OF VALUE FOR MONEY ATTAINED

ECONOMIC;

6. Rank the following statements on economic variable of value for money. Rank from 1(very rare to 5(very often)

Statement	1	2	3	4	5
Capitation grant spending have been following procurement regulations					
All spending (goods or service) have been of high quality					
The spending of goods or services have been of reasonable cost compared to its quality					
Key; 1=very rare, 2=Rare, 3=not sure, 4=often 5=very often					

EFFECTIVENESS

7. Rank the following statement on the effectiveness of the use of capitation grant at primary school. Rank by showing your agreement or disagreement on the statement

Statement	1	2	3	4	5
We have been incorporated capitation items in the school plans					
We have been complied with PEDP financial and procurement					

guidelines					
We have been keeping capitation transactions record at our school(s)					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree,					
5=strongly agree					

EFFICIENT

8. How do you rank the inputs (costs) used in relation to goods/service obtained?
 a) Very efficient b) efficient c) inefficiency

**ANALYSIS OF EFFECTIVENESS OF INTERNAL CONTROL
SYSTEMS IN MANAGING EDUCATION CAPITATION GRANTS
IN LOCAL GOVERNMENT AUTHORITIES IN TANZANIA:**

**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN
MOROGORO MUNICIPAL COUNCIL**

2014

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GOVERNMENT AUTHORITIES IN TANZANIA:**

**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN MOROGORO
MUNICIPAL COUNCIL**

By

EDWARD TEMU

**The Dissertation submitted in partial fulfilment of the requirements for awards of
degree of Masters of Science in Accounting and Finance (MSc. A and F) of the
Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled the Analysis of effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, in partial fulfilment of the requirement for the award of degree of masters of Science in finance and Accounting of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the Board of _____

FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATION AND COPYRIGHT

I, **Edward Temu**, declare that this Dissertation is my own original work and my own investigations except where otherwise identified by references and that I have not plagiarized another's work. I also declare that this work have not been presented and will not be presented to any other University for a similar or any other degree award.

Signature _____

Date _____

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ACKNOWLEDGEMENTS

The completion of this work cannot go without acknowledging the contribution made by few special individuals who have devoted their time, means and intellectual abilities to make my Masters studies at Mzumbe University a success.

First, I would like to thank Mr. Robert Makorere my supervisor who worked tireless and patiently in assessing me to accomplish this work. He always welcomed me when I needed help and guidance for this work. I would like also to thank all my lecturers at Mzumbe University who in one way or another enriched my intellectual ability during the all period of my studies.

Second, I would like to thank my Classmates for their advices and challenges which helped to make a good progress of this study.

Finally I would like to thank my parents and my wife Linda and my Children Adrian and Ariella, for their Moral support and their encouragements. May God bless all.

ABBREVIATIONS AND ACRONYMS

CE	-	Control Environment
COSO	-	Committee of Sponsoring Organization
DPEO	-	District Primary Education Officer
ICS	-	Internal Control System
LGAs	-	Local Government Authorities
LGRP	-	Local Government Reform Programme
MMC	-	Morogoro Municipal Council
MoEVT	-	Ministry of Education and Vocation Training
MoF	-	Ministry of Finance
OECD	-	Organizations of Economic and Co-operation and Development
PEDP	-	Primary Education Development Plan
POLALG	-	President's Office Regional Administration and Local Government
RBO	-	Religions Based Organizations
SLO	-	Statistics and Logistic Officer
VFM	-	Value for Money

ABSTRACT

This study was aiming at analysing the effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, the case of Morogoro Municipal council.

The study interviewed 150 respondents using questionnaires. However, the study employed convenience and purposively sampling method to select Teachers, school and auditors, accountants, statistic logistic officers as well as politician respectively. In addition the study analysed data collected by employing descriptive and descriptive statistics using frequencies and percentages.

The findings revealed that the internal control system on the capitation grants in local governments, in particular Morogoro municipal council is ineffective. Most of the payments of the money related to capitation grants are not done through banks. Also there is no value for money on the goods and services that are obtained through capitation grants.

In view of the findings above, the study recommended that the available internal control system in Morogoro Municipal council should be implemented and improved to be more effective so as to achieve the goal of proper management of capitation grants.

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CHAPTER ONE

1.0 Introduction

This chapter introduces the study by presenting the introduction section, followed by background of the study, statement of the problem, research objectives, research questions, scope and limitation of the study, significance of the study, and organization of the study.

1.1 Background of the Study

Historically Tanzania has a long history of functioning local government, starting with the Native Authorities Ordinance in 1926. In 1972, the local government was abolished and replaced with a direct central government rule. The local government was reintroduced in 1982 when the rural councils and rural authorities were re-established (Jaba, 2010). The local government elections took place in 1983 and established the functions of councils in 1984. The LGRP covered four areas: political Decentralization, financial decentralization, administrative decentralization, and Changed central-local relations, with the mainland government having over-riding powers within the framework of the Constitution (Sine Anno; Kuusi 2009).

Local Government in Tanzania for many years has been required to develop and adhere to effective Internal Control Systems (ICS) in order to attain Value for Money (VFM) particularly in development expenditure Matrix (Davies, 2007). These Internal Control requirements have increased significantly due to an increased awareness of people and the members of parliament that has led the government of Tanzania to establish an independent internal control organ following the Amendments of the Public Finance Act (PFA) CAP 348 in 2010.

Decentralization mandates Local Government(LG) council to set up effective Internal Control Systems (ICS) that ensures the reliability and integrity of information, compliance with policies, plans procedures, laws and regulations, safeguard of assets, check on the misappropriation of their resources, as well as proper authorization of expenditure and regular update of books of accounts in order to attain Value for Money (Lubabah, 2009; Assimwe & Nakanyike, 2007; LG Act 1997).

Primary education is one of the key sectors that the government of Tanzania has selected to be one among the priorities under the “Big Results Now” (BRN), whereby the aim of making more development in this sector started effectively when the government established the so called the capitation grants for the primary and secondary schools in 2002. Establishment of capitation grant system was geared toward compensating the revenue loss in schools due to the abolition of school fees and contributions. The introduction of the capitation grant allowed children from all wealth backgrounds to go to school and hence reducing social exclusion as children from poor households could now afford to attend school. Net enrolment rates rose sharply from less than 60% of eligible school age children in the year 2000 to more than 95% since 2006 (Hakielimu Report, 2010).

Since the Tanzania Government invests large sums of money in the Schools as Capitation grant, the outputs in terms of teaching and learning materials are expected to match with development expenditures, which is not the case (CAG Report, 2010).

In addressing the problem, The Tanzania Local Government Authorities have been going on many reforms in the area of Public Financial Management (PFM) since 1998 under the name Public Financial Management Reform Programme (PFMRP) as well the introduction of Decentralisation by Devolution (D by D) policy which intends to provide autonomous power to local authorities hence be accountable, transparency and be assessed on their performance.

1.2 Statement of the Problem

As local governments have been given powers through decentralisation, government primary schools began being managed by the local government authorities (Issa, 2004). This management of public primary schools enhances implementation of various education activities and improves the quality of education offered in primary schools. However, Mushi (2006) shows that there are financial management malpractices that entail collusions between school committee chairpersons and head-teachers, and between head-teachers and District Primary Education Officers (DPEOs). These malpractices of collusions undermine the efforts done by the government and hinder the implied transparency and efficiency of the direct support to schools. Moreover, Halleck and Poisson (2007) list a number of malpractices such as use of educational funds on unplanned activities such as to cover irregular payments. Also there have been a problem of capitation grant being underfunded for example a 2004 public expenditure tracking study (PETS) administered by REPOA found that 40% of capitation grant did not reach the school level on time (Hakielimu Education Brief No 7.2E, 2010). On their report REPOA also argued on the complexity system of disbursement of capitation grant.

Therefore, the problem of misuse of public funds is so prevalent even when funds are allocated fairly across schools at the individual level. Thus, increasing capitation grant disbursements to primary schools may not be a panacea for improving quality of public primary schooling in Tanzania. However, full capitation grant can be prioritised on the budget, a clear disbursement system and clear schedule and transparency in all levels may increase the efficient use of these public funds. Furthermore there is no clear study or auditoria report that has shown the chance of the internal system in our district councils in supervising the allocation and uses of the capitation grant in government primary schools. Therefore, this study will analyse the effectiveness of internal control systems in managing capitation grant for government primary schools in Tanzania.

The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

1.3 Objectives of the Study

The study is designed to achieve a general objective and narrowed down to three specific objectives as presented below;

1.3.1 General Objective

The general objective of this study was to analyse the effectiveness of internal control systems in managing education capitation grants in local government authorities of Tanzania particularly funds allocated in primary education in Morogoro municipal as a study area.

1.3.2 Specific Objectives

The specific objectives of the study were as follows:

- i. To find out the presence of the internal control system on the capitation grants in primary schools.
- ii. To examine the effectiveness of the internal control system in capitation grants in primary schools.
- iii. To examine Value for Money attained on the capitation grants granted to primary schools in the study area.

1.4 Research Questions

- i. Is there internal control system on the capitation grants in primary schools?
- ii. How effective is the internal control system in capitation grants in primary schools?

- iii. What is the Value for Money on the Capitation grant, granted to government primary schools?

1.5 Scope of the Study

Public funds not only capitation grant have complex system of disbursement, however when followed in transparency, it reduces complains and the misuse. The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

The study focused at these two lower levels in the disbursement process due to two reasons. One there some argument that money received by local councils for capitation grant are not sent all or sent partially or delayed to primary schools as directed. Second, it will be in researcher's capacity to obtain data as one among the stake holders and collect data given constraint of time of the research.

1.6 Significance of the Study

The study will help the policy makers realize the need to have and implement effective Internal Control Systems in the implementation of development grants which in turn will help achieve Value for Money to the intended users of these development programmes.

1.6.1 To Local Government Authorities

The study will generate knowledge to link Internal Control Systems and Value for Money which will guide Policy makers in the planning for the public resources.

1.6.2 To the Finance and Accounting Practitioners

The study will be helpful to all academicians and practitioners in finance and accounting management. The study will help them generate knowledge on the way internal control should be practised in a reliable manner to help their firms safeguard their assets.

1.6.3 To the Researcher (s)

The study has helped the researcher to acquire knowledge and understand the techniques of doing research. Above all, the study has helped the researcher to have knowledge on internal control systems in local governments – as its findings informed him on how internal control may be the tool for MMC to achieve effective VFM of education capitation grants. Also, the Study will enable a researcher to complete master's degree in Finance and Accounting.

1.7 Limitation of the study

The study concentrated only to Morogoro Municipal Council and all government primary school supervised by it, thus provided a lesson to other Municipal councils. There was a poor response especially at the school level as the respondents were reluctant to provide information on Capitation Grant. The study frequently explained to the respondents that it was purely for academic purposes to eliminate information concealment.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the definitions of key terms, reviews some related literatures, both theoretical and empirical concerning the internal control systems and the capitation grant, afterwards, it draws the conceptual framework based on the assumptions presented in the available literature.

2.1 Definition of Key Terms

This section provides definitions of key terms or concepts as employed in this study. The process of definition and description is carried out in the following arrangement; Internal control systems then the capitation grant.

2.1.1 Internal Control Systems (ICS)

According to Motlia (2009) internal control systems refer to internal controls with a common purpose grouped together. Basically, internal control as defined in accounting and auditing is a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organisation (Gervais, 2004).

The International Standards on Auditing number 400 (ISA 400) defined Internal control Systems as comprising the controlled environment and control procedures. It includes all policies and procedures adopted by the management of an entity to assist in their objectives achievements, as far as practicable, the orderly and efficiently conduct

business, including adherence to management policies, safeguard of assets, prevention and detection of frauds and errors, the occurrence and completeness to accounting records, and the time when preparing the financial information.

Based on the definitions above, internal control is therefore, a means by which an organisation's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organisation's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

2.1.2 Capitation Grants

The term capitation grants is defined by Ablutz (2009) as an amount of money given to an organisation for each person it deals with, teaches, or cares for. So it is all money given to government primary schools for education improvements. Manara and Mwombela (2012) shows that the capitation grant for primary education in Tanzania is meant to provide money for teaching and learning materials for pupils enrolled in public schools at Tshs 10,000 per pupil per annum in the following allocation; Text books, teaching guides, supplementary reading materials Tsh 4000, Chalk, exercise books, pens, pencils Tsh 2000, Facility repairs Tsh 2000, Examination paper, purchase and printing Tsh 1000, Administration Materials Tsh 1000.

2.2 Theories of Internal Control Systems

There exist different theories about internal control; in this study dempster-shafer theory and Agency Cost theory of Internal Control have been reviewed.

2.2.1 Dempster-Shafer Theory of Internal Control

According to Dempster-Shafer theory of internal control, both quantitative and qualitative methods exist for the evaluation of internal controls. Conventionally, auditors often adopt qualitative methods, such as questionnaires, checklists, flow charts, and test of transactions for evaluation purposes.

The theory provides a systematic way to represent the interrelationships amongst key accounting systems components for the evaluation of IC for financial resources and others – including; significant accounts being evaluated, business processes impacting these accounts, risks to which business processes are exposed, control procedures implemented to counter the risks, and evidence gathered to evaluate the effectiveness of control procedures (Srivastava, & Vasarhelyi, 2012). Furthermore, Srivastava, and Vasarhelyi (2012) Explained that the theory believes at given judgements on strength of the audit evidence gathered as input, the proposed method provides a rigorous algorithm to aggregate these judgements, propagate, and aggregate the results, and output quantitative risk assessments on various levels within the accounting information system. Included are assessments related to the overall IC, significant accounts level, business process level, individual risk level, and individual control procedure level.

Basically, the evidential reasoning of this approach is a process of risk assessment where several variables (assertions) when combined together inform us about a variable of interest such as the effectiveness of internal control. It allows the decision maker to develop a framework that aggregates all the evidence available in the situation pertaining to various intermediate variables and then infer about variables of interest such a feature makes the theory appealing to the evaluation of the effectiveness of the IC system because the ultimate effectiveness relies upon multiple factors such as effectiveness of multiple control procedures, the control environment, and evidence gathered from various sources (Yeager, and Liu, 2008).

2.2.2 Agency Cost Theory of Internal Control

According to this theory there is an intense interrelationship between effective internal control performance and agency cost and asset security. The theory maintains that reporting on internal control may be considered as a monitoring function to reduce conflict between debt holders, shareholders, and management (Ziurtv, 2007; Williamson, 1998).

The theory puts much of emphasis on the relationship between firm's asset security and effective performance of internal control. Ziurtv (2007) argued that based on that relationship, the theory thus, provides that; adequate appropriation and security of resources lie in the capability of effective internal control system.

The Institute of Chartered Accountants (2005) elucidated that agency theory is a useful Economic theory of accountability, which helps to explain the development of the control and the way it should be viewed. In order to better explicate the relationship opinions, this theory has put aside two variables ruling in principals such as company 'stop management on one side, as well agents like, auditors on the other side. Therefore, a simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour.

Gervais (2004) argued that delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent such as auditor to act in the principal's best interests like; performing internal control with full focus of safeguarding company's assets.

2.3 Internal Control Systems

This section presents the theoretical part of the study. The purpose of reviewing theoretical literature is to allow the study to capture certain thoughts and opinions from various authors and writers so as to get a guide towards understanding the way internal control systems may be effective in achieving value for money under situation either identical or similar to the topic under concern.

According to Storkey (2011) Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGAs as managing financial risk is very important to modern organisations. In achieving the effective internal control, the agency theory suggested the presence of a third party called “auditor” to ensure and reduce the asymmetric of information among principal and the agent. For that reason Jsegying (2009) explained that professional auditors must be given cooperation to play crucial task to make sure that they achieve the highest level of asset security. It is for the same reason the constitution of united republic of Tanzania of 1977 as amended from time to time section 140 empowers the Controller and Auditor General to have full power to access any documents during auditing process at any public entity. During auditing process auditors must examine internal controls to check if there working properly. However, there are different types of internal controls within an organisation and it depends with complexity of the organisation structure.

2.3.1 Types of Internal Controls

Generally speaking, there are two major types of internal controls - one being; preventive and the other being; detective. These two types of internal controls are discussed below;

2.3.1.1 Preventive Controls

As the term itself specifies, preventive controls are kind of controls designed to discourage errors or irregularities from occurring (Oliver, 2014). They are proactive controls that help to ensure department objectives are being met. Examples of preventive controls are: segregation of duties: where duties are segregated among different people to reduce the risk of error or inappropriate action (Oliver, 2014).

Normally, responsibilities for authorising transactions (approvals), recording transactions (accounting) and holding the related asset (custody) are divided.

Second are; approvals, authorisations and verifications: management authorizes employees to perform certain activities and execute certain transactions within limited parameters. In addition, management specifies those activities or transactions that need supervisory approval before they are performed. And the third and last is the security of assets (preventive and detective): access to equipment, inventories, securities, cash and other asset is restricted; assets are periodically counted and compared to amounts shown on control records (Oliver, 2014).

2.3.1.2 Detective Controls

Detective controls are the types of controls designed to find errors or irregularities after they have occurred. Examples of detective controls include: First; review of performance: in which management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up (Oliver, 2014). The second example include; reconciliations: wherein an employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary. The third example includes physical inventories. And the fourth one involves audits (Ibid).

2.4 Components of Internal Control system

Under the basis for developing and providing business control systems and assessment and addressing their effectiveness (internal control issues) the study has identified the following component of internal control according to the Committee of Sponsoring Organisation, (2014) and Bushman, (2007) as; the control environment; risk assessment; control activities; information and communication and monitoring.

2.4.1 The control Environment

Control environment relates to the organisation's identification, analysis, and management of the risks that are related to financial statement preparation. The control environment is the basis for all other components control (COSO, 2014; Bushman, 2007).

According to DiNapoli (2007), Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical value integrity and morale of the people of the organization. The control environment is further affected by the organization's structure and accountability relationship. It is the attitude and actions of Council and Management regarding the significance of control within the LGAs. Control Environment provides the discipline and structure for the achievement of the primary objectives of the System of Internal Control. According to Letsuy (2012) control environment is the foundation of the ICS and sets the tone of an organization, influencing the control consciousness of its staff. This is the overall LGA attitude, value and philosophy of senior political and management executive and the culture throughout the LG relating to the timeliness, integrity, and accuracy of financial reporting (Thuy, 2007).

It provides the discipline and structure as well as the climate which influences the overall quality of the Internal Control Systems. Elements of the control environment are; the personal and professional integrity and ethical value of management and staff,

appropriate culture in the organization attitude towards internal control throughout the organization; commitment to competence; the “tone at the top”(i.e. management’s philosophy and operating style); a good organizational structure (an independent Internal Audit function and segregation of duties)’ set up proper authorization limits and human resources policies and practices(Kaplan, 2008; 2007; INTOSAI, 2004, and Laura, 2002).

2.4.2 Risk Assessment

This component refers to the organisation’s identification, analysis, and management of the risks that are related to financial statement preparation, in order to ensure that financial statements are presented fairly and in compliance with generally accepted accounting principles (GAAP) (COSO, 2014; Bushman, 2007).

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity’s objectives and determining the appropriate response (DiNapoli, 2007; INTOSAI, 2004). It involves risk identification; risk evaluation (estimating the Impact of risk; assessing the like hood of the risk occurrence); assessment of the risk appetite of the organization and development of responses.

Risk assessment should be performed and should identify; controllable risks (risks that are caused by the external environment that the entity operated in). According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organization. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analysing altered conditions and opportunities and risk (risk assessment cycle) and modifying internal control to address changing risk (Heald, 2003).

2.4.3 Control Activities

The organisation's policies and procedures which help ensure that necessary actions are taken to address the potential risks involved in accomplishing the entity's objectives (COSO, 2014; Bushman, 2007).

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy (2007); Sarbanes – Oxley Act (SOX, 2002); Control Activities are comprised of policies procedures and systems relating to the reliability of financial reporting.

They include; authorizations and approvals, verifications, reconciliations, review of performance, security of assets, segregation of duties and controls over information systems (Laura, 2002). The elements with cheques issued, procedures governing the counting and valuation of inventory, the procurement and disposal systems and codes of conduct to guide employee behaviour (Kaplan, 2008; Thuy 2007, SOX, 2002). Control activities can be preventive and /or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the organization objectives hence realizing Value for Money.

2.4.4 Information and Communication

This component focuses on the nature and quality of information needed for effective control, the systems used to develop such information, and reports necessary to communicate it effectively (internal control issues (COSO, 2014; Bushman, 2007).

2.4.5 Monitoring

This component involves assessing the quality and effectiveness of the organisations internal control process over time. It includes assessing the design and operation of controls, and assessing compliance with policies and procedures. It also provides for the implementation of appropriate actions when necessary (COSO, 2014; Bushman, 2007).

2.5 Capitation Grant in Local government Education

School fees abolition is becoming increasingly acknowledged as one of the strategies toward Universal Primary Education and as a key measure to achieving children's right to education. In view of this, the World Bank and UNICEF in 2005 launched the School Fee Abolition Initiative which aimed to disseminate lessons from the experience of countries that have abolished fees and provide context specific advice to countries that are seeking to do so (Manara and Mwombera 2012).

Experience in several countries shows that the private costs of schooling are a major barrier that prevent many children from accessing and completing a quality basic education. They are especially burdensome in countries where poverty imposes tough choices on families and households about how many and which children to send to school, and for how long.

School fees represent a regressive taxation on poor families, and the enrolment of poor, excluded and vulnerable children is very sensitive to fees, even when these are small.

School fee abolition is not just about "tuition fees" (which do not necessarily constitute the main bulk of fees). School fee abolition must take into consideration the wide range of the costs of schooling to families and households. This means any direct and indirect costs/charges (tuition fees, costs of text books, supplies and uniforms, other contributions, costs related to sports and other school activities, costs related to

transportation, contributions to teachers' salaries, and the like.) as well as opportunity costs and other burdens on poor families.

To meet the Millennium Development Goal (MDG) for education and national targets the Tanzania Government took a bold step forward by abolishing all fees charged by schools and also providing schools with a small grant for each pupil enrolled. The grant provided is called the capitation grant.

The decision to replace school fees with capitation grants has some advantage which include increased enrolment however it has critics that whether it have the desired impact on the quality of education. It can be seen that increase in enrolment will result to increased demand for additional classrooms; demand for additional teachers; Demand for additional textbooks and other teaching and learning materials and it is difficult to sustain community participation.

2.6 Capitation Grant Governance in public sector industry

The governance of the capitation grant in Tanzania can be categorised into two; the civic engagement and the school autonomy.

2.6.1 The Civic Engagement

Civic engagement refers to citizens' interaction with a particular field of interest, for example, public finance policy, with a view to obtaining a favourable outcome from such interaction (World Bank, 2001).

Thus, aspects of social accountability such as citizens' agency, volunteerism and political awareness are all forms of civic engagement in Tanzania. For instance, budget advocacy through villagers' participation in Village Assemblies (VA), civil society participation in Ward Development Committees (WDCs), District Consultative Committees (DCCs) and Regional Consultative Committees (RCCs) have become some

of the most popular forms of exercising citizens' agency in Tanzania. The civic engagement comprises of citizens' agency, volunteerism and political awareness.

2.6.1.1 Citizens' Agency

Citizens' agency concept assumes that ongoing contact between the public and their leaders provides the citizenry with the opportunity to draw attention to weaknesses in service delivery, and, as a result, the leaders would take appropriate measures in line with user preferences (Manara & Mwombela 2012).

In Tanzania, the quality of exchanges between community members and government at different levels has reached a higher platform recently as each side appreciates the attitude and effort of the other

2.6.1.2 Volunteerism

Volunteering is working, the putting in of time and energy, which one person does for another or for the public, of their free will, and with no material compensation similar in quantity or quality to the market value for these services (Cohen, 2009). The participatory aspect of volunteerism can contribute to a heightened understanding of the forces which shape governments and societies, leading to greater transparency, accountability.

2.6.1.3 Political Awareness

Political awareness manifests itself through voter turnout, attendance in political rallies, and listening to and/or reading news from the mass media. People are more active today in terms of participation in elections despite the fact that attempts to influence the results through both legal and illegal means are common (Kessy et al., 2006).

Mass media is by far the most important means by which people access information. Of the three main types of mass media, radio continues to be the most accessible, followed by newspapers and then television (HakiElimu & REDET, 2006). A radio is the most commonly owned item within households, most likely due to its affordability, portability and low maintenance costs. Currently, internet may be limited in access, affordability and utility, but it is gaining in influence. Information via the internet travels faster, especially with the current wave of providing internet services through mobile phones and short message services (SMS).

2.6.2 School Autonomy

School autonomy is a form of school management in which schools are given decision-making authority over their operations (Arcia et al., 2011). Some authors have suggested using “de facto” autonomy as opposed to “de jure” autonomy as the relevant measure of autonomy. While “de jure” autonomy refers to whether the school has been appointed as autonomous or not, “de facto” autonomy is related to the level of autonomy the school is actually enjoying or exercising as measured by the number (or the percentage) of decisions the school makes (Manara & mwombela 2012).

Public primary schools in Tanzania derive their autonomy from their local councils. Thus, current school autonomy in Tanzania should be viewed in the context of the Decentralisation-by-Devolution Policy of 1998. School autonomy includes freedom to determine own school needs, set priorities and budgets on the basis of the total resource envelope available at school level including subventions from the government (Mushi, 2006).

There two sets of indicators for school autonomy; one for authority over the use of the school budget (school decision-making power) and authority to seek additional funds from non-government sources (share of school own source revenues).

2.6.2.1 School Decision-Making Power

The progression in school autonomy in the last two decades has led to the conceptualisation of school-based management as a form of decentralisation in which the school is in charge of most managerial decisions but with the participation of parents through school committees (Manara and Mwombela 2012). School autonomy fosters governance by making the school committee in charge of school management (Arcia et al., 2011).

Although the capitation grant programme has increased school autonomy, the role of local governments at district, ward and village levels in the delivery of primary education remained unclear. Interference by the District Primary Education Office (DPEO), Ward Education Coordinators (WECs) and village government officials have been creating tensions among the school committee members and teachers. The school committee is the lynchpin of the success of the strategy at the community level (Manare & Mwombela 2012) but members do not have full mandate on school management.

2.6.2.2 Share of Own Source Revenues

Public schools are fiscally decentralised if they are allowed to mobilise own resources for school operations and development expenditures (Eskeland & Filmer, 2002). Innovative local sources of education development finance can easily be tapped where there are effective community-based school committees running the relevant school (Lwaitama, 2004). In Tanzania, there are two sources of own school revenues, namely donations from the private sector and non-governmental organisations (NGOs) and contributions from parents and the wider community.

Government primary schools also generate own revenues from gardening, selling tree seedlings, small restaurants and milling machines. Other schools, especially those in urban centres, rent out their premises and charge those who operate petty businesses within their compounds.

2.7 Ways to Achieve Successful Value for Money

2.7.1 To eradicate waste in benefits services processes and systems

Value for Money (VFM) can be achieved by eradicating waste in benefits services processes and systems. The “critical success factor” for a public sector organization is the degree to which it fulfils its set objectives and mission in terms of being efficient, effective, and economical. The Internal control systems are keys in achieving the organizational set mission and objectives; hence Value for Money.

2.7.2 Local Governments control over the use of resources

The main approach to VFM is the LG’s control over the use of resources in order to achieve its set objectives, LGIAM (2007). Regulation 106 of the LGFAR (2007) requires the Head of Internal Audit to carry out regular review to ascertain whether council receives VFM in all its activities. Heads of Department should establish sound arrangements for planning, appraising, authorizing, and controlling operations in order to achieve Value for \money LGFAR (2007). Davies (2007) holds that the public sector applies no consistency in defining Value for money (VFM) and the decision making strategies of LGs are poorly defined and applied irregularly hence LGs are able to exploit the definition of VFM to justify their actions.

However, many authors hold that Value for money is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. Value for Money is not paying more for a good or service than its quality or availability justifies as well public spending implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness(full attainment of the intended results) (Glendenning 1998; Davies 2007; Deakin 1998 and LGIAM, 2007).

The most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Government's system of internal financial control (Kaplan, 2009; LGFAR 200).

During the process, communication needs to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost. However, Kerr (2005) observed that the will to provide Value for Money in Government spending is weak because accountability to taxpayers and the public is generally weak.

According to Heald (2003) VFM analysis needed to pay attention to total risk and VFM is related to concept of efficiency and effectiveness. Jiju and Ogded (2009) hold that despite a long period of implementing performance management within the public sector improvement in performance, accountability, transparency, quality of services and Value for Money have not yet been achieved.

2.8 Empirical Literature Review

This part reviewed the study done by other authors or researchers relating to internal controls and the capitation grant.

Yustaria (2010) conducted a research to find the role of internal controls in financial institution. The research was titled "the emerging role of internal control practice on the security of assets in small financial lending institution in Tanzania". From this research the findings revealed that, internal control was the mere instrument through which most of small financial lending institution was capable of scrutinising all financial performances relating to the level of lending. The finding shows that internal controls helps the reliability of financial reporting and detection of errors as a result minimise risks which occurred with regard to financial utilisation.

In addition Shaban (2011) focused on determining the impact of internal control on the financial performance of Financial-Based Institutions in Tanzania; the case of National Microfinance Bank (NMB), head office, Ilala, Dar es Salaam found that there was a big

impact derived from the application of internal control on the financial performance of financial-based institutions in Tanzania. The findings further shows that with the presence and application of internal control, every aspect relating to banking operation including; transactions which were to be recorded and in turn could be evaluated; Internal controls influences everyone in the bank to adhere to the keeping record of every asset used; none of the errors, fraud, and misappropriation could be deliberately undertaken.

According to John (2011) who studied the relationship between internal control and organizational performance of Limited Industries finding's shows that there is a significant positive relationship between internal control system and management of a limited companies.

Moreover, Makubi (2012), studied the impact of financial internal control on financial performance in Religious-Based Organizations (RBOs), the study found that Financial Internal Control plays a significant role especially in preventing the occurrence of fraud, and likewise may impact financial performance by detecting various aspects involved in financial performance. The finding also shows that Financial Internal Controls may be used as a tool which can reveal all necessity financial-related matters such as fraud, cost and expenses.

Ritva and Svensson (2005) did a research titled "Fighting Corruption To Improve Schooling: Evidence From A Newspaper Campaign In Uganda" with the question "What is the most effective way to increase primary school enrolment?" A newspaper campaign in Uganda aimed at reducing capture of public funds by providing schools (parents) with information to monitor local officials' handling of a large education grant program. The findings in this research shows that both enrolment and test scores increased significantly more in schools in areas with higher newspaper penetration, and thus in schools with more funds.

The findings further shows that since schools were free to spend their grants on whatever nonwage items they needed, be it textbooks, school meals, school uniforms, or flipcharts, the indirectly enhancement learning activities should be addressed by the policy.

However, Manara and Mwombela (2012) in their research titled “The Governance of the Capitation Grant in Primary Education in Tanzania: Why Civic Engagement and School Autonomy Matter” finding shows that the level of capitation grant governance in schools in average-spending councils (Morogoro MC and Kondoa DC) is higher than in high-spending councils (Singida MC and Mvomero DC) and low-spending councils (Songea MC and Mbeya DC). This suggests that increasing public expenditures is not a panacea for solving quality problems currently haunting the primary education sub-sector in Tanzania. Improving governance of disbursed funds at the school level is equally important. The evidence across case councils has shown that frequent cuts and chronic delays of capitation disbursements are just one part of the story. More often than not, the untold story is how school committees and school administrations manage the funds that do reach the schools.

This study found that demand-side factors matter most for the governance of the capitation grant in schools. In particular, parental monitoring of school revenues and expenditures can play a critical role in improving the governance of the capitation grant in schools.

Noncompliance to the Internal Controls is one of the major hindrances to the attainment of VFM in LGAs as addressed by most authors, writers, and academic researchers. From the side of empirical studies, a lot has been done to address the role of internal control in financial performance, and its impact on the security of assets in organisations different from LGAs. Whereas, there is little and perhaps nothing of attention was addressed about internal control in relation to capitation grants in government primary schools in Tanzania.

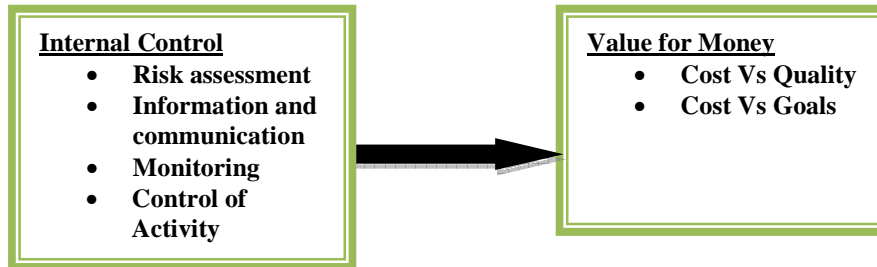
Most of them had shown interest in areas like; internal audits and financial performance in financial institutions and RBOs. Weak, non-compliance, non-existent or absent public financial management functions (Internal Control Systems) are likely to negate any advantages that might be inherent in bringing public services “closer” to people (Value for money). In contrast, those studies needed to establish the relationship between the Internal Control Systems and Value for Money in LGAs in Tanzania. Therefore, it can be concluded from the literature that there is an urgent need to analyse the effectiveness of internal control system in managing education capitation grants in LGAs in Tanzania particularly.

2.9 Conceptual Framework

In presenting the conceptual framework for the study, this section bases much on providing assumptions based on the objectives to be achieved by the study in hand. That is to say; most of the assumptions laid down in this context are in parallel with the assumption portrayed from the objective as well.

This study is based on two variables the dependent variable which is value for money and the independent variables collectively internal controls. The dependent variable will be measured by three elements namely the efficiency, the effectiveness and the economy. The independent variable comprise of preventive controls (control environment and control activities) and the detective controls namely risk management, information and communication and monitoring. In summary the conceptual is summarised below in figure 2.1;

Figure 2.1: Conceptual framework



Source: Researcher's (2014)

The model above explains the relationship amongst the variable under study; it explains Internal Control System as the Independent variable while Value for Money as the dependent variable. According to the Figure 2.1 above, internal control performance may influence accurate distribution of grants to public schools by MMC, the detection of resource performance and use, and may influence the prevention of errors to occur during the financial performance.

That means, internal control promotes effective management of resources while stressing the values of economy, efficiency and effectiveness (Value for Money) Control. Environment, control Activities, Risk Assessment, Information and Communication and Monitoring are a necessary to help the performance of internal control to be in place and in turn help LGAs achieve effective value for money of capitation grant to public schools under their supervision.

Internal Control are viewed in terms of construct of its influential positions like; role, impact, influence – as well as its relative activities such as; risk assessment, information and communication and monitoring. While, Value for Money is understood based on its position as; being dependent variable which may result in Efficiency and Effectiveness.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the procedures that were employed in the study. The chapter therefore, presents the methodology deployed in the study by specifying the study area, research design, study population, sampling size and sampling Techniques, data collection methods and data analysis.

3.1 Study Area

The study area in which the study was carried out is Morogoro Municipal Council (MMC). The said council is located in the region of Morogoro, Tanzania. In that area, the study collected data from all public primary schools which are supervised by the MMC. The area covers about 195 kilometres to the West of Dar es Salaam and is situated in the lower slopes of the Uluguru Mountains. The Municipality has total area of 531 square kilometres and is divided into nineteen wards (Morogoro Municipal Council, (MMC), 2008). According to Hilfswerk *et al'*, (2013) the MMC has sixty two government primary schools.

The researcher is a member of the society at MMC and he is interested in seeing whether there is effective ICS on capitation grant that is granted to Government primary schools in achieving Value for Money (VFM).

3.2 Research Design

The study employed survey design. The survey study design is selected based on the researchable reasons that is; it focuses more on a identical areas or organisation. Therefore, it is important to note that survey study design can permit the use of variety of data collection methods to be deployed during the whole conduct of the study.

The focus is that, this type of research design permitted the researcher to explore and analyse information over the life of a single unit, which is Morogoro Municipal Council (Birkinshaw, 2004; and Welch, 1998)

3.3 Study Population

The target population for this study included all 62 government primary schools under the supervision of MMC and 281MMC staff including internal auditors, Statistical Logistic Officers, Accountants and politician. The municipal have around 1120 primary school teachers. (Municipal quarterly report 2014)

3.4 Sample Size and Sampling Technique

Sample is a small or selected group used to represent the whole population. The following are the Sample Size and Sampling technique employed:-

3.4.1 Sample Size

The study employed sample size of 150 respondents, whereby, politicians and a cluster of 30 government primary schools were selected and from each school 4 teachers selected through convenience sampling technique, also 30 staffs from the MMC including internal auditors, accountants and Statistical and Logistic Officers were selected basing on purposive sampling. From these samples the key informants are Statistical and Logistic Officers, Auditors and Accountants. The sample composition is presented in Table 3.1.

Table 3.1: Selection of Sample Size

Department/ section	Target Population	Sample Selected	Method of selection of sample
Staff-Primary school	1120	120 respondents from 30 primary schools	Convenience method
Auditors	8	6	Purposive sampling
Accountants	16	7	Purposive sampling
Statistical and Logistic Officers	2	2	Purposive sampling
Politician	31	15	Convenience method
Total	1177	150	

Source; Researcher's (2014)

3.4.2 Sampling Techniques

According to Stasch *et al.*, (1985) the procedure of selecting a sample for a study is an important step in any research project since it is rarely practical, efficient, and costly, to study the whole population. The researcher therefore employed purposive and convenience sampling techniques.

3.4.2.1 Purposive Sampling Technique

The researcher employed purposive sampling in selecting the key respondents, namely Statistical and Logistic Officers, Accountants and Auditors who are the custodians of the internal control system, education department, finance department and planning department as they involve on the study by ensuring the internal control or affect the capitation grant fund directly. This sample provided special information regarding the practice of internal Control in achieving VFM of grants provided to primary schools under supervision.

3.4.2.2 Convenience Sampling Technique

This technique employed whereby teachers and politicians were selected based on their availability. Therefore the cluster of schools were selected i.e. 30 primary schools was chosen randomly then from each primary school 4 teachers were selected one being the head teacher. Furthermore the study employed this technique to politicians i.e. ward representatives because they are located in various places of which it is not easy for study to reach them all, however selection process continued until the sample size was obtained. The selection was determined by aspects like self-selection, administrative decision, time of the class, and number of the years of exposure (Muijis, 2004).

3.5 Data Collection Methods

These are ways used to extract information. The methods employed by this study were observations, documentary and questionnaires. The researcher has considered these methods as appropriately to enable gathering accurate and enough information.

Primary data were collected through questionnaire and interview. Secondary data were gathered from documentary review.

3.5.1 Questionnaire Method

This study used questionnaires as one of the methods of data collection. The questionnaires were administered to the MMC staffs (internal auditors, accountants, SLOs and Politician), primary school teachers and members of primary schools management committee. The method of administering questionnaires helped this study to have the intended numbers of the respondents. Also administering reduced some ambiguities of understanding some of the word(s) on the questionnaires where by clarifications were provided. The information expected from this method involved in answering the methods of internal control available and its roles and more specifically, questionnaire was employed by this study in gathering data, which determined the

impact of internal control activities in achieving VFM. Also, through it, suggestions about ways to be adopted by MMC to achieve effective VFM was provided.

3.5.2 Interview Method

Interview was conducted to the top management of the council which include the municipal accountant and the municipal executive officer using interview guide. Also the interview was conducted to some members of finance committee. During the process of interview, some structured questions were asked and the study took note on the answers provided. Respondents were given almost full liberty to express themselves on matter, which was used to support the smooth achievement of the study in hand.

However, it should be remembered that; during this process, researcher gave leading questions observing non-verbal actions and meanwhile recording the responses for further analytical and conclusion steps.

Interview process was performed in such a way that it collects data that assessed the influence of internal control in helping MMC distribute all capitation grants to all schools under their supervision as well as they were allocated by the central government.

3.5.3 Documentary Review

Documentary review is the kind of data collection technique which was used in collecting secondary data. In this study specifically, documentary review was utilized simply to collect the trend of capitation grant for five years from 2009 to 2013. In view of this study, this was done by reviewing financial statements and different annual and quarterly reports at MMC.

3.6 Data Analysis methods

Data collected were divided into two categories, qualitative data and quantitative data. To analyse these data the study used tabular way of analysing data, percentage and descriptive ways.

3.6.1 Qualitative Data Analysis

The data were analysed in a descriptive way by refining the common responses also the software were used in analysing these kinds of data. The study analyzes the raw data obtained from the interview by recording the answers of the respondents and read other MMC reports relating Capitation Grants. The findings from respondents were interpreted in comparison with our objective together with factual and logical interpretation of the study findings.

3.6.2 Quantitative Data Analysis

Data were collected, coded and were analysed. The quantitative analysis was conducted to enable the researcher to summarize the collected data and organize in a way that the researcher was able to answer the research questions. The use of different tools like Tables, frequencies, percentages were utilized whereby data were quantified and analysed, also in some areas further analysis was conducted.

3.7 Ethical Consideration

All important norms for collecting data from the field are available and should always be respected in the whole course. That is to say; the said process was amongst the topmost attentions that were put into consideration by the researcher during the entire process. The researcher obeyed ethical norms. Based on this statement, the researcher was given a written recommendation from the academic authority of Mzumbe University, which

was presented to the concerned offices for approval to collect all necessary information from the intended field. The researcher ensured all respondents that whatever information given by them were treated and guarded with a high sense of confidentiality and no any piece of it was taken out of concealment.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

This Chapter presents and interprets the data collected and analysed in Chapter three. The presentation is guided by the objectives of the study.

4.1 Socio-economic characteristics of respondents

In this stage, the study first, studied about different characteristics of respondents. In this regards, the study was aiming at findings different general information of the respondents pertaining to various elements like Gender, Education, Age, Designation and work experiences. The main aim of findings in this particular information was based on the idea that general information would necessarily help the study in knowing whether different considerations such as Gender balance, non discrimination in terms of age. Also this information was so useful as it could help the study understands the extent to which the studied respondents were very much informed, acquainted and even knowledgeable concerning the whole matter relating to management of education Capitation Grants.

Table 4.1 Socio-economic characteristics of respondents

Characteristics	Frequency	Percent
Gender of respondents:		
Male	86	57
Female	64	43
Education of respondents:		
Form four	5	3
Certificates	91	61
Diploma	25	17
Degree	23	15
Masters	4	3
Others	1	1
Age of the respondents:		
18-35 (Youth age)	50	33
36-55 (Adult Age)	84	56
55+ (Old age)	16	11
Designation of respondents:		
Accountants	7	5
Auditors	6	4
Statistical and Logistic Officers	2	1
Politicians	15	10
Teachers	120	80
Working experience of the respondents:		
Less than 5 years	55	38
6-10 years	33	21
11-20 years	51	34
21-30 years	10	6
above 30 years	1	1

Source: Survey Data (2014).

4.1.1 Gender of respondents

Table 4.1 above shows that out of 150 respondents, male were 86 which is equivalent to 57% and female were 64 which is equivalent to 43%. This shows that the findings were from both male and female respondents and the gender sensitivity were considered; though male were the majority with 57% of all the respondents. Therefore Morogoro Municipal Council put equal employment opportunity to both males and females.

4.1.2 Level of Education of the respondents

Level of Education of the respondents was greatly useful as to whether through it, particular analysis would be found and certify the extent to which the studied respondents were educated, something, which consequently was useful to determine the extent to which they had useful, valid, and even reliable information about topic under concern.

Table 4.1 above shows the education level of the respondents, 5 respondents were the form four leavers which is equivalent to 3%, 91 respondents were having certificates which is equivalent to 61%, 25 respondents were having diploma which is equivalent to 17%, 23 respondents were having bachelor degrees which is equivalent to 15%, 4 respondents were having masters degree which is equivalent to 3% and other level of education was 1 respondent which constitute of 1%. The information justifies that most of the respondents were the qualified personnel in their carrier, so this provides the researcher with high level of reliability of the findings.

4.1.3 Age of the respondents

Table 4.1 above shows that (50)33% of the respondents were the youth, (84) 56% of the respondents were the adults and (16) 11% of the respondents were the old age people. The data implies that most of the respondents were the adults of the age between 36 to

55 years and there MMC is responsive in employing all generations without discrimination of none of them

4.1.4 Designation of the respondents

Table 4.1 above shows different designation of the respondents in MMC whereby among 150 respondents, accountants were 7 which is equivalent to 5%, auditors were 6 which is equivalent to 4%, Statistical and Logistic Officers (SLO) were 2 which is equivalent to 1%, politician were 15, which is equivalent to 10% and Teachers were 120 which is equivalent to 80%.

The information presented above revealed that the findings came from teachers in a large percentage. This is due to the reason that teachers are the one who receive and implements all matter concerning with the education capitation grants and their expected outcome. The other groups were presented as shown above as part of those who links between the government who are the providers of the capitation grants and the teachers who are the main implementers.

4.1.5 Working experience of the respondents

Table 4.1 above presents the experiences of the respondents in the work in terms of years. This shows that, the respondents of the working experience of below 5 years were 38%, 6-10 years were 21%, 11-20 years were 34%, 21-30 years were 6% and above 30 years of the working experience were 1%.

These findings revealed that the findings come from the experienced workers who actually have the understanding of the capitation grants and its management to enable the expected results be achieved since justified with the data since only 38% of the respondents are below 5 years of working experience.

4.2 Types of internal control existing in MMC

In Morogoro Municipal Council use different types of internal control in controlling the capitation grants in primary schools basing on the guideline for the use of capitation grants for primary schools as it was provided PMO-RALG. These control are as shown below;

4.2.1 Budgetary control

Findings show that budgetary control is one among the control system on capitation grant in MMC. The budgetary control is done by taking the numbers of pupils in primary schools that helps to consolidate the school capitation grants (CG) budget. The consolidated budget is submitted to RAS for compilation and onward transmitted to PMO-RALG and MoEVT to initiate disbursement of the fund to the councils by Ministry of Finance and Economic Affairs

Moreover, the study had strived to generate further findings by which it could be precisely explain the way budgetary control is among the control systems commonly used on capitation grant at MMC. In fact, during this process, respondents were studied through interview in which they asked to give more evidences concerning the way budgetary control is one of the control systems used on controlling capitation grants at MMC. Therefore, several opinions were raised by respondents but some of them tended to be common as are presented in the following array.

... Budgetary control is one of the common control systems used not only by MMC rather by almost any government agency in controlling the capitation grants accorded to them. For the case of public primary schools operating in MMC used in this study, budgetary control is control system often performed by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget. In other words, this process involves making control over the budget linked to any money granted by the

government for teaching materials, and learning materials for students enrolled in government schools ... Survey data, (2014).

In reality, findings presented in terms of citation above have yielded the same evidence as found in the preceding information. Based on the findings collected on the basis of interview and presented above, the study had thus, established that the budgetary control in the kind of control system commonly applied not only in MMC rather almost all government agencies when making control over the capitation grants accorded to them. More specifically, budgetary control is control system often performed at MMC by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget.

4.2.2 Expenditure Control

According to the findings, MMC performs the expenditure control by making sure that the fund is disbursed timely to every school's account with clearly directives depends on the available budget. Also MMC supervise the implementation of capitation of Capitation Grants (CG) guidelines at the school level.

In order to ascertain the accurateness of the above findings, the study had employed interview in which respondents were asked to provide more details and description on how the expenditures are controlled in their areas of works specifically in primary schools. This element was very useful for this study as its findings have helped in describing the whole process used in making control of expenditure performed in there. Thus, when giving responses, respondents were of various opinions, but most of them were more common than other and are summarised and presented in the following manner.

... The expenditure control for the case of primary schools in MMC is performed by checking whether the allocated grants were consumed according to budget

allocation with reference to time and specific amount accorded to every school. But also, expenditure control is carried often, to assure the grants (funds) are allocated and disbursed on time to every concerned school's account and whether all what needed to be covered in the budgets were done accordingly. This process helps maintain adequate budget use and adequate follow up of procedures in budgetary use ... Source: Survey data, (2014).

Based on the findings presented above, it was found that the process of expenditure control is performed by making sure all the allocated funds are given to every concerned school by putting them in school respective account. In simple and clear terms, findings presented above had elucidated that the expenditure control involves checking out whether the budget was performed according to the way it was allocated and that all expenditures conform with the stipulation of budgets with respective fund in it.

4.2.3 Report writing

The study's findings show that, MMC ensures that schools prepare quarterly report which shows income and expenditure of CG funds which are audited. These school's quarterly reports are compiled and submitted to RAS for compilation and onward transmission to MoEVT and PMO-RALG.

4.2.4 Communication

Then findings depict that, MMC ensures public disclosure and transparent for the amount of capitation grants received and expended by directing the schools to present these reports on the school board and school community.

4.3 Presence of internal control of capitation grants in Morogoro Municipal Council

Table 4.2 – 4.4 presents internal control system of capitation grants in MMC, these includes; to check if capitation grants is received through Banks, to check if the payments of money related to capitation grants is done through banks and to examine if there is bank reconciliation statement done every month on the capitation grants.

4.2.1 Receiving of capitation grants through Banks

In this context, the study focused on how well capitation grants are managed. Before CG issued to the school level the study interested to confirm on the model of payments so as to analyse the controls available, Table 4.2 below presented the findings as follow:

Table 4.2 Receiving of capitation grants through Banks

Response	Frequency	Percent
Available	150	100.0

Source: Survey Data (2014)

Table 4.2 shows that all 150 respondents equivalent to 100% agree that they receive the capitation grant through Banks and therefore controls on the model of issuing CG from Morogoro Municipal Council to a schools level is well safeguarded this implies that transactions for bank gives a good audit trail.

In similar vein, the study had strived to find more evidences about the way in which capitation grants are received by primary schools in MMC. This was so searched based on the fact that in the preceding findings, it was found that most of grants accorded to government agencies, especially to primary schools are given to them through

depositing into every school's bank account. Therefore, the interest in this stance was to ascertain the way public primary schools receive their capitations as granted by the government. However, results gathered on the basis of this concern have revealed out the following information.

... All the capitation grants are always received through our bank accounts. They are allocated by the government and in turn they get delivered to every school's bank account. This is the common and standard way through which most of public primary schools in MMC receive their capitation grants. After receiving the capitation grant, normally, Morogoro Municipal Council often provides direction about the controls and the model of issuing capitation grants to each respective school – whereby, from this the control process is well performed and adequate use of CG is well assured. And above all, all the expenditures and uses of CG are recorded by banks, of which in turn all transactions are carried in a respective bank which in turn give and direct audit details in most precise manner ... Source: Survey data, (2014).

Findings collected on through interview and presented in terms of citation above have revealed out that the only way through which primary schools in MMC receive their capitation grants is the respective bank account. This was so mentioned based on the fact that majority of all interviewed respondents have ascertained the exactness of this fact. In similar words, findings presented above have elucidated that the fact of receiving capitation grant through bank account facilitate the performance of audit control since all transactions carried over there can be scrutinised, recorded, and in turn there is adequate budget use.

4.2.2 Payments for school facilities and services rendered using bank accounts

All government primary schools opened current account on Capitation Grant as per PEDP guidelines requirement. The study focuses on modality to which payments are done to different suppliers in terms of acquiring teaching facilities and services. Table 4.4 below presented the findings as follow:

Table 4.3: Payments for school facilities and services rendered using bank accounts

Response	Frequency	Percent
Available	40	26.7
Not available	110	73.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.3 shows the results that 40 respondents equivalent to 26.7% agreed that the payment of the money related to capitation grants is done through banks. While 110 equivalents to 73.3% respondents said that the payment related to capitation grant is not done through Banks. Therefore the findings revealed that most of the payments of facilities and services that related to capitation grant are not done through banks. This implies that audit trail can easily be lost if some of the transactions are done on cash bases.

Having found the above findings, the study was interested to know the way bank transaction can facilitate the running of internal audit and ensure the adequate use of any capitation grant accorded to schools. This information was considered to be very useful in the sense that the study assumed that bank transactions are always carried in a systematic way and every aspect involved in them must be recorded accordingly to the extent it is easy to carry any audit activity. Therefore, in order to find the logic about this

matter, respondents were studied by interview in which they were asked to explain, the way receiving capitation grants through bank account can facilitate the performance of internal audit. Their responses were collected and are summarised in the following manner.

... Receiving capitation grants through bank account is very important and above all it assures the security of fund usage. This is because, every transactional activity performed through bank must be recorded and in turn it will be clear to make any evaluation in precise manner. Based on this understanding, it therefore, very easy for any internal audit to carry it auditing activities with consistency and precision. But also, through this phenomenon, the internal audit will be afforded easiness of carrying audit activities and every step and activity involved when either procuring, or supplying particular item will be clearly scrutinised. So, the use of bank account to receive capitation grants is very useful to both internal auditors as well as to primary schools as it assures the security of grants (funds) use and facilitates the undertaking of audit activities ... Source: Survey data, (2014).

Findings gathered from interview and presented in terms of citation above have revealed out that the fact of receiving capitation grants through bank is of great importance and should be seen as the most secure way for keeping and using fund. So, based on the same findings, this study has established that reception of capitation grants by primary schools facilitate both the adequate use of funds by primary schools as well as the internal audit practice. The reason stated from the findings above was that, bank have huge stance of security for grants and facilitates the running of internal audit since every transactions carried over there within a budget life cycle must be easily scrutinised as the result of having been recorded. Due to this findings, this study urges all government primary schools to place priority on opening account with required bank so that to increase the security of funds and their budget usage.

4.2.5 Monthly Bank reconciliation statement on capitation grants

Bank reconciliation is one of the control tool on managing funds movement i.e. Capitation Grant in this aspect. Cash book records at the school level need to be reconciled with bank balances so as to have accurate bank balance. At least if monthly bank reconciliation done then few risks like overdraft charges can be avoided since all checks in transit can be identified. Table 4.4 below presented the findings as follow:

Table 4.4: Monthly Bank reconciliation statement on capitation grants

Responses	Frequency	Percent
Available	99	66.0
Not available	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.4 shows that 99 respondents equivalent to 66.0% agreed that there is bank reconciliation. While 51 respondents' equivalents to 34.0% respondents said that there is no bank reconciliation. Therefore the findings revealed that most of the primary school is performing the bank reconciliation in every month on the money related to capitation grant. Generally the findings give the reasons to conclude that in MMC there is internal control system on capitation grants in primary schools, though some of the payments are not done through banks.

These results shows that MMC has seen the importance of internal control system as argued by Storkey (2011) that, Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGA as managing financial risk is very important to modern organisations.

4.4 Effectiveness of the internal control system especially on in capitation grants for primary schools

The contribution of internal audit to enhance proper distribution of capitation grants, receiving capitation grant through banks to enhance proper distribution of capitation grant, payments through bank to enhance proper use of capitation grants and banks reconciliation statement monthly to enhance proper use of capitation grants.

Also the indicators on the effectiveness of internal control system in capitation grants were considered; these includes the enrolment of primary school pupils, Quality improvement of teaching materials and education standards, availability of teaching materials and adherences to procurement and financial regulations.

4.4.1 The contribution of internal audit to enhance proper distribution of capitation grants

Internal Audit is one of the key components in the internal control system of any organizations. In this stance, the study wanted to find whether the integration of internal audit has or not helped MMC in improving proper distribution of capitation grants. Respondents were studied through a query from questionnaire process which was exactly requiring them to state 'very well, well, not sure, bad or worse' if internal audit contributes in proper distribution of capitation grant

Respondents were largely accredited and even believed to possess intense information and knowledge pertaining to the whole practice of the internal audit as well as its interventional actions. Table 4.5 below presented the findings as follow:

Table 4.5: The contribution of internal audit to enhance proper distribution of capitation grants

Responses	Frequency	Percent
Very well	30	20.0
Well	101	67.3
Not sure	9	6.0
Bad	5	3.3
worse	5	3.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.5 shows that 30 respondents equivalent to 20% responded “very well”, 101 respondents equivalent to 67.3% responded “well”, 9 equivalent to 6.0% respondents responded “Not sure”, 5 respondents equivalent to 3.3% responded “Bad” and 5 respondents equivalent to 3.3% responded “Worse” on the statement that how internal audit enhance proper distribution of capitation grants.

The findings justifies that majority of the respondents agreed that the internal audit enhance proper distribution of capitation grants, though not at a maximum scale of agreement as stated in the statement.

The study had further searched for other similar evidences on whether the application of internal audit has been yielding a positive contribution in assuring there is appropriate distribution of capitation grant to every respective school. The assumption in this regard was that, the study wanted to find whether the use of internal audit has helped the MMC to get rid of any misconduct relating to distribution of capitation grants. In other simple words, the study wanted to know whether the application of internal audit should always be seen as the mere instrument by which the adequate distribution of capitation grants is apparent.

In this respect, respondents were asked to explain the way internal audit contribute in assuring there is effective distribution of capitation grants – whose findings are summarised and presented in the following manner.

... The application of internal audit is a very vital instrument and should be regarded as the most powerful tool that assures the equitable distribution of capitation grants to any concerned primary school in the context of MMC. The reason is that internal audit helps in preventing, detecting, and even controlling or monitoring any activity involved in the budget performance. As the consequence, it is very difficult for MMC to make the distribution of grants in an unacceptable manner, since every step in this process must be known through the performance of internal audit. But also, the central essence of internal audit is geared towards alleviating and avoiding any misconducts relating to fund usage along the budget life cycle. So, it is in this manner the how internal audit contribute on adequate distribution of grants to all coerend primary schools in MMC ... Source: Survey data, (2014).

Based on the findings presented above, this study had found that the contribution of internal audit on effective and adequate distribution of capitation grants is seen in terms of the role it plays in avoiding, alleviating, and detecting any mistakes that might occur during the budget life cycle. But also, it is very difficult to make misconduct on fund usage in the presence of internal audit – since any misconduct of that kind can be detected in most clear manner. Therefore, based on the findings presented above, this study has established that the integration of internal audit has helped MMC in improving proper distribution of capitation grants.

4.4.2 Receiving capitation grant through banks to enhance proper distribution

In this stage, the study used this aspect as one of the element in assessing proper distribution of capitation grant via banks. Since Capitation Grant are distributed based on the numbers of pupils available at schools then the study believed that if this funds

distributed via banks chances of frauds and errors would be reduced, however logic about this aspect needed to be confirmed by respondents by employ questionnaires which was asking respondents to state ‘very well, well and Not sure’ if receiving capitation grants through banks enhance proper distribution of CG. Table 4.6 below presented the findings as follow:

Table 4.6: Receiving capitation grant through banks to enhance proper distribution

Responses	Frequency	Percent
Very well	137	91.3
Well	6	4.0
Not sure	7	4.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.6 shows that out of 150 respondents, 137 respondents equivalent to 91.3% agreed that receiving capitation grant through banks enhance proper distribution of capitation grant, 6 respondents agreed by saying “well” and only 7 respondents equivalent to 4.7% said they are not sure. Therefore the findings justifies that when capitation grant is received through banks, it enhance proper distribution.

4.4.3 Payments through bank to enhance proper control and uses of capitation grants

In this context, the study wanted simply to ascertain whether payments through bank enhance proper control and uses of Capitation Grant. In analyzing related party transactions, payments is one of the indicator which show relationship of suppliers and the schools in acquiring school facilities and services in ascertaining amounts paid and the services/facilities obtained. In this regards, the study wanted respondents to state 'very well, well and Not Sure' if payments of through bank to enhance proper control and uses of capitation grants. Table 4.7 below presented the findings as follow:

Table 4.7: Payments through bank to enhance proper control and uses of capitation grants

Responses	Frequency	Percent
Very well	15	10.0
Well	93	62.0
Not sure	42	28.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.7 shows that 15 respondents which is equivalent to 10% responded very well, 93 respondents which is equivalent to 62.0% responded well and 42 respondents which are equivalent to 28% responded that they are not sure. Basing on the results presented, it justify that the payments of the money related to capitation grants through banks on different services, enhance proper use of capitation grants.

4.4.4 Monthly Banks reconciliation statement enhance proper management of capitation grants

Since the money related to capitation grants is received through bank, then bank reconciliation in monthly bases is very important. To check if bank reconciliation on the capitation grants enhance proper management of capitation grants or not, Table 4.8 below presented the findings as follow;

Table 4.8 Monthly Banks reconciliation statement enhance proper management of capitation grants

Response	Frequency	Percent
Very well	99	66.0
Well	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.8 shows that among 150 respondents, 99 respondents who are equivalent to 66.0% agreed by responding very well that the bank reconciliation on capitation grants enhance proper use of it. While 51 respondents who are equivalent to 34.0% agreed by responding well. Therefore the findings shows that if there is bank reconciliation on the money related to capitation grants every month will enhance proper management of these capitation grants.

4.4.5 Enrolment of pupils in primary schools in MMC from 2011 to 2014

To justify the effectiveness of internal control on the capitation grants to government primary schools in MMC the enrolment of pupils for four years consecutively were observed as shown in Table 4.9 below

Table 4.9 Enrolment of pupils in primary schools in MMC from 2011 to 2014

Year	Expected		Total	Registered		Total	Percent
	Boys	Girls		Boys	Girls		
2011	2907	3099	6066	3036	3185	6221	102.5
2012	2856	3096	5952	2786	2960	5746	96.3
2013	2685	2863	5548	3367	3412	6779	122
2014	3056	3110	6166	3011	3259	6270	101.7

Source: Primary Education Department Report of MMC (2014).

Table 4.9 shows the number of pupils registered to join standard one at MMC government primary schools since 2011 up to 2014. Enrolment expected for 2014 was 6166 pupils out of which 3056 were boys, and 5,623 were girls but actually 6270 pupils were enrolled where by 3011 boys and 3259 were girls. This shows that abolition of school fees and effective internal control of capitation grants gives a positive results.

4.4.5.1 Quality improvement of teaching materials and education standards

Findings show that education quality improved in primary schools due to the capitation grants provided. The quality improvement has been observed in terms of teachers' effectiveness and ensuring adequate availability of good quality learning and teaching

materials. But according to this study the findings shows that there is no quality facilities that are obtained through the capitation grants as it showed in item 4.8.2. Also the findings obtained through interview show that most of the teaching facilities are not of the good quality in relation to the syllabus which leads to ineffective teaching of most of the teachers and it leads to number of standard seven leavers who does not know how to read and write. This implies that the standard of education are not met, hence ineffectiveness of internal control system in MMC to enable proper use of capitation grants in bringing expected education outcome.

4.4.5.2 Availability of teaching materials

The study revealed that capitation grants is very pervasive for acquiring learning materials including books in order to satisfy the need of the pupils. The findings from the interview which was made revealed that the leaning materials particularly the books are not of the high quality as it is expected. Also the facilities are not satisfying the needs of the pupils. Some MMC staff revealed there is a high misuse of the primary schools capitation grants in such a way that the 40% of books as indicated by Mnari and Mwombeki (2012) is not properly used. So this shows the ineffectiveness of internal control system in MMC on Capitation Grants.

4.4.5.3 Compliance to procurement regulations

The findings show that there is no compliance to procurement regulations as it was argued that most of the fund related to CG is not paid through Banks as indicated in item 4.2.4 of this study which does not comply with the procurement regulations. Some of the purchases are done without tendering notice and those of tendering notice purchases of teaching materials and books are bought without following specifications required on the tender documents.

Table 4.10 Compliance to Procurement regulations

Response	Frequency	Percent
Rare	92	61.3
Not sure	22	14.7
Often	36	24.0
Total	150	100.0

Source: Survey Data (2014)

Findings presented in table 4.10 above show that, out of 150 respondents 92 equivalents to 61.3% said rare, 22 equivalents to 14.7% said not sure and 36 equivalent to 24.0% said often on the truth of the statement that spending of capitation grants follows the procurement regulation. These findings revealed that most of the spending of capitation grants do not follows the procurement regulations. Therefore non compliance with tender policy implies ineffectiveness on procurement procedures as supported by findings presented in the above Table.

4.5 The roles of internal controls on capitation grant implemented by MMC

The study also wanted to search on the role of internal control on capitation grants implemented by MMC. The results have been presented in Table 4.11-4.12 below.

4.5.1 Internal control enhances proper preparations of financial reports

The questionnaires for this item provided scale items to be selected among strong disagree, disagree, not sure, agree and strong agree. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that internal control enhances proper preparations of financial reports. The findings were presented in Table 4.10 below.

Table 4.11: Internal control enhances proper preparations of financial reports

Response	Frequency	Percent
Not sure	17	11.3
Agree	20	13.3
Strong agree	113	75.3
Total	150	100.0

Source: Survey Data (2014)

From Table 4.11 above, the results show that out of 150 respondents, 17 who are equivalent to 11.3% said they are not sure, 20 who are equivalent to 13.3% said they agree and 113 who are equivalent to 75.3% said they strongly agree with the statement that internal control enhances proper preparations of financial reports in MMC.

In similar stance, the study was interested to find whether the application of internal control played a role in influencing the preparation of financial reports relating to the usage of grants allocated to primary schools in MMC. In this respect, however, the study intended to know whether the preparations of financial reports was effectively undertaken as the consequence of applying internal control over the use of grants in different government schools in MMC. In fact, the following opinions are some of the common responses given by respondents from the interview question that asked them to explain whether the application of internal control has helped the appropriate preparation of financial reports in their respective primary schools and how.

... The presence of internal control has been playing a very significant role on adequate preparations of financial reports in most primary schools operating under the control of MMC. In clear views, internal control plays role by influencing the adequate use of grants allocated to them due to the reason that with internal control there is an

aspect of adequate budget performance – the phenomenon, which in turn forces the concerned staff to prepare financial reports that go parallel with the way budget was performed within a specific period of time. This means that it is easy for finance professionals to get the insight about every step and item used relating to grants and in turn they prepare financial reports that are adequate and which provide clear details about financial usage in most precise manner ... Source: Survey data, (2014).

Findings presented above have shown that the role of internal control on the proper preparation of financial reports is apparent. The apparentness of its role is because, internal control influence the adequate and systematic use of capitation grants – then in turn it becomes easy for financial reports to be prepared adequately since there will few misconducts occurred in there.

4.5.2 Enhancing availability of facilities and proper teaching in primary schools

Morogoro Municipal Council issuing Capitation Grant to schools with directives for acquiring teaching facility and administrative issues. The study focuses on the availability of teaching resources as an indicator of proper utilization of CG on achieving the expected results i.e. proper teaching and facilities controls, In order to have facts this variables, respondents were needed to state whether they ‘Disagree, Not Sure, Agree, and Strong Agree’. The findings were presented in Table 4.10 below.

Table 4.12: Enhancing availability of facilities and proper teaching in primary schools

Response	Frequency	Percent
Disagree	24	16.0
Not sure	23	15.3
Agree	99	66.0
Strong agree	4	2.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.12 above show that out of 150 respondents, 24 respondents who are equivalent to 16.0%, disagreed, 23 respondents who are equivalent to 15.3% were not sure, 99 respondents who are equivalent to 66.0% agreed and 4 respondents who are equivalent to 2.7% strongly agreed with the statement that internal control on capitation grants in MMC enhances availability of facilities to enhance proper teaching in primary schools. This implies that the desired results for the available controls are met when MMC whole system monitored.

4.5.3 Helping MMC to comply with the capitation grants regulations

In order to facilitate the implementation of CG, the Government provides funds to the council and schools. All schools managed to open bank accounts namely capitation account. With the assistance of the council, schools now do smoothly operation of their accounts and this help to make proper bank transactions. The Municipal council assists in the overall control and use of school funds by authorising cheques in order to ensure that funds are used in accordance to stipulated directives and subject to school committees' approval. As for the previous parts the respondents were required to show their level of agreement with statement, and the results were presented in table 4.13 below

Table 4.13: Helping MMC to comply with the capitation grants regulations

Response	Frequency	Percent
Not sure	20	13.3
Agree	125	83.3
Strong disagree	5	3.3
Total	150	100.0

Source: Survey Data (2014)

The findings from Table 4.13 show that out of 150 respondents 20 who are equivalent to 13.3%, said they are no sure, 125 who are equivalent to 83.3% agreed and 5 who are equivalent to 3.3% strongly agreed with the statement that internal control on capitation grants helps MMC to comply with the capitation grants regulations and hence proper management of capitation grant.

4.6 Variable of value for money on CGs expenditures

The study revealed that the success of CG spent is the degree to which it attains its set objectives by utilization of resources economically, efficiently and effectively. It is further revealed that Value for Money is improved by reducing costs and maintaining the same level of output in terms of goods and services rendered. To assess Value for money the following were observed:

4.6.1 Quality on goods and services for CGs expenditures

The questionnaires for this item provided scale items to be selected among Rare, not sure, and often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a quality on goods

and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.14 below.

Table 4.14: Quality on goods and services for CGs expenditures

Response	Frequency	Percent
Rare	88	58.7
Not sure	24	16.0
Often	38	25.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.14 above shows that out of 150 respondents, 88 who are equivalent to 58.7% said rare, 24 who are equivalent to 16.0% said not sure and 38 who are equivalent to 25.3% said often, on the statement that spending of the capitation grants is of high quality on goods and services. Basing on the majority of the response, the findings justify that the goods and services that are obtained through the capitation grant is not of good quality.

Therefore, these findings provide a good sight toward the effectiveness of the internal control in MMC, meaning that if the internal control system is effective, then it would have monitored all the spending of the capitation grants to provide quality goods and services in relation to the fund spent. The internal control of MMC lacks of quality assurance/ evaluation team which could be used to monitor and evaluating the standards of material as per capitation grant guidelines.

4.6.3 Cost in relation to quality of goods and services

The Capitation Grant funds are directly channeled to schools, which could be used for physical inputs by the schools discretion. The costs of physical inputs like teaching materials (e.g. chalks, books and pens) need to be assessed in relation to the quality of output of teaching facilities and services. The questionnaires for this item provided scale items to be selected among rare, not sure, often and very often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a reasonable cost to the quality on goods and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.15 below.

Table 4.15: Cost in relation to quality of goods and services

Response	Frequency	Percent
Rare	120	80.0
Not sure	18	12.0
Often	11	7.3
Very often	1	.7
Total	150	100.0

Source: Survey Data (2014)

The findings presented in Table 4.15 shows that out of 150 respondents 120 who are equivalent to 80.0% said rare, 18 who are equivalent to 12.0% said not sure, 11 who are equivalent to 7.3% said often and only one respondent said very often, for the statement that Spending of capitation grants is of reasonable cost in relation to the quality of goods and services provided. The results justify that Spending of capitation grants is not of reasonable cost in relation to the quality of goods and services.

These findings revealed that the value for cannot be achieved if the cost of the goods and services are not proportional to its quality. There must be effective ways in MMC of improving value for money as argued by Kaplan (2009) and LGFAR (2000) that the most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Governments system of internal financial control.

CHAPTER FIVE

CONCLUSION, RECOMMENDATION AND POLICY IMPLICATIONS

5.0 Introduction

This chapter presents the conclusions, policy implication and recommendations of the findings on this study that was about the analysis of the effectiveness of the internal control on capitation grants to the government primary schools.

5.1 Conclusion

Generally, this research examined the effectiveness of Internal Control Systems on capitation grants to the government primary schools in Morogoro municipal council. The findings have shown that in MMC there is internal control system on capitation grants to government primary schools. These control system that are available in MMC council are; Internal control on capitation grants, internal audit on capitation grants, all the capitation grants are received through banks and monthly bank reconciliation statement on capitation grants to government primary schools.

The findings have further revealed that in MMC, the payments of school facilities and services related to the capitation grant are not done through banks. This situation does not comply with the procurement guidelines and capitation grants guidelines that require the payment to be done through banks for easy management and auditing of this fund.

The findings have justified that if all the above internal control system available in MMC was well implemented then the control system would be effective in the management and uses of the capitation grants to the government primary schools. The study have reviewed that the effectiveness of the internal control system in MMC is not effective in all the spheres due to the weaknesses of allowing the payment of school facilities and services for the money related to the capitation grants to the government

primary school to be done in other ways rather banking system. This is a weakness since it reduces audit trail.

The internal control in MMC is ineffective since the study have revealed that there is no value for money on the school facilities and services paid up by the money related to capitation grants. This conclusion have been drawn due to the reasons that; spending of the money related to capitation grants are not following the procurement regulations and spending of the money related to capitation grants is not of the high quality on school facilities and services in relation to the price paid. Also from the interviews made by some of the respondents it shows that there is no much information to stakeholders on how the money are spent, since information and value for money are very much related as it was argued by DiNapoli, (2007 INTOSAI, (2004), that there is statistically significant relationship between Information and Communication and Value for Money in local Governments.

Lastly the study have found that, on the effective uses of capitation grants, most of the government primary schools are incorporating the capitation grants in the school plans and they are keeping some of CG transactions records in schools as it is required by the financial requirements. But contrary to this, the spending of money related to capitation grants are not complying with the PEDP and procurement guidelines in a great extent.

5.2 Policy implications

The findings of this study provide a chance to the policy makers to review the controlling and auditing process that help the internal auditors in local government to work effectively in supervising the uses of the public funds provided for different public functions. It also provide a room for more exploration on the effectiveness of the current situation of providing fund to the government schools against the demands of schools' teaching and learning materials.

5.3 Recommendations

5.3.1 Internal Control System Reviews

Having known the level of effectiveness and significance of Internal Control Systems on capitation grants to government primary schools in Morogoro Municipal Council, Local Governments need to ensure that they continuously review these Internal Control Systems so as to ensure that they are operational toward the achievement of the desired goal on every public fund for the development of the country.

5.3.2 Planning and Budget Setting

Moreover since CG is distributed based on the number of pupils available at the government primary schools, then it is necessary for the authority to verify the actual number pupils obtained from the head teachers by conducting auditing so as to minimize the risk of incurring cost on dummy pupils

5.3.3 Cost Controls

For further studies I recommend to be done on the real cost that covers the study of a single student in government primary schools that will provide effective outcome. Also the study should be on the reason for the delay of the capitation grants from the top authority to the government primary schools.

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APPENDIX I

QUESTIONNAIRE

Dear Respondents,

I am EDWARD TEMU a student at Mzumbe University. The intent of this survey is to study the effects of internal control systems in managing education capitation grants in local authorities. The research is conducted in partial fulfilment of the requirement for the degree of Master of Accounting and Finance. I would be very grateful if you could take about 15 to 20 minutes in filling this questionnaire.

Your feedback is very important and your answers will be kept in strict confidence and will be used only for the purpose of this study.

PART A; PERSONAL INFORMATION

1. Your gender (a) Male [] (b) Female []
2. Education level (a) Primary [] (b) O-level [] (c) A-level []
(d) Certificate [] (e) Diploma [] (f) Degree [] (g) Masters []
(h) Others []
3. Age (a) 18-34 [] (b) 35-55 [] (d) 56±
4. How long have you worked in current position?years
5. Designation

PART B; INTERNAL CONTROL SYSTEMS RELATING TO EDUCATION CAPITATION GRANT

1. Are there any internal controls in managing primary education capitation grant?
a) Yes b) No c) I don't know

2. The following are expected internal controls expected to be in place, show if these internal controls are available or not.

Internal control	Available	Not Available
Existence of internal Audit		
All money relating to CG are received through bank		
All payments relating to CG are done through cheque/bank		
Preparation of Bank reconciliation monthly		

3. To what extent does each of these controls enhance proper distribution of capitation grant? Rank the extent from 1(very well) to 5(worse)

Internal control	1	2	3	4	5
Existence of internal Audit					
All money relating to CG are received through bank					
All payments relating to CG are done through cheque/bank					
Preparation of Bank reconciliation monthly					
Key; 1=very well 2=well, 3= Not sure, 4=Bad, 5=worse					

4. The roles of internal controls on capitation grant implemented by MMC are as follows; show your agreement or disagreement on the statement by ranking 1(strongly disagree) to 5(strongly agreed)

Role	1	2	3	4	5
Internal controls helps management in preparation of financial reports and that ensures information to be fairly presented					

Internal controls within a MMC encourage efficient and effective use of capitation grant to optimize the Teaching and Learning and Materials (TLM) at primary schools.					
Having established internal controls, MMC can comply with regulations involved with capitation grant					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree, 5=strongly agree					

5. In general what do you consider to the contribution of the available internal control system in achieving the effective distribution of capitation grant in primary school?

- a) High (b) Average (c) Low

PART C; THE LEVEL OF VALUE FOR MONEY ATTAINED

ECONOMIC;

6. Rank the following statements on economic variable of value for money. Rank from 1(very rare to 5(very often)

Statement	1	2	3	4	5
Capitation grant spending have been following procurement regulations					
All spending (goods or service) have been of high quality					
The spending of goods or services have been of reasonable cost compared to its quality					
Key; 1=very rare, 2=Rare, 3=not sure, 4=often 5=very often					

EFFECTIVENESS

7. Rank the following statement on the effectiveness of the use of capitation grant at primary school. Rank by showing your agreement or disagreement on the statement

Statement	1	2	3	4	5
We have been incorporated capitation items in the school plans					
We have been complied with PEDP financial and procurement					

guidelines					
We have been keeping capitation transactions record at our school(s)					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree,					
5=strongly agree					

EFFICIENT

8. How do you rank the inputs (costs) used in relation to goods/service obtained?
 a) Very efficient b) efficient c) inefficiency

**ANALYSIS OF EFFECTIVENESS OF INTERNAL CONTROL
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**A CASE OF GOVERNMENT PRIMARY SCHOOLS IN MOROGORO
MUNICIPAL COUNCIL**

By

EDWARD TEMU

**The Dissertation submitted in partial fulfilment of the requirements for awards of
degree of Masters of Science in Accounting and Finance (MSc. A and F) of the
Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled the Analysis of effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, in partial fulfilment of the requirement for the award of degree of masters of Science in finance and Accounting of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the Board of _____

FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATION AND COPYRIGHT

I, **Edward Temu**, declare that this Dissertation is my own original work and my own investigations except where otherwise identified by references and that I have not plagiarized another's work. I also declare that this work have not been presented and will not be presented to any other University for a similar or any other degree award.

Signature _____

Date _____

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ACKNOWLEDGEMENTS

The completion of this work cannot go without acknowledging the contribution made by few special individuals who have devoted their time, means and intellectual abilities to make my Masters studies at Mzumbe University a success.

First, I would like to thank Mr. Robert Makorere my supervisor who worked tireless and patiently in assessing me to accomplish this work. He always welcomed me when I needed help and guidance for this work. I would like also to thank all my lecturers at Mzumbe University who in one way or another enriched my intellectual ability during the all period of my studies.

Second, I would like to thank my Classmates for their advices and challenges which helped to make a good progress of this study.

Finally I would like to thank my parents and my wife Linda and my Children Adrian and Ariella, for their Moral support and their encouragements. May God bless all.

ABBREVIATIONS AND ACRONYMS

CE	-	Control Environment
COSO	-	Committee of Sponsoring Organization
DPEO	-	District Primary Education Officer
ICS	-	Internal Control System
LGAs	-	Local Government Authorities
LGRP	-	Local Government Reform Programme
MMC	-	Morogoro Municipal Council
MoEVT	-	Ministry of Education and Vocation Training
MoF	-	Ministry of Finance
OECD	-	Organizations of Economic and Co-operation and Development
PEDP	-	Primary Education Development Plan
POLALG	-	President's Office Regional Administration and Local Government
RBO	-	Religions Based Organizations
SLO	-	Statistics and Logistic Officer
VFM	-	Value for Money

ABSTRACT

This study was aiming at analysing the effectiveness of internal control systems in managing education capitation grants in local government authorities in Tanzania, the case of Morogoro Municipal council.

The study interviewed 150 respondents using questionnaires. However, the study employed convenience and purposively sampling method to select Teachers, school and auditors, accountants, statistic logistic officers as well as politician respectively. In addition the study analysed data collected by employing descriptive and descriptive statistics using frequencies and percentages.

The findings revealed that the internal control system on the capitation grants in local governments, in particular Morogoro municipal council is ineffective. Most of the payments of the money related to capitation grants are not done through banks. Also there is no value for money on the goods and services that are obtained through capitation grants.

In view of the findings above, the study recommended that the available internal control system in Morogoro Municipal council should be implemented and improved to be more effective so as to achieve the goal of proper management of capitation grants.

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CHAPTER ONE

1.0 Introduction

This chapter introduces the study by presenting the introduction section, followed by background of the study, statement of the problem, research objectives, research questions, scope and limitation of the study, significance of the study, and organization of the study.

1.1 Background of the Study

Historically Tanzania has a long history of functioning local government, starting with the Native Authorities Ordinance in 1926. In 1972, the local government was abolished and replaced with a direct central government rule. The local government was reintroduced in 1982 when the rural councils and rural authorities were re-established (Jaba, 2010). The local government elections took place in 1983 and established the functions of councils in 1984. The LGRP covered four areas: political Decentralization, financial decentralization, administrative decentralization, and Changed central-local relations, with the mainland government having over-riding powers within the framework of the Constitution (Sine Anno; Kuusi 2009).

Local Government in Tanzania for many years has been required to develop and adhere to effective Internal Control Systems (ICS) in order to attain Value for Money (VFM) particularly in development expenditure Matrix (Davies, 2007). These Internal Control requirements have increased significantly due to an increased awareness of people and the members of parliament that has led the government of Tanzania to establish an independent internal control organ following the Amendments of the Public Finance Act (PFA) CAP 348 in 2010.

Decentralization mandates Local Government(LG) council to set up effective Internal Control Systems (ICS) that ensures the reliability and integrity of information, compliance with policies, plans procedures, laws and regulations, safeguard of assets, check on the misappropriation of their resources, as well as proper authorization of expenditure and regular update of books of accounts in order to attain Value for Money (Lubabah, 2009; Assimwe & Nakanyike, 2007; LG Act 1997).

Primary education is one of the key sectors that the government of Tanzania has selected to be one among the priorities under the “Big Results Now” (BRN), whereby the aim of making more development in this sector started effectively when the government established the so called the capitation grants for the primary and secondary schools in 2002. Establishment of capitation grant system was geared toward compensating the revenue loss in schools due to the abolition of school fees and contributions. The introduction of the capitation grant allowed children from all wealth backgrounds to go to school and hence reducing social exclusion as children from poor households could now afford to attend school. Net enrolment rates rose sharply from less than 60% of eligible school age children in the year 2000 to more than 95%t since 2006 (Hakielimu Report, 2010).

Since the Tanzania Government invests large sums of money in the Schools as Capitation grant, the outputs in terms of teaching and learning materials are expected to match with development expenditures, which is not the case (CAG Report, 2010).

In addressing the problem, The Tanzania Local Government Authorities have been going on many reforms in the area of Public Financial Management (PFM) since 1998 under the name Public Financial Management Reform Programme (PFMRP) as well the introduction of Decentralisation by Devolution (D by D) policy which intends to provide autonomous power to local authorities hence be accountable, transparency and be assessed on their performance.

1.2 Statement of the Problem

As local governments have been given powers through decentralisation, government primary schools began being managed by the local government authorities (Issa, 2004). This management of public primary schools enhances implementation of various education activities and improves the quality of education offered in primary schools. However, Mushi (2006) shows that there are financial management malpractices that entail collusions between school committee chairpersons and head-teachers, and between head-teachers and District Primary Education Officers (DPEOs). These malpractices of collusions undermine the efforts done by the government and hinder the implied transparency and efficiency of the direct support to schools. Moreover, Halleck and Poisson (2007) list a number of malpractices such as use of educational funds on unplanned activities such as to cover irregular payments. Also there have been a problem of capitation grant being underfunded for example a 2004 public expenditure tracking study (PETS) administered by REPOA found that 40% of capitation grant did not reach the school level on time (Hakielimu Education Brief No 7.2E, 2010). On their report REPOA also argued on the complexity system of disbursement of capitation grant.

Therefore, the problem of misuse of public funds is so prevalent even when funds are allocated fairly across schools at the individual level. Thus, increasing capitation grant disbursements to primary schools may not be a panacea for improving quality of public primary schooling in Tanzania. However, full capitation grant can be prioritised on the budget, a clear disbursement system and clear schedule and transparency in all levels may increase the efficient use of these public funds. Furthermore there is no clear study or auditoria report that has shown the chance of the internal system in our district councils in supervising the allocation and uses of the capitation grant in government primary schools. Therefore, this study will analyse the effectiveness of internal control systems in managing capitation grant for government primary schools in Tanzania.

The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

1.3 Objectives of the Study

The study is designed to achieve a general objective and narrowed down to three specific objectives as presented below;

1.3.1 General Objective

The general objective of this study was to analyse the effectiveness of internal control systems in managing education capitation grants in local government authorities of Tanzania particularly funds allocated in primary education in Morogoro municipal as a study area.

1.3.2 Specific Objectives

The specific objectives of the study were as follows:

- i. To find out the presence of the internal control system on the capitation grants in primary schools.
- ii. To examine the effectiveness of the internal control system in capitation grants in primary schools.
- iii. To examine Value for Money attained on the capitation grants granted to primary schools in the study area.

1.4 Research Questions

- i. Is there internal control system on the capitation grants in primary schools?
- ii. How effective is the internal control system in capitation grants in primary schools?

- iii. What is the Value for Money on the Capitation grant, granted to government primary schools?

1.5 Scope of the Study

Public funds not only capitation grant have complex system of disbursement, however when followed in transparency, it reduces complains and the misuse. The study was interested on analyzing the effectiveness of the internal control by considering the already received funds by the local authorities and the management of the funds at the primary schools.

The study focused at these two lower levels in the disbursement process due to two reasons. One there some argument that money received by local councils for capitation grant are not sent all or sent partially or delayed to primary schools as directed. Second, it will be in researcher's capacity to obtain data as one among the stake holders and collect data given constraint of time of the research.

1.6 Significance of the Study

The study will help the policy makers realize the need to have and implement effective Internal Control Systems in the implementation of development grants which in turn will help achieve Value for Money to the intended users of these development programmes.

1.6.1 To Local Government Authorities

The study will generate knowledge to link Internal Control Systems and Value for Money which will guide Policy makers in the planning for the public resources.

1.6.2 To the Finance and Accounting Practitioners

The study will be helpful to all academicians and practitioners in finance and accounting management. The study will help them generate knowledge on the way internal control should be practised in a reliable manner to help their firms safeguard their assets.

1.6.3 To the Researcher (s)

The study has helped the researcher to acquire knowledge and understand the techniques of doing research. Above all, the study has helped the researcher to have knowledge on internal control systems in local governments – as its findings informed him on how internal control may be the tool for MMC to achieve effective VFM of education capitation grants. Also, the Study will enable a researcher to complete master's degree in Finance and Accounting.

1.7 Limitation of the study

The study concentrated only to Morogoro Municipal Council and all government primary school supervised by it, thus provided a lesson to other Municipal councils. There was a poor response especially at the school level as the respondents were reluctant to provide information on Capitation Grant. The study frequently explained to the respondents that it was purely for academic purposes to eliminate information concealment.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the definitions of key terms, reviews some related literatures, both theoretical and empirical concerning the internal control systems and the capitation grant, afterwards, it draws the conceptual framework based on the assumptions presented in the available literature.

2.1 Definition of Key Terms

This section provides definitions of key terms or concepts as employed in this study. The process of definition and description is carried out in the following arrangement; Internal control systems then the capitation grant.

2.1.1 Internal Control Systems (ICS)

According to Motlia (2009) internal control systems refer to internal controls with a common purpose grouped together. Basically, internal control as defined in accounting and auditing is a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organisation (Gervais, 2004).

The International Standards on Auditing number 400 (ISA 400) defined Internal control Systems as comprising the controlled environment and control procedures. It includes all policies and procedures adopted by the management of an entity to assist in their objectives achievements, as far as practicable, the orderly and efficiently conduct

business, including adherence to management policies, safeguard of assets, prevention and detection of frauds and errors, the occurrence and completeness to accounting records, and the time when preparing the financial information.

Based on the definitions above, internal control is therefore, a means by which an organisation's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organisation's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

2.1.2 Capitation Grants

The term capitation grants is defined by Ablutz (2009) as an amount of money given to an organisation for each person it deals with, teaches, or cares for. So it is all money given to government primary schools for education improvements. Manara and Mwombela (2012) shows that the capitation grant for primary education in Tanzania is meant to provide money for teaching and learning materials for pupils enrolled in public schools at Tshs 10,000 per pupil per annum in the following allocation; Text books, teaching guides, supplementary reading materials Tsh 4000, Chalk, exercise books, pens, pencils Tsh 2000, Facility repairs Tsh 2000, Examination paper, purchase and printing Tsh 1000, Administration Materials Tsh 1000.

2.2 Theories of Internal Control Systems

There exist different theories about internal control; in this study dempster-shafer theory and Agency Cost theory of Internal Control have been reviewed.

2.2.1 Dempster-Shafer Theory of Internal Control

According to Dempster-Shafer theory of internal control, both quantitative and qualitative methods exist for the evaluation of internal controls. Conventionally, auditors often adopt qualitative methods, such as questionnaires, checklists, flow charts, and test of transactions for evaluation purposes.

The theory provides a systematic way to represent the interrelationships amongst key accounting systems components for the evaluation of IC for financial resources and others – including; significant accounts being evaluated, business processes impacting these accounts, risks to which business processes are exposed, control procedures implemented to counter the risks, and evidence gathered to evaluate the effectiveness of control procedures (Srivastava, & Vasarhelyi, 2012). Furthermore, Srivastava, and Vasarhelyi (2012) Explained that the theory believes at given judgements on strength of the audit evidence gathered as input, the proposed method provides a rigorous algorithm to aggregate these judgements, propagate, and aggregate the results, and output quantitative risk assessments on various levels within the accounting information system. Included are assessments related to the overall IC, significant accounts level, business process level, individual risk level, and individual control procedure level.

Basically, the evidential reasoning of this approach is a process of risk assessment where several variables (assertions) when combined together inform us about a variable of interest such as the effectiveness of internal control. It allows the decision maker to develop a framework that aggregates all the evidence available in the situation pertaining to various intermediate variables and then infer about variables of interest such a feature makes the theory appealing to the evaluation of the effectiveness of the IC system because the ultimate effectiveness relies upon multiple factors such as effectiveness of multiple control procedures, the control environment, and evidence gathered from various sources (Yeager, and Liu, 2008).

2.2.2 Agency Cost Theory of Internal Control

According to this theory there is an intense interrelationship between effective internal control performance and agency cost and asset security. The theory maintains that reporting on internal control may be considered as a monitoring function to reduce conflict between debt holders, shareholders, and management (Ziurtv, 2007; Williamson, 1998).

The theory puts much of emphasis on the relationship between firm's asset security and effective performance of internal control. Ziurtv (2007) argued that based on that relationship, the theory thus, provides that; adequate appropriation and security of resources lie in the capability of effective internal control system.

The Institute of Chartered Accountants (2005) elucidated that agency theory is a useful Economic theory of accountability, which helps to explain the development of the control and the way it should be viewed. In order to better explicate the relationship opinions, this theory has put aside two variables ruling in principals such as company 'stop management on one side, as well agents like, auditors on the other side. Therefore, a simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour.

Gervais (2004) argued that delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent such as auditor to act in the principal's best interests like; performing internal control with full focus of safeguarding company's assets.

2.3 Internal Control Systems

This section presents the theoretical part of the study. The purpose of reviewing theoretical literature is to allow the study to capture certain thoughts and opinions from various authors and writers so as to get a guide towards understanding the way internal control systems may be effective in achieving value for money under situation either identical or similar to the topic under concern.

According to Storkey (2011) Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGAs as managing financial risk is very important to modern organisations. In achieving the effective internal control, the agency theory suggested the presence of a third party called “auditor” to ensure and reduce the asymmetric of information among principal and the agent. For that reason Jsegying (2009) explained that professional auditors must be given cooperation to play crucial task to make sure that they achieve the highest level of asset security. It is for the same reason the constitution of united republic of Tanzania of 1977 as amended from time to time section 140 empowers the Controller and Auditor General to have full power to access any documents during auditing process at any public entity. During auditing process auditors must examine internal controls to check if there working properly. However, there are different types of internal controls within an organisation and it depends with complexity of the organisation structure.

2.3.1 Types of Internal Controls

Generally speaking, there are two major types of internal controls - one being; preventive and the other being; detective. These two types of internal controls are discussed below;

2.3.1.1 Preventive Controls

As the term itself specifies, preventive controls are kind of controls designed to discourage errors or irregularities from occurring (Oliver, 2014). They are proactive controls that help to ensure department objectives are being met. Examples of preventive controls are: segregation of duties: where duties are segregated among different people to reduce the risk of error or inappropriate action (Oliver, 2014).

Normally, responsibilities for authorising transactions (approvals), recording transactions (accounting) and holding the related asset (custody) are divided.

Second are; approvals, authorisations and verifications: management authorizes employees to perform certain activities and execute certain transactions within limited parameters. In addition, management specifies those activities or transactions that need supervisory approval before they are performed. And the third and last is the security of assets (preventive and detective): access to equipment, inventories, securities, cash and other asset is restricted; assets are periodically counted and compared to amounts shown on control records (Oliver, 2014).

2.3.1.2 Detective Controls

Detective controls are the types of controls designed to find errors or irregularities after they have occurred. Examples of detective controls include: First; review of performance: in which management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up (Oliver, 2014). The second example include; reconciliations: wherein an employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary. The third example includes physical inventories. And the fourth one involves audits (Ibid).

2.4 Components of Internal Control system

Under the basis for developing and providing business control systems and assessment and addressing their effectiveness (internal control issues) the study has identified the following component of internal control according to the Committee of Sponsoring Organisation, (2014) and Bushman, (2007) as; the control environment; risk assessment; control activities; information and communication and monitoring.

2.4.1 The control Environment

Control environment relates to the organisation's identification, analysis, and management of the risks that are related to financial statement preparation. The control environment is the basis for all other components control (COSO, 2014; Bushman, 2007).

According to DiNapoli (2007), Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical value integrity and morale of the people of the organization. The control environment is further affected by the organization's structure and accountability relationship. It is the attitude and actions of Council and Management regarding the significance of control within the LGAs. Control Environment provides the discipline and structure for the achievement of the primary objectives of the System of Internal Control. According to Letsuy (2012) control environment is the foundation of the ICS and sets the tone of an organization, influencing the control consciousness of its staff. This is the overall LGA attitude, value and philosophy of senior political and management executive and the culture throughout the LG relating to the timeliness, integrity, and accuracy of financial reporting (Thuy, 2007).

It provides the discipline and structure as well as the climate which influences the overall quality of the Internal Control Systems. Elements of the control environment are; the personal and professional integrity and ethical value of management and staff,

appropriate culture in the organization attitude towards internal control throughout the organization; commitment to competence; the “tone at the top”(i.e. management’s philosophy and operating style); a good organizational structure (an independent Internal Audit function and segregation of duties)’ set up proper authorization limits and human resources policies and practices(Kaplan, 2008; 2007; INTOSAI, 2004, and Laura, 2002).

2.4.2 Risk Assessment

This component refers to the organisation’s identification, analysis, and management of the risks that are related to financial statement preparation, in order to ensure that financial statements are presented fairly and in compliance with generally accepted accounting principles (GAAP) (COSO, 2014; Bushman, 2007).

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity’s objectives and determining the appropriate response (DiNapoli, 2007; INTOSAI, 2004). It involves risk identification; risk evaluation (estimating the Impact of risk; assessing the like hood of the risk occurrence); assessment of the risk appetite of the organization and development of responses.

Risk assessment should be performed and should identify; controllable risks (risks that are caused by the external environment that the entity operated in). According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organization. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analysing altered conditions and opportunities and risk (risk assessment cycle) and modifying internal control to address changing risk (Heald, 2003).

2.4.3 Control Activities

The organisation's policies and procedures which help ensure that necessary actions are taken to address the potential risks involved in accomplishing the entity's objectives (COSO, 2014; Bushman, 2007).

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy (2007); Sarbanes – Oxley Act (SOX, 2002); Control Activities are comprised of policies procedures and systems relating to the reliability of financial reporting.

They include; authorizations and approvals, verifications, reconciliations, review of performance, security of assets, segregation of duties and controls over information systems (Laura, 2002). The elements with cheques issued, procedures governing the counting and valuation of inventory, the procurement and disposal systems and codes of conduct to guide employee behaviour (Kaplan, 2008; Thuy 2007, SOX, 2002). Control activities can be preventive and /or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the organization objectives hence realizing Value for Money.

2.4.4 Information and Communication

This component focuses on the nature and quality of information needed for effective control, the systems used to develop such information, and reports necessary to communicate it effectively (internal control issues (COSO, 2014; Bushman, 2007).

2.4.5 Monitoring

This component involves assessing the quality and effectiveness of the organisations internal control process over time. It includes assessing the design and operation of controls, and assessing compliance with policies and procedures. It also provides for the implementation of appropriate actions when necessary (COSO, 2014; Bushman, 2007).

2.5 Capitation Grant in Local government Education

School fees abolition is becoming increasingly acknowledged as one of the strategies toward Universal Primary Education and as a key measure to achieving children's right to education. In view of this, the World Bank and UNICEF in 2005 launched the School Fee Abolition Initiative which aimed to disseminate lessons from the experience of countries that have abolished fees and provide context specific advice to countries that are seeking to do so (Manara and Mwombera 2012).

Experience in several countries shows that the private costs of schooling are a major barrier that prevent many children from accessing and completing a quality basic education. They are especially burdensome in countries where poverty imposes tough choices on families and households about how many and which children to send to school, and for how long.

School fees represent a regressive taxation on poor families, and the enrolment of poor, excluded and vulnerable children is very sensitive to fees, even when these are small.

School fee abolition is not just about "tuition fees" (which do not necessarily constitute the main bulk of fees). School fee abolition must take into consideration the wide range of the costs of schooling to families and households. This means any direct and indirect costs/charges (tuition fees, costs of text books, supplies and uniforms, other contributions, costs related to sports and other school activities, costs related to

transportation, contributions to teachers' salaries, and the like.) as well as opportunity costs and other burdens on poor families.

To meet the Millennium Development Goal (MDG) for education and national targets the Tanzania Government took a bold step forward by abolishing all fees charged by schools and also providing schools with a small grant for each pupil enrolled. The grant provided is called the capitation grant.

The decision to replace school fees with capitation grants has some advantage which include increased enrolment however it has critics that whether it have the desired impact on the quality of education. It can be seen that increase in enrolment will result to increased demand for additional classrooms; demand for additional teachers; Demand for additional textbooks and other teaching and learning materials and it is difficult to sustain community participation.

2.6 Capitation Grant Governance in public sector industry

The governance of the capitation grant in Tanzania can be categorised into two; the civic engagement and the school autonomy.

2.6.1 The Civic Engagement

Civic engagement refers to citizens' interaction with a particular field of interest, for example, public finance policy, with a view to obtaining a favourable outcome from such interaction (World Bank, 2001).

Thus, aspects of social accountability such as citizens' agency, volunteerism and political awareness are all forms of civic engagement in Tanzania. For instance, budget advocacy through villagers' participation in Village Assemblies (VA), civil society participation in Ward Development Committees (WDCs), District Consultative Committees (DCCs) and Regional Consultative Committees (RCCs) have become some

of the most popular forms of exercising citizens' agency in Tanzania. The civic engagement comprises of citizens' agency, volunteerism and political awareness.

2.6.1.1 Citizens' Agency

Citizens' agency concept assumes that ongoing contact between the public and their leaders provides the citizenry with the opportunity to draw attention to weaknesses in service delivery, and, as a result, the leaders would take appropriate measures in line with user preferences (Manara & Mwombela 2012).

In Tanzania, the quality of exchanges between community members and government at different levels has reached a higher platform recently as each side appreciates the attitude and effort of the other

2.6.1.2 Volunteerism

Volunteering is working, the putting in of time and energy, which one person does for another or for the public, of their free will, and with no material compensation similar in quantity or quality to the market value for these services (Cohen, 2009). The participatory aspect of volunteerism can contribute to a heightened understanding of the forces which shape governments and societies, leading to greater transparency, accountability.

2.6.1.3 Political Awareness

Political awareness manifests itself through voter turnout, attendance in political rallies, and listening to and/or reading news from the mass media. People are more active today in terms of participation in elections despite the fact that attempts to influence the results through both legal and illegal means are common (Kessy et al., 2006).

Mass media is by far the most important means by which people access information. Of the three main types of mass media, radio continues to be the most accessible, followed by newspapers and then television (HakiElimu & REDET, 2006). A radio is the most commonly owned item within households, most likely due to its affordability, portability and low maintenance costs. Currently, internet may be limited in access, affordability and utility, but it is gaining in influence. Information via the internet travels faster, especially with the current wave of providing internet services through mobile phones and short message services (SMS).

2.6.2 School Autonomy

School autonomy is a form of school management in which schools are given decision-making authority over their operations (Arcia et al., 2011). Some authors have suggested using “de facto” autonomy as opposed to “de jure” autonomy as the relevant measure of autonomy. While “de jure” autonomy refers to whether the school has been appointed as autonomous or not, “de facto” autonomy is related to the level of autonomy the school is actually enjoying or exercising as measured by the number (or the percentage) of decisions the school makes (Manara & mwombela 2012).

Public primary schools in Tanzania derive their autonomy from their local councils. Thus, current school autonomy in Tanzania should be viewed in the context of the Decentralisation-by-Devolution Policy of 1998. School autonomy includes freedom to determine own school needs, set priorities and budgets on the basis of the total resource envelope available at school level including subventions from the government (Mushi, 2006).

There two sets of indicators for school autonomy; one for authority over the use of the school budget (school decision-making power) and authority to seek additional funds from non-government sources (share of school own source revenues).

2.6.2.1 School Decision-Making Power

The progression in school autonomy in the last two decades has led to the conceptualisation of school-based management as a form of decentralisation in which the school is in charge of most managerial decisions but with the participation of parents through school committees (Manara and Mwombela 2012). School autonomy fosters governance by making the school committee in charge of school management (Arcia et al., 2011).

Although the capitation grant programme has increased school autonomy, the role of local governments at district, ward and village levels in the delivery of primary education remained unclear. Interference by the District Primary Education Office (DPEO), Ward Education Coordinators (WECs) and village government officials have been creating tensions among the school committee members and teachers. The school committee is the lynchpin of the success of the strategy at the community level (Manare & Mwombela 2012) but members do not have full mandate on school management.

2.6.2.2 Share of Own Source Revenues

Public schools are fiscally decentralised if they are allowed to mobilise own resources for school operations and development expenditures (Eskeland & Filmer, 2002). Innovative local sources of education development finance can easily be tapped where there are effective community-based school committees running the relevant school (Lwaitama, 2004). In Tanzania, there are two sources of own school revenues, namely donations from the private sector and non-governmental organisations (NGOs) and contributions from parents and the wider community.

Government primary schools also generate own revenues from gardening, selling tree seedlings, small restaurants and milling machines. Other schools, especially those in urban centres, rent out their premises and charge those who operate petty businesses within their compounds.

2.7 Ways to Achieve Successful Value for Money

2.7.1 To eradicate waste in benefits services processes and systems

Value for Money (VFM) can be achieved by eradicating waste in benefits services processes and systems. The “critical success factor” for a public sector organization is the degree to which it fulfils its set objectives and mission in terms of being efficient, effective, and economical. The Internal control systems are keys in achieving the organizational set mission and objectives; hence Value for Money.

2.7.2 Local Governments control over the use of resources

The main approach to VFM is the LG’s control over the use of resources in order to achieve its set objectives, LGIAM (2007). Regulation 106 of the LGFAR (2007) requires the Head of Internal Audit to carry out regular review to ascertain whether council receives VFM in all its activities. Heads of Department should establish sound arrangements for planning, appraising, authorizing, and controlling operations in order to achieve Value for \money LGFAR (2007). Davies (2007) holds that the public sector applies no consistency in defining Value for money (VFM) and the decision making strategies of LGs are poorly defined and applied irregularly hence LGs are able to exploit the definition of VFM to justify their actions.

However, many authors hold that Value for money is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. Value for Money is not paying more for a good or service than its quality or availability justifies as well public spending implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness(full attainment of the intended results) (Glendenning 1998; Davies 2007; Deakin 1998 and LGIAM, 2007).

The most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Government's system of internal financial control (Kaplan, 2009; LGFAR 200).

During the process, communication needs to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost. However, Kerr (2005) observed that the will to provide Value for Money in Government spending is weak because accountability to taxpayers and the public is generally weak.

According to Heald (2003) VFM analysis needed to pay attention to total risk and VFM is related to concept of efficiency and effectiveness. Jiju and Ogded (2009) hold that despite a long period of implementing performance management within the public sector improvement in performance, accountability, transparency, quality of services and Value for Money have not yet been achieved.

2.8 Empirical Literature Review

This part reviewed the study done by other authors or researchers relating to internal controls and the capitation grant.

Yustaria (2010) conducted a research to find the role of internal controls in financial institution. The research was titled "the emerging role of internal control practice on the security of assets in small financial lending institution in Tanzania". From this research the findings revealed that, internal control was the mere instrument through which most of small financial lending institution was capable of scrutinising all financial performances relating to the level of lending. The finding shows that internal controls helps the reliability of financial reporting and detection of errors as a result minimise risks which occurred with regard to financial utilisation.

In addition Shaban (2011) focused on determining the impact of internal control on the financial performance of Financial-Based Institutions in Tanzania; the case of National Microfinance Bank (NMB), head office, Ilala, Dar es Salaam found that there was a big

impact derived from the application of internal control on the financial performance of financial-based institutions in Tanzania. The findings further shows that with the presence and application of internal control, every aspect relating to banking operation including; transactions which were to be recorded and in turn could be evaluated; Internal controls influences everyone in the bank to adhere to the keeping record of every asset used; none of the errors, fraud, and misappropriation could be deliberately undertaken.

According to John (2011) who studied the relationship between internal control and organizational performance of Limited Industries finding's shows that there is a significant positive relationship between internal control system and management of a limited companies.

Moreover, Makubi (2012), studied the impact of financial internal control on financial performance in Religious-Based Organizations (RBOs), the study found that Financial Internal Control plays a significant role especially in preventing the occurrence of fraud, and likewise may impact financial performance by detecting various aspects involved in financial performance. The finding also shows that Financial Internal Controls may be used as a tool which can reveal all necessity financial-related matters such as fraud, cost and expenses.

Ritva and Svensson (2005) did a research titled "Fighting Corruption To Improve Schooling: Evidence From A Newspaper Campaign In Uganda" with the question "What is the most effective way to increase primary school enrolment?" A newspaper campaign in Uganda aimed at reducing capture of public funds by providing schools (parents) with information to monitor local officials' handling of a large education grant program. The findings in this research shows that both enrolment and test scores increased significantly more in schools in areas with higher newspaper penetration, and thus in schools with more funds.

The findings further shows that since schools were free to spend their grants on whatever nonwage items they needed, be it textbooks, school meals, school uniforms, or flipcharts, the indirectly enhancement learning activities should be addressed by the policy.

However, Manara and Mwombela (2012) in their research titled “The Governance of the Capitation Grant in Primary Education in Tanzania: Why Civic Engagement and School Autonomy Matter” finding shows that the level of capitation grant governance in schools in average-spending councils (Morogoro MC and Kondoa DC) is higher than in high-spending councils (Singida MC and Mvomero DC) and low-spending councils (Songea MC and Mbeya DC). This suggests that increasing public expenditures is not a panacea for solving quality problems currently haunting the primary education sub-sector in Tanzania. Improving governance of disbursed funds at the school level is equally important. The evidence across case councils has shown that frequent cuts and chronic delays of capitation disbursements are just one part of the story. More often than not, the untold story is how school committees and school administrations manage the funds that do reach the schools.

This study found that demand-side factors matter most for the governance of the capitation grant in schools. In particular, parental monitoring of school revenues and expenditures can play a critical role in improving the governance of the capitation grant in schools.

Noncompliance to the Internal Controls is one of the major hindrances to the attainment of VFM in LGAs as addressed by most authors, writers, and academic researchers. From the side of empirical studies, a lot has been done to address the role of internal control in financial performance, and its impact on the security of assets in organisations different from LGAs. Whereas, there is little and perhaps nothing of attention was addressed about internal control in relation to capitation grants in government primary schools in Tanzania.

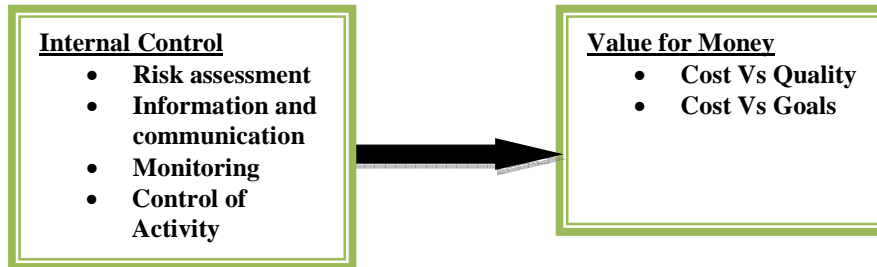
Most of them had shown interest in areas like; internal audits and financial performance in financial institutions and RBOs. Weak, non-compliance, non-existent or absent public financial management functions (Internal Control Systems) are likely to negate any advantages that might be inherent in bringing public services “closer” to people (Value for money). In contrast, those studies needed to establish the relationship between the Internal Control Systems and Value for Money in LGAs in Tanzania. Therefore, it can be concluded from the literature that there is an urgent need to analyse the effectiveness of internal control system in managing education capitation grants in LGAs in Tanzania particularly.

2.9 Conceptual Framework

In presenting the conceptual framework for the study, this section bases much on providing assumptions based on the objectives to be achieved by the study in hand. That is to say; most of the assumptions laid down in this context are in parallel with the assumption portrayed from the objective as well.

This study is based on two variables the dependent variable which is value for money and the independent variables collectively internal controls. The dependent variable will be measured by three elements namely the efficiency, the effectiveness and the economy. The independent variable comprise of preventive controls (control environment and control activities) and the detective controls namely risk management, information and communication and monitoring. In summary the conceptual is summarised below in figure 2.1;

Figure 2.1: Conceptual framework



Source: Researcher's (2014)

The model above explains the relationship amongst the variable under study; it explains Internal Control System as the Independent variable while Value for Money as the dependent variable. According to the Figure 2.1 above, internal control performance may influence accurate distribution of grants to public schools by MMC, the detection of resource performance and use, and may influence the prevention of errors to occur during the financial performance.

That means, internal control promotes effective management of resources while stressing the values of economy, efficiency and effectiveness (Value for Money) Control. Environment, control Activities, Risk Assessment, Information and Communication and Monitoring are a necessary to help the performance of internal control to be in place and in turn help LGAs achieve effective value for money of capitation grant to public schools under their supervision.

Internal Control are viewed in terms of construct of its influential positions like; role, impact, influence – as well as its relative activities such as; risk assessment, information and communication and monitoring. While, Value for Money is understood based on its position as; being dependent variable which may result in Efficiency and Effectiveness.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the procedures that were employed in the study. The chapter therefore, presents the methodology deployed in the study by specifying the study area, research design, study population, sampling size and sampling Techniques, data collection methods and data analysis.

3.1 Study Area

The study area in which the study was carried out is Morogoro Municipal Council (MMC). The said council is located in the region of Morogoro, Tanzania. In that area, the study collected data from all public primary schools which are supervised by the MMC. The area covers about 195 kilometres to the West of Dar es Salaam and is situated in the lower slopes of the Uluguru Mountains. The Municipality has total area of 531 square kilometres and is divided into nineteen wards (Morogoro Municipal Council, (MMC), 2008). According to Hilfswerk *et al'*, (2013) the MMC has sixty two government primary schools.

The researcher is a member of the society at MMC and he is interested in seeing whether there is effective ICS on capitation grant that is granted to Government primary schools in achieving Value for Money (VFM).

3.2 Research Design

The study employed survey design. The survey study design is selected based on the researchable reasons that is; it focuses more on a identical areas or organisation. Therefore, it is important to note that survey study design can permit the use of variety of data collection methods to be deployed during the whole conduct of the study.

The focus is that, this type of research design permitted the researcher to explore and analyse information over the life of a single unit, which is Morogoro Municipal Council (Birkinshaw, 2004; and Welch, 1998)

3.3 Study Population

The target population for this study included all 62 government primary schools under the supervision of MMC and 281MMC staff including internal auditors, Statistical Logistic Officers, Accountants and politician. The municipal have around 1120 primary school teachers. (Municipal quarterly report 2014)

3.4 Sample Size and Sampling Technique

Sample is a small or selected group used to represent the whole population. The following are the Sample Size and Sampling technique employed:-

3.4.1 Sample Size

The study employed sample size of 150 respondents, whereby, politicians and a cluster of 30 government primary schools were selected and from each school 4 teachers selected through convenience sampling technique, also 30 staffs from the MMC including internal auditors, accountants and Statistical and Logistic Officers were selected basing on purposive sampling. From these samples the key informants are Statistical and Logistic Officers, Auditors and Accountants. The sample composition is presented in Table 3.1.

Table 3.1: Selection of Sample Size

Department/ section	Target Population	Sample Selected	Method of selection of sample
Staff-Primary school	1120	120 respondents from 30 primary schools	Convenience method
Auditors	8	6	Purposive sampling
Accountants	16	7	Purposive sampling
Statistical and Logistic Officers	2	2	Purposive sampling
Politician	31	15	Convenience method
Total	1177	150	

Source; Researcher's (2014)

3.4.2 Sampling Techniques

According to Stasch *et al.*, (1985) the procedure of selecting a sample for a study is an important step in any research project since it is rarely practical, efficient, and costly, to study the whole population. The researcher therefore employed purposive and convenience sampling techniques.

3.4.2.1 Purposive Sampling Technique

The researcher employed purposive sampling in selecting the key respondents, namely Statistical and Logistic Officers, Accountants and Auditors who are the custodians of the internal control system, education department, finance department and planning department as they involve on the study by ensuring the internal control or affect the capitation grant fund directly. This sample provided special information regarding the practice of internal Control in achieving VFM of grants provided to primary schools under supervision.

3.4.2.2 Convenience Sampling Technique

This technique employed whereby teachers and politicians were selected based on their availability. Therefore the cluster of schools were selected i.e. 30 primary schools was chosen randomly then from each primary school 4 teachers were selected one being the head teacher. Furthermore the study employed this technique to politicians i.e. ward representatives because they are located in various places of which it is not easy for study to reach them all, however selection process continued until the sample size was obtained. The selection was determined by aspects like self-selection, administrative decision, time of the class, and number of the years of exposure (Muijis, 2004).

3.5 Data Collection Methods

These are ways used to extract information. The methods employed by this study were observations, documentary and questionnaires. The researcher has considered these methods as appropriately to enable gathering accurate and enough information.

Primary data were collected through questionnaire and interview. Secondary data were gathered from documentary review.

3.5.1 Questionnaire Method

This study used questionnaires as one of the methods of data collection. The questionnaires were administered to the MMC staffs (internal auditors, accountants, SLOs and Politician), primary school teachers and members of primary schools management committee. The method of administering questionnaires helped this study to have the intended numbers of the respondents. Also administering reduced some ambiguities of understanding some of the word(s) on the questionnaires where by clarifications were provided. The information expected from this method involved in answering the methods of internal control available and its roles and more specifically, questionnaire was employed by this study in gathering data, which determined the

impact of internal control activities in achieving VFM. Also, through it, suggestions about ways to be adopted by MMC to achieve effective VFM was provided.

3.5.2 Interview Method

Interview was conducted to the top management of the council which include the municipal accountant and the municipal executive officer using interview guide. Also the interview was conducted to some members of finance committee. During the process of interview, some structured questions were asked and the study took note on the answers provided. Respondents were given almost full liberty to express themselves on matter, which was used to support the smooth achievement of the study in hand.

However, it should be remembered that; during this process, researcher gave leading questions observing non-verbal actions and meanwhile recording the responses for further analytical and conclusion steps.

Interview process was performed in such a way that it collects data that assessed the influence of internal control in helping MMC distribute all capitation grants to all schools under their supervision as well as they were allocated by the central government.

3.5.3 Documentary Review

Documentary review is the kind of data collection technique which was used in collecting secondary data. In this study specifically, documentary review was utilized simply to collect the trend of capitation grant for five years from 2009 to 2013. In view of this study, this was done by reviewing financial statements and different annual and quarterly reports at MMC.

3.6 Data Analysis methods

Data collected were divided into two categories, qualitative data and quantitative data. To analyse these data the study used tabular way of analysing data, percentage and descriptive ways.

3.6.1 Qualitative Data Analysis

The data were analysed in a descriptive way by refining the common responses also the software were used in analysing these kinds of data. The study analyzes the raw data obtained from the interview by recording the answers of the respondents and read other MMC reports relating Capitation Grants. The findings from respondents were interpreted in comparison with our objective together with factual and logical interpretation of the study findings.

3.6.2 Quantitative Data Analysis

Data were collected, coded and were analysed. The quantitative analysis was conducted to enable the researcher to summarize the collected data and organize in a way that the researcher was able to answer the research questions. The use of different tools like Tables, frequencies, percentages were utilized whereby data were quantified and analysed, also in some areas further analysis was conducted.

3.7 Ethical Consideration

All important norms for collecting data from the field are available and should always be respected in the whole course. That is to say; the said process was amongst the topmost attentions that were put into consideration by the researcher during the entire process. The researcher obeyed ethical norms. Based on this statement, the researcher was given a written recommendation from the academic authority of Mzumbe University, which

was presented to the concerned offices for approval to collect all necessary information from the intended field. The researcher ensured all respondents that whatever information given by them were treated and guarded with a high sense of confidentiality and no any piece of it was taken out of concealment.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

This Chapter presents and interprets the data collected and analysed in Chapter three. The presentation is guided by the objectives of the study.

4.1 Socio-economic characteristics of respondents

In this stage, the study first, studied about different characteristics of respondents. In this regards, the study was aiming at findings different general information of the respondents pertaining to various elements like Gender, Education, Age, Designation and work experiences. The main aim of findings in this particular information was based on the idea that general information would necessarily help the study in knowing whether different considerations such as Gender balance, non discrimination in terms of age. Also this information was so useful as it could help the study understands the extent to which the studied respondents were very much informed, acquainted and even knowledgeable concerning the whole matter relating to management of education Capitation Grants.

Table 4.1 Socio-economic characteristics of respondents

Characteristics	Frequency	Percent
Gender of respondents:		
Male	86	57
Female	64	43
Education of respondents:		
Form four	5	3
Certificates	91	61
Diploma	25	17
Degree	23	15
Masters	4	3
Others	1	1
Age of the respondents:		
18-35 (Youth age)	50	33
36-55 (Adult Age)	84	56
55+ (Old age)	16	11
Designation of respondents:		
Accountants	7	5
Auditors	6	4
Statistical and Logistic Officers	2	1
Politicians	15	10
Teachers	120	80
Working experience of the respondents:		
Less than 5 years	55	38
6-10 years	33	21
11-20 years	51	34
21-30 years	10	6
above 30 years	1	1

Source: Survey Data (2014).

4.1.1 Gender of respondents

Table 4.1 above shows that out of 150 respondents, male were 86 which is equivalent to 57% and female were 64 which is equivalent to 43%. This shows that the findings were from both male and female respondents and the gender sensitivity were considered; though male were the majority with 57% of all the respondents. Therefore Morogoro Municipal Council put equal employment opportunity to both males and females.

4.1.2 Level of Education of the respondents

Level of Education of the respondents was greatly useful as to whether through it, particular analysis would be found and certify the extent to which the studied respondents were educated, something, which consequently was useful to determine the extent to which they had useful, valid, and even reliable information about topic under concern.

Table 4.1 above shows the education level of the respondents, 5 respondents were the form four leavers which is equivalent to 3%, 91 respondents were having certificates which is equivalent to 61%, 25 respondents were having diploma which is equivalent to 17%, 23 respondents were having bachelor degrees which is equivalent to 15%, 4 respondents were having masters degree which is equivalent to 3% and other level of education was 1 respondent which constitute of 1%. The information justifies that most of the respondents were the qualified personnel in their carrier, so this provides the researcher with high level of reliability of the findings.

4.1.3 Age of the respondents

Table 4.1 above shows that (50)33% of the respondents were the youth, (84) 56% of the respondents were the adults and (16) 11% of the respondents were the old age people. The data implies that most of the respondents were the adults of the age between 36 to

55 years and there MMC is responsive in employing all generations without discrimination of none of them

4.1.4 Designation of the respondents

Table 4.1 above shows different designation of the respondents in MMC whereby among 150 respondents, accountants were 7 which is equivalent to 5%, auditors were 6 which is equivalent to 4%, Statistical and Logistic Officers (SLO) were 2 which is equivalent to 1%, politician were 15, which is equivalent to 10% and Teachers were 120 which is equivalent to 80%.

The information presented above revealed that the findings came from teachers in a large percentage. This is due to the reason that teachers are the one who receive and implements all matter concerning with the education capitation grants and their expected outcome. The other groups were presented as shown above as part of those who links between the government who are the providers of the capitation grants and the teachers who are the main implementers.

4.1.5 Working experience of the respondents

Table 4.1 above presents the experiences of the respondents in the work in terms of years. This shows that, the respondents of the working experience of below 5 years were 38%, 6-10 years were 21%, 11-20 years were 34%, 21-30 years were 6% and above 30 years of the working experience were 1%.

These findings revealed that the findings come from the experienced workers who actually have the understanding of the capitation grants and its management to enable the expected results be achieved since justified with the data since only 38% of the respondents are below 5 years of working experience.

4.2 Types of internal control existing in MMC

In Morogoro Municipal Council use different types of internal control in controlling the capitation grants in primary schools basing on the guideline for the use of capitation grants for primary schools as it was provided PMO-RALG. These control are as shown below;

4.2.1 Budgetary control

Findings show that budgetary control is one among the control system on capitation grant in MMC. The budgetary control is done by taking the numbers of pupils in primary schools that helps to consolidate the school capitation grants (CG) budget. The consolidated budget is submitted to RAS for compilation and onward transmitted to PMO-RALG and MoEVT to initiate disbursement of the fund to the councils by Ministry of Finance and Economic Affairs

Moreover, the study had strived to generate further findings by which it could be precisely explain the way budgetary control is among the control systems commonly used on capitation grant at MMC. In fact, during this process, respondents were studied through interview in which they asked to give more evidences concerning the way budgetary control is one of the control systems used on controlling capitation grants at MMC. Therefore, several opinions were raised by respondents but some of them tended to be common as are presented in the following array.

... Budgetary control is one of the common control systems used not only by MMC rather by almost any government agency in controlling the capitation grants accorded to them. For the case of public primary schools operating in MMC used in this study, budgetary control is control system often performed by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget. In other words, this process involves making control over the budget linked to any money granted by the

government for teaching materials, and learning materials for students enrolled in government schools ... Survey data, (2014).

In reality, findings presented in terms of citation above have yielded the same evidence as found in the preceding information. Based on the findings collected on the basis of interview and presented above, the study had thus, established that the budgetary control in the kind of control system commonly applied not only in MMC rather almost all government agencies when making control over the capitation grants accorded to them. More specifically, budgetary control is control system often performed at MMC by mainly involving the number of students in primary schools as the mere way to help consolidate the school capitation grant budget.

4.2.2 Expenditure Control

According to the findings, MMC performs the expenditure control by making sure that the fund is disbursed timely to every school's account with clearly directives depends on the available budget. Also MMC supervise the implementation of capitation of Capitation Grants (CG) guidelines at the school level.

In order to ascertain the accurateness of the above findings, the study had employed interview in which respondents were asked to provide more details and description on how the expenditures are controlled in their areas of works specifically in primary schools. This element was very useful for this study as its findings have helped in describing the whole process used in making control of expenditure performed in there. Thus, when giving responses, respondents were of various opinions, but most of them were more common than other and are summarised and presented in the following manner.

... The expenditure control for the case of primary schools in MMC is performed by checking whether the allocated grants were consumed according to budget

allocation with reference to time and specific amount accorded to every school. But also, expenditure control is carried often, to assure the grants (funds) are allocated and disbursed on time to every concerned school's account and whether all what needed to be covered in the budgets were done accordingly. This process helps maintain adequate budget use and adequate follow up of procedures in budgetary use ... Source: Survey data, (2014).

Based on the findings presented above, it was found that the process of expenditure control is performed by making sure all the allocated funds are given to every concerned school by putting them in school respective account. In simple and clear terms, findings presented above had elucidated that the expenditure control involves checking out whether the budget was performed according to the way it was allocated and that all expenditures conform with the stipulation of budgets with respective fund in it.

4.2.3 Report writing

The study's findings show that, MMC ensures that schools prepare quarterly report which shows income and expenditure of CG funds which are audited. These school's quarterly reports are compiled and submitted to RAS for compilation and onward transmission to MoEVT and PMO-RALG.

4.2.4 Communication

Then findings depict that, MMC ensures public disclosure and transparent for the amount of capitation grants received and expended by directing the schools to present these reports on the school board and school community.

4.3 Presence of internal control of capitation grants in Morogoro Municipal Council

Table 4.2 – 4.4 presents internal control system of capitation grants in MMC, these includes; to check if capitation grants is received through Banks, to check if the payments of money related to capitation grants is done through banks and to examine if there is bank reconciliation statement done every month on the capitation grants.

4.2.1 Receiving of capitation grants through Banks

In this context, the study focused on how well capitation grants are managed. Before CG issued to the school level the study interested to confirm on the model of payments so as to analyse the controls available, Table 4.2 below presented the findings as follow:

Table 4.2 Receiving of capitation grants through Banks

Response	Frequency	Percent
Available	150	100.0

Source: Survey Data (2014)

Table 4.2 shows that all 150 respondents equivalent to 100% agree that they receive the capitation grant through Banks and therefore controls on the model of issuing CG from Morogoro Municipal Council to a schools level is well safeguarded this implies that transactions for bank gives a good audit trail.

In similar vein, the study had strived to find more evidences about the way in which capitation grants are received by primary schools in MMC. This was so searched based on the fact that in the preceding findings, it was found that most of grants accorded to government agencies, especially to primary schools are given to them through

depositing into every school's bank account. Therefore, the interest in this stance was to ascertain the way public primary schools receive their capitations as granted by the government. However, results gathered on the basis of this concern have revealed out the following information.

... All the capitation grants are always received through our bank accounts. They are allocated by the government and in turn they get delivered to every school's bank account. This is the common and standard way through which most of public primary schools in MMC receive their capitation grants. After receiving the capitation grant, normally, Morogoro Municipal Council often provides direction about the controls and the model of issuing capitation grants to each respective school – whereby, from this the control process is well performed and adequate use of CG is well assured. And above all, all the expenditures and uses of CG are recorded by banks, of which in turn all transactions are carried in a respective bank which in turn give and direct audit details in most precise manner ... Source: Survey data, (2014).

Findings collected on through interview and presented in terms of citation above have revealed out that the only way through which primary schools in MMC receive their capitation grants is the respective bank account. This was so mentioned based on the fact that majority of all interviewed respondents have ascertained the exactness of this fact. In similar words, findings presented above have elucidated that the fact of receiving capitation grant through bank account facilitate the performance of audit control since all transactions carried over there can be scrutinised, recorded, and in turn there is adequate budget use.

4.2.2 Payments for school facilities and services rendered using bank accounts

All government primary schools opened current account on Capitation Grant as per PEDP guidelines requirement. The study focuses on modality to which payments are done to different suppliers in terms of acquiring teaching facilities and services. Table 4.4 below presented the findings as follow:

Table 4.3: Payments for school facilities and services rendered using bank accounts

Response	Frequency	Percent
Available	40	26.7
Not available	110	73.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.3 shows the results that 40 respondents equivalent to 26.7% agreed that the payment of the money related to capitation grants is done through banks. While 110 equivalents to 73.3% respondents said that the payment related to capitation grant is not done through Banks. Therefore the findings revealed that most of the payments of facilities and services that related to capitation grant are not done through banks. This implies that audit trail can easily be lost if some of the transactions are done on cash bases.

Having found the above findings, the study was interested to know the way bank transaction can facilitate the running of internal audit and ensure the adequate use of any capitation grant accorded to schools. This information was considered to be very useful in the sense that the study assumed that bank transactions are always carried in a systematic way and every aspect involved in them must be recorded accordingly to the extent it is easy to carry any audit activity. Therefore, in order to find the logic about this

matter, respondents were studied by interview in which they were asked to explain, the way receiving capitation grants through bank account can facilitate the performance of internal audit. Their responses were collected and are summarised in the following manner.

... Receiving capitation grants through bank account is very important and above all it assures the security of fund usage. This is because, every transactional activity performed through bank must be recorded and in turn it will be clear to make any evaluation in precise manner. Based on this understanding, it therefore, very easy for any internal audit to carry it auditing activities with consistency and precision. But also, through this phenomenon, the internal audit will be afforded easiness of carrying audit activities and every step and activity involved when either procuring, or supplying particular item will be clearly scrutinised. So, the use of bank account to receive capitation grants is very useful to both internal auditors as well as to primary schools as it assures the security of grants (funds) use and facilitates the undertaking of audit activities ... Source: Survey data, (2014).

Findings gathered from interview and presented in terms of citation above have revealed out that the fact of receiving capitation grants through bank is of great importance and should be seen as the most secure way for keeping and using fund. So, based on the same findings, this study has established that reception of capitation grants by primary schools facilitate both the adequate use of funds by primary schools as well as the internal audit practice. The reason stated from the findings above was that, bank have huge stance of security for grants and facilitates the running of internal audit since every transactions carried over there within a budget life cycle must be easily scrutinised as the result of having been recorded. Due to this findings, this study urges all government primary schools to place priority on opening account with required bank so that to increase the security of funds and their budget usage.

4.2.5 Monthly Bank reconciliation statement on capitation grants

Bank reconciliation is one of the control tool on managing funds movement i.e. Capitation Grant in this aspect. Cash book records at the school level need to be reconciled with bank balances so as to have accurate bank balance. At least if monthly bank reconciliation done then few risks like overdraft charges can be avoided since all checks in transit can be identified. Table 4.4 below presented the findings as follow:

Table 4.4: Monthly Bank reconciliation statement on capitation grants

Responses	Frequency	Percent
Available	99	66.0
Not available	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.4 shows that 99 respondents equivalent to 66.0% agreed that there is bank reconciliation. While 51 respondents' equivalents to 34.0% respondents said that there is no bank reconciliation. Therefore the findings revealed that most of the primary school is performing the bank reconciliation in every month on the money related to capitation grant. Generally the findings give the reasons to conclude that in MMC there is internal control system on capitation grants in primary schools, though some of the payments are not done through banks.

These results shows that MMC has seen the importance of internal control system as argued by Storkey (2011) that, Internal control system is considered as a management tool that serves as a means to achieve performance and profitability targets, and prevents loss of resources of LGA as managing financial risk is very important to modern organisations.

4.4 Effectiveness of the internal control system especially on in capitation grants for primary schools

The contribution of internal audit to enhance proper distribution of capitation grants, receiving capitation grant through banks to enhance proper distribution of capitation grant, payments through bank to enhance proper use of capitation grants and banks reconciliation statement monthly to enhance proper use of capitation grants.

Also the indicators on the effectiveness of internal control system in capitation grants were considered; these includes the enrolment of primary school pupils, Quality improvement of teaching materials and education standards, availability of teaching materials and adherences to procurement and financial regulations.

4.4.1 The contribution of internal audit to enhance proper distribution of capitation grants

Internal Audit is one of the key components in the internal control system of any organizations. In this stance, the study wanted to find whether the integration of internal audit has or not helped MMC in improving proper distribution of capitation grants. Respondents were studied through a query from questionnaire process which was exactly requiring them to state 'very well, well, not sure, bad or worse' if internal audit contributes in proper distribution of capitation grant

Respondents were largely accredited and even believed to possess intense information and knowledge pertaining to the whole practice of the internal audit as well as its interventional actions. Table 4.5 below presented the findings as follow:

Table 4.5: The contribution of internal audit to enhance proper distribution of capitation grants

Responses	Frequency	Percent
Very well	30	20.0
Well	101	67.3
Not sure	9	6.0
Bad	5	3.3
worse	5	3.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.5 shows that 30 respondents equivalent to 20% responded “very well”, 101 respondents equivalent to 67.3% responded “well”, 9 equivalent to 6.0% respondents responded “Not sure”, 5 respondents equivalent to 3.3% responded “Bad” and 5 respondents equivalent to 3.3% responded “Worse” on the statement that how internal audit enhance proper distribution of capitation grants.

The findings justifies that majority of the respondents agreed that the internal audit enhance proper distribution of capitation grants, though not at a maximum scale of agreement as stated in the statement.

The study had further searched for other similar evidences on whether the application of internal audit has been yielding a positive contribution in assuring there is appropriate distribution of capitation grant to every respective school. The assumption in this regard was that, the study wanted to find whether the use of internal audit has helped the MMC to get rid of any misconduct relating to distribution of capitation grants. In other simple words, the study wanted to know whether the application of internal audit should always be seen as the mere instrument by which the adequate distribution of capitation grants is apparent.

In this respect, respondents were asked to explain the way internal audit contribute in assuring there is effective distribution of capitation grants – whose findings are summarised and presented in the following manner.

... The application of internal audit is a very vital instrument and should be regarded as the most powerful tool that assures the equitable distribution of capitation grants to any concerned primary school in the context of MMC. The reason is that internal audit helps in preventing, detecting, and even controlling or monitoring any activity involved in the budget performance. As the consequence, it is very difficult for MMC to make the distribution of grants in an unacceptable manner, since every step in this process must be known through the performance of internal audit. But also, the central essence of internal audit is geared towards alleviating and avoiding any misconducts relating to fund usage along the budget life cycle. So, it is in this manner the how internal audit contribute on adequate distribution of grants to all coerend primary schools in MMC ... Source: Survey data, (2014).

Based on the findings presented above, this study had found that the contribution of internal audit on effective and adequate distribution of capitation grants is seen in terms of the role it plays in avoiding, alleviating, and detecting any mistakes that might occur during the budget life cycle. But also, it is very difficult to make misconduct on fund usage in the presence of internal audit – since any misconduct of that kind can be detected in most clear manner. Therefore, based on the findings presented above, this study has established that the integration of internal audit has helped MMC in improving proper distribution of capitation grants.

4.4.2 Receiving capitation grant through banks to enhance proper distribution

In this stage, the study used this aspect as one of the element in assessing proper distribution of capitation grant via banks. Since Capitation Grant are distributed based on the numbers of pupils available at schools then the study believed that if this funds

distributed via banks chances of frauds and errors would be reduced, however logic about this aspect needed to be confirmed by respondents by employ questionnaires which was asking respondents to state ‘very well, well and Not sure’ if receiving capitation grants through banks enhance proper distribution of CG. Table 4.6 below presented the findings as follow:

Table 4.6: Receiving capitation grant through banks to enhance proper distribution

Responses	Frequency	Percent
Very well	137	91.3
Well	6	4.0
Not sure	7	4.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.6 shows that out of 150 respondents, 137 respondents equivalent to 91.3% agreed that receiving capitation grant through banks enhance proper distribution of capitation grant, 6 respondents agreed by saying “well” and only 7 respondents equivalent to 4.7% said they are not sure. Therefore the findings justifies that when capitation grant is received through banks, it enhance proper distribution.

4.4.3 Payments through bank to enhance proper control and uses of capitation grants

In this context, the study wanted simply to ascertain whether payments through bank enhance proper control and uses of Capitation Grant. In analyzing related party transactions, payments is one of the indicator which show relationship of suppliers and the schools in acquiring school facilities and services in ascertaining amounts paid and the services/facilities obtained. In this regards, the study wanted respondents to state 'very well, well and Not Sure' if payments of through bank to enhance proper control and uses of capitation grants. Table 4.7 below presented the findings as follow:

Table 4.7: Payments through bank to enhance proper control and uses of capitation grants

Responses	Frequency	Percent
Very well	15	10.0
Well	93	62.0
Not sure	42	28.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.7 shows that 15 respondents which is equivalent to 10% responded very well, 93 respondents which is equivalent to 62.0% responded well and 42 respondents which are equivalent to 28% responded that they are not sure. Basing on the results presented, it justify that the payments of the money related to capitation grants through banks on different services, enhance proper use of capitation grants.

4.4.4 Monthly Banks reconciliation statement enhance proper management of capitation grants

Since the money related to capitation grants is received through bank, then bank reconciliation in monthly bases is very important. To check if bank reconciliation on the capitation grants enhance proper management of capitation grants or not, Table 4.8 below presented the findings as follow;

Table 4.8 Monthly Banks reconciliation statement enhance proper management of capitation grants

Response	Frequency	Percent
Very well	99	66.0
Well	51	34.0
Total	150	100.0

Source: Survey Data (2014)

Table 4.8 shows that among 150 respondents, 99 respondents who are equivalent to 66.0% agreed by responding very well that the bank reconciliation on capitation grants enhance proper use of it. While 51 respondents who are equivalent to 34.0% agreed by responding well. Therefore the findings shows that if there is bank reconciliation on the money related to capitation grants every month will enhance proper management of these capitation grants.

4.4.5 Enrolment of pupils in primary schools in MMC from 2011 to2014

To justify the effectiveness of internal control on the capitation grants to government primary schools in MMC the enrolment of pupils for four years consecutively were observed as shown in Table 4.9 below

Table 4.9 Enrolment of pupils in primary schools in MMC from 2011 to 2014

Year	Expected		Total	Registered		Total	Percent
	Boys	Girls		Boys	Girls		
2011	2907	3099	6066	3036	3185	6221	102.5
2012	2856	3096	5952	2786	2960	5746	96.3
2013	2685	2863	5548	3367	3412	6779	122
2014	3056	3110	6166	3011	3259	6270	101.7

Source: Primary Education Department Report of MMC (2014).

Table 4.9 shows the number of pupils registered to join standard one at MMC government primary schools since 2011 up to 2014. Enrolment expected for 2014 was 6166 pupils out of which 3056 were boys, and 5,623 were girls but actually 6270 pupils were enrolled where by 3011 boys and 3259 were girls. This shows that abolition of school fees and effective internal control of capitation grants gives a positive results.

4.4.5.1 Quality improvement of teaching materials and education standards

Findings show that education quality improved in primary schools due to the capitation grants provided. The quality improvement has been observed in terms of teachers' effectiveness and ensuring adequate availability of good quality learning and teaching

materials. But according to this study the findings shows that there is no quality facilities that are obtained through the capitation grants as it showed in item 4.8.2. Also the findings obtained through interview show that most of the teaching facilities are not of the good quality in relation to the syllabus which leads to ineffective teaching of most of the teachers and it leads to number of standard seven leavers who does not know how to read and write. This implies that the standard of education are not met, hence ineffectiveness of internal control system in MMC to enable proper use of capitation grants in bringing expected education outcome.

4.4.5.2 Availability of teaching materials

The study revealed that capitation grants is very pervasive for acquiring learning materials including books in order to satisfy the need of the pupils. The findings from the interview which was made revealed that the leaning materials particularly the books are not of the high quality as it is expected. Also the facilities are not satisfying the needs of the pupils. Some MMC staff revealed there is a high misuse of the primary schools capitation grants in such a way that the 40% of books as indicated by Mnari and Mwombeki (2012) is not properly used. So this shows the ineffectiveness of internal control system in MMC on Capitation Grants.

4.4.5.3 Compliance to procurement regulations

The findings show that there is no compliance to procurement regulations as it was argued that most of the fund related to CG is not paid through Banks as indicated in item 4.2.4 of this study which does not comply with the procurement regulations. Some of the purchases are done without tendering notice and those of tendering notice purchases of teaching materials and books are bought without following specifications required on the tender documents.

Table 4.10 Compliance to Procurement regulations

Response	Frequency	Percent
Rare	92	61.3
Not sure	22	14.7
Often	36	24.0
Total	150	100.0

Source: Survey Data (2014)

Findings presented in table 4.10 above show that, out of 150 respondents 92 equivalents to 61.3% said rare, 22 equivalents to 14.7% said not sure and 36 equivalent to 24.0% said often on the truth of the statement that spending of capitation grants follows the procurement regulation. These findings revealed that most of the spending of capitation grants do not follows the procurement regulations. Therefore non compliance with tender policy implies ineffectiveness on procurement procedures as supported by findings presented in the above Table.

4.5 The roles of internal controls on capitation grant implemented by MMC

The study also wanted to search on the role of internal control on capitation grants implemented by MMC. The results have been presented in Table 4.11-4.12 below.

4.5.1 Internal control enhances proper preparations of financial reports

The questionnaires for this item provided scale items to be selected among strong disagree, disagree, not sure, agree and strong agree. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that internal control enhances proper preparations of financial reports. The findings were presented in Table 4.10 below.

Table 4.11: Internal control enhances proper preparations of financial reports

Response	Frequency	Percent
Not sure	17	11.3
Agree	20	13.3
Strong agree	113	75.3
Total	150	100.0

Source: Survey Data (2014)

From Table 4.11 above, the results show that out of 150 respondents, 17 who are equivalent to 11.3% said they are not sure, 20 who are equivalent to 13.3% said they agree and 113 who are equivalent to 75.3% said they strongly agree with the statement that internal control enhances proper preparations of financial reports in MMC.

In similar stance, the study was interested to find whether the application of internal control played a role in influencing the preparation of financial reports relating to the usage of grants allocated to primary schools in MMC. In this respect, however, the study intended to know whether the preparations of financial reports was effectively undertaken as the consequence of applying internal control over the use of grants in different government schools in MMC. In fact, the following opinions are some of the common responses given by respondents from the interview question that asked them to explain whether the application of internal control has helped the appropriate preparation of financial reports in their respective primary schools and how.

... The presence of internal control has been playing a very significant role on adequate preparations of financial reports in most primary schools operating under the control of MMC. In clear views, internal control plays role by influencing the adequate use of grants allocated to them due to the reason that with internal control there is an

aspect of adequate budget performance – the phenomenon, which in turn forces the concerned staff to prepare financial reports that go parallel with the way budget was performed within a specific period of time. This means that it is easy for finance professionals to get the insight about every step and item used relating to grants and in turn they prepare financial reports that are adequate and which provide clear details about financial usage in most precise manner ... Source: Survey data, (2014).

Findings presented above have shown that the role of internal control on the proper preparation of financial reports is apparent. The apparentness of its role is because, internal control influence the adequate and systematic use of capitation grants – then in turn it becomes easy for financial reports to be prepared adequately since there will few misconducts occurred in there.

4.5.2 Enhancing availability of facilities and proper teaching in primary schools

Morogoro Municipal Council issuing Capitation Grant to schools with directives for acquiring teaching facility and administrative issues. The study focuses on the availability of teaching resources as an indicator of proper utilization of CG on achieving the expected results i.e. proper teaching and facilities controls, In order to have facts this variables, respondents were needed to state whether they ‘Disagree, Not Sure, Agree, and Strong Agree’. The findings were presented in Table 4.10 below.

Table 4.12: Enhancing availability of facilities and proper teaching in primary schools

Response	Frequency	Percent
Disagree	24	16.0
Not sure	23	15.3
Agree	99	66.0
Strong agree	4	2.7
Total	150	100.0

Source: Survey Data (2014)

Table 4.12 above show that out of 150 respondents, 24 respondents who are equivalent to 16.0%, disagreed, 23 respondents who are equivalent to 15.3% were not sure, 99 respondents who are equivalent to 66.0% agreed and 4 respondents who are equivalent to 2.7% strongly agreed with the statement that internal control on capitation grants in MMC enhances availability of facilities to enhance proper teaching in primary schools. This implies that the desired results for the available controls are met when MMC whole system monitored.

4.5.3 Helping MMC to comply with the capitation grants regulations

In order to facilitate the implementation of CG, the Government provides funds to the council and schools. All schools managed to open bank accounts namely capitation account. With the assistance of the council, schools now do smoothly operation of their accounts and this help to make proper bank transactions. The Municipal council assists in the overall control and use of school funds by authorising cheques in order to ensure that funds are used in accordance to stipulated directives and subject to school committees' approval. As for the previous parts the respondents were required to show their level of agreement with statement, and the results were presented in table 4.13 below

Table 4.13: Helping MMC to comply with the capitation grants regulations

Response	Frequency	Percent
Not sure	20	13.3
Agree	125	83.3
Strong disagree	5	3.3
Total	150	100.0

Source: Survey Data (2014)

The findings from Table 4.13 show that out of 150 respondents 20 who are equivalent to 13.3%, said they are no sure, 125 who are equivalent to 83.3% agreed and 5 who are equivalent to 3.3% strongly agreed with the statement that internal control on capitation grants helps MMC to comply with the capitation grants regulations and hence proper management of capitation grant.

4.6 Variable of value for money on CGs expenditures

The study revealed that the success of CG spent is the degree to which it attains its set objectives by utilization of resources economically, efficiently and effectively. It is further revealed that Value for Money is improved by reducing costs and maintaining the same level of output in terms of goods and services rendered. To assess Value for money the following were observed:

4.6.1 Quality on goods and services for CGs expenditures

The questionnaires for this item provided scale items to be selected among Rare, not sure, and often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a quality on goods

and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.14 below.

Table 4.14: Quality on goods and services for CGs expenditures

Response	Frequency	Percent
Rare	88	58.7
Not sure	24	16.0
Often	38	25.3
Total	150	100.0

Source: Survey Data (2014)

Table 4.14 above shows that out of 150 respondents, 88 who are equivalent to 58.7% said rare, 24 who are equivalent to 16.0% said not sure and 38 who are equivalent to 25.3% said often, on the statement that spending of the capitation grants is of high quality on goods and services. Basing on the majority of the response, the findings justify that the goods and services that are obtained through the capitation grant is not of good quality.

Therefore, these findings provide a good sight toward the effectiveness of the internal control in MMC, meaning that if the internal control system is effective, then it would have monitored all the spending of the capitation grants to provide quality goods and services in relation to the fund spent. The internal control of MMC lacks of quality assurance/ evaluation team which could be used to monitor and evaluating the standards of material as per capitation grant guidelines.

4.6.3 Cost in relation to quality of goods and services

The Capitation Grant funds are directly channeled to schools, which could be used for physical inputs by the schools discretion. The costs of physical inputs like teaching materials (e.g. chalks, books and pens) need to be assessed in relation to the quality of output of teaching facilities and services. The questionnaires for this item provided scale items to be selected among rare, not sure, often and very often. The respondent was required to choose one among the given alternatives basing on his/her level of agreement with the statement that there is a reasonable cost to the quality on goods and services for every shilling of Capitation Grant spent. The findings were presented in Table 4.15 below.

Table 4.15: Cost in relation to quality of goods and services

Response	Frequency	Percent
Rare	120	80.0
Not sure	18	12.0
Often	11	7.3
Very often	1	.7
Total	150	100.0

Source: Survey Data (2014)

The findings presented in Table 4.15 shows that out of 150 respondents 120 who are equivalent to 80.0% said rare, 18 who are equivalent to 12.0% said not sure, 11 who are equivalent to 7.3% said often and only one respondent said very often, for the statement that Spending of capitation grants is of reasonable cost in relation to the quality of goods and services provided. The results justify that Spending of capitation grants is not of reasonable cost in relation to the quality of goods and services.

These findings revealed that the value for cannot be achieved if the cost of the goods and services are not proportional to its quality. There must be effective ways in MMC of improving value for money as argued by Kaplan (2009) and LGFAR (2000) that the most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Governments system of internal financial control.

CHAPTER FIVE

CONCLUSION, RECOMMENDATION AND POLICY IMPLICATIONS

5.0 Introduction

This chapter presents the conclusions, policy implication and recommendations of the findings on this study that was about the analysis of the effectiveness of the internal control on capitation grants to the government primary schools.

5.1 Conclusion

Generally, this research examined the effectiveness of Internal Control Systems on capitation grants to the government primary schools in Morogoro municipal council. The findings have shown that in MMC there is internal control system on capitation grants to government primary schools. These control system that are available in MMC council are; Internal control on capitation grants, internal audit on capitation grants, all the capitation grants are received through banks and monthly bank reconciliation statement on capitation grants to government primary schools.

The findings have further revealed that in MMC, the payments of school facilities and services related to the capitation grant are not done through banks. This situation does not comply with the procurement guidelines and capitation grants guidelines that require the payment to be done through banks for easy management and auditing of this fund.

The findings have justified that if all the above internal control system available in MMC was well implemented then the control system would be effective in the management and uses of the capitation grants to the government primary schools. The study have reviewed that the effectiveness of the internal control system in MMC is not effective in all the spheres due to the weaknesses of allowing the payment of school facilities and services for the money related to the capitation grants to the government

primary school to be done in other ways rather banking system. This is a weakness since it reduces audit trail.

The internal control in MMC is ineffective since the study have revealed that there is no value for money on the school facilities and services paid up by the money related to capitation grants. This conclusion have been drawn due to the reasons that; spending of the money related to capitation grants are not following the procurement regulations and spending of the money related to capitation grants is not of the high quality on school facilities and services in relation to the price paid. Also from the interviews made by some of the respondents it shows that there is no much information to stakeholders on how the money are spent, since information and value for money are very much related as it was argued by DiNapoli, (2007 INTOSAI, (2004), that there is statistically significant relationship between Information and Communication and Value for Money in local Governments.

Lastly the study have found that, on the effective uses of capitation grants, most of the government primary schools are incorporating the capitation grants in the school plans and they are keeping some of CG transactions records in schools as it is required by the financial requirements. But contrary to this, the spending of money related to capitation grants are not complying with the PEDP and procurement guidelines in a great extent.

5.2 Policy implications

The findings of this study provide a chance to the policy makers to review the controlling and auditing process that help the internal auditors in local government to work effectively in supervising the uses of the public funds provided for different public functions. It also provide a room for more exploration on the effectiveness of the current situation of providing fund to the government schools against the demands of schools' teaching and learning materials.

5.3 Recommendations

5.3.1 Internal Control System Reviews

Having known the level of effectiveness and significance of Internal Control Systems on capitation grants to government primary schools in Morogoro Municipal Council, Local Governments need to ensure that they continuously review these Internal Control Systems so as to ensure that they are operational toward the achievement of the desired goal on every public fund for the development of the country.

5.3.2 Planning and Budget Setting

Moreover since CG is distributed based on the number of pupils available at the government primary schools, then it is necessary for the authority to verify the actual number pupils obtained from the head teachers by conducting auditing so as to minimize the risk of incurring cost on dummy pupils

5.3.3 Cost Controls

For further studies I recommend to be done on the real cost that covers the study of a single student in government primary schools that will provide effective outcome. Also the study should be on the reason for the delay of the capitation grants from the top authority to the government primary schools.

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APPENDIX I

QUESTIONNAIRE

Dear Respondents,

I am EDWARD TEMU a student at Mzumbe University. The intent of this survey is to study the effects of internal control systems in managing education capitation grants in local authorities. The research is conducted in partial fulfilment of the requirement for the degree of Master of Accounting and Finance. I would be very grateful if you could take about 15 to 20 minutes in filling this questionnaire.

Your feedback is very important and your answers will be kept in strict confidence and will be used only for the purpose of this study.

PART A; PERSONAL INFORMATION

1. Your gender (a) Male [] (b) Female []
2. Education level (a) Primary [] (b) O-level [] (c) A-level []
(d) Certificate [] (e) Diploma [] (f) Degree [] (g) Masters []
(h) Others []
3. Age (a) 18-34 [] (b) 35-55 [] (d) 56±
4. How long have you worked in current position?years
5. Designation

PART B; INTERNAL CONTROL SYSTEMS RELATING TO EDUCATION CAPITATION GRANT

1. Are there any internal controls in managing primary education capitation grant?
a) Yes b) No c) I don't know

2. The following are expected internal controls expected to be in place, show if these internal controls are available or not.

Internal control	Available	Not Available
Existence of internal Audit		
All money relating to CG are received through bank		
All payments relating to CG are done through cheque/bank		
Preparation of Bank reconciliation monthly		

3. To what extent does each of these controls enhance proper distribution of capitation grant? Rank the extent from 1(very well) to 5(worse)

Internal control	1	2	3	4	5
Existence of internal Audit					
All money relating to CG are received through bank					
All payments relating to CG are done through cheque/bank					
Preparation of Bank reconciliation monthly					
Key; 1=very well 2=well, 3= Not sure, 4=Bad, 5=worse					

4. The roles of internal controls on capitation grant implemented by MMC are as follows; show your agreement or disagreement on the statement by ranking 1(strongly disagree) to 5(strongly agreed)

Role	1	2	3	4	5
Internal controls helps management in preparation of financial reports and that ensures information to be fairly presented					

Internal controls within a MMC encourage efficient and effective use of capitation grant to optimize the Teaching and Learning and Materials (TLM) at primary schools.					
Having established internal controls, MMC can comply with regulations involved with capitation grant					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree, 5=strongly agree					

5. In general what do you consider to the contribution of the available internal control system in achieving the effective distribution of capitation grant in primary school?

- a) High (b) Average (c) Low

PART C; THE LEVEL OF VALUE FOR MONEY ATTAINED

ECONOMIC;

6. Rank the following statements on economic variable of value for money. Rank from 1(very rare to 5(very often)

Statement	1	2	3	4	5
Capitation grant spending have been following procurement regulations					
All spending (goods or service) have been of high quality					
The spending of goods or services have been of reasonable cost compared to its quality					
Key; 1=very rare, 2=Rare, 3=not sure, 4=often 5=very often					

EFFECTIVENESS

7. Rank the following statement on the effectiveness of the use of capitation grant at primary school. Rank by showing your agreement or disagreement on the statement

Statement	1	2	3	4	5
We have been incorporated capitation items in the school plans					
We have been complied with PEDP financial and procurement					

guidelines					
We have been keeping capitation transactions record at our school(s)					
Key; 1=Strongly disagree, 2=Disagree, 3=Not sure, 4=agree,					
5=strongly agree					

EFFICIENT

8. How do you rank the inputs (costs) used in relation to goods/service obtained?
 a) Very efficient b) efficient c) inefficiency