

**ASSESSMENT OF THE EFFECTIVENESS OF FINANCIAL
INTERNAL CONTROL SYSTEMS IN PUBLIC ORGANIZATIONS
IN TANZANIA: THE CASE OF MOROGORO SUB- TREASURY**

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A dissertation submitted to the School of Business in the Department of Marketing and Entrepreneurship in partial fulfillment of the requirements for the award of the Degree of Masters of Business Administration-corporate Management of Mzumbe University

2013

CERTIFICATION

We, the undersigned certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled: **Assessment of the Effectiveness of Financial Internal Control System in Public Organizations in Tanzania : The Case of Morogoro Sub- Treasury** in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration-Corporate Management of Mzumbe University.

Signature

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Accepted for the Board of.....

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I, **Ulumbi Kitundu**, declare that this thesis is my original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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ACKNOWLEDGEMENT

This study could not have been possible, had it not been the help of different individuals. Frankly speaking a good number of them supported, but I would like to appreciate those who extended more support to me. The top and foremost is almighty God for blessings.

First, I wish to express my sincere gratitude and thanks to the management of Mzumbe University- School of Business and particularly to my major supervisor Mr.Simon Kitila who supervised me from the proposal stage up to the final thesis writing. He dedicated his valuable time providing insights, suggestions and comments that were very useful to my work.

Secondly, I would like to give my special thanks to my employer the Prevention and combating of Corruption Bureau through his Director General Dr. Edward Hosea for allowing me to pursue the masters' degree studies.

Thirdly, I would like to pass my special thanks to all staffs of Morogoro Sub- Treasury for their support and materials to fulfill my studies.

My deep and heartfelt appreciation is extended to my husband Ricky Mongi, who encouraged me to achieve stupendous success, my parents Mr & Mrs Kitundu, and my young sisters Maria ,Joan, and Christina for their encouragement and co-cooperation throughout the programme..

My acknowledgements are not complete without acknowledging the support extended to me by my colleagues of 2011/2012 MBA Programme (Ujenzi) with whom I had various illuminating discussion on about this study.

However, I bear the entire responsibility for any shortcomings and weakness in this work.

DEDICATION

This work is dedicated to my husband, Ricky Mongi and our daughters Glory and Gabriella.

ABBREVIATION AND ACRONYM

USA	: United State of America
MIS	: Management information system
SAS	: Statement on Audit Standards
GAAP	: Generally Accepted Accounting Principles

ABSTRACT

The study was about assessment of the effectiveness of financial internal control in public institutions. Sub treasury in Morogoro being the case of the study.

The unity of inquiry involved employees of sub treasury which included management, middle and lower cadre employees. The study sample size was 30 employees out of 40, employees who were obtained through simple random and sampling technique. The study sample frame was sub treasury's employees register.

Data collection involved questionnaires and observation. Questionnaires were distributed to employees selected as sample and observation were done to all employees. Data were processed and organized in table and graphs, thereafter analyzed using MS excel.

Findings shows that, internal control has contribution toward permitting the appropriate record keeping and reporting of financial related matters, and it helps accountants to prepare financial reports.

The study sought to ascertain whether the effectiveness of financial internal control is affected by factors like Management and organization structure, environment and co-workers. The study reveal that majority of respondents see management and organization structure is highly affect the effectiveness of financial internal control. Therefore to make internal control effective, management should support its conduct.

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CHAPTER ONE

BACKGROUND INFORMATION

1.1 Introduction

According to Brink, Cashin & Witt (1976) Financial internal control as a process, is always designed to ensure there is reliable financial reporting, effective and efficient financial operations. However, Armstrong, Balakrishnan, & Cohen, (2008) depicts that when internal auditor/controllers fail to conduct effective internal control it affect the process of conducting internal control activities in general. This regains therefore to say, internal control as a system within an organisation affected by numbers of factors which are termed to be responsible for the said impediment of its operations. (Atwood, Drake, Myers, & Myers, 2009).

Even though, internal control is an independent, objective assurance, and consulting activity designed to add value and improve organization's operations it faces many challenges that cause failure in performance.

So, this chapter presents the background statement of the problem, objectives of the study, and its rationale so as to bring up a common picture of the why this study is to be conducted.

1.2 Background of the problem

In order to understand the effectiveness of financial internal control it is important first to have a glance at where it come from, where it is now and where it is heading to.

The historical roots of financial internal control evolved steady with the progress of management science after World War II in 1945. Since then there are many ways of conceptualizing the terms such as financial auditing by public accounting firms, quality assurance and activities compliance activities, etc.

Based on the above historical traces, it can be arguable that the theory underlying financial internal control is derived from management consulting, public auditing professions, and so on.

With the implementation in the USA of the Sarbanes-Oxley Act of 2002, the profession's growth accelerated as many internal auditors that possess the skills required undertaking internal control activities. (Ramsey & McGill, 2008) & (Bolton, Chen, & Wang, 2007).

Financial Internal control has changed the face in modern world's business. After performance of financial activities and their related accounting steps internal control is often conducted to know the results behind a certain period of accounting activities undertaken. Today, the scope of internal control is broad and may involve matters such as the efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets and compliance with laws and regulations. All these are clear illustrations on how useful internal control is in terms of improving management activities undertaking and placing security on all the organization's assets. But on contrary, still there are some reportedly impediments on the right conduct of internal control in most institutions.

1.3 Statement of the problem

Financial Internal control system is one of the very prominent activities of accounting which provides an insight on record keeping on all matters relating to financial performance undertaken within any organization. However it explicate that regardless of an entity's size or type, and regardless of whether it is held privately or publicly, Managers and Accountants should be alert to the rudiments of accounting systems and controls. According to Razhvukh (1998) any person who forms a business discovers that record-keeping is absolutely essential.

For instance, records of receivables and payables must be created for transaction with customers and creditors, and cash disbursements and receipts must be traced to the individual accounts. Even the simple organizations must keep records. In short, an accounting system is a wise business investment.

For many years the issue of financial control has dominated discussion among managers on its effectiveness and viability especially its contribution in organization performance. Among the important matters in the discussion has been the identification and reduction of sources of unnecessary operation costs in any organization. On the other hand it is argued that the system is the essence of cost in that a lot of finances are required to put the same in place and in addition the costs associated with personnel to run the system. It is also argued that should the system be in place and implementation and monitoring are not effective the system is useless and remains the source of cost which in turn reduces or affects the performance of organizations.

Despite the existence of financial controls in organizations the problem of misuse of finances is increasing in many organizations and despite all of these contributions yet, there is still evidence from auditors/controllers complaining of facing impediments when they are in the financial internal operations control. Therefore basing on the reality and queries, the study is to be conducted to assess the effectiveness of financial internal controls in influencing organization performance and the factors affecting its effectiveness.

1.4 Objectives of the study

This study was guided by three specific objectives which were extracted from the main one.

1.4.1 General objective

The general objective was to assess factors affecting the effectiveness of internal control performance in public institutions in Tanzania.

1.4.2 Specific objectives

This study was guided by the following three specific objectives

- i. To assess the effectiveness of financial internal control systems in public organizations.
- ii. To explore the contribution of financial internal control systems in organizations
- iii. To identify factors that influence financial internal control systems performance in organizations.

1.5 Research questions

The researcher was guided by the following research questions during this study.

- i. How financial internal controls systems are effective in enabling organizations to achieve their objectives/goals
- ii. What are the contributions of internal control on organization's performance?
- iii. What are the factors that influence financial internal control system performance in organizations?

1.6 Significance of the Study

The interest paid by the past researchers on the effectiveness of financial internal control system in public institutions is considered as one of the reasons for this study. In addition, maintaining and extending the purpose of the financial internal control system from the simple operation of the public institutions creates the similar interest even for this study.

The intention of this study was to come up with relevant findings which would serve as an important key source for the solution of the problem being experienced or faced in the public institutions.

The study will be of great prominence to both intended community and to the researcher herself as well as other stakeholders of the sector in the following separately reason namely:

- The study is intended to add body of knowledge in the entire aspect of financial control systems in organizations as an instrument performance improvement.

1.7The Scope of the Study

Based on the research design i.e case study, this study involved Morogoro sub treasury staff as respondents to assess the effectiveness of financial internal control in public institution.

1.8 Limitation and delimitation of the Study

In conducting the research, several factors were encountered that hindered the smooth operation of study. These include scarcity of data, some of the documents are confidential to the management to disclose them. The management officials failed to provide some information which was necessary in fear of revealing their weakness. The researcher solved the problem by concentrating on available information. Budget constraints and time limitation was another factors which hindered the smooth operation of the study. The researcher used her funds to overcome the problem of budget and used the available time to finish the research work.

CHAPTER TWO

LITERATURE REVIEW

2:1 Theoretical Literature Review

2.1.1 Introduction

Literature review is a “critical analysis of a segment of a published body of knowledge through summary, classification, and comparison of prior research studies, reviews of literature, and theoretical articles” (twp.duke.edu). 20, June 2013

This chapter outlines the conceptual definitions, different theories about financial internal control system and empirical review on the same.

2.1.2 Financial internal Control

Is a set of systems operated by the council or unit to ensure that financial and other records are reliable and completed, and that they adhere to management policies and are orderly and efficient in the conduct of the councils or units business, and ensures proper recording and safeguarding of assets and resources.

American Institute of Certified Public Accountant in SAS 55 defines the internal control structure as the policies and procedures established to provide reasonable assurance that specific entity objective will be achieved. (www.michigan.gov/document/hal-imfinmanref10) 10, Aug 2013.

In addition to such definitions, there are two aspects of Internal control namely Internal accounting controls and administrative controls.

- **Accounting controls**

To complement Internal controls are accounting controls. These are checks, balances and supervisory controls within and around the accounting system installed to ensure that all financial transactions and events are accurately recorded in the system, completely and promptly; that there are safeguard over the custody and use of asset held; and that the possibility of the occurrence of

errors and improper or illegal financial transactions are reduced to the barest minimum.(www.paper.ssrn.com/so13) 10 Aug 2013

- **Administrative controls**

These deals with the operations of the organization rather than the accounting for those operations. The legislative body of the organization has a responsibility to ensure internal controls are in place to prevent misuse of funds (including fraud and embezzlement) (www.michgan.gov/document/hal-imfinmanref10) 10, Aug 2013.

According to Meigs (1985), Internal Control is defined as a control which comprises the plan of the organization, and all the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and encourage adherence to prescribe managerial policies.

According to Woolf (1995), internal control might be detective or protective. The former are those control which prevent or reduce the chances of fraud and error when they have been occurred or else aid in their discovery so that corrective action may be promptly taken, therefore, we can say that internal control procedure may vary from one organization to another depending on factors regarding the nature of the business and its size, however the same broad principal of internal control system apply to all organizations.

Millichamp, (1993), Defined internal control as the whole system of controls, financial and otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensuring adherence to management policisies,safeguard the assets and secure as far as possible the completeness and accuracy of the records.

According to Mahushi, (1985) “Internal control” comprises; the plan of the organization and the related methods and procedures adopted by an entity for the purpose of safeguarding its assets, contributing to efficient operation, facilitating generation of

accurate accounting data and encouraging adherence to the laid down managerial policies.

Is a set of systems operated by the council or unit to ensure that financial and other records are reliable and completed, and that they adhere to management policies and are orderly and efficient in the conduct of the councils or units business, and ensures proper recording and safeguarding of assets and resources.

2.1.3 Financial Control System

Financial control systems are defined as mechanisms that relate visions and functions to resources and where money is involved directly or indirectly. Ultimately, they are based on money, that is to say, widely transferable rights and obligations that presume trust in transferability, and, as media of exchange, make almost all sorts of transactions possible. Control systems, with money as fundamental element, have a broad and varied character.

2.1.4 Public Institution

The term public institution is referred to as an institution whose shares are traded freely on a stock exchange. It also termed as is a kind of institution whose is of activities are concerning, or opens to the people as a whole. It is also involved in affairs of the community, especially in government or entertainment (Woolf, 1995)

2.1.5 Accounting system

Accounting system is a set of records, procedures, and equipment that routinely deals with the events affecting the financial performance and position of the entity (Woolf, 1995).

The nature of the accounting system is on repetitive, voluminous transactions, which almost is evaluated using controls which should establish whether the performance is

effectively achieved, however it has been reportedly an experience that is faced by a number of constraints and consequently leave it inappropriately conducted.

SAS 55 defines the accounting system as the methods and records established to identify, assemble, analyze, classify, record, and report an entity's transactions and to maintain accountability for the related assets and liabilities. An effective accounting system will identify and record all valid transactions in the proper time period using appropriate classifications and will present those transactions properly in the financial statement

2.1.6 Factors

The term factor is likewise termed as a circumstance, fact, or influence that contributes to result. It is why issues like organization structure, management, MIS are termed to large extent as one of the factors affecting financial internal control (Williams, 2002).

2.1.7 Government internal Control system

This refers to measures, arrangement and devices built-in into government's financial system to ensure the proper use of public funds. (Oshisami,1992).

When looking at the soundness of internal control in the public sector, it is imperative to recognize the context within which public organizations operate and their characteristics. Thus in evaluating internal control in the public sector, an understanding of the following factors (Intosai, 2010) is necessary;

- Their focus on meeting social or political objectives.
- Their use of public funds and importance of budget cycle.
- The complexity of their performance (that calls for a balance between traditional values like legality, integrity and transparency and modern, managerial values like efficiency and effectiveness)
- The correspondingly broad scope of the public accountability.

(www.paper.ssrn.com/so13) 10 Aug 2013

2.1.8 Key instrument

A key instrument of government internal control system is the Government accounting manuals, otherwise referred to as revised financial regulation, financial instruction. The Revised Financial Regulation 2004 is the accounting manual applicable for the time being.

2.1.9 Types of Internal Controls

Internal control activities are the policies and procedures as well as daily activities that occur within an internal control system.

Internal Controls are subdivided into three major types; Detective internal control, Corrective internal control and Preventive internal control.

2.1.9.1 Detective Internal Control

Internal Control is said to be detective simply when it is designed to detect errors or irregularities that may occur during the performance of financial/ accounting activities. It identifies undesirable “occurrences” after the fact. Examples of detective controls are:

- **Reviews of Performance:** 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.
- **Reconciliations:** An employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary.
- **Physical Inventories**
- **Audits** (www.vanderbilt.edu)²⁰, June 2013

2.1.9.2 Corrective Internal Control

Corrective internal Control is an internal Control which is normally designed to correct errors that have been detected in the previous type (www.vanderbilt.edu). ²⁰, June 2013

2.1.9.3 Preventive Internal Control

Preventive Internal Control is a type of internal control which is all about to keep errors or irregularities from occurring in the first place. Preventive control activities prevents undesirable “activities” from happening, thus require well thought out processes and risk identification. (www.vanderbilt.edu).

2.1.10 Internal Control components

2.1.10.1 Control environment

The control environments originate with organization director. This set the tone and provides discipline the structure for the organization. Factors affecting the control environment include management philosophy and operating style, organization structure, methods of assigning responsibility, monitoring and supervision procedures, and external influences such as government regulations.

(www.michigan.gov/document/hal-imfinmanref10)

2.1.10.2 Risk Assessment

Every organization faces a variety of risk from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risk to achievement of the objectives, forming a basis for determining how the risk should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanism are needed to identify and deal with the special risks associated with change. (www.snai.edu/cn/service/library) 12, Aug 2013.

2.1.10.3 Information and communication

Pertinent information must be identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information,

that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and condition necessary to informed business decision making and external reporting.

Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have means of communicating significant information upstream. There also needs to be effective communication with external parties such as customers, suppliers, regulators and shareholders.

2.1.10.4 Monitoring

Internal control systems need to be monitored-a process that assesses the quality of the system's performance overtime. This is accomplished through ongoing monitoring activities, separate evaluations or combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management.

2.1.10.5 Control activities

Control activities are those policies and procedures developed by management to provide reasonable assurance that the organization objectives will be achieved.

Listed below are five categories of control activities. Under each category is a list of specific procedures that may be performed to satisfy that category.

Proper authorization of transaction

- The purchase of goods and services should be requested by one person and approved by another

- Organization should adopt a payment authorization procedure, for example two signatures could be required on all checks greater than a certain amount.
- Creating and using budget is a form of authorization.
- Individuals that handle cash should be bonded (fidelity bond).

Segregation of duties

This includes assigning different people the responsibilities of authorizing transactions, recording transactions and maintaining custody of assets.

- The person collecting cash should not be the person who record the cash receipt.
- If there is enough staff, a rotation of duties can eliminate employee manipulation of records or assets.
- The approval of purchases should not be made by the person who has access to the checks.

Design and use adequate documents and records

This helps to ensure the proper recording of transactions and events.

- Pre numbered checks, receipts and purchase orders should be used and sequence should be accounted for.
- Cancelled checks, vouchers, and receipts should be maintained.
- Voucher packages (Invoice, Purchase order, Receiving reports) should be cancelled (stamped PAID) after payment to prevent duplicate payments.
- Journals should be kept for all transactions.
- Invoice should be matched to purchase orders to ensure that you receive what you ordered and you only pay for what you received.

Adequate safeguards regarding access to and use of assets and records

- Access to blank checks, signature plates, and purchase orders should be restricted.
- Computers should have passwords to access and change information.
- Work areas should be visible to supervisors.

Independent checks on performance and proper valuation of recorded amounts.

Under this category bank reconciliation s should be performed monthly and should be reviewed periodically by someone rather than the preparer. Calculations should be checked for clerical accuracy, Independent personnel should perform periodic cash count of the petty cash account, and there should be supervisory review over daily operations.

2.1.11 Effectiveness

Different organizations' internal control systems operate at different level of effectiveness. Similarly, a particular system may operate differently at different times. When an internal control system meets the following standards it can be deemed 'effective'. Internal control can be judged effective in each of the three categories, respectively, if management have reasonable assurance that

- They understand the extent to which the organization's operations objectives are being achieved.
- Published financial statements are being prepared reliably.
- Applicable laws and regulations are complied with.

While internal control is a process, its effectiveness is a state or condition of the process at a point in time.

Determining whether a particular internal control system is 'effective' is a subjective judgment resulting from an assessment of whether the components are present and functioning effectively. Their effective functioning provides the reasonable assurance

regarding achievement of objectives. Thus the components are also criteria for effective internal control. (www.snai.edu/cn/service/library/book/0framework) 12, Aug 2013.

2.1.12 Mitigating controls

Mitigating controls are additional control procedures placed in a system to help reduce the risk associated with a failure to adequately segregate incompatible functions. Most mitigating controls consist of detailed reviews of transactions, after-the-fact-approvals, and period surprise checks.

2.1.13 Limitations of Internal Control

Internal control has been viewed by some observers as ensuring the organization will not fail –that is the organization will always achieve its operations, financial reporting and compliance objectives. In this sense, internal control sometimes is looked upon as a cure- all for all real and potential business ill. This view is misguided. Internal control is not a panacea.

In considering limitations of internal control, two distinct concept must be recognizes;

- First, internal control-even effective operates at different levels with respect to different objectives. For objectives related to the effectiveness and efficiency of an organization’s operation-achievement of its basic mission, profitability goals and the like- internal control can help to ensure that management is aware of the organization’s progress, or lack of it. But it can not provide even reasonable assurance that the objectives themselves ought be achieved.
- Second, internal control cannot provide absolute assurance with respect to any of the objectives categories.

Judgment

The effectiveness of controls are limited by the realities of human frailty in making decisions. Such decisions must be made with human judgment in the time available,

based on information at hand, and under the pressure of the conduct of business. Some decisions based on human judgment may later, with the clairvoyance of hindsight, be found to produce less than desirable results, and may need to be changed.

Breakdowns

Even if internal controls are well designed can breakdown. Personnel may misunderstand instructions. They may make judgment mistakes, or they may commit errors due to carelessness, distraction or fatigue. An accounting department supervisor responsible for investigating exceptions might simply forget or fail to pursue the investigation far enough to be able to make appropriate corrections. Temporary personnel executing control duties for vacationing or sick employees might not perform correctly. System change may be implemented before personnel have trained to react appropriately to signs of incorrect functioning.

Management (Override)

Management override means overruling prescribed policies or procedures for illegitimate purposes with the intent personal gain or an enhanced presentation of an organization financial condition or compliance status. A manager of a division or unit might override the control system for many reasons; to increase reported revenue to cover an unanticipated decrease in market share, to enhance reported earnings to meet unrealistic budget or to hide lack of compliance with legal requirements. Override practices include deliberate misrepresentations to bankers, accountants and vendors, and intentionally issuing false documents such as purchase orders and invoices.

Collusion

The collusive activities of two or more individuals can result in control failure. Individuals acting collectively to perpetrate and conceal an action from detection often can alter financial data or other management information in a manner that cannot be identified the control system.

For example, there may be collusion between an employee performing an important control function and a customer, supplier or other employee. On a different level, several layers of sales or divisional management might collude in circumventing controls so that reported results meet budget or incentive targets.

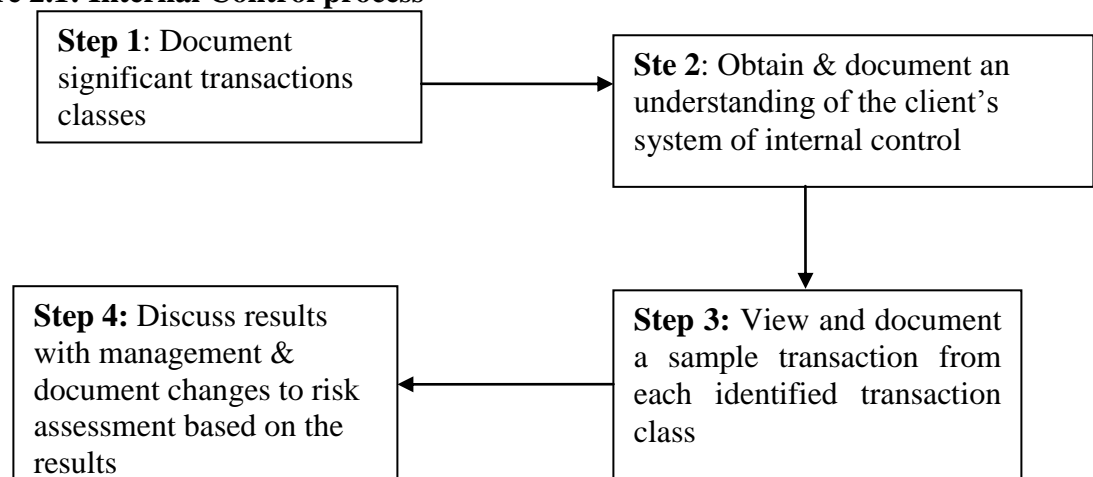
Costs versus benefits

Resources always have constraints, and organization must consider the relative costs and benefits of establishing controls. Cost and benefit measurements for implementing controls are done with different levels of precision. Generally, it is easier to deal with the cost side of the equation which, in many cases, can be quantified in a fairly precise manner. All direct cost associated with instituting a control, and indirect costs where practically measurable, are usually considered.

2.2 Internal Control process

Reuters (2010) review the internal control process by performing walkthrough to assess the overall risk of material misstatement to the financial statement.

Figure 2.1: Internal Control process



Source: Adopted from Reuters, (2010)

According to risk assessment; significant transaction classes, are those transactions in company's operations that are keys to the financial statement because of the volume or money amount of the transaction.

In step 2 normally involves obtaining and documenting an understanding of the client's system on internal control. In this step it is required to ask management how processes are completed. While in the third step, it is all about documentation of internal control to determine if sample transactions correctly, flow through the internal control system. For example an auditor may observe an auditor cost paying cash to an authorized cashier at the time of purchase. And finally in the fourth step as required and based on the results findings are related to management in a written documentation (Reuters, 2010).

2.3 Factors affecting internal control Performance

In accounting and auditing, internal control is mostly affected by an organization's structure, work and authority flows, people and management information system. Management is responsible for establish effective management controls. Change inherent to government units increases the need for effective management controls.

2.4 Role of internal control on organizational resources

Internal control can help an organization achieve its performance and profitability targets, and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that organization complies with law and regulations, avoiding damage to its reputation and other consequences. To sum up, it can help an organization to get where it wants to go, and avoid pitfalls and surprises along the way

2.5 Theories of internal control

Theories of internal control do all try to explain how and why internal controls are often affected. But more commonly and mainly, the idea is that needs of human being stand

on top as the main affecter for the internal control effect in any entity being business, public institutions, private, and so on.

Basic human five needs theory

Internal Control theory is based on the belief that all behavior in internally motivated our behavior in any situation is our best attempt to meet one or more of our five basic needs in the following manner.

Self questioning theory of internal control

Self-questioning theory is used as one of the internal control theories but this is the sub component of the former.

The goal behind self-questioning theory is to have people ask themselves or others questions to help solve problems. One of the questions might include:

What do you want? What are you doing to working? Do you want help?

Restitution theory of internal control

Restitution is nothing else but all about “the action of repairing a damage done” the reason for why internal control for any organization or entity should be undertaken.

But as restructuring process-like theory encourages self-discipline, internal control of one’s behavior, respect for self and others.

Again restitution process-like not only makes amends to the person who was wrong, but it also strengthens the offender, despite rules and consequences with restitution.

Very commonly, most of internal control theories are based upon creating an environment free of fear, anger, and guilt to self-evaluate and fix problems and give support for internal control to be performed or undertaken accordingly as planned as effectively so as to come out with appropriate result detailing what is the mistake, how was the error/mistake done, and what should be done to avoid, correct or detect the mistake/error.

2.6 Empirical literatures review

In most cases, what is done now is on one way or another real repetition of all what have been under process for times and times. It is why the effort to having a look at related literature is of great importance even from this study like others do.

2.6.1 Empirical studies

In order to refine and generate this research's ideas, a destination is taken to have a glance at other researchers' point of views relating to the present. Because as indicate that reviewing empirical literature is very essential since any kind of work like this one requires to demonstrate awareness of current state of knowledge in the subject such as like this one, for this will allow to determine its relative limitations and how its life spam fits into this wider context.

It is why therefore, a look is now taken to see what others have said and discovered so as for the researcher to know where to start and where to end. This is so done simply because all what are done now in terms of research are the repetition of the previous conducted studies.

Startlingly, the first look is destined to (Wallace and Dalton 2004) who conducted a study of the importance of internal control on financial reporting in Virginia.

In his study, it was found that internal control play an important role especially in detecting and preventing fraud and protecting the organization's resources, both physical (for example, machinery and property) and intangible (for example, reputation or intellectual property such as trademarks.) In that study it was also found that at the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals and compliance with laws and regulations. (Gunderson, 2009).

Internal control over financial reporting is a process designed by, or under the supervision of the organization's principal executive and affected by the organization's management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance

with the generally accepted accounting principles (GAAP) and includes those policies and procedures that;

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions to the assets of the company.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and receipts and expenditures of the organization are being made only in accordance with authorizations of management of the organization.
- Provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use or disposition of the organization's assets that could have a material effect on the financial statements.

Another look should herein be destined to (Gunderson 2009) who conducted a study on the consequences of internal control on financial statement reporting in Florida.

In that study commonly it was found that internal control once performed well result into desired results that are free of materials misstatement and finally provides financial statement which gives clear picture of the organization financial position to users. (Gunderson, 2009)

Based on the findings from previously conducted studies, directly this calls for the room to state that all studies have been able to touch the area of internal control, but all seemed to have not fully touched the factors which affect the conduct of internal control in public institutions.

In fact, this does not mean that no one since recent years have never tried to touch the said area but it is on the basis of what have been herein reviewed in terms of empirical studies upon which such an argument is being tossed out. Therefore, matter relating to this study apparently seems to have not been accordingly touched in Tanzania especially on public institutions.

All in all if the above is the case, then this stand as the explicative and supporting reason for why this particular study is to be conducted in Sub Treasury Morogoro branch.

2.6.2 Theoretical/conceptual frame work

Models and frameworks are abstract and simplification of reality. They enable the analysis to focus on particular variables or parts of a system as well as the relationship between them and at the same time they help to see parts in relation to the whole (Dimmock, 2000)

Theoretical frame work for this study was constructed based on the assumption underlined by the researcher putting into mind more effort of how, why and what hinders or affects the conduct of internal control in public institution.

Internal control is basically affected by a number of responsible factors among which up to this stage the researcher may recall; management, organization structure, MIS, people, work and authority flow and so many others.

It is why attempting to minimize all of these termed responsible factors should extensively minimize risk, correct errors/mistakes that have occurred and even prevent errors or mistakes which are likely to occur as the main task behind internal control in public institutions and other types of organizations. (Chuang, 2011)

There have been among others, several issues including factors that have been identified to be important for well tackling this study of which show the relationship among themselves.

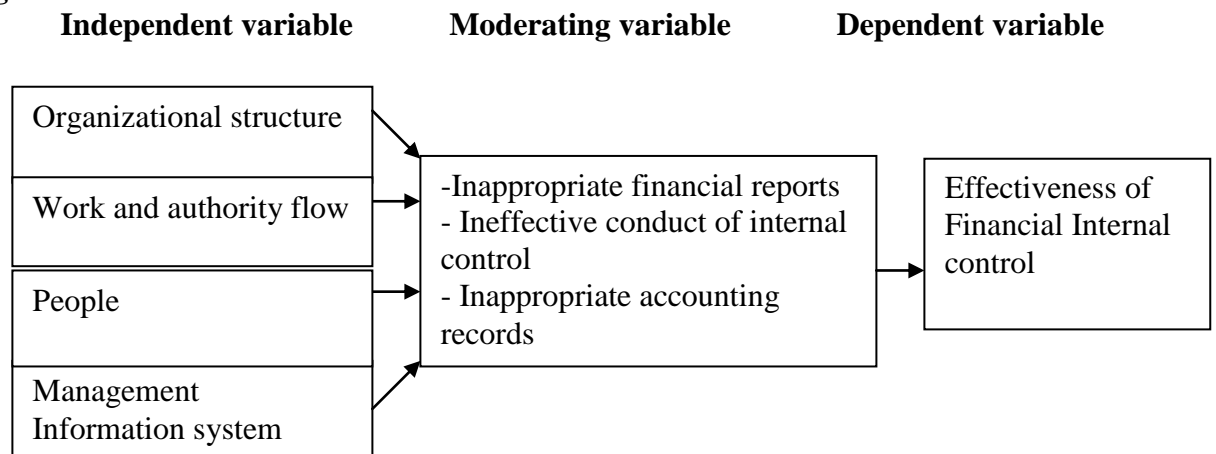
Internal control is so important since it allows the proper record keeping on the whole financial performance. Even though, what matters herein this scenario is all about keeping record of whatever step achieved during a financial or accounting period of time.

Therefore, it is on this basis of thought where emanates the link to say, when internal control is properly conducted does give a way forwards to the proper record keeping in terms of accuracy, validity, and dependability of information. So, that is behind all of

this, errors/mistakes that have occurred may be well recorded, corrected, and finally in the future prevented thereon.

It has been among the arguments that internal control is most important especially as it is often used as a tool to detect, correct, prevent and measure errors that occurred in terms of losses, and others. Likewise basing on this argument, it can also be reasonably understandably argued that internal control contributes a lot towards financial reporting in the sense that as each and every thing is identified in terms of losses, and other mistakes, these give an open route and clearness to issue a well-structured financial report.

Figure 2.2: Research model



Source: Developed from literature review

The above figure connotes that the enumerated composites of independent variable which are listed including; organization's structure, work and authority flows, people and management information systems, are very affective of which cause various situations to occur during the conduct of internal control process. The consequence of independent variables result into issues like, inappropriate report of financial matters, inappropriate accounting records, and ineffective internal control which in turn lead to negatively affected internal control performance.

This is clear, especially when we talk of the whole aim of conducting internal control is to prevent; protect, and even detect organizational resources in order to avoid any unacceptable outcome to occur in terms of fraud, theft, misuse of resources and so many others. (Holder, 1984)

However, therefore, the enumerated composites of dependent variables are put in place as the result of certain particular stages of organization hierarchy to wanting to protect, each his/her interest or to at least hide certain mistake relating to what internal control tries to measure; avoid, and protect. So, all in all when all of these happen undesirably,

Consequently, the conduct of internal control is affected negatively, but meanwhile it is acceptable to say, if the said dependent variables are not put in place just to hinder its conduct then the result always tend to be positive of favoring ones. (Holder, 198)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction.

This part presents the methods and techniques that the researcher used in the study. The discussion is confined to the collection, organization and analysis of data for the proposed study.

3.2 Research design

Orodho (2003) as cited by Kombo & Tromp (2006) defines research design as the scheme outline or plan that is used to generate answers to research problems. Kothari (2003) defines it as an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance with the research purpose. It constitutes the blue print for the collection, measurement and analysis of data.

Descriptive research design is herein selected based on the reason that such design enables the researcher to portray an accurate profile of persons, events or situations. Another reason is that because descriptive design is all about consisting of clear picture of the phenomena on which you wish to collect data prior to the collection of the data.

3.3 The area of Study

The study was conducted at Sub Treasury in Morogoro region which is among of twenty four Sub Treasuries in Tanzania.

3.4 Focus of the study

The study focused on the financial internal control system in Public Institutions and factors affecting its effectiveness. The researcher gathered information from different sections of Sub treasury (front office section, Examination section, Cash office section and data entry section).

3.5 Population, sample size and sampling techniques

3.5.1 Population

Kombo & Tromp (2006) define population as a group, individuals, objects or items from which samples are taken for measurement. It refers to an entire group of persons or elements that have at least one thing in common.

From the research point of view, this term population is not only applicable to human beings but also to any case of interest in any study. (Adam, and Kamuzora, 2008) encouraged to use a population instead of a sample, when the population size itself is quite small, but for this study the case seems to be quite different.

The units of inquiry for this study were all 40 employees at sub treasury in Morogoro region

3.5.2 Sample size

Sampling is the procedure a researcher uses to gather people, place or things to study. It is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho, 2002). A sample size is a finite part of a statistical population whose properties are studied to gain information about the whole (Webster, 1985). It is a small part of the total number that is studied. According to Kombo & Tromp (2006), it is better to study a sample than the whole population in order to maintain representativeness and minimize bias.

The study involved sample size of 30 employees out the total of 40 employees.

3.5.3 Sampling Techniques

In this study simple random sampling was used as the method of sampling.

3.5.3.1 Simple random sampling

According to Kombo & Tromp (2006) simple random sampling method is relevant when the population is clearly defined and it provides equal opportunity of each population

elements to be selected to form the study sample. The researcher selected at random 30 employees out of 40 employees from the sampling frame (employee's register). The sample size constituted 75% of the population.

3.5 Source of data

Before deciding about the method of data collection to be used for any study, the researcher should keep in mind two types or sources of data namely primary and secondary data. Primary data refers to the data which are collected afresh and for the first time (i.e original). Secondary data are those which have already been collected by others and which have been passed through the statistical process. (Kothari, 2000).

In this study both primary and secondary data were collected.

3.6.1 Primary data

Primary data were gathered using questionnaires.

3.6.2 Secondary data.

Collection of secondary data involve any activity in which evidence is extracted from documents of any record (written or oral)text which contains information about human behavior, social conditions and social processes (Kester and Chambua, 1993). Since it is impossible to correctly understand the present unless one knows the past, it implies the researcher cannot ignore the rich storehouse of data which have been accumulated in the past.

This study therefore, used these evidences to get secondary data through various sources from the Sub Treasury offices including accounting manuals, minutes from meetings, auditors' reports, and diaries, transcripts of speeches, journals, articles, and administrative and public records. Also, other information was obtained from various websites in the internet. All those sources generated useful background information on the effectiveness of financial internal control in public institutions.

3.7 Data collection methods.

Data collection refers to the process of obtaining objective evidence about the research problem (Kothari, 2000). In this study, data collection began after the research problem was defined and research design/plan chalked out. The researcher used questionnaire in order to achieve the objectives, and in this manner the study used qualitative method of data collection in order to get better understanding of issues. Seldom, quantitative method of data collection was also used for the purpose of quantifying relevant variables.

3.7.1 Questionnaire

According to Bryman (2004), Kothari (2008), a questionnaire is a collection of questions which are administered to the respondents through the post and the respondents fill in the questionnaire by themselves. A questionnaire was used because it allows collection of data from a large sample, it maintains confidentiality, and it saves time and minimizes bias (Orodho, 2002). In this study the 30 sampled respondents were provided with copies of a structured and semi structured questions for respondents to fill in the information.

3.8 Data analysis plan

According to Kothari, (2008) data analysis refers to the computation of certain measures along with searching for patterns of relationships that exist among data groups.

In analyzing data certain procedure was followed to ensure all data are collected and analyzed accordingly.

3.9 Method of Data analysis

The data collected were analyzed qualitatively and quantitatively. Therefore a descriptive statistical method of data analysis, presentation and interpretations were used. The presentation methods include tables, narrative notes and percentage.

Tables and graphs (Bar graphs) were highly employed, narrative notes were used to explain the information summarized in tables and percentages.

The advantage of these presentation methods were that, the technique enable the researcher to gain better understanding of the research findings as well as to help reader of the research report better understanding.

In order to be more accurate in this analysis, data obtained from research through self-administered questionnaires and interview schedules were analyzed by using Ms Excel. Thus the study's findings were presented in frequency and percentage. The findings were summarized and summed up for conclusion of the findings.

Ethical consideration

Whatever information given by any respondent were treated and confidentially to the extent that no any piece of information was taken out of concealment.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter provides the data analysis, description of the study findings and discussion of the effectiveness of Financial Internal control system in Public Organizations in Tanzania the case study of Morogoro Sub- Treasury. The analysis and the study findings have been organized, presented and discussed into various categories. The first part is the analysis of the Data collected from the field. The second part is the presentation of findings and analysis of the personal/demographic of the respondents which includes sex of the respondents, educational level of respondents and work experience of respondents. The third part is the analysis, presentation and discussion of the findings of the knowledge and understanding of internal control system on record keeping in Public institutions. The fourth part is the analysis, presentation and discussion of the findings of the factors affecting financial internal control during its conduct. The fifth part is the analysis, presentation and discussion of the findings of the contribution of proper internal control on financial reporting. The conclusion and recommendations are in the fifth chapter.

4.2 Summary of data collected from Questionnaire

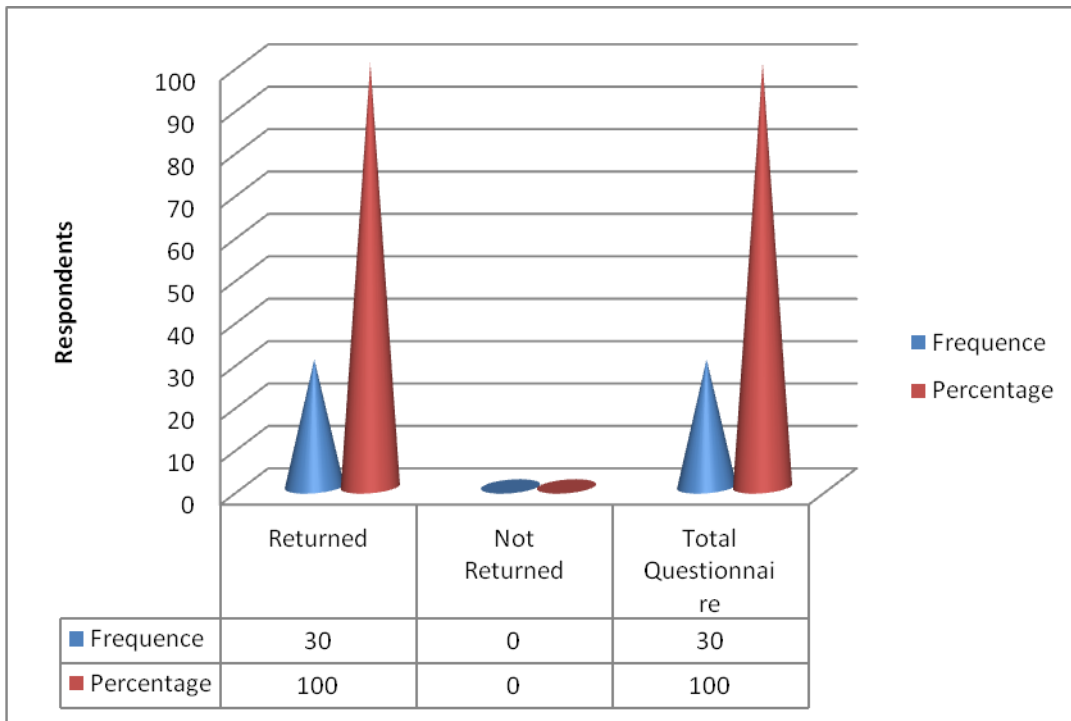
The sample size from different departments was 30 respondents representing the population used for this study. The researcher distributed a total of 30 questionnaires to the staffs; all of them (equal to 100%) were answered and returned to the researcher.

Table 4.1: Distribution of questionnaires to the respondents

Questionnaire	Numbers	Percentage (%)
Returned	30	100%
Not Returned	0	0
Total Questionnaires	30	100%

Source: Research Data 2013

Figure 4.1: Distribution of questionnaires to the respondents



Source: Research Data 2013

Summary of data collected from documentary review

In order to get other information from various documents at Morogoro Sub Treasury, the researcher has reviewed a number of internal control-related documents which have revealed out necessary information, such as, all internal control activities undertaken in the two past years.

From those documents, the researcher has successfully found particular information relating how such an activity was undertaken, how many barriers has it faced. So, documentary review was successfully done by the researcher.

4.3 Demographic analysis

This subsection presents an analysis and presentation of the findings of the personal/demographic of the respondents which include sex of respondents, educational level of respondents and the work experience of respondents.

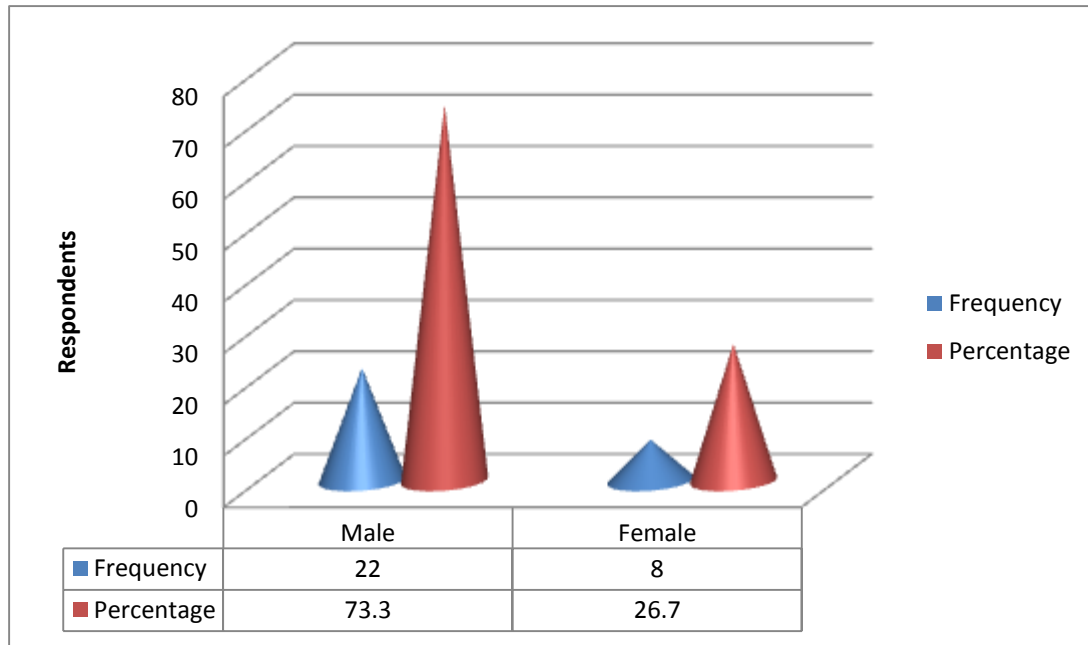
4.3.1 Distribution of respondents by sex

The respondents were asked to disclose their sex in order to determine the sex which is dominant in Morogoro Sub Treasury.

The simple random technique that was used to collect data, gave equal chance to both male and female to be chosen for the study. The findings revealed that out of the 30 respondents, 22 were Males with 73.3% and 8 were females with 26.7%. This finding indicates that Morogoro Sub Treasury was mainly dominated by male than female.

The graph below summarizes the results of the findings.

Figure 4. 2: Distribution of respondents by sex



Source: Research data 2013

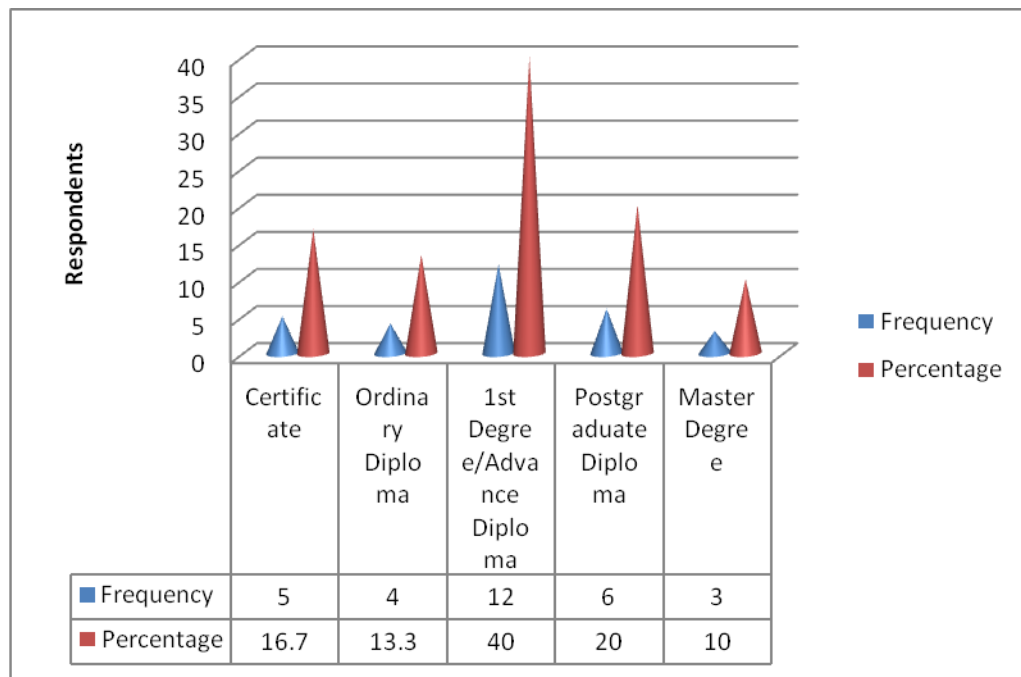
4.3.2 Distribution of respondents by level of education

The respondents were asked to disclose their level of education in order to determine the education status and qualifications possessed by Morogoro Sub Treasury employees. It was found that out of all 30 who submitted back their questionnaires as 100%, 12 of them which make 40% have mentioned to be a Bachelor/Advanced Diploma level, meanwhile 3 of them which for 10% have mentioned to be a Master degree level, and also other 6 making 20% have mentioned to be of Postgraduate level, and the 4 others who form 13.3% have mentioned to be Ordinary Diploma level of education, and the other remaining 5 who form 16.7% have mentioned Certificate level.

The above details that, most of workers in the different sections of financial department at Morogoro Sub Treasury are of Bachelor/Advanced Diploma level of education because they represented by the highest rate of percentage with 40% than others.

Even though, it is clear to say, the department of finance has almost all levels of higher learning education. The results of the finding were as shown in the table and graph below.

Figure 4. 3: Distribution of respondents by level of education



Source: Research data 2013

4.3.3 Distribution of respondents' by areas of expertise

The essence of knowing respondents' areas of expertise is so significant for the researcher in the sense that this helped to know to what extent particular respondent is aware about the prominence of internal control as well as how constrains are built which hinder its conduct.

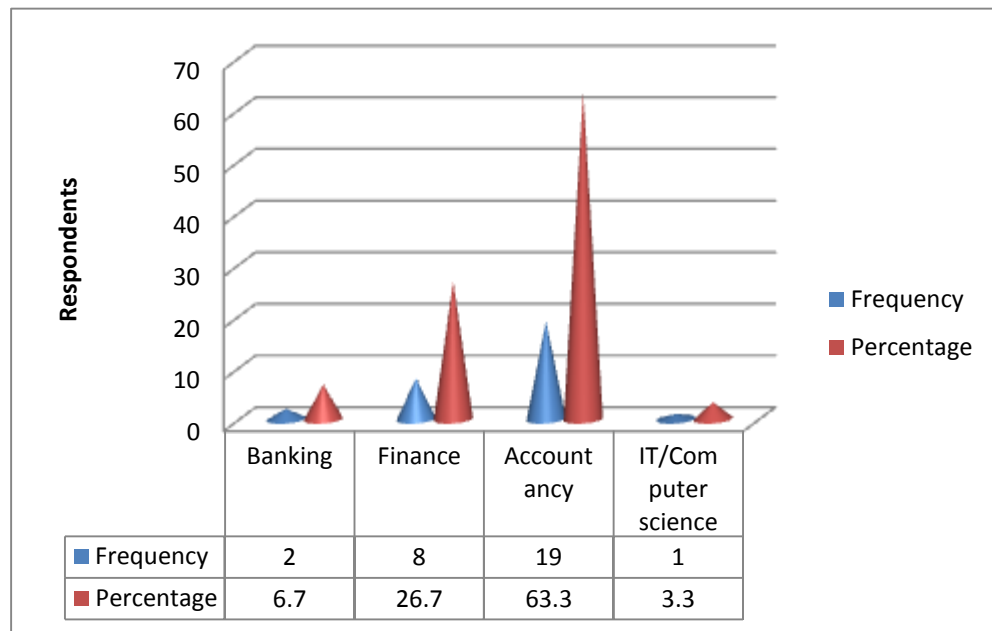
Under this concern, particular question was asked to both categories of respondents in which each was asked to reveal out the respondents' area of expertise.

Result indicate that out of all 30 as 100%, 19 of them making 63.3% have mentioned to be of Accountancy expertise, meanwhile other 8 of them who form 26.7% have mentioned to be of Finance expertise, also 2 respondents making 6.7% have mentioned to be of banking and 1 of them which make 3.3% have mentioned to be of Technical expertise.

On the basis of the above percentage it can be said that, most of the workers in Morogoro Sub- Treasury have knowledge of Accounts which make 63.3% of the sample.

The results of the finding were as shown in the table and graph below.

Figure 4. 4: Distribution of respondents by areas of expertise



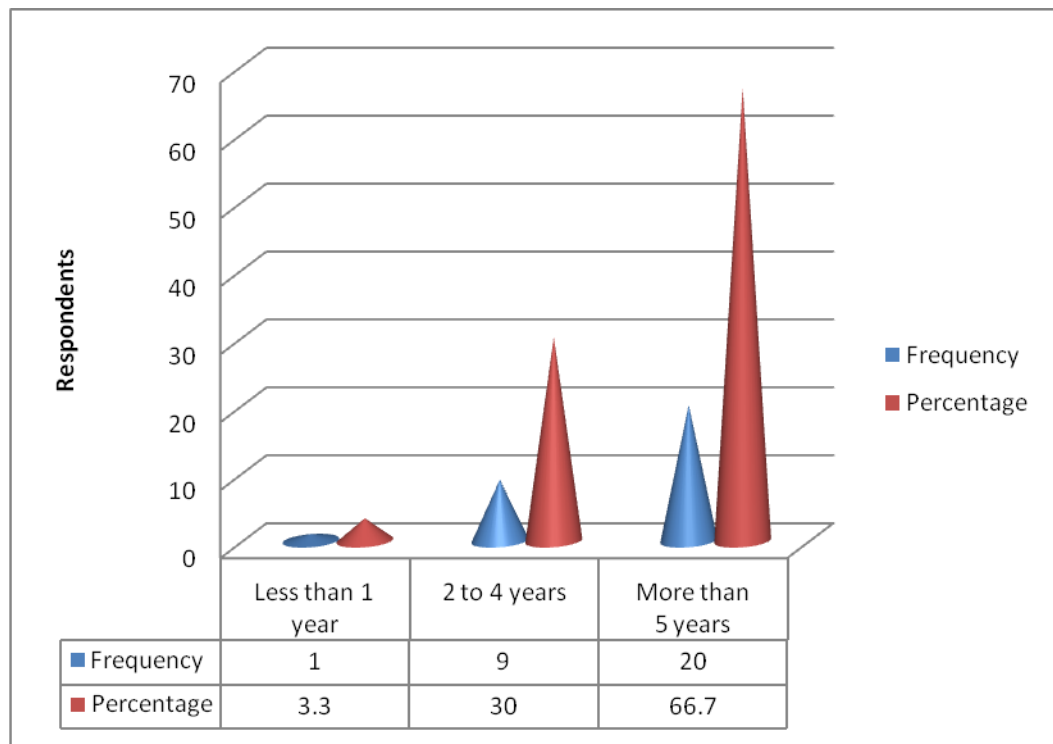
Source: Research data 2013

4.3.4 Distribution of respondents' by work experience at Morogoro Sub Treasury

The interest here is to know the duration each respondents has spent working with Morogoro Sub Treasury. The researcher wanted simply to have a hope on how each respondent has that experience and may be aware about any matter concerning the barriers being faced by internal controllers in performing their activities.

The results summarized in the table and graph below.

Figure 4.5: Distribution of respondents by work experience



Source: Research data 2013

Result indicate that out of 30 as 100%, 20 of them making 66.7% have mentioned to have spent more than five years, while 9 others making 30% said, two to four years, and the remaining 1 making 3.3% said, less than one year.

The above calculated percentages indicate that most of respondent have been at Morogoro Sub Treasury for more than five years. And directly this testifies the extent to which most of respondents are aware of various barriers impeding the conduct of internal control at Morogoro Sub Treasury as the case study of this study.

4.4 Specific findings

Specific findings involve all findings which have been gathered on the basis of questions which have been intentionally set by researcher in the questionnaires as the way of either responding to specific research questions or achieving the specific objectives of this study.

4.4.1 Effectiveness of financial internal control on accounting record keeping in public institutions

Common observation about the effectiveness of financial internal control connotes that for internal control to be termed effective it must be measurable, compliance and observable and have achieved the desired goals or conditions for a specific even cycle which, if achieved, minimize the potential waste, loss, authorized use or misappropriation will occur. Such are conditions which are wanted internal control to satisfy.

It is why most of the arguments about internal control indicate that internal control is supposed to achieve the said objectives by accessing individual process controls to achieve seven pre-defined control objectives among which include: Authorization, completeness, accuracy, validity, physical safeguard and security, error handling segregation of duties and so on.

This study had to achieve specific objective one by finding whether all what is stated about financial internal control effectiveness above is either true or otherwise.

4.4.2 Effectiveness of internal control in keeping record of financial performance

The meaning under this regards is that, when internal control is conducted and consequently succeeds in appropriately keeping record of all financial performances of any organizational activity, and then it can thereon be termed effective.

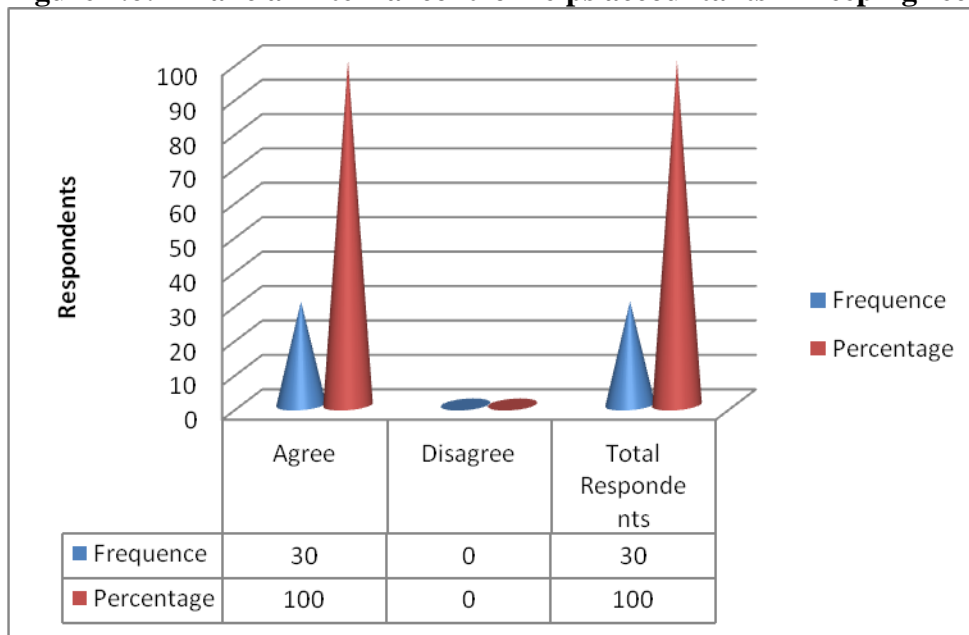
In order to find whether what is said above is true or not, the researcher utilized a question which was asking respondents to either agree or disagree on the fact that internal control helps accountants or controllers keep record of financial performance in any institution including yours. The results reveal that out of all 30 respondents as 100% all 30 of them making 100% have agreed.

Table 4.2: Financial Internal control helps accountants in keeping records?

	Number of respondents	Percentage
Agree	30	100%
Disagree	0	0
Total Respondent	30	100%

Source; Research data 2013

Figure 4.6: Financial Internal control helps accountants in keeping records?



So, the above findings revealed out that internal control is a tool used that enables any organization to keep record of any financial-related performance.

The above percentage stipulates that effectiveness of internal control is in terms of allowing the record keeping of any financial performances in the organization such as Morogoro Sub Treasury, because all respondents have agreed on this fact.

The researcher had a chance to review the financial internal control report at Morogoro Sub Treasury, where in that document it was indicated that all financial internal controls conducted in the year 2012, has enabled all transactions and performance of financial issues to be appropriately recorded and kept in a desirable manner.

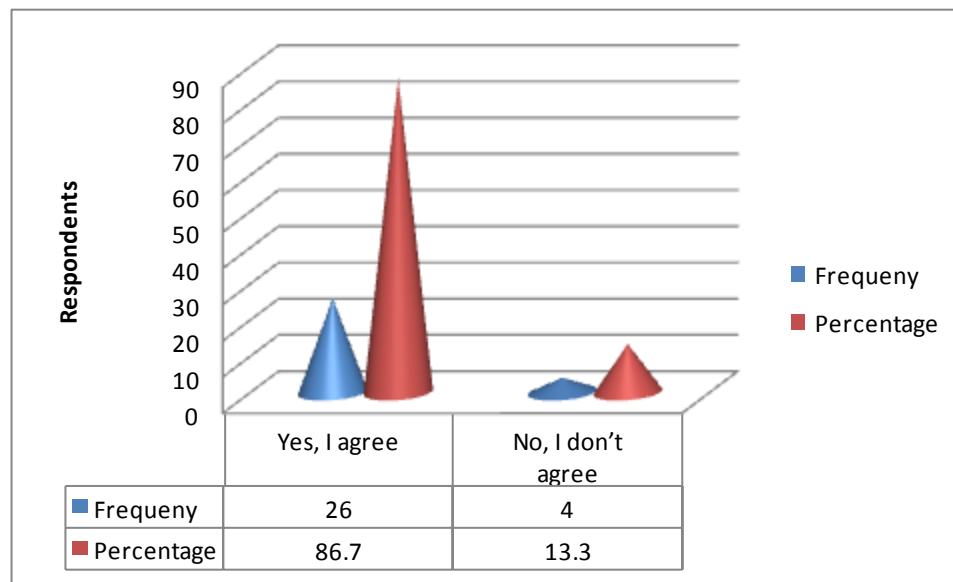
4.4.3 Effectiveness of financial internal control in discovering errors occurred in the organization

Effectiveness of financial internal control is also measured by the extent to which it succeeds in discovering various mistakes, or errors in term losses, theft, fraud, etc occurred in any organization. That is when internal, control is conducted with aim of discovering all the errors, and then it may be termed to be effective.

Based on this argument, the researcher therefore, has utilized a question which was asking respondents to explicate from each one's opinion whether internal control is necessary for knowing mistakes, errors, in terms of losses, and other financial-related matters occurred in the organization. Thus out of all 30 respondents as 100%, 26 of them making 86.7% said Yes, while 4 others of them making 13.3% said No.

The results summarized in the table and graph below.

Figure 4.7: Distribution of respondents by their knowledge of financial internal control in discovering errors occurred in the organization



Source: Research data 2013

The above percentages depict that of course the effectiveness of internal control is noticed where it has successfully conducted and succeeded in finding all errors occurred in terms of theft, fraud, and so on. This is clear based on the findings from the above graph where the majority of respondents with 86.7% have been ready to reveal it out.

Also the above percentage depicts that financial internal control may be termed to be effective if and only if it has discovered all errors which have occurred in the organization. This so said simply based on the findings obtained from the field and which are presented in the graph above where 26 respondents said Yes to the question.

In the mean time, the researcher wanted to precise if what is found from the above scenario is true or others wise. In so doing the researcher intentionally asked respondents to either agree or disagree that a good financial internal control undertaken must give report on errors, such like losses occurred in the organization. Results indicate that 100% have agreed.

Another similar question was asked to respondents, which was reading: “on your opinion, do you agree or disagree that the effectiveness of internal control is noticed when it is performed and gives a proper report on what occurred in the organization especially on losses of money, expenses undertaken”.

During the documentary review, the researcher has found that among all financial internal controls conducted in the year 2012 at Morogoro Sub Treasury, only other matters were disclosed and not fully financial-related matters. So, based on those findings it is clear that despite internal control has been able to effectively discover several errors, but have not sufficiently so done for financial related affairs.

4.5 Factors affecting financial internal control during its conduct

In accounting and auditing, financial internal control is known as a process mostly effected by an organization's structure, work and authority flows, people and management information systems.

4.5.1 People

When we talk of people to affect the conduct of financial internal control we mean the compartment of not giving support especially in disclosing of necessitated information or the lack of willingness to give support in term of cooperation to the internal control. People refer to all employees in the organization who all may be some extent reluctant to cooperate with the controller. The reason for people react so is the fear to disclose any error undertaken by any individual employee in the organization.

The researcher therefore has intentionally asked a question to the respondents to reveal out whether all workers in their organization are willing to reveal out what they have done in terms of financial-related expenses to controller or auditors even if it was wrong.

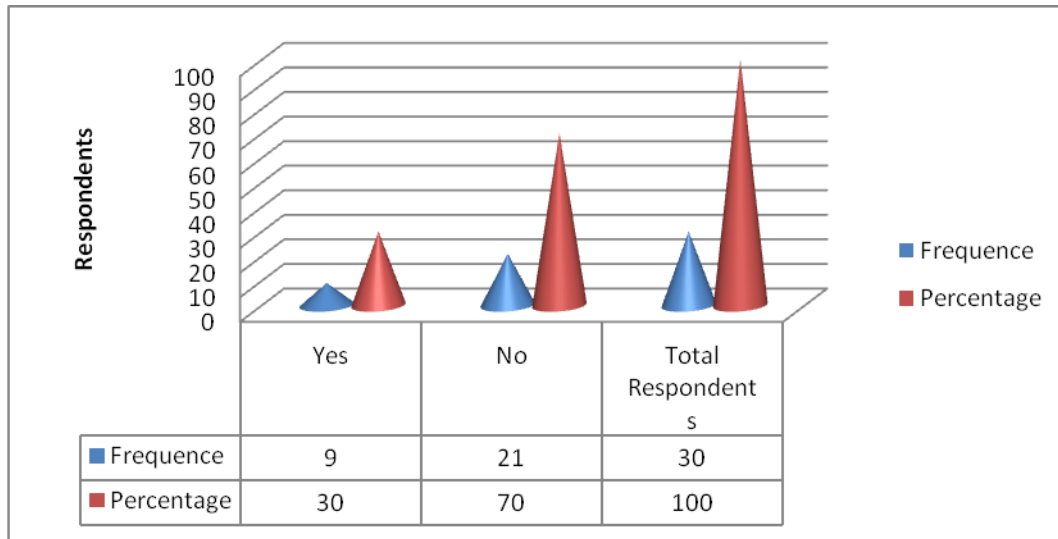
Thus out of all 30 respondents, 9 of them which make 30% said Yes, while 21 others who form 70% said No.

Table 4.3: Workers are willing to reveal out what they have done to controllers even If it was wrong

Effect	Number of respondents	Percentage
YES	9	30%
NO	21	70%
Total Respondent	30	100%

Source; Research data 2013

Figure 4.8; Willingness of workers on revealing out what controllers do even if it was wrong



Source: Research Data 2013

The above results depict that employees at Morogoro Sub Treasury are not willing to give any cooperation to internal controller or auditors. Because findings in the graph above reveal out that the majority of respondents with 70% have been ready to refuse by indicating that people are not ready to disclose any information relating to what they have undertaken in terms financial-related matters.

Likewise during the documentary review process, the researcher has found that report indicate that during the conduct of internal control in the year 2012, only 30% of all employees at Morogoro Sub Treasury have been ready to disclose their information pertaining to financial matters.

In the mean focus, the researcher had to confirm the above obtained results from respondents by asking them to explicate whether all workers are happy with the conduct of internal control in the organization and why.

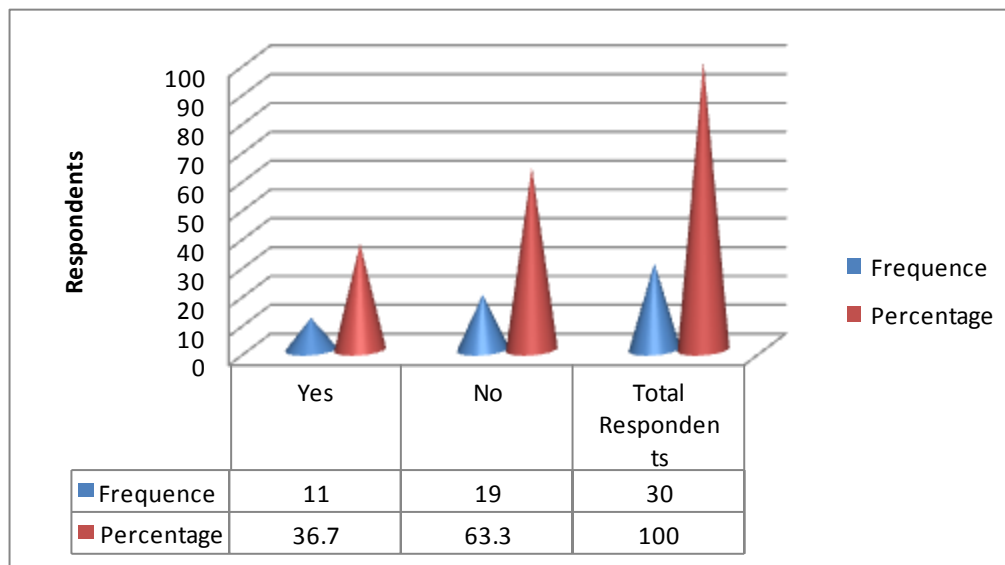
So, results from this question indicate that 19 respondents out of 30 as 100% of them making 63.3% have said No, because most workers do not like their secret to be disclosed about any errors undertaken relating to finance and other assets of the organization misused. While other 8 of them making 26.7% said Yes, and have not given reason, and the remaining 3 of them who make 10% said, Yes, because people are ready to disclose their information at any time.

Table 4.4: If workers are happy with the conduct of internal control in the organization

Response	Number of respondents	Percentage
YES	11	36.7%
NO	19	63.3%
Total Respondent	30	100%

Source; Research data 2013

Figure 4.9 : If workers are happy with the conduct of internal control in the organization



Source; Research data 2013

The above result is saying, workers is among other factors that affect the conduct of financial internal control, due to the fact that most of workers are not ready to disclose their information pertaining to any financial performance. Because the majority of respondents with 63.3% have been ready to so reveal out and it is on that where we rely as the reality about the point under concern.

4.5.2 Management

Management is a key to any success of any organization. The same reality applies even to financial internal control process where by if the management is reluctant to support the conduct of any activity including internal control, likely the said activity must fail in its operation.

The question was intentionally asked by the researcher which was respondents to say, each from his/her opinion, what they think about financial internal control if it can be performed well even if management in the organization does not give support for it to be conducted.

Very responsively, out of all 30 respondents, 24 of them who make 80% said No, while 4 others which make 13.3% said Yes, and the remaining other 2 of them making 6.7% did not give any response to this question.

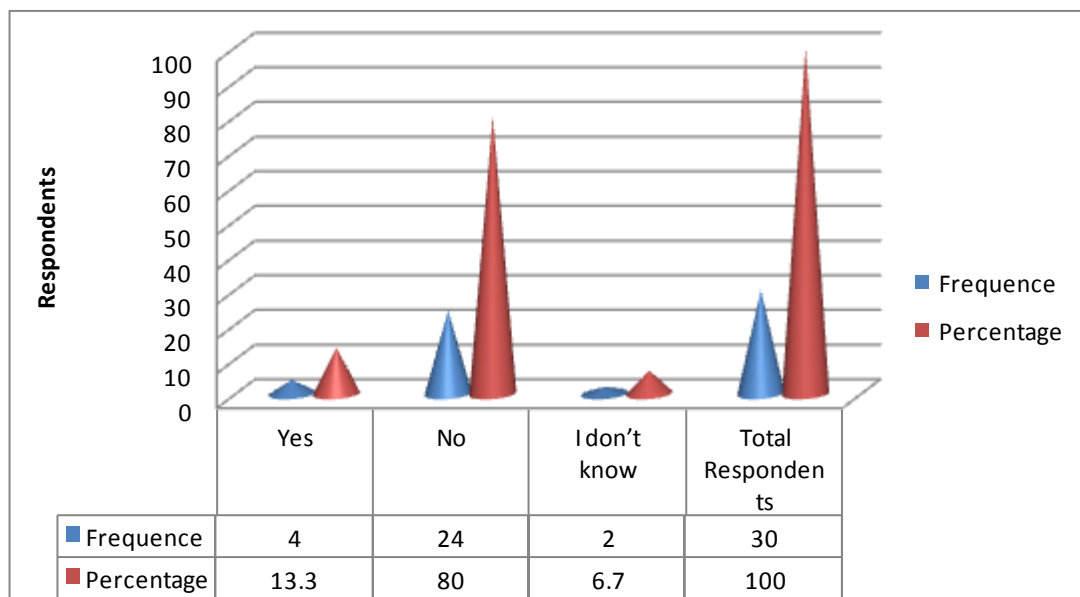
On the basis of the results it can be argued that management is one of the factors that may hinder the conduct of internal control. This is being so mentioned based on the reason that the majority of respondents with 80% have indicated this reality. And directly it is on the majority of respondents where we can rely as the logic when we talk of management as factor that may hinder the conduct of internal control.

Table 4.5: Good performance of Financial internal control even if management does not support its conduct

	Number of respondents	Percentage
YES	4	13.3%
NO	24	80%
I DON'T KNOW	2	6.7%
Total Respondent	30	100%

Source; Research data 2013

Figure 4.10: Management support the conduct of financial internal control



Source: Research Data 2013

4.5.3 Other factors affecting financial internal control

In reality when we talk of factors that hinder the implementation of financial internal control, we mean there are other factors apart from what are mentioned already. Other factors may include issue like; organizational structure, work environment, and so many others.

In so viewing, the researcher has asked a question to the respondents to clearly enumerate from their experience, other factors affecting on one way or another, the conduct of financial internal control.

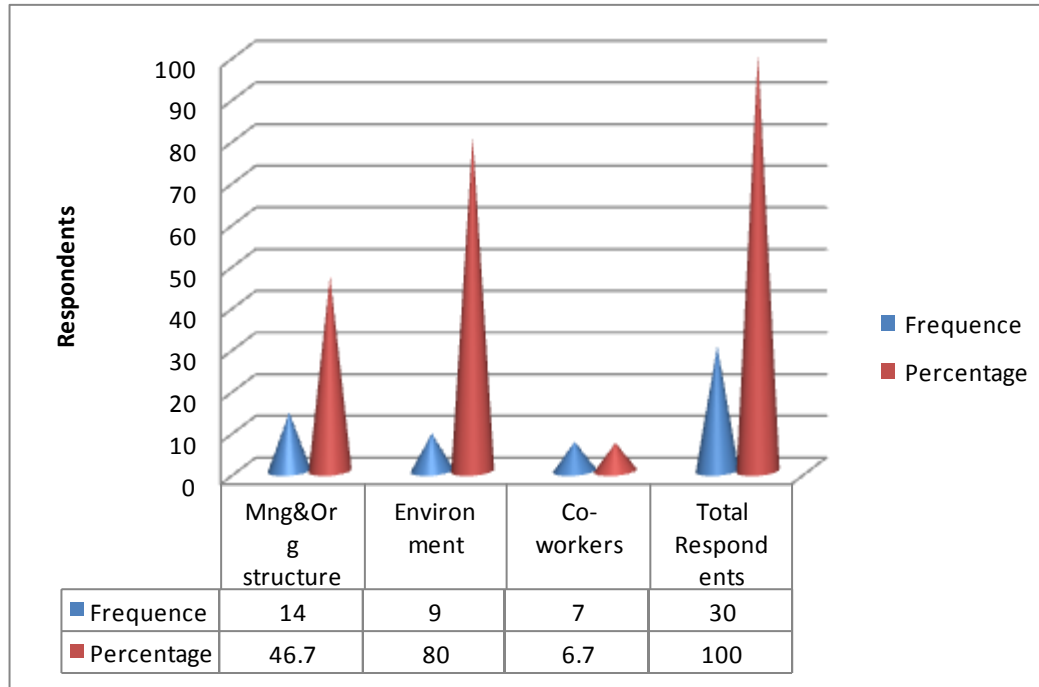
Out of 30 respondents as 100%, 14 of them making 46.7 have mentioned; management, organizational structure, and personnel, meanwhile 9 others who make 30% have mentioned environment of the organization, and the remaining 7 of them who make 23.3% have mentioned co-workers.

Table 4.6: Other factors affecting financial internal control

Factors	Number of respondents	Percentage
Management& Organization structure	14	46.7%
Environment	9	30%
Co-workers	7	23.3%
Total Respondent	30	100%

Source; Research data 2013

Figure 4.11: Other factors affecting financial internal control



From the results the reality is that organizational structure, co-workers and work environment are other factors which may affect the conduct of internal control. This is being so mentioned because what is being sought here is what internal controllers know about other factors and very responsively they have all each mentioned all of those mentioned.

4.5.4 Contribution of proper internal control on financial reporting

Arguments pertaining to the contribution on financial reporting stipulate that internal control is most important tool through which all errors that occurred in terms of losses and others are accordingly detected, correct, prevented and measured. This argument calls for reason to understandably argue that internal control contributes a lot towards financial reporting in the sense that as each and every thing is identified in terms of losses, and other mistakes, these are to give an open route and clearness to issue a well-structured financial report.

4.5.5 Contribution of internal control in detecting organizational financial Performance.

Of course, one of the well known contributions of internal control is how to detect financial performance of any organization.

In this regards, respondents had to give out their view about this fact. So, a question was asked to respondents to either agree or disagree on the fact that when internal control is conducted, financial performances are well known and reported in the organization.

Results from this question indicate that, out of all 30 financial respondents as 100% of them have agreed.

So, these findings stipulate that one of the contributions of financial internal control is to detect the financial performances of any organization. The reality here is that, through detection, impliedly all financial performances of any organization are accordingly known.

4.5.6 Contribution of internal control in appropriate financial reporting

Another well known contribution of internal control is to permit the appropriate financial report of any organization.

In order to have a precision about the above reality, a particular question was intentionally asked to respondents, which was reading: “do you agree or disagree that on the basis of internal control conducted, report on financial matters undertaken in the organization can be properly reported? Especially since each and every thing is known as the result of having conducted internal control?”

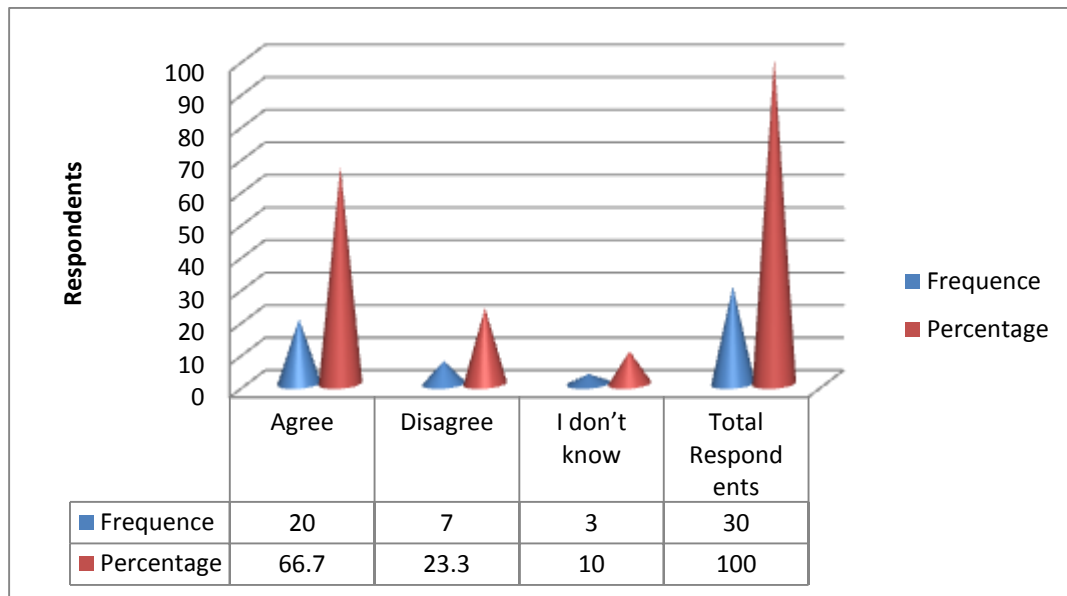
Thus, out of 30 respondents, 20 of them making 66.7% have agreed, while other 7 of them who make 23.3% have disagreed, and finally 3 others which make 10% have not given any answer to this question.

Table 4.7: Contribution of internal control in appropriate financial reporting

	Number of respondents	Percentage
Agree	20	66.7%
Disagree	7	23.3%
I don't know	3	10%
Total Respondent	30	100%

Source; Research data 2013

Figure 4.12: Contribution of internal control in appropriate financial reporting



On the basis of the percentages above, it can be stipulated that another contribution of internal control is to permit the appropriate reporting of financial-related matters in any organization.

This is being so said, simply based on the majority of respondents' answer, where they have massively agreed that on the basis of financial internal control conducted, report on financial matters undertaken in the organization can be properly reported.

On the basis of the result it is understandable to indicate that another contribution of financial internal control is to permit the appropriate reporting of financial-related matters in any organization.

4.6 Analysis of findings

In the analysis of findings, the researcher analyzes all findings by referring to how they are presented so as to obtain the expected result or reality about Effectiveness of financial internal control system in any Public organization ruling in Morogoro Sub Treasury in particular.

4.6.1 Analysis about the effectiveness of internal control on accounting record keeping in public institutions

Based on the findings presented above, it can be analyzed that common observation about the effectiveness of financial internal control system connotes that for internal control to be termed effective it must be measurable compliance and observable and have achieved the desired goals or conditions for a specific event cycle which, if achieved, minimize the potential waste, loss, authorized use or misappropriation will occur. Such are conditions which are wanted internal control to satisfy.

More specifically, findings stipulate that when financial internal control is conducted and consequently succeeds in appropriately keeping record of all financial performances of any organizational activity, and then it can thereon be termed effective which is true even for the case Morogoro Sub Treasury, as well as it may be wished at any moment.

Like wise, according to the findings, financial internal control system may be termed to be effective if and only if it has discovered all errors which have occurred in the organization.

So, based on the findings it is clear that most of all financial internal controls conducted at Morogoro Sub Treasury are not effective in sense that most of errors especially in terms financial-related matters were not discovered in the year 2012. Because according to the findings, effectiveness of internal control is also measured by the extent to which it succeeds in discovering various mistakes or errors in term losses, theft, fraud, etc occurred in any organization. That is when internal, control is conducted with aim of discovering all the errors, and then it may doubtlessly be termed to be effective.

4.6.2 Analysis about factors affecting financial internal control during its conduct

In accounting and auditing, financial internal control is commonly known to be mostly effected by an organization's structure, work and authority flows, people and management information systems.

According to the findings, it can be analyzed that factors which affect the financial internal control process at Morogoro Sub Treasury, include people, management, organizational structure and work environment.

Based on the findings, it is analyzable that when we talk of people to affect the conduct of financial internal control we mean the compartment of not giving support especially in disclosing off necessitated information or the lack of willingness to give support in term of cooperation to the internal control. People refer to all employees in the organization which all may be some extent reluctant to cooperate with the controller. The reason for people react so is the fear to disclose any error undertaken by any individual employees in the organization particularly on all matters pertaining to the misuse of organization assets, finance, etc.

Because, findings have revealed out that most of workers at Morogoro Sub Treasury are not willing to give any cooperation to internal controllers or auditors since they are not ready to disclose any information relating to what they have undertaken in terms financial-related matters.

On the side of management, it can be analyzed that management is a key to any success conduct of organization activity. The consequence is that in case management is reluctant to support the conduct of any activity including internal control, consequently the internal control processes where the fail in its operation will likely always.

Apart from all the above mentioned factors, yet there are other factors which on one way or another affect the whole conduct of financial internal control process at Morogoro Sub Treasury. Those factors rule in organizational structure, work environment, and so many others.

4.6.3 Analysis about the contribution of proper internal control on financial reporting

Findings pertaining to the contribution on financial reporting stipulate that that internal control is most important tool through which all errors that occurred in terms of losses and others are accordingly detected, corrected, prevented and measured. These findings call for reason to understandably analyze that financial internal control contributes a lot towards financial reporting in the sense that as each and every thing is identified in terms of losses, and other mistakes, these are to give an open route and clearness to issue a well-structured financial report.

Findings reveal out that one of the well known contributions of internal control at Morogoro Sub Treasury is in terms of detecting financial performance undertaken within a period of time by which impliedly all financial performances are accordingly known. Also, internal control permits the appropriate reporting of financial-related matters in Morogoro Sub Treasury.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Summary

In this chapter the researcher give brief description of all what have been encompassed herein this study, by drawing out conclusions, recommendations as well as area for further studies.

Therefore, this study is all about assessment of Effectiveness of Financial internal control system in Public organizations in Tanzanian. The case of Morogoro Sub Treasury.

By using documentary review and questions as method of collecting data from a sample size of 30 respondents, necessary information were then gathered and obtained the following results herein termed findings.

One of the findings achieved is that effectiveness of financial internal control at Morogoro Sub Treasury includes detecting all errors which have occurred with a predetermined period of time.

Factors that affect the conduct of financial internal control at Morogoro Sub Treasury include people, management, organization structure, etc. But also financial internal control contributes a lot to the record keeping of financial related activities undertaken.

5.1 Conclusions

In the conclusion, the researcher gives a brief clear picture about all what have been found.

Conclusion about the effectiveness of financial internal control of accounting record keeping in public institutions

Based on the findings obtained from the field, it can be concluded that effectiveness of financial internal control involves achieving, minimizing the potential waste, loss, authorized use or misappropriation which will have or have occurred. Such are conditions which are wanted internal control to satisfy.

More specifically, findings have revealed out that when internal control is conducted and consequently succeeds in appropriately keeping record of all financial performances of any organizational activity and others, it can then be termed effective which is true even for the case of Morogoro Sub Treasury.

Like wise, according to the findings, financial internal control may be termed to be effective if and only if it has discovered all errors which have occurred in the organization in terms of errors, losses, mistakes etc.

On the case of Morogoro Sub Treasury in particular, findings reveal out that the conduct of internal control is not fully effective in the sense that only a part of errors are discovered, know or found as the result of most workers not ready to provide cooperation, disclose all information relating to financial matters since they all fear of being disclosed and latter on being charged by the organization for any financial misused.

Conclusion about factors affecting financial internal control during its conduct

According to the findings, it is herein concluded that financial internal control is commonly known to be mostly effected by an organization's structure, work and authority flows, people and management information systems.

Likewise it is concluded that factors which affect the financial internal control process at Morogoro Sub Treasury, include people, management, organizational structure, and work environment.

People do affect the conduct of financial internal control as the result of workers to not give support especially in disclosing off necessitated information or the lack of willingness to give support in terms of cooperation to the internal control.

People have been referred to as all employees in the organization being some extent reluctant to cooperate with the controllers/auditors.

Based on the findings, it can also be concluded that one of the well known contributions of financial internal control system at Morogoro Sub Treasury is in terms of detecting financial performance undertaken within a period of time by which impliedly all financial performances are accordingly known. Also, internal control permits the appropriate reporting of financial-related matters in Morogoro Sub Treasury.

5.2 Recommendations

It can be retained in advance that all recommendations are given by the researcher simply basing on the requirements from the findings. I.e. researcher draws out important recommendation as the way to help the concerned community to rectify the situation when it come to the matter of conducting the financial internal control at Morogoro Sub Treasury.

Recommendation to the management of Morogoro Sub Treasury

According to the findings, it is clear that the management has been reluctant to fully cooperate with internal auditors. So, the Management of Morogoro Sub Treasury is herein recommended to offer support to internal controllers so as to allow the detection, prevention and disclosing of any errors, mistake, safe guard the assets of the organization. On the other side, doing so will enable the organization to know all what pertaining to errors occurred within a particular period of time as the way of either solving or avoiding them.

Recommendation to non-managers employees

Based on the findings, non-managers or normal employees are herein being recommended to openly give support or cooperation to internal auditors since doing so will enable them give clear report on all what have been undertaken about the assets of their organization. Because if they fully implement this, consequently they will safe guarding the survival of their organization.

Recommendation to auditors/controllers

Perhaps there are people who do not know the prominence of internal control. So, it is recommended to all internal controllers/auditors at Morogoro Sub Treasury and elsewhere to take steps instructing other workers so that they get an acquaintance about all issues pertaining to internal control. Because once they do so, they will help to reduce the chance of affecting the whole conduct of internal control process.

5.3 Area for further studies

It is quite true that much remains to be done in direction stipulated by this thesis. Basing on the study limitation in terms of finance, time and nature of Sub Treasury activities, this paves the way for further research;

- a) Other studies may cover other knowledge areas such as the effect of internal control on security of organizational assets.

- b) Other researchers may think of covering an area which is either larger than this one so as to come up with findings which either extending this one or even contradicting, as the means to expand knowledge on all what in concerned with internal control.

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APPENDIX I:

QUESTIONNAIRE FOR ACCOUNTANT/ FINANCIAL RESPONDENTS

Research Title: Assessment of the effectiveness of Financial Internal Control system in Public Organizations in Tanzania

Dear respondents,

Mrs. Ulumbi Kitundu is a student in MBA in Cooperate Management at Mzumbe university in Morogoro. As part of master's studies, each student in the final year is required to conduct an independent study, write and defend a thesis on the area of her/his interest as a partial fulfillment of the requirement for the award of a MBA in Cooperate Management Degree.

The aim of this study is to find out factors affecting financial internal control in public institutions in Tanzania with the case of Morogoro Sub Treasury.

Since you are the only one who can contribute effectively to the achievement of this aim, please fill this questionnaire and return it to the researcher providing relevant information. You are assured that your contribution will be treated with high confidentiality and no way that any piece of information could be used for any other purpose than academic only.

For any inquiry on this study, please contact the researcher using the following contacts:

E-mail: ulumbikitundu@yahoo.com

Mobile: +255 712 77 96 20

APPENDIX II:

QUESTIONNAIRE FOR NON-ACCOUNTANT AND FINANCE DEPARTMENT
Section one: General information

Name of the Respondent (Optional).....

Department.....

1. Gender
 - a) Male
 - b) Female
2. Indicate below your educational level.
 - a) Certificate
 - b) Ordinary diploma
 - c) Bachelors degree/Advanced diploma
 - d) Postgraduate diploma
 - e) Masters degree
3. Your area of expertise
 - a) Banking
 - b) Finance
 - c) Accountancy
 - d) Marketing
 - e) IT/Computer science
 - f) Others (please specify).....
4. For how long have you been working with any public institution (i.e.in Public Institutions such as Morogoro Sub Treasury)?
 - a. Less than 1 year
 - b. 2 to 4 years
 - c. 5 years
 - d. More than 5 years

5. What between the followings are tools used to assess the financial performance in your organization?

- a. Internal Control ()
- b. A simple evaluation ()
- c. Other. ()

Please indicate here below

.....
.....

Section two: Effectiveness of financial internal control on accounting record keeping in Public Institutions:

6. Do you agree or disagree that internal control helps accountants or controllers keep record of financial performance in any institution including yours?

- a. Agree ()
- b. Disagree ()

7. Do you think Internal Control is necessary for knowing mistakes, errors, in terms of losses, and other financial-related matters occurred in the organization?

- a. Yes ()
- b. No ()

b. If no, why? Please explain here below

.....
.....

8. Do you agree or disagree that a good internal control undertaken must give report on errors, such like losses occurred in the organization?

- a. Yes, I agree ()
- b. No, I agree ()

9. On your opinion, do you agree or disagree that the effectiveness of internal control is when it is performed and gives a proper report on what occurred in the organization especially on losses of money, expenses undertaken?

- a. I strongly agree

15. Do you think internal control have any contribution on financial reporting?

Yes () No ()

16. If your response in the above is:

a. Yes, how? Please state in the space below

.....
.....
.....
.....

b. And if no, why? Please state in the blank space below

.....
.....
.....
.....

c. Please advice on what should be done for the internal control to be improved and conducted in public institutions.

.....
.....
.....

Thank you for your cooperation.