

**THE INFLUENCE OF ETHICS AND FINANCIAL CONTROL MEASURES ON
FINANCIAL PERFORMANCE IN FOUR SELECTED LOCAL GOVERNMENT
AUTHORITIES IN TANZANIA**

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**A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE
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EXTENDED ABSTRACT

In spite of numerous initiatives having been taken by the government of Tanzania to see to it that the public servants utilize public resources prudently, misuse of resources in Tanzanian Local Government Authorities (LGAs) is still out of control, which affects LGAs' financial performance. Therefore, the study on which this thesis is based was set to evaluate influence of ethics and financial control measures on financial performance in terms of using public resources efficiently, effectively and economically. In arriving at that, the study sought to: (i) determine the level of adherence to the national code of ethics and conduct for public service among public service employees, (ii) analyse some existing factors supporting Tanzanian LGAs employees to adhere to the national code of ethics and conduct for public service, (iii) analyze relationship between views on national code of ethics and conduct for public service and views on financial ethical issues, (iv) determine the influence of ethics on financial performance and (v) analyse relationships between financial control measures and financial performance. A cross-sectional study was carried out in Shinyanga Municipal Council, Korogwe Town Council, Monduli District Council and Siha District Council where data were collected from 400 respondents in May and June 2016 through structured interviews using a questionnaire. Moreover, 12 key informant interviews and 12 focus group discussions were held using a checklist of items for discussion and an FGD guide respectively. Statistical Package for the Social Science (SPSS) Version 16.0 statistical software was used to analyse quantitative data while the qualitative data were analysed using content analysis. The results showed that the level of adherence to the national code of ethics and conduct for public service among public service employees in both urban and rural councils was high, although in some areas rural LGAs were doing a bit better than urban councils. It was also found that there was high level of factors supporting adherence to the code, although in some areas urban LGAs were doing a bit better than rural LGAs. As such, while correlations between the code and

factors supporting its level of adherence (individual values and working environment) in rural LGAs indicated positive association with the code ($p < 0.01$), in urban LGAs correlation was not significant ($p > 0.05$). With regard to the relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues, the results indicated high level of financial ethical issues in both rural and urban LGAs, although rural LGAs were doing a bit better on some indicators of financial ethical issues. Again, while in rural LGAs financial ethical issues indicated high positive association with the code (integrity, $p \leq 0.001$, accountability, $p \leq 0.01$, transparency, $p \leq 0.001$ and trust, $p \leq 0.01$), in urban LGAs the correlation was not significant ($p > 0.05$). Results on the influence of ethics on financial performance in terms of efficiency, effectiveness and economy results showed that there was moderate level of financial performance in both rural and urban councils, although rural councils were doing a bit better than urban councils. Ordinal logistic regression showed that transparency as a measure of ethics had positive and significant influence ($\beta = + 0.491, \leq 0.05$) on financial performance. On the subject of relationship between financial control measures and financial performance in terms of efficiency, effectiveness and economy; results confirmed presence of moderate level of financial control measures in both urban and rural LGAs, although rural LGAs were doing a bit better than urban LGAs. There was also a significant positive relationship between financial control measures and financial performance (control environment, information communication and monitoring) whereby in urban LGAs $r = 0.376$ ($p \leq 0.001$), $r = 0.146$ ($p \leq 0.01$), and $r = 0.400$ ($p \leq 0.001$ respectively), while in rural LGAs $r = 0.138$ ($p \leq 0.1$), $r = 0.162$ ($p \leq 0.1$), $r = 0.266$ ($p \leq 0.001$) respectively. Based on the above findings, it is concluded that disparities in some aspects of adherence to the national code of ethics and conduct for public service between rural and urban LGAs are due to diversified mechanisms taken by each LGA to institute to its employees measures for adherence to the code. Disparities in some areas of factors

supporting level of adherence to the national code of ethics and conduct for public service is also due to differences that exist in employees' background factors influenced by their own values, working culture and working environment. Good relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues between rural and urban LGAs is partly attributed to fear to be dismissed or to be taken accountable by supervisory institutions. Moderate influence of ethics on financial performance in rural LGAs than in urban LGAs is partly attributed to efforts made by rural LGA leaders to enforce their workers to adhere to the principles of financial performance. Powerful mechanisms available in rural LGAs that institute adherence to the financial control measures lead to better financial performance in rural LGAs than in urban LGAs. On the basis of those conclusions, the Ministry of Regional Administration and Local Government is urged to monitor, oversee and emphasize on training, specifically training related to adherence to the national code of ethics and conduct for public service. Moreover, the Ministry of Regional Administration and Local Government is urged to nurture employees' background factors to conform to standards of ethical behaviour in public service. Each LGA, through its own disciplinary committee, is urged to strengthen reward and punishment mechanisms against unethical behaviour. Public service employees should take proactive measures by considering ethics during their operations. The Ministry of Regional Administration and Local Government is urged to assess internal financial control measures of their LGAs financial performance.

DECLARATION

I, Martin Baltazary Tetti, do hereby declare to the Senate of Sokoine University of Agriculture that this thesis is my own original work done within the period of registration and that it has neither been submitted nor being concurrently submitted for a higher degree award in any other institution.

Martin Baltazary Tetti**(PhD candidate)**

Date

The above declaration is confirmed by:

Prof. Kim Abel Kayunze**(Supervisor)**

Date

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DEDICATION

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LIST OF ABBREVIATIONS

CAG	Controller and Auditor General
CBO	Community Based Organizations
CHRGG	Commission for Human Rights and Good Governance
CSO	Civil Society Organizations
FBO	Faith Based Organizations
FGD	Focus Group Discussion
IFMS	Integrated Financial Management System
LGA	Local Government Authority
LGRP	Local Government Reform Programme
MRALG	Ministry of Regional Administration and Local Government
NAO	National Auditing Office
NGO	Non-Governmental Organisation
PCCB	Prevention and Combating of Corruption Bureau
PFMRP	Public Financial Management Reform Programme
PO-PSM	President's Office Public Service Management
PSM	Performance Management System
REPOA	Research on Poverty Alleviation
SPSS	Statistical Package for Social Sciences
URT	United Republic of Tanzania
WDC	Ward Development Committee

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Governments exist to serve the needs of their citizens and ensure those needs are provided in the best way (Okpala, 2012). This intention has facilitated considerable scientific debates on how to make the public sector provide needs of citizens in the best way (Amundsen and Vicente, 2009). Due to that, Tanzania embarked on decentralization with the objective of improving the quality of and access to public services (URT, 2002). Subsequently, in Tanzania, the Local Government Authorities (hereafter called LGAs) have been reformed by being given a wide range of responsibilities including provision of essential services (URT, 2014) (hereafter called URT). Some of the responsibilities include collection and managing of revenues through taxes, licenses, fees and other sources (URT, 2014). In addition, LGAs in Tanzania play a major role in the central government's public finance (Mbogela and Mollel, 2014). Nevertheless, proper management of public funds needs strong legal frameworks, policies, regulations and ethically principled employees (Mbogela and Mollel, 2014).

This being the case, there are quite a number of policies and regulations as well as manuals that guide financial management of Tanzania's LGAs. There are also various guidelines such as those issued by the Ministry of Finance, the Local Government Finance Act No. 9 of 1982, Local Authorities Financial Memorandum of 1997, Financial Regulations of 1995 and Public procurement Act of 2004 (Mbogela and Mollel, 2014). The purpose of these policies, regulations and manuals is to prove to the public that Tanzanian LGAs use revenues properly (URT, 2014). In order to ensure presence of ethically principled employees in the public sector, Tanzania established the code of ethics

and conduct for public service in 1961 with some amendments made in 2005, which set out standards of behaviour for public officers in the Public Service. The code intended to guide public officers' behaviour with expectation of strengthening their commitment to adhere to the financial ethical issues that are integrity, accountability, transparency, conflict of interest and trust (Eghosha, 2012).

As a matter of fact, the adherence to the code cannot be possible in the absence of other factors. In consequence, there are numerous factors, which support adherence to the code including individual values, organizational culture and working environment (Ezigbo, 2012). A well adhered to code is expected to massively influence Tanzanian LGAs employees' ethical behaviour including behaving well financially, which in turn leads to good financial performance. Above and beyond, there are financial control measures, for instance control environment, risk assessment, control activities, information and communication together with monitoring, which also influence financial performance in Tanzanian LGAs in terms of using resources efficiently, effectively and economically (Mardiasmo, 2009; Mahmudi, 2010 cited by Kewo, 2017; Deloitte and Touche, 2012; Cili *et al.*, 2010).

Efficiency means doing the same as before, but with fewer resources in terms of money, staff, and space, to mention a few. It is a measure of productivity, i.e. how much you get out in relation to how much you put in. It is primarily associated with the process and the best use of resources (involves the delivery of procurement) (Anderson *et al.*, 2001). Effectiveness is divided into three categories: a) impact, which is the output of all these functions; b) satisfaction, which is how the service is perceived; and c) modernization, which is the extent to which the organization has adopted management practices that

would be regarded as being innovative and forward looking (Potts, 2002). According to Jan (2003), economy aims at minimizing the cost of resources.

Contrary to the stated expectations, there have been various forms of violation of financial management in Tanzanian LGAs (URT, 2014). To mention a few, the annual general report of the Controller and Auditor General (2014) noted payments made by 67 LGAs of TZS 3 514 703 776 without being properly supported (improperly vouched expenditure) and salaries of TZS 708 377 338 relating to deceased, retired and absconded staff, which had not been remitted to the Treasury by 16 LGAs. Furthermore, there had been a total amount of TZS 832 448 998, which was paid as salaries to absconded, deceased, retired and dismissed employees in 38 LGAs. Additionally, an amount of TZS 482 405 746 had been paid as salary deductions to different institutions like Pension Funds, Financial Institutions, National Health Insurance Fund (NHIF) and Tanzania Revenue Authority (TRA) in respect of the same employees (URT, 2014). Besides, the CAG (2010-2014) reports revealed a prolonged bureaucratic process in acquiring works, goods and services in district councils. Such losses of money led to low productivity, inefficiency and loss of money which would have led to improved financial performance.

Furthermore, it is imperative that, while only ethics and moral values can raise public welfare, public managers are facing increasingly complex ethical dilemmas, having to respond to the expectations of the society while creating a service orientated local government system (Mandeep, 2014, Noluthando, 2014). Worse, LGAs revolve around the moral dilemma in choices and value judgment of officials and politicians while they are discharging their duties (Noluthando, 2014).

In view of the above background, the study on which this thesis is based was set to examine how adherence to the ethics (national code of ethics and conduct for public service, and financial ethical issues) and financial control measures contribute to the financial performance in four selected LGAs in Tanzania.

1.2 Problem Statement

Despite numerous efforts made by the Government of Tanzania to warrant LGAs good financial management, there are still financial malpractices in most Tanzanian LGAs (URT, 2014; Lindner, 2014; Mgonja, 2014), which severely affect lives of Tanzanians (URT, 2014; Lindner, 2014; Mgonja, 2014). It is crucial to note that, in Tanzania, LGAs affect all Tanzanians' lives because they are responsible for provision of essential services in their respective areas. In response to this state of affairs, Tanzania embarked on a major decentralization programme from the late 1990s by introducing a Local Government Reform Programme (LGRP), with the main objective to improve the quality of and access to public services provided by LGAs. This programme aimed at transferring power, functions and decision making to the lower levels of governance by adhering to the principle of decentralization (URT, 2002).

The decentralization process requires taxing, spending, regulatory and other administrative functions being exercised by lower levels of government LGAs (Mgonja, 2010). As a result, the Central Government directed all LGAs to use resources, especially, the financial ones, effectively, efficiently and economically. To ensure usage of LGAs funds effectively, efficiently and economically; a number of supervisory bodies were established. The institutions included the Prevention and Combating of Corruption Bureau (PCCB), the Commission for Human Rights and Good Governance (CHRGG) and the Ethics Secretariat of Tanzania, to mention a few.

Moreover, there are governance structures at the higher and lower LGA levels monitoring use of council funds. At higher levels there is the Ministry for Regional Administration and Local Government (MRALG), and Regional Commissioners with the mandate of monitoring the legal conduct of councils (URT, 2017). Below the level of local government authorities exist a number of democratic bodies including Village Development Committees in rural areas and Street Development Committees in urban areas to debate local development needs through their development committees. The priorities for local service delivery and development projects are discussed by the committees before being forwarded to the ward development committee (WDC). Moreover, there are Civil Society Organizations (CSOs), including NGOs, Faith Based Organizations (FBOs) and Community Based Organizations (CBOs) as supervisory bodies. Areas for collaboration at the local government level between CSOs and LGAs include public expenditure surveys (PETS) whereby users are encouraged to monitor usage of public finance (URT, 2017). The supervisory bodies, among other things, aim at promoting employees' ethical behaviour, which leads to management of public funds effectively, efficiently and economically (Mgonja, 2010).

Despite the above demonstrated efforts, the Tanzanian LGAs system has failed to perform efficiently, effectively and economically in meeting its intended objectives (Policy Forum, 2012; Controller and Auditor General, 2015, cited by Mtandi and Chachage, 2016; Chalu and Kessy, 2011). The problem is partly indicated by corruption which has been taking place frequently, and government funds which have often been unlawfully and unwisely spent (Forum, 2008). Evidence suggests that cases of corruption, inefficient service provision, and lack of transparency have increased (Lindner, 2014; Mgonja, 2014; Transparency International, 2013; World Economic Forum, 2013).

Basing on the above facts, one wonders why unethical issues with respect to financial performance in Tanzania have been persistent. Conceivably, the persistence could be due to poor implementation of governance changes, low capacity of government institutions to consolidate ongoing governance changes, low implementation of ethical standards in governance and presence of unethical leaders and officials in the public sector. However, it was not known whether these factors held and which factors were actual causes of mismanagement of public funds in Tanzania. The study aimed at finding causes of mismanagement of public funds and evaluating influence of ethics and financial control measures on financial performance in terms of effectiveness, efficiency and economy in four selected LGAs in Tanzania.

1.3 Justification for the Study

Although studies on local government in Tanzania are numerous (Mbogela and Mollel, 2014; Mgonja, 2014 and 2010; Chaligha, 2004 and URT, 2002); still most of them had little focus on the evaluation of influence of ethical policies, ethical behaviour and financial control measures on financial performance. Therefore, using both secondary and primary data collected, the study on which this thesis is based addressed the gap by evaluating how ethics and financial control measures promoted financial performance in Tanzanian LGAs. The assumption is that, in order for Tanzanian LGAs to attain financial performance, there is a need for strict adherence to ethics and financial control measures.

The study is in line with Tanzania LGAs directives to deliver and facilitate the provision of social services by taking ownership of the administrative processes that guide governance in the context of people's needs and interests with strict adherence to the rule of law (URT, 2002). The study produced empirical information, which contributed to understanding of influence of ethics and financial control measures on financial

performance in Tanzanian LGAs. The study is in line with the Tanzania Development Vision 2025, which, among other things, emphasizes on good financial performance and effective curbing of corruption and other vices in the society by 2025. Also, it is in line with the Second Five Year Development Plan 2016/17-2020/21 which, among other things, emphasizes on hard work, commitment, discipline and sacrifice (URT, 2016).

1.4 Objectives and Hypotheses

The general objective of the study was to evaluate influence of ethics and financial control measures on financial performance in four selected LGAs in Tanzania.

1.4.1 Specific objectives

The specific objectives of the study were:

- i. To determine the level of adherence to the national code of ethics and conduct for public service among public service employees,
- ii. To analyse factors supporting Tanzanian LGAs employees to adhere to the national code of ethics and conduct for public service,
- iii. To analyze relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues,
- iv. To determine the influence of ethics on financial performance in terms of efficiency, effectiveness and economy, and
- v. To analyze relationship between financial control measures and financial performance in terms of efficiency, effectiveness and economy.

1.4.2 Null hypotheses

The two null hypotheses below were tested:

- i. Adherence to both the national code of ethics and conduct for public service and financial ethical issues do not have significant influence on financial performance in four selected Tanzanian LGAs.
- ii. There is no significant relationship between financial control measures and financial performance in four selected LGAs in Tanzania.

1.5 Definition of Key Concepts

1.5.1 Ethics

Ethics is defined in the Concise Oxford English Dictionary as the science of morals, treatise, moral principles or rules of conduct. Morals are described by the same dictionary as being concerned with the distinction between right and wrong. Ethics is a value or a standard that a person adopts, strongly believes in, upholds, and lives by. For individuals who believe and practise ethics, it is also a means by which they believe and practise it in life (Low and Ang, 2013). Consequently, ethics determine an expected mode of behaviour in society and organizations through specified penalties, expression of general principles, and commitment to the public interest (Geuras and Garofalo, 2005). In this thesis, ethics is about employees' behaviour in relation to realisation and commitment to use public resources (material and financial resources) prudently. It is the adherence to the ethical values guiding behaviour and financial principles. Additionally, in this thesis, ethics includes national code of ethics and conduct for public service and financial ethical issues.

1.5.2 Financial control measures

Whittington and Kurt (2001) define internal control measures as a process designed to provide reasonable assurance regarding the achievement of organization objectives in

relation to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Based on this definition, in this study, financial control measures are those measures put in place to ensure that financial related assets or property of an organisation are safeguarded. They are protected by people either within or outside an organisation from any threat whatsoever, whether by theft, loss or misappropriation.

1.5.3 Financial performance

Financial performance involves careful planning and efficient use of resources (Warren, 2005). Proper financial performance can ensure that financial priorities are established in line with organizational goals and objectives (El-Nafali, 2008). Proper financial performance enables government or its organisations to get a good deal from the money spent on goods and services. As a consequence, in this thesis, financial performance is the degree to which LGAs have control over the use of material and financial resources in order to attain their intended objectives. It is the use of LGAs material and financial resources sensibly by abiding by the established principles of efficiency, effectiveness and economy.

1.5.4 Local government authorities

Local Government Authority is defined as part of government of a country operating at a local level, functioning through a representative organ known as council, established by law to exercise specific powers within a defined jurisdiction (Warioba, 1999). The Local Government (District Authorities) Act No. 7 of 1982 provides for establishment of local government authorities in rural areas. The Local Government (Urban Authorities) Act No. 8 of 1982 is an Act which provides for establishment of local government authorities in urban areas. The same section 5 of the Act establishes different kinds of urban authorities, namely

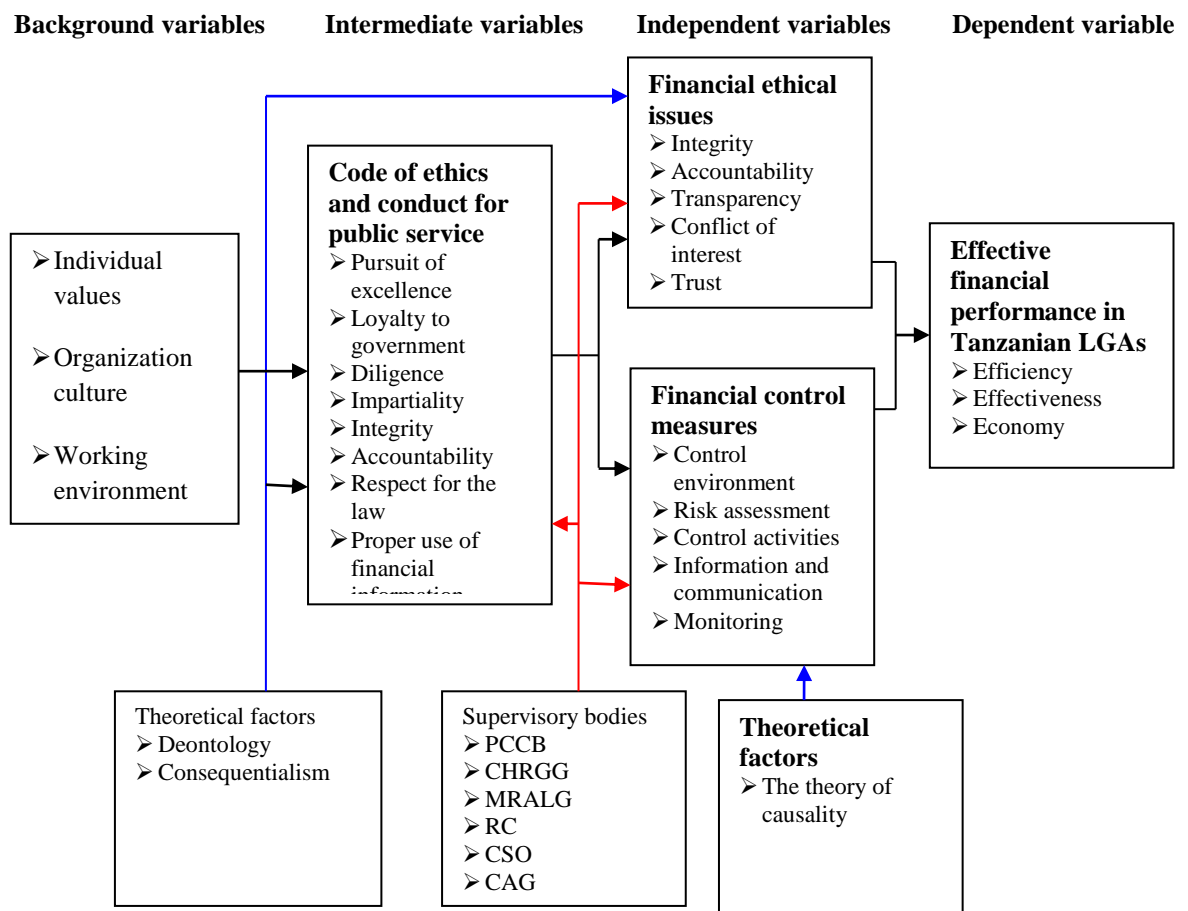
City Councils, Municipal Councils and Town Councils. The town and municipal councils have the same functions and powers within their jurisdictions. The only difference is the size of the population within their areas. The city council is the superior authority in urban local authorities in Tanzania. The establishment of the city council is made by the order of the president. The city council is made up of municipalities which are within its jurisdiction. While carrying out this study, in Tanzania there were 138 district authorities and 37 urban authorities (19 Municipalities, 10 Towns and 3 Cities) but more LGAs were established; hence the total number of LGAs rose to 185 in 2015.

1.6 Conceptual Framework

The conceptual framework for the research (Fig. 1) demonstrates that the national code of ethics and conduct for public service, financial ethical issues and financial control measures are instrumental in ensuring better financial performance in Tanzanian LGAs. Nevertheless, adherence to the national code of ethics and conduct for public service is not self-sustained. Due to that, level of adherence to the code is determined by code bearers' own values as well as both the culture and work environment of the organisations they are attached to. A well adhered to code is expected to nurture code bearers' financial ethical issues that are integrity, accountability, transparency, conflict of interest and trust.

However, ethics alone is not enough; therefore, there are other financial control measures such as control environment, risk assessments, control activities, information and communication together with monitoring. Thus, the national code of ethics and conduct for public service, financial ethical issues and financial control measures influence financial performance. Besides, better financial performance is determined by active supervisory bodies such as the Prevention and Combating of Corruption Bureau (PCCB), Controller and Auditor General and the Commission for Human Rights and Good

Governance (CHRGG). Other confounders include Ethics Secretariat, Ministry of Regional Administration and Local Government (MRALG), Regional Commissioner and Civil Society Organizations. The above-mentioned relationship is guided by three theories that are the theory of consequentialism, deontology and causality as shown in Fig. 1



Source: Researcher's own conceptual framework

Figure 1: Conceptual framework to analyze influence of ethics and financial control measures on financial performance

1.7 Linkages between Ethics and Financial Performance

Generally, the role of public service is to serve and bring into practice people’s development through implementation of government policies (Matei and Camelia, 2015). Public servants discharging public service in their different positions use knowledge, skills, moral values and competencies (Mashala *et al.*, 2016). While it is morally right for public servants to act in accordance with citizens’ expectations and concerns, sometimes it

is difficult (Sebhatu and Pei-lin, 2016). For example, the process of decision-making process in the public service is not free from personal interests, which leads to conflicts of interest (Sebhatu and Pei-lin 2016). In such a situation, public servants' personal ethical standards are guiding principles designed to preserve values that motivate trust, confidence and integrity in the discharge of public services (Maxwell and Schwimmer, 2016).

In summary, ethics helps employees in public organisations in making right choices when faced with ethical dilemma (Mashala *et al.*, 2016). An ethical dilemma is a situation whereby public servants' ethics fail to agree with organizational overall ethical standards (Luk, 2012). The circumstances cause an ethical dilemma when public employees struggle to sum up their tasks. Doolan (2009) cited by Bukola and Enofe (2013) argue that; since persons derive ethical values from religious principles, personal observation and experience; there are some basic ethical guidelines to which everyone must agree. These guidelines play core roles in organizations' financial performance.

As far as that is concerned, the biggest ethical issue in the financial performance process is the potential to curb employees' own conflicts of interest (Gomez, 2002 cited by Bukola and Enofe, 2013). Since the ethical decision-making is a complicated process which involves behaviour and ethical judgments, the code of ethics and conduct sets standard behaviour for public servants by ensuring respect of human rights, discipline and diligence, team work, pursuing excellence, exercise responsibility and good stewardship, transparency and accountability, discharging duty with integrity and political neutrality, and proper use of official information (Jimmy and Lwamfa, 2006 cited by Amir, 2010). The code also contributes to ethical behaviour by influencing employees' perceptions on

their organizations' values in finance. Ethics in finance influences organizations' financial performance on the use of financial resources effectively, efficiently and economically.

1.7.2 Theoretical perspectives

A theoretical perspective is essential for research for the reason that it serves to organize thoughts and ideas and make them clear to others. It presents a theory, which gives explanation why the problem under study exists and serves as a basis for conducting research. The theories of consequentialism, deontology and causality guided this study. While the combination of the theory of deontology and the theory of consequentialism guided the presented in chapters two, three and four; the theory of causality guided the paper that is presented in chapter five.

1.7.2.1 The theories of deontology and consequentialism

The imperative role of the national code of ethics and conduct for public service is to influence ethical decision-making in the public sector. Nevertheless, as human beings with different behaviours and experiences, public servants are faced by ethical dilemmas in making ethical decisions. While this is the reality, the available code of ethics and conduct for public service together with financial ethical issues do not articulate well what a public servant should do while faced with an ethical dilemma. Instead, the code and financial ethical issues articulate what a public servant is expected to do and avoid. The theories chosen mediate this theoretical gap by bringing to the existing knowledge what the public servant should do while faced with an ethical dilemma.

Following this, according to the theory of deontology, public servants should bear in mind that their acts are moral if only there is a universal sense of duty or obligation attached to them (Ochulor, 2011). The theory states that human beings are morally obliged to act in

accordance with a certain set of principles and rules of duty regardless of outcome. The theory emphasizes on duty as something we are required to do (Mizzoni, 2010). The theory considers "right" and "duty". Duties are morally mandated actions or prohibitions, such as the duty to keep promises or the duty not to lie. The theory emphasizes that moral values have an influence on what aspect of a decision people dare to do (Ritov and Baron, 1999).

Differently, the theory of consequentialism emphasizes to take into account the final consequence of our actions (Uduigwomen 2006 cited by Ochulor, 2011; Alder *et al.*, 2008). The theory of consequentialism holds that an agent performs a morally right action if such an action will maximize good and minimize evil in terms of the number of people who benefit from that particular action (Ochulor, 2011). In other words, if an action gives happiness to the greatest number of people affected by it, it becomes morally right (Uduigwomen 2006 cited by Ochulor, 2011; Alder *et al.*, 2008).

Based on the above theories, while the distinctive idea of deontological approaches relies on the nature of the act in which moral rightness or wrongness resides (Ritov and Baron, 1999), the consequentialism approach suggests that people normally make decisions based on the outcome only. The consequentialism point of view is opposed by deontological approach, which argues that people are interested in moral duties that allow certain behaviours, irrespective of the consequences. Although it is common to see deontologists and consequentialism orientated scholars as mutually exclusive, in reality some circumstances, which make an action right or wrong may not be definable without considering its link with consequences. Based on this logical thinking, a combinations of both consequentialism and deontology concerns is expected to bring attention to act against omission and greater attention to outcome (Tanner and Medin, 2007).

The theory of deontology is critiqued by lacking a logical basis for deciding individuals' duties. This scenario of conflicting obligations does not lead to a clear ethically correct resolution nor does it protect the welfare of others from the deontologist's decision. Since deontology is not based on the context of each situation, it does not provide any guidance when one enters a complex situation in which there are conflicting obligations (Victoria, 2012). However, the deontology theory affirms that ethics enjoins to do the right thing simply because it is intrinsically the right thing (Preston, 2007). Hence, using this theory LGA employees are urged to make decisions guided by principles of right and duty.

With regard to the theory of consequentialism, certainty can lead to unexpected results, revealing the user as unethical as time passes by because the action taken did not benefit the people as predicted it would be (Victoria, 2012). The process of identifying and weighing all the consequences, or even a number of consequences considered sufficient in making decision is often time consuming for decisions which need a quick response. Moreover, it is problematic to evaluate the morality of decision based on actual consequences as well as probable consequences. Nevertheless, since performing one's duty on the ground of ethics matters, this theory is relevant to this study.

1.7.2.3 The theory of causality

Proper internal control systems can possibly lead to improved financial management. It is also believed that a properly instituted system of financial controls improves financial performance. Although all aspects of financial management in public sector organisations need to operate, different management standards of different countries create difficult problems; yet, it is not explained how to resolve those difficulties. The theory of causality is about causes and effects; it maintains that proper understanding of the causes of something and reasons for those causes leads to proper knowledge (Cresp and Ricardo

2016). The theory has been narrowed down to cause-and-effect, emphasizing the efficient role of a cause by modern scholars (Psillos, Sthatis, 2004, cited by Cresp and Ricardo, 2016). The theory was critiqued for its failure to ask the question “why” and by relying on experience. Nonetheless, these irregularities did not disprove this theory because there is no evidence reached to disprove it. This theory has bridged missing knowledge regarding how to resolve difficulties met while discharging standards of financial control measures.

1.8 Limitations and Scope of the Research

1.8.1 Limitations of the research

The research covered four councils out of 175 LGAs. Given the narrow scope of the data gathering, readers of this thesis are cautioned against generalizing the findings as there might be peculiar issues in other LGAs that might not have been captured by this study. In spite of the above drawback, most of the issues covered cut across all LGAs. Moreover, due to security reasons, the research was unable to access financial reports of the respective local government authorities. Otherwise the researcher would have investigated the reliability of data through accounts documents (i.e. revenue receipts and invoices).

1.8.2 Scope of the research

The study determined the influence of ethics and financial control measures on financial performance in Tanzanian Local Government Authorities. Ethics is a broad term, which covers various branches. Due to this, the study was restricted to the national code of ethics and conduct for public service and financial ethical issues. These are ethical aspects, which directly touch on employees’ daily operations. Employees’ personal values, together with both their organizational culture and working environment were assessed to determine if they were supporting employees’ ethical behaviour. Besides that, some financial control measures such as control environment, risk assessment, control activities,

information communication and monitoring were considered because they were applicable in councils' daily operations.

1.9 Methodological Approach

The methodological approach followed in this study was a case study research which was composed of three major steps that are case studies selection, case studies design and case studies analysis. Regarding case study selection, the study applied purposeful sampling to select four Local Government Authorities (LGAs), which are also called councils. This approach enabled the researcher to divide councils into rural and urban ones. A cross-sectional research design was used whereby data were collected at a single point in time. The design enabled the researcher to collect data from four LGAs to provide evidence that was used to generate findings from quantitative and qualitative data. While the quantitative data collected were analysed by using the Statistical Package for Social Sciences (SPSS) software version 16, qualitative data were analysed using content analysis.

1.10 Organization of the Thesis

This thesis is organized in six chapters. The first chapter consists of the introduction of the overall theme studied and offers definitions of concepts used in this thesis. Chapter Two comprises Paper One which addressed objective one and two of this thesis. Objective number one was to determine the level of adherence to the national code of ethics and conduct for public service among public service employees. Objective number two was to analyse factors supporting Tanzanian LGAs employees' to adhere to the national code of ethics and conduct for public service. From the two objectives the study assessed factors supporting employees to adhere to the national code of ethics and conduct for public service in four selected local government authorities in Tanzania. The purpose of this

paper is to determine level of national code of ethics and conduct for public service as well as status of factors supporting level of adherence to the national code of ethics and conduct for public service in Tanzanian LGAs. Additionally, for this paper, correlation between the national code of ethics and conduct for public service and factors supporting the level to which it is adhered to was determined.

Chapter Three comprises Paper Two, which establishes relationships between national code of ethics and conduct for public service and financial ethical issues in four selected local government authorities in Tanzania. The chapter analyses status of financial ethical issues and determined correlation between adherence to the national code of ethics and conduct for public service and financial ethical issues. Chapter Four contains Paper Three, which is about the influence of ethics on financial performance in four selected local government authorities in Tanzania. The paper determines level of financial performance in Tanzanian LGAs and influence of ethics on financial performance in Tanzanian LGAs.

Chapter Five contains Paper Four which is about analysing relationships between financial control measures and financial performance in four selected local government authorities in Tanzania. This paper analyzes level of financial control measures in the four selected councils in Tanzanian LGAs. It is also about correlation between financial control measures and financial performance in Tanzanian LGAs in terms of points scored on an index summated scale. The last chapter, Chapter Six, presents conclusions in terms of lessons learnt from the study and recommendations derived from the conclusions in order to improve financial performance in Local Government Authorities in Tanzania.

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CHAPTER TWO

2.0 FACTORS SUPPORTING EMPLOYEES TO ADHERE TO THE NATIONAL CODE OF ETHICS AND CONDUCT FOR PUBLIC SERVICE IN FOUR SELECTED LOCAL GOVERNMENT AUTHORITIES IN TANZANIA

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2.1 Abstract

Whilst the national code of ethics and conduct for public service encourages public servants to behave in accordance with service ethics while performing their duties, some dishonest practices, including corruption and misuse of government resources, have been recurring in the Tanzanian Local Government authorities (LGAs). The purpose of this paper is to determine factors supporting level of adherence to the national code of ethics and conduct for public service in four selected LGAs. The study was a cross-sectional one whereby data were collected once using a questionnaire, focus group discussions and in-depth interviews. Descriptive statistical analysis was done to determine the level of adherence to the national code of ethics and conduct for public service, and analysing factors supporting its level of adherence. The questionnaire included a 29-statement index scale to measure the dependent variable (national code of ethics and conduct for public service) in Tanzania LGAs. It also included a 14-statement index summated scale to measure independent variables (factors supporting employees' levels of adherence to

national code of ethics and conduct for public service). Correlation between the national code of ethics and conduct for public service and factors supporting its level of adherence was determined. The findings showed that the code was highly adhered to in both rural and urban LGAs; although in some aspects the level of adherence to the code was a bit higher in rural LGAs than in urban LGAs. Furthermore, the findings indicated a high level to which some factors supported employees to adhere to the code, although in some aspects level of support was a bit higher in urban areas than in rural LGAs. While in rural LGAs the findings indicated significant positive associations between national code of ethics and conduct for public service and individual values as well as working environment ($p \leq 0.01$), in urban LGAs correlation between national code of ethics and conduct for public service and factors supporting its level of adherence was not significant ($p > 0.05$). Although the level of adherence to both national code of ethics and conduct for public service was high and the level to which some factors supported employees to adhere to the code was high, in some areas there existed similarities or disparities between urban and rural LGAs. Therefore, it is concluded that disparities in some aspects of adherence to the national code of ethics and conduct for public service between rural and urban LGAs are due to diversified mechanisms taken by each LGA to enforce its employees to adhere to the code. Thus, it is recommended that the Ministry of Regional Administration and Local Government should monitor, oversee and emphasize on training, specifically training related to the adherence to the national code of ethics and conduct for public service. LGAs disciplinary committees are urged to strengthen rewarding and punishing mechanisms against unethical behaviour. Public servants are advised to take into consideration ethical variables while executing their daily operations.

Key words: National code of ethics and conduct for public service, individual values, organisational culture, and working environment.

2.2 Introduction

The broad objective of public service is to implement the mandate of the government, which is to save and bring people's development by implementing the government policies (Matei and Camelia 2015). By so doing, while performing their duties, public servants are expected to conform to the established fundamental codes and standards in avoiding making unethical decisions (Bew, 2015). Also, public servants are expected not to take decisions basing on personal gains such of financial or material things, which benefit them, their families, or friends (Bew, 2015). Thus, from the beginning, ethics was expected to shape human beings' characters, conducts, moral behaviours and attitudes (Razeen and Desmond, 2014). Similarly, ethics was expected to adjust public service officials' actions behaviour (Razeen and Desmond, 2014). These are possibly adjustments that are expected from the national code of ethics and conduct for public service.

The above expectations led to the endorsements of code of ethics and conduct for public service in different countries (Staurt, 2005). The endorsed codes were expected to act as a catalyst for adjusting public servants' malpractices, actions and attitudes (Svensson and Wood (2009). These malpractices include unethical practices such as misuse of public funds and materials. Codes were also expected to encourage employees to behave ethically while performing their duties (Meine and Dunn, 2013). Due to that reason, for a long time, adherence to the national code of ethics and conduct for public service has been emphasized globally (Svensson and Wood, 2009). Tanzania is among the countries which have been emphasizing on adherence to the code. The code of ethics and conduct for public service is a motivating tool explaining the essentials of ethical values of employees' character and ethical decision-making. The ethical code of conduct prohibits public servants from immoral conducts. This enables the public officials to assist fully the

mission of public service in delivering good services to people efficiently, economically, effectively and with a maximum set of courtesy and integrity (Yusuph *et al.*, 2016).

Apart from the national code, in 2007, Tanzania made an explanatory manual for the code of ethics and conduct for public service. This manual supports the code of ethics and conduct for the public service, and is read in conjunction with all other country's laws, regulations and policies (URT, 2007 cited by (Yusuph1 *et al.*, 2016). As a result, the codes have been adhered to in Tanzania (Razeen and Desmond, 2014). Some of the codes adhered to in Tanzania are teachers service commission code of conduct and ethics, public leadership code of ethics, code of ethics and professional conduct for medical and dental practitioners, code of ethical practice for public information and media, and code of conduct for judicial officers.

Nevertheless, in some circumstances, public servants are faced with ethical dilemma, which is a state of affairs existing that makes public servants ethics fail to conform to organizational overall ethical standards (Luk, 2012). This occurs due to varied personal experiences, individual values, organization culture, working environment, to mention a few (Luk, 2012). As such, individual values, organization culture and working environment determine level of adherence to ethical standards including level of adherence to the national code of ethics and conduct for public service (Ezigbo, 2012). From this point of view, personal value is individual commitment towards adherence to the public service code (Ezigbo, 2012). Organisational culture is the key role played by management to support adherence to the public service code including sanctions, rewards, supporting execution and providing operational guidelines (Meine and Dunn, 2013; Ezigbo, 2012). Organisations set an environment to counter culture of resistance through

provision of guidelines intended to support enforcement mechanisms (Meine and Dunn, 2013).

Sakyi and Bawole (2009) argue that, if well adhered to, codes are expected to integrate values and standards of behaviour into African public services. Partly, this was among the reasons for endorsing the national code of ethics and conduct for public service in Tanzania in 1961 (URT, 2005). The Tanzanian national code of ethics and conduct for public service spelt out work of ethics in the service, focusing on the areas such as duty; attendance; time management; absence from duty; sexual harassment; customer care; financial credibility; communication of information; removal, destruction or altering of records; accountability; handling of gifts, bribes, favours and presents by public officers; and dressing and appearance (URT, 2005).

However, Lynelle (2009, cited by Demmke, 2012) argues that it is easier to teach, preach, study, advocate, debate and publish ethics than to practise ethical living. Following this, while adherence to the national code of ethics and conduct for public service has been advocated in Tanzania since independence, prevalence of unethical practices such as lack of transparency and unequal services provision are still lingering on (Mgonja, 2012). Also, it is evident that the Tanzania's LGAs system has failed to perform efficiently and effectively in meeting its intended objectives, probably partly due to prevalence of unethical employees (Mgonja, 2012). For example, corruption, misuse of government resources and presence of sexual relationship at work places have been reported (Lindner, 2014; Mgonja, 2014; Placidius, 2013).

Moreover, although unethical practices are recurring in Tanzanian LGAs, Aydinlik *et al.* (2008) argue that there is no in-depth examination of the contents of the national code of

ethics and conduct for public service and related organisational ethics artefacts in public sector organisations. Moreover, little is known about ethical values and their impact on ethical behaviour in the national public services (Demmke, 2012). Yet, factors supporting employees to adhere to the national code of ethics and conduct for public service in Tanzanian LGAs are not empirically well documented.

Worse, the Government of Tanzania has done little evaluation regarding public servants' ethical behaviour (Mbogela and Mollel, 2014; Mgonja, 2012). Therefore, in this paper, the level of adherence to the national public service code and factors supporting employees to adhere to the national public service code were determined. Correlation between the national code of ethics and conduct for public service and factors supporting employees to adhere to the national code of ethics and conduct for public service was determined. Moreover, the theory of deontology and the theory of consequentialism that are described in section 1.2 guided this paper.

2.2.1 The theories of deontology and consequentialism

In this paper, although employees are expected to adhere to the national code of ethics and conduct for public service, the code didn't put into consideration factors that could have affected its level of being adhered to. The theories used in this paper bring to attention the way individual values, organization culture and work environment could possibly support level of adherence to the national code of ethics and conduct for public service. Since the code insists on what should be done while discharging one's duties, while the theory of deontology emphasises on the adherence to the moral sense of duty attached to duty (Ochulor, 2011), the theory is relevant to this paper. This means that employees' duty is a requirement and should not collide with set principles and rules regardless of outcome (Mizzoni, 2010). Nevertheless, the assumptions held undermined issues likely to adjust

level of adherence to the code from one employee to another one or from one organization to another one.

As a result of the above assumption, regardless of the different ethical values held by employees being caused by their own ethical values or the values of organisation attached to them, employees should perform their duties not only conforming to morality (Ritov and Baron, 1999), but also by taking into account the final consequence of their actions as stipulated by the theory of consequentialism (Uduigwomen 2006 cited by Ocholor, 2011; Alder *et al.*, 2008). However, it should be noted that, although the theories of deontology and consequentialism are antagonistic due to their approaches, what make an action right or wrong as held by the theory of deontology may not be defined without linking them with the final outcome as per the theory of consequentialism. Both consequentialism and deontology concerns are expected to bring attention to act against omission and greater attention to outcome (Tanner and Medin, 2007).

In relation to this study, the theory of deontology is critiqued by failing to provide guidance when one enters a complex situation in which there are conflicting obligations (Victoria, 2012). This is true because sometimes council employees normally enter into a complex situation whereby different instructions towards their obligation contradict available sets of rules. Nevertheless, the deontology theory affirms that ethics enjoins to do the right thing simply because it is intrinsically the right thing (Preston, 2007). This means that employees should attempt to do the right thing aligned with available rules and principles. In connection to the theory of consequentialism, it is problematic to evaluate the morality of decision basing on actual consequences as well as probable consequences. Nevertheless, since doing one's duty ethics matters, the theory is relevant to this study. Moreover, failure to provide guidance when one enters a complex situation of conflicting

obligations as per deontological approach is filled up by the theory of consequentialism, which states that the dilemma encountered should be counterbalanced by focusing on the outcome of one's action.

2.3 Methodology

2.3.1 Description of the study area

The study was carried out in four selected Local Government Authorities (LGAs) in Tanzania namely Shinyanga Municipal Council, Korogwe Town Council, Monduli District Council and Siha District Council. Based on CAG reports from the financial year 2007/2008 to 2011/2011, there were nine (9) LGAs with consistently good financial performance (Kisarawe DC, Mufindi DC, Biharamulo DC, Missenyi DC, Siha DC, Nachingwea DC, Serengeti DC, Shinyanga MC and Maswa DC) and four (4) LGAs with consistently poor financial performance (Monduli DC, Makete DC, Mvomero DC and Korogwe TC) (URT, 2013). Therefore, the four LGAs where the research was done were selected because of the following reasons. Shinyanga MC was selected because it was the only urban LGA with consistently good financial performance within five consecutive years, and Korogwe TC was selected as it was the only urban LGA with consistently poor financial performance within five consecutive years. Siha DC was selected as a rural LGA with consistently good financial performance, and Monduli DC was selected as a rural LGA with consistently poor financial performance (URT, 2013). Besides the above reasons, Siha DC and Monduli DC were selected because geographically they are located nearby each other; hence the researcher could save time and resources in visiting them.

Shinyanga Municipal Council, which is also called Shinyanga Urban District, is one of the eight districts of Shinyanga Region and is bordered to the North by Mwanza Region, to the South by Shinyanga Rural District, to the East by Kishapu District, and to the West by

Kahama District. Korogwe is one of the eight districts of Tanga Region and is bordered to the North by Lushoto District, to the East by Muheza District, to the South by Handeni District and to the West by Kilimanjaro Region. Monduli District is one of the five districts of the Arusha Region. It is bordered to the North by Kenya, to the East by Kilimanjaro Region and Arumeru District, to the South by Manyara Region and to the West by Ngorongoro District and Karatu District. Siha District is one of the seven administrative districts of Kilimanjaro Region. It is bordered to the South and South-East by Hai District, to the North-East by Rombo District, to the North-West by Longido District, and to the West by Meru District. Also, the district borders with Kenya to the North.

2.3.2 Research design

A research design is a plan for collecting data, organizing and analyzing them with the objective of combining the relevance of a research with the economy in procedure (Kothari, 2004). The study adopted a cross-sectional design whereby data were collected at a single point in time. The design enabled the researcher to collect data once from four LGAs from different sources. The design was preferred due to its wide scope and its ability to incorporate many variables of interest to the study. The design was also preferred because of its ability to determine relationships among variables. The design was of great importance in this study as it helped to create qualitative and quantitative data for national code of ethics and conduct for public service (Bryman, 2004). The design was also useful for the analysis of level of national code of ethics and conduct for public service as well as level of factors supporting employees to adhere to the national code of ethics and conduct for public service. Also, the design was useful for determining relationships between the national code of ethics and factors supporting level of adherence to it.

2.3.3 Population, sample size and sampling

This section is in relation to the population, sample size and sampling procedures. It shows the studied population, sample size generated from the population and sampling procedures used to select the study areas and participants in the research.

2.3.3.1 Population

A population is the universe of units from which a sample is selected (Bryman, 2004). The population for the research was all government employees who were based at the LGA Headquarters in the four LGAs where the research was done. The employees were preferred because of easy accessibility, which saved time and resources. They were also the employees that were required to adhere to the national code of ethics and conduct for public service and other ethical principles. They were also required to use LGAs resources with care (performing financial performance).

2.3.3.2 Sample size determination

The sample size for this study was 400 respondents. The sample size was determined by using Cochran's formula (1977), cited by Bartlett *et al.* (2001), which is used when the population size is not known. The formula is:

$$n = \frac{z^2 * p (1 - p)}{d^2} \text{ (Cochran, 1977, cited by Bartlett } et al. \text{ (2001), where:}$$

$n =$ sample size;

$z =$ a value on the abscissa of a standard normal distribution (from an assumption that the sample elements are normally distributed), which is 1.96 or approximately 2.0 and corresponds to 95% confidence interval;

$p =$ estimated variance in the population from which the sample is drawn, which is normally 0.5 for a population whose size is not known; and

d = acceptable margin of error (or precision), whereby the general rule is that in social research projects d should be 5% for categorical data and 3% for continuous data (Krejcie & Morgan, 1970, cited by Bartlett *et al.* (2001). The research used 5% since the study collected substantial categorical data.

Using a z-value of 2.0, a p-value of 0.5, a q-value of 0.5, and a d value of 5% (which is equivalent to 0.05), the sample size (n) was determined to be 400, i.e.

$$n = \frac{z^2 * 0.5 (1 - 0.5)}{0.05^2} = (4 \times 0.25) / 0.0025 = 1 / 0.0025 = 400.$$

This sample size is considered relevant based on the fact that “too large a sample implies a waste of resources, and too small a sample diminishes the utility of the results” (Cochran, 1977, cited by Bartlett *et al.* (2001).

2.3.3.3 Sampling

2.3.3.3.1 Area sampling

Purposive sampling was employed to select four LGAs from both urban and rural LGAs. The reasons for selecting the four local government authorities were that, although financial accountability in LGAs appears to have improved, corruption is still perceived by many people to be a serious problem (Tidemand and Msami, 2010). The four councils were selected using the principle of most different systems design (MDSD) by taking into consideration variations in socio-economic bases, rural–urban variations as well as financial statuses of the LGAs according to reports by the Controller and Auditor General (CAG) as explained in sub-section 2.3.1. Two “unqualified” councils (urban and rural) and two “qualified” councils (urban and rural) within five (5) years from CAG’s Annual Reports (2007/2008 to 2011/2012) were selected. The two LGAs with good financial performance that were selected are one rural LGA (Monduli DC) and one urban LGA

(Korogwe TC); the LGAs with poor financial performance that were selected are one rural LGA (Siha DC) and one urban LGA (Shinyanga MC). The four LGAs are listed in Table 1, together with their financial statuses.

Table 1: Trend of audit opinion issued to LGAs for the financial years 2007/2008 to 2011/2012

Councils	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Monduli DC	Qualified	Qualified	Qualified	Qualified	Qualified
Siha DC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Korogwe TC	Qualified	Qualified	Qualified	Qualified	Qualified
Shinyanga MC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

Source: URT, 2013

Note that qualified opinion is expressed when auditors conclude that the financial statements are materially misstated but not pervasive. This means that there is either limitation or disagreement limited to a specific area, but the rest of the financial statements show true and fair view. Unqualified opinion is pressed when the auditor concludes that the financial statements were prepared in all material respects, in accordance with the applicable financial reporting framework.

2.3.3.3.2 Respondents sampling

This section is about how respondents, key informant interviewees, and focus group discussants were selected.

(a) Simple random sampling

According to Brymann (2004), simple random sampling is a probability sampling method whereby each unit of the population has an equal probability of inclusion in the sample. A hundred (100) respondents were selected from each of the four LGAs due to the fact that types and qualifications of employees within the strata (urban and rural councils) are more

or less similar (Lugumamu, 2015). For example, according to Lugumamu (2015), the head of the paid service is the District Executive Director in the district authority while in the town/municipal/city authority the head of the paid service is the director. Typically, below the director, there are a number of heads of department, usually including Personnel and Administration; Planning and Finance; Engineering and Works; Education and Culture; Trade and Economic Affairs; Urban Planning; Health and Social Welfare; Cooperatives, Agriculture and Livestock Development; and Community Development. In each department there are other staff members with similar qualifications from one council to another one.

The respondents in each of the LGAs were selected through simple random sampling using a table of random numbers which were generated in MS Excel using the "=RAND()" command. Names of council staff which, were obtained from Human Resource Officers (HROs), were assigned serial numbers, and the staff whose serial numbers corresponded with the random numbers that were generated in MS Excel were selected for interview. The researcher selected randomly the council employees under the assumption that they were the key players in performing, supporting and evaluating services within their councils. Secondly, the researcher had an assumption that all council employees had reasonable knowledge regarding ethical and unethical conducts as employees from low to high ranks interacted with one another. A pilot study, with the aim to test accuracy and reliability of the research tools, was carried out in Tabora Municipal Council prior to actual data collection. The study intended to collect data from three departments (human resources, procurement, and the department of finance and planning). However, through pilot study it was observed that other departments were useful in providing data.

(b) Sampling key informant interviewees

The researcher selected purposefully Heads of Department as key informant interviewees. In each council the Head of Department from three departments that are Department of Human Resources, Department of Procurement, and Department of Finance and Planning were chosen. This made a total of 12 key informant interviewees. These were the departments with reliable information regarding use of councils' resources and ethical behaviour of council employees. Those departments were identified during a pilot study as recommended by council employees and Human Resource Officers. Purposive sampling was used because with non-probability sampling the researcher chooses a particular unit of the universe for constituting a sample on the basis that the small mass that they so select out of a huge one will be a typical or representative of the whole (Kothari, 2004). Another reason is that the people were considered to be knowledgeable on the issues of ethics and finance.

(c) Sampling focus group discussants

Three groups that are males group, females group and both males and females group were selected. The aim of dividing them basing on sex was that the pilot study revealed that some women were not free to participate actively when mixed with men. Moreover, the same pilot study revealed that some points were not discussed well when men and women were separated. These were the reasons for having three groups for focus group discussions. The researcher formed groups each of which consisted of 8 participants who were involved in focus group discussions as it was easy to handle and manage the discussions. Forming groups each of 8 people was also based on advice by Barbour (2011) and Bryman (2004) that the optimum size of a focus group should be 6 to 10 people for the reasons that if discussants are too many some of them may just sit idle and if they are too few they may not be able to discuss effectively difficult topics. This made a total of 96

focus group discussants. This was done with the assistance of LGAs' Human Resource Officers. Sakyi and Bawole (2009) argue that the focus group method is appropriate since it can provide basic information from those who witnessed, experienced or were direct beneficiaries or victims of both ethical and unethical behaviour. Purposive sampling was used to select members of focus group discussions based on being citizens of that council and being considered to be knowledgeable of the issues of ethics.

2.3.4 Data collection

Quantitative data were collected using one questionnaire, which contained items to collect employees' opinions regarding level of adherence to the national code of ethics and conduct for public service, and establish factors supporting employees' level of adherence to the national code of ethics and conduct for public service. The questionnaire included a 29-statement index scale to measure the dependent variable (national code of ethics and conduct for public service) in Tanzania LGAs. It also included a 14-statement index summated scale to measure independent variables (factors supporting employees' level of adherence to national code of ethics and conduct for public service).

Employees were asked to tick on different aspects of ethics and factors supporting level of adherence to ethical conduct by assessing if their co-workers were practising them. Qualitative data were collected using checklists of items for key informant interviews and guides for focus group discussions (FGD). The key informant interviews helped the researcher to get opinions regarding character and procedure in respective councils. FGDs enabled the researcher to gather views from the respondents in view of employees' behaviour and the way they handled public property, satisfaction of service provision and customer care.

2.3.5 Reliability

The researcher tested the inter-item consistency reliability to ensure that there was consistency of respondents' answers to all items in the measure. From Table 2, it is evident that all the coefficients are above 0.70, which means that the scales used to measure these variables were consistent and reliable (Cronbach, and Shavelson, 2004).

Table 2: Reliability

Reliability Statistics for national code of ethics and conduct for public service	Cronbach's Alpha	Cronbach's Alpha based on standardized items	Number of items
	0.787	0.806	29
Reliability Statistics for factors supporting employees to adhere to the national code	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	0.772	0.781	14

2.3.6 Measurement of variables

This study had one dependent variable (national code of ethics and conduct for public service with eight constructs that are pursuit of excellence, loyalty to government, diligence, impartiality, integrity, accountability to the public, respect for the law, and proper use of official information). Each of the eight items had a number of statements to which the respondents were required to respond Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points). Moreover, the study had independent variables (factors supporting employees to adhere to the national code of ethics and conduct for public service with three constructs that are individual values, organization culture, and working environment). Each of the three constructs had a number of indicators to which the respondents were required to respond Not at all supporting (0), moderately supporting (1 point), supporting (2 points) or supporting a lot (3 points). Each variable was measured individually as shown in Table 3.

As seen in Table 3, for the national code of ethics and conduct for public service, an index summated scale comprising 29 statements (taken from the year 2005 code of ethics and conduct for public service) was used to determine the levels of the variables. For factors supporting employees to adhere to the national code of ethics and conduct for public service, another index summated scale comprising 14 statements (gathered from literature) was used to determine the level to which the statements supported the code of ethics and conduct for public service. Moreover, automatic boundaries for classification of the scores obtained on the index scales were used to rank respondents' views on the national code of ethics and conduct for public service and on factors supporting employees to adhere to the national code of ethics and conduct for public service into low level, moderate level and high level. The scores obtained were expressed in terms of points actually scored as percentages of maximum possible scores on the scales. The expression of points actually scored in percentages was done by multiplying the number of statements for each variable (29 and 14 as seen above) by automatic boundaries (0, 1, 2 and 3) that were automatically generated from responses such as Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points).

For instance, by considering the national code of ethics and conduct for public service that had 29 statements, the percentage of low level was obtained by multiplying 29 statements by the first upper automatic boundary, dividing by the highest possible score and multiplying by 100, i.e. $(1 \times 29) \div (29 \times 3) \times 100$ which is 33.3. The percentage of moderate level was obtained by multiplying 29 statements by the second upper automatic boundary, dividing by the highest possible score and multiplying by 100, i.e. $(2 \times 29) \div (29 \times 3) \times 100$ which is 66.7. The percentage of high level was obtained by multiplying 29 statements by the third upper automatic boundary, dividing by the highest possible score and multiplying by 100, i.e. $(3 \times 29) \div (29 \times 3) \times 100$ which is 100.0. Thus, low, moderate

and high levels were classified as (0% to 33.3%, 33.4% to 66.7% and 66.8% to 100.0%) respectively. Similarly, the above procedure was followed for factors supporting employees to adhere to the code.

Table 3: Measurement of variables

The national public service code	Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points)
(1) Pursuit of excellence in service (doing the best)	Maintains personal hygiene (Hygiene) Dresses in acceptable attire in accordance with office norms (appearance) Uses language (politeness)
(2) Loyalty to government (valuing and showing commitment)	Loyalty to government (faithfulness) Implement policies and lawful instructions given by leaders (commitment)
(3) Diligence (working well, hard, everywhere and time management)	Uses skills, knowledge and expertise while discharging duties (competence) Executes duties and responsibilities with maximum time (time management) Works at any duty station (obedience) Punctualities at work place and official appointments (time management)
(4) Impartiality (being fair to others)	Engages in politics in official hours and at work premises (presence on duty) Provides unbiased services to clients (customer care) Passes information to allowed people or institutions (confidentiality) Engages in religion at official hours and off work premise (presence on duty)
(5) Integrity (delivering on the promises and consistently exercising duties as a public servant)	Exercises authorized powers within specified boundaries (legitimacy) Uses powers as directed in favour of LGA and client (legitimacy) Safeguards public resources (trustfulness) Uses public resource for public use only (trustfulness) Uses official time to perform duties entrusted (time management) Behaviours well within and outside the office (character) Discharges improper favours or bribe for person serving (handing bribes)
(6) Accountability to the public (answerability for actions and inactions taken)	Treats clients politely (customer care) Pays extra attention when dealing with vulnerable clients (customer care) Clarifies or provides direction on issues when requested (customer care)
(7) Respect for the law (right to dignity of others)	Familiar and abides with rules, regulations and procedures (competency) Applies laws, regulations and procedures at work (commitment) Treats fairly all members of the public (customer care) Sexual relationships at work place and during working hours (faithfulness)
(8) Proper use of official information (caring confidential documents)	Protects unauthorised official information (confidentiality) Uses official documents or information in course of discharging duties (confidentiality)
Factors assisting adherence to the national public service code	Not at all supporting (0), moderately supporting (1 point), supporting (2 points) or supporting a lot (3 points)
(1) Individual values	Family norms (orientations) Religious values (beliefs) Personal standards (values) Personal needs (ambitions)
(2) Organization culture	Supervisory behaviour (internal regulations) Policy statements (internal regulations) Written rules (internal regulations) Peer group norms (internal influence) Peer behaviour (internal influence)
(3) Working environment	Government laws (external regulations) Government regulations (External procedures) Societal norms (external influence) Societal values (external influence) Institutional values (institution preferences)

2.3.7 Data processing and analysis

The quantitative data collected were analysed by using the Statistical Package for Social Sciences (SPSS) software. The analysis was done by computing descriptive statistics including frequencies and averages on the index summated scales that were used to determine level of national code of ethics and conduct for public service and level at which various factors supported employees to adhere to the code in Tanzanian LGAs. Furthermore, qualitative responses from interviews and focus group discussions were analysed using content analysis, which involved coding of the field notes by identifying and naming their segments in relation to the research topic. Consequently, the segments of meaning from the field notes were clearly marked and labelled in a descriptive manner. This was followed by identifying categories and patterns and organising them in terms of context and coherence. Then the final coding procedure of the field notes involved selective scanning of all codes that were identified for comparison, contrast and linkage to the research topic. The codes were eventually evaluated for relevance of the research aim. The related codes were then listed in categories according to the research aims and theoretical framework from the literature.

On the other hand, this paper made use of Pearson's correlation to measure the strength of linear relationship between national code of ethics and conduct for public service and factors supporting employees to adhere to the national code of ethics and conduct for public service. Pearson's correlation was used because the variables were measured at the ratio level in terms of points scored on each of them. Pearson's correlation measures the strength of relationships between two variables measured at the scale (interval and ratio) level. Correlation coefficients range from -1 to +1. A positive sign indicates that an increase in one variable is associated with an increase in another variable, and a negative sign indicates that an increase in one variable is associated with a decrease in the other

variable (Crichton, 2001). According to Cohen and Holliday (1982), the interpretation of correlation coefficients (regardless of positive or negative signs) is as follows: below 0.19 is very low, 0.20 – 0.39 is low; 0.40 – 0.69 is modest; 0.70 – 0.89 is high; and 0.90 – 1.00 is very high.

2.4 Results and Discussion

2.4.1 Adherence to the national code of ethics and conduct for public service

Adhering to pursuit of excellence in service is in terms of personal hygiene, acceptable attire and good use of language in communicating with customers. Acceptance to recommended attire between urban and rural LGAs was almost equal (See Table 4). Most likely, the commonness of posting recommended attire in the offices and main entrance could be a contributing factor. This concurs with Rao and Dewar (2012) cited by Malakwen (2015) who argue that a dress code can often be emphasized on by employers to ensure workers are dressed properly. Conversely, in urban councils, the percent of employees who were comfortable with the recommended attire was 92.7%, while the percent in rural LGAs was 94.4%.

The almost equal acceptance of the recommended attire by employees in both urban and rural LGAs was due to the fact that the recommended dress code is non-discriminatory as suggested by Malakwen (2015) that dress code should not discriminate others. The marginal differences of 1.7% between urban and rural LGAs was probably due to prevalence of new fashions in urban LGAs than in rural LGAs. Again, keeping personal hygiene was somehow higher 71.2% in urban than LGAs in rural LGAs (68.9%). This is possible due to geographical and environmental differences between urban and rural LGAs. That is, the surroundings and physical outlook in urban LGAs are friendlier. Another related factor for existing disparity is fear of disciplinary actions as reported by

heads of different departments that they had zero tolerance rules for council employees dressing non-recommended clothes. Concurrently, during in-depth interviews, heads of department from both urban and rural LGAs reported efforts they made to ensure that employees wore recommended attires and maintained personal hygiene as follows:

"... There is a big improvement in attire and personal hygiene as it is highly emphasized..." (A KI from Monduli DC, 10th June 2016).

This shows that each specific LGA has its unique mechanisms to enforce level of adherence to the national code of ethics and conduct for public service as the above quote from Monduli DC shows. This is perhaps the reason for rural LGAs doing better than urban LGAs.

Table 4: Adherence to the national public service code

The national public service code	Statements used to test national public service code	Urban				Rural			
		Not adhered to		Adhered to		Not adhered to		Adhered to	
		N	%	N	%	N	%	n	%
Pursuit of excellence in service	Maintains personal hygiene	55	28.8	136	71.2	61	31.1	135	68.9
	Dresses in acceptable attire	14	7.3	177	92.7	11	5.6	185	94.4
	Uses language	69	36.1	122	63.9	86	43.9	110	56.1
Loyalty to government	Loyalty to government	59	30.9	132	69.1	42	21.4	164	83.7
	Implement policies and lawful instructions	40	20.9	151	79.1	60	30.6	136	69.4
Diligence	Uses skills, knowledge and expertise	116	60.7	75	39.3	97	49.5	99	50.5
	Executes duties and responsibilities	133	69.6	58	30.4	15	7.7	181	92.3
	Works at any duty station	90	47.1	101	52.9	85	43.4	111	56.6
Impartiality	Punctualities	17	8.9	174	91.1	30	15.3	166	84.7
	Engages in politics in official hours and at work premises	107	56.0	84	44.0	96	49.0	100	51.0
	Provides unbiased services to clients	59	30.9	132	69.1	38	19.4	158	80.6
	Passes information to allowed people	13	6.8	178	93.2	20	10.2	176	89.8
	Engages in religion at official hours and off work premise	16	8.4	175	91.6	33	16.8	163	83.2
Integrity	Exercises authorized powers within specified boundaries	14	7.3	177	92.7	16	8.2	180	91.8
	Uses powers as directed	104	54.5	87	45.5	18	9.2	178	90.8
	Safeguards public resources	39	20.4	152	79.6	11	5.6	185	94.4
	Uses public resource for public use only	64	33.5	127	66.5	52	26.5	144	73.5
	Uses official time to perform duties	73	38.2	118	61.8	82	41.8	114	58.2
	Behaving well within and outside office	96	50.3	95	49.7	11	5.6	185	94.4
Accountability to the public	Discourage s improper favours or bribe for person serving	33	17.3	158	82.7	35	17.9	161	82.1
	Treats clients politely	51	26.7	140	73.3	47	24.0	149	76.0
	Pays extra attention when dealing with vulnerable clients	123	64.4	68	35.6	110	56.1	86	43.9
	Clarifies or provides direction on issues when requested	32	16.8	159	83.2	12	6.1	184	93.9
Respect for the law	Familiar and abides with rules, regulations and procedures	31	16.2	160	83.8	11	5.6	185	94.4
	Applies laws, regulations and procedures	18	9.4	173	90.6	13	6.6	183	93.4
	Treats fairly all members of the public	8	4.2	183	95.8	14	7.1	182	92.9
Proper use of official information	Sexual relationships at work place	10	5.2	181	94.8	14	7.1	182	92.9
	Protects unauthorised official information	83	43.5	108	56.5	7	3.6	189	96.4
	Uses official documents properly	88	46.1	103	53.9	76	38.8	120	61.2

Another key informant said:

"... If today all employees were told that the kinds of clothes they wear are inappropriate, none of them would be required..." (A KI from Siha DC, 31st May

2016.

The above quotation from Siha DC shows that employees have improved their level of self-discipline. This finding concurs with ethical principles, which assert that to be ethical does not mean to be familiar with ethical principles but rather to put in practice those ethical principles (Yusuph *et al.* (2016).

Following this, an emphasis on how to put on properly is in line with Kanthi's (2012) argument, cited by Malakwen (2015) who argued that organisations should see to it that they have proper mechanisms in support of employees in complying with standards of conduct. In that order, the discussants in FGDs acknowledged substantial changes in employees' attire, hygiene and language use. Discussants demonstrated impression in regard to the employees' attire changes made by teachers in public schools.

The main difference noted in adherence to pursuit of excellence was the use of language whereby urban LGAs were better off than rural councils by 7.8% (See Table 4). This variation is partly contributed by different modes of operation between urban and rural LGAs as explained by Stame *et al.* (2016) cited by Yusuph *et al.* (2016). This scenario is in line with the theories of deontology and consequentialism which were used in this study. The theories emphasize that pattern of prohibitions and obligations may vary across situations and cultures. The theories expect people to be more sensitive to the consequences; hence some employees are sensitive to outcomes of their actions (Yusuph *et al.*, 2016).

2.4.1.2 Adherence to the loyalty to the Government

Loyalty implies being loyal, faithful and committed to the government policies and to lawful instructions given by leaders. Although it is noticed that rural LGAs are more loyal to the government than urban LGAs, the rural LGAs implemented policies and lawful

instructions given by leaders less by 9.7% (See Table 4). This is somehow contradicting because being loyal depicts moral values which have an influence on what aspects of decision people consider relevant (Yusuph *et al.*, 2016). Probably, mechanisms applied by rural LGAs to foster implementation of policies and lawful instructions given by leaders caused this contradiction. This is justified by the following views of a key informant interviewee:

"... Our routine decisions are rigorously associated with the available policies and instructions..." (A KI from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"... We ensure that those who are employed in our institution abide by governmental policies..." (A KI from Siha DC, 31st May 2016).

Since all LGAs are governed by similar policies, diversities in enforcement mechanisms between rural and urban LGAs lead to different levels of abidance by the national code between rural and urban LGAs. For instance, from aforementioned quotations, rural LGAs are advised to strictly make decisions that conform to available policies and not otherwise. Meanwhile, loyalty (moral values) is maximized by frequent emphasis by leaders, a fact which is more perhaps in rural councils than in urban councils. This is in line with an argument by Horwitz *et al.* (2008) who insisted that leaders should provide support and encouragement to the followers. Leaders with high individual considerations are better coaches and are able to link individual needs to organizational needs (Horwitz *et al.*, 2008). This is aligned with adopted theoretical approaches that the commitment to government instruction is not only a moral commitment but also a desire to implement outcomes expected from leaders.

2.4.1.3 Adherence to diligence

Diligence means working well, hard, at any work station and managing time well. Almost 40% of the respondents from urban and rural LGAs were not willing to work at any work station (See Table 4). Unwillingness to work at any working station is a clear indicator of lack of commitment and self-determination. Definitely, this is the factor which made Lynelle (2009) cited by Demmke, 2012) argue that it is easier to teach, preach, study, advocate, debate and publish ethics than to practise ethical living. The major difference observed between the two areas is execution of duties with maximum time. Urban LGAs were less committed to maximize time than rural LGAs as there was a variation of 61.9%, although it was equally emphasized as per the following records from interviewees:

"... Employees are expected to devote their time, attention and skills to their duties" (A KI from Siha DC, 31st May 2016).

Another key informant interviewee said:

"... It is mandatory for the employee to seek approval to do any work outside the office during official hours" (A KI from Shinyanga MC, 21st June 2016).

Possibly, work opportunities available in urban councils partly lead to this disparity. For example, an interviewee from another urban council asserted that:

"... The challenge we have is employees being prohibited to work after official time. In this circumstance employees work up to mid night; as a result, on the next day, they get exhausted and cannot perform their duties efficiently" (A KI from Korogwe TC, 26th may 2016).

This implies that perhaps numerous part time jobs available in urban councils than in rural LGAs are the reason for this gap. Other reasons might be available loopholes in

mechanisms to control employees. This is comparable with findings of a study which was carried out by Tidmand and Msami (2010) in Tanzania which evaluated the impact of LGA reforms. Among other things, the study pointed out that LGA control over local staff is limited. Also, the same study reported that laws governing LGAs and defining roles and responsibilities are spread over several contradictory pieces of legislation, which assign the same roles to different levels of government. Theoretically, the existing disparity has failed to conform to moral requirements of duties and time maximization for intended outcomes.

2.4.1.4 Adherence to impartiality

Impartiality means being fair to others by adhering to the duty, privacy and upholding customer care. It instructs employees to avoid political and religious activities during official hours and work premises, and providing unbiased services to customers. Quantitative data showed that urban councils were biased to services provided compared with rural LGAs by 11.5% (See Table 4). This is against the broad objective of public service, which insists to public servants to perform their duties without benefiting themselves, their family members or their relatives (Bew, 2015). However, presence of gap between rural and urban LGAs on biased services was opposed by interviews as follows:

"...We have rules against engaging in decisions that would lead to personal benefits, and we always urge our employees to withdraw from taking decisions which might not be objective" (A KI from Korogwe TC, 26th May 2016).

This means that, although urban LGAs are using ethics to adjust employees' actions and attitudes (Razeen and Desmond, 2014), the expectation of ethics to shape all human beings' characters, moral behaviour and attitude is unmet as some individuals are rigid

towards change (Razeen and Desmond, 2014). This is opposed by the deontology theory, which calls attention to employees to refrain from unethical activities.

2.4.1.5 Adherence to integrity

Integrity is all about legitimacy, truthfulness, time management, behaviour and handling of bribes. As observed from Table 4, urban LGAs adhered more to the use of powers as directed in favour of LGA and clients less than rural councils by 45.3%. Urban LGAs seemed to use more their position for private advantage than rural LGAs, which is a serious breach of duty (Whitton, 2001). It contradicts Whitton's (2001) argument that power and authority should be exercised legitimately, impartially and without favour, for its proper public purpose as determined by the Parliament or employers. Moreover, good behaviour of urban employees within and outside the office was less than it was for rural employees by 44.7%. This was also reported by one key informant interviewee as follows:

"... Although the code is perfect, there may be some rules governing standards of behaviour which might have been left out" (A KI from Monduli DC, 10th June 2016).

There are more or less similarities between urban and rural LGAs in matters of using authorised powers in specified boundaries and discouraging improper favours or bribe for personal gains. Probably, the similarities observed reflect efforts made by administrators in both rural and urban LGAs to discourage improper favours or bribes for personal gains. For example, a key informant interviewee from a rural LGA (Monduli DC) reported as follows:

"... Employees are not allowed to use powers to do something that will benefit them or their friends or families" (A KI from Monduli DC, 10th June 2016).

Employees in both rural and urban councils are given precaution regarding avoiding favouritism as it is against ethical principles as the above quote from both Monduli DC shows.

Similar information was also reported by a key informant interviewee in Shinyanga Municipality who said the following words:

"... Employees are not allowed to influence their co-workers to do something that would be of their own benefit ..." (A KI from Shinyanga MC, 21st June 2016).

Regarding use of official time to perform duties entrusted to them, most of heads of department interviewed reported excessive use of mobile phones during working hours. Even the FGD discussants from almost all councils reported tendency of some employees to use mobile phones while providing services. In relation to this, a key informant interviewee testified the use of mobile phones by saying:

"... The problem of using mobile phones during working hours cuts across senior to junior staff..." (A KI from Korogwe TC, 26th May 2016).

2.4.1.6 Adherence to accountability to the public

Accountability is being answerable to actions taken and actions not taken. It is how a customer is treated with politeness, giving extra attention for vulnerable clients and clarifying issues asked. Urban LGAs seemed to clarify issues when requested less than rural LGAs by 10.7% (See Table 4). This means that codes influence employees in rural LGAs to appear more decent while on their duties, compared to urban LGAs (Meine and Dunn, 2013). All over again, urban LGAs seemed to pay extra attention when dealing with vulnerable clients than rural LGAs by 8.3% (See Table 4). The treatment of clients politely was somehow higher in rural LGAs unlike urban LGAs. The level of customer

care was high in rural than in LGAs urban LGAs. This was probably due to the fact that rural LGAs' organizational policies are more transparent unlike urban LGAs. For example, a key informant interviewee reported that:

"... The organisational policies direct the employees to treat clients equally and impose counterpart treatment for their customers" (A KI from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"...We do warn wrongdoers before punishing them" (A KI from Siha DC, 31st May 2016).

This is to say that endorsed codes are acting as a catalyst for enforcing customer care (Svensson and Wood, 2009). Most of the discussants in FGDs in rural councils revealed the decrease of biasness in service delivery. Yet, some discussants had opinions that some elements of biasness in service delivery continue in urban councils. The presence of preferential statement in Tanzanian LGAs suggests double standards in service delivery which is against the theory of deontology, which maintains that “we are morally compelled to act in accordance with a set of principles and rules regardless of outcome”

2.4.1.7 Adherence to respect for the law

Respect for the law means right dignity for others. It emphasises on familiarity and abidance by rules, regulations, and procedures and avoiding sexual relationships at work places and during working hours. There was not a big difference which was noticed between urban and rural councils regarding respect for the law. The only disparity detected is familiarity and abidance by rules, regulations and procedures whereby urban LGAs abode less than rural LGAs by 10.6% (See Table 4). Even so, many FGD

participants from all LGAs declared presence of responsible employees in their LGAs , different from previous years. Even in-depth interviews carried out with heads of department showed analogous findings. These findings suggest that possibly gradual increase in number of competent, reliable and technical mature employees was partly achievement of public service code.

2.4.1.8 Adherence to proper use of official information

Proper use of official information is normally concerned with caring for confidential documents. It is a matter of faithfulness and confidentiality including protection of unauthorised official information and use of official documents in the course of discussing duties. The results in Table 4 show that urban LGAs protected unauthorised official information less than rural LGAs by 49.9%, although in-depth interviews carried out with heads of department in both categories of council showed distinctive efforts made by their LGAs to address the misuse of official information (See Table 4). For example, in interviews with rural council staff it was reported that:

“... We have improved our record keeping system in such a way that important official documents are not easily accessed by unauthorised people” (A KI from Siha DC, 31st May 2016).

Another key informant interviewee said:

“...When employees require some data in support of their duties, accessibility to information needs approval” (A KI 2 from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"... The employees are compelled to keenly take the documents and discussions confidentially, and electronic information is restricted to few people" (A KI from Monduli DC, 10th June 2016).

Other key informant interviewees reported several initiatives taken including carrying out seminars and meetings regarding importance of and misappropriation in using official information. This implies that council employees have improved moral consciousness regarding protection and use of official information. This is compatible with theories used which put an emphasis to mortality and consideration of the outcome of duties.

2.4.2 Factors for adherence to the national code of ethics and conduct for public service

In order for the introduced code to be effective, there is a need for support from a range of mechanisms such as people's values, organisation culture and working environment. This section is about analysis of the extent to which factors such as individual values, organisation culture and working environment support employees to adhere to the national code of ethics and conduct for public service. The analysis begins with setting up of the extent to which individual values were supporting employees' level of adherence to the code.

2.4.2.1 Individual values

Individual values are among the factors supporting employees to adhere to the national code of ethics and conduct for public service. Among others, the values of family norms, religious believes, personal standards and personal needs affect level of adherence to the national code of ethics and conduct for public service. Family norms and religious believe

supported employees to adhere to the national code of ethics and conduct for the public service almost equally to both urban and rural councils although moderately (See Table 5).

Table 5: Factors supporting employees to adhere to the national code

Factors supporting adherence to the national code	Statements used to test factors supporting adherence to the national code	Urban				Rural			
		Not supporting		Supporting		Not supporting		Supporting	
		n	%	n	%	n	%	n	%
Individual values	Family norms	81	41.8	113	58.2	92	46.7	105	53.3
	Religious believes	82	42.3	112	57.7	75	38.1	122	61.9
	Personal standards	47	24.2	147	75.8	53	26.9	144	73.1
	Personal needs	66	34.0	128	66.0	83	42.1	114	57.9
Organization culture	Supervisory behaviour	27	13.9	167	86.1	26	13.2	171	86.8
	Policy statements	34	17.5	160	82.5	34	17.3	163	82.7
	Written rules	39	20.1	155	79.9	40	20.3	157	79.7
	Peer group norms	42	21.6	152	78.4	57	28.9	140	71.1
Working environment	Peer behaviour	49	25.3	145	74.7	65	33.0	132	67.0
	Government laws	24	12.4	170	87.6	27	13.7	170	86.3
	Government regulations	25	12.9	169	87.1	22	11.2	175	88.8
	Societal norms	25	12.9	169	87.1	30	15.2	167	84.8
	Societal values	22	11.3	172	88.7	30	15.2	167	84.8
	Institutional values	93	47.9	101	52.1	80	40.6	117	59.4

It should be noted that the interest of this study was not on type of religion but the way adherence to religious standards could have influenced somebody's ethical behaviour. As such, interviewees reported a link between religious standards held by individuals with adherence to the code as follows:

"... If workers apply religious practices while performing duties they think twice before making decisions" (A KI from Korogwe TC, 26th May 2016).

Another key informant interviewee said:

"... Religion influences enhance good ethical behaviour" (A KI from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"... Moral teaching of religion restricts people from doing unethical practices" (A KI from Korogwe TC, 26th may 2016).

Another key informant interviewee said:

"... People who fear God are not easily detached from ethical standards" (A KI from Shinyanga MC, 21st June 2016).

Employees' religion is among the core background factors supporting their level of adherence to ethics. This is perhaps due to the fact that religion teaches and emphasises on abidance by moral issues, which is the central focus of ethics as the above four quotations from rural and urban LGAs suggested. Other interviewees also declared that most of employees' ethical behaviour was being influenced by their families. They said:

"... Those with good family orientation adhere more to ethical standards than those with poor family backgrounds" (A KI from Korogwe TC, 26th May 2016).

Similarly, personal standards were highly supporting employees to adhere to the national code of ethics and conduct for public service in both urban and rural LGAs as shown by the following quotations, which is shown by the following quote:

"... Personal beliefs determine somebody's behaviour at the work place" (A KI from Shinyanga MC, 21st June 2016).

Another key informant interviewee said:

"... Every individual holds different beliefs which can lead to conflict of interest" (A KI from Shinyanga MC, 21st June 2016).

Another key informant interviewee said:

"...how people act today determine how they will act tomorrow" (A KI from Siha DC, 31st May 2016).

Another key informant interviewee said:

"... A leader can influence ethical standards of the employees through actions and behaviour" (A KI from Siha DC, 31st May 2016).

Another key informant interviewee said:

"... Personal values encourage people to be ethical and free themselves from social influence" (A KI from Shinyanga MC, 21st June 2016).

The above quotations suggest that individual employees need self-commitment aided by their society and personal standards. Along with the above quotations, decisions reached by different people have been associated with their personal values as numerous scholars have suggested that behaviour is a result of peoples' values and attitudes (Connor and Becker (1979) and Homer and Kahle (1988, cited by David and Effy, 2007). These scholars propose that values provide a basis for the development of individual attitudes that lead to specific decision making behaviour. As such, values have cognitive, affective, and directional aspects which, when fully conceptualized, become criteria for judgment, preference, and choice (David and Effy, 2007). Based on the above findings, nurturing individual character could probably be the best way of having the code adhered to, to the maximum as data show that while individual aspects (personal standards) supported highly, general aspects (family norms and religious values) supported moderately adherence to the code. This is why Tammara (2013) argues that individuals bring with

them into an organization their own personal beliefs, perceptions, goals, choices, and actions (Tammara, 2013) (See Table 5). Theoretically, based on the theories of deontology and consequentialism somebody with good or bad ethical behaviour will influence the outcome of their actions.

2.4.2.2 Organizational culture

Organisational culture includes supervisory behaviour, policy statements, written rules, peer group norms and peer behaviour. Organisational cultures not only reinforce the vision, the mission, and the goals of an organization, but also provide the framework for expected behaviours of conduct for employees. It is the organizational culture that establishes the boundaries and parameters for acceptable employee behaviour. Three factors that are supervisory behaviour, policy statements and written rules almost equally supported employees to adhere to the national code of ethics and conduct for public service in both rural and urban LGAs (See Table 5). In line with that, Robbins and Sanghi (2007, cited by Awadh and Saad, 2013) noted that organisational culture with different reinforced mechanisms set values and beliefs, which effect organization systems. This is similar with findings of interviews which were recorded in different councils. For instance, during in-depth interviews, participants commented on efforts made to address unethical practices including strengthening disciplinary committees as follows:

"... We cannot expect employees to act ethically according to available codes while they don't know why the code is important" (A KI from Siha DC, 31st May 2016).

The above quotation suggests that ethics is not an issue of knowing ethical principles but rather it is a commitment to do right things and avoiding doing wrong things. In arriving at such an ethical awareness, training on ethical issues is important as it introduces a

theoretical part of it. Besides, there should be counteracting mechanisms against unethical practices as suggested in the following two quotations:

Another key informant interviewee said:

"The more you train your staff on ethical conducts and emphasize on ethical conducts the more the staff understand what you expect from them" (A KI from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"... We have laid disciplinary actions against employees found violating ethical rules" (A KI 3 from Korogwe TC, 26th May 2016).

These views are supported by Stewart (2010) cited by Awadh and Saad (2013) that attractions of organisation norms, values and beliefs have strong effect upon performance. These findings suggest that organisation-pushing mechanisms are more functional than obligatory mechanisms (Konthi, 2012 cited by Awadh and Saad (2013)).

2.4.2.3 Working environment

Working environment includes government laws, government regulations, societal norms, societal values and institutional values. When mainstreamed into the organisation, the social norms become increasingly apparent as to which behaviours will be considered acceptable and unacceptable. Organisational norms establish the environment and eventually evolve into acceptable behaviours that are well known by organisational members (Moore and Moore, 2014). There is a more or less equal working environment factor such as government laws, government regulations societal norms and societal values supporting employees to adhere to the national code of ethics and conduct for the

public served in both urban and rural LGAs. This idea was supported by different interviewees as follows:

"... A list of rules citing prohibited and allowed practices is often helpful (A KI from Siha DC, 31st May 2016).

Organizations (LGAs) play a unique role to support level of adherence to the national code of ethics and conduct for public service including giving instructions, reward and punishments.

Another key informant interviewee said:

"... When employees imitate good acts from their core workers, the imitated acts become habits (A KI from Siha DC, 31st May 2016).

Another key informant interviewee said:

"... Organisation values influence good ethical conduct (A KI from Korogwe TC, 26th May 2016).

Another key informant interviewee said:

"... Employees are likely to pay attention to ethical instructions given by their CEOs (A KI from Syinyanga MC, 21st June 2016).

There was slight difference in terms of institutional values whereby in urban LGAs the level of support was less than in rural LGAs by 7.3%. All over again, the findings suggested that organization-pushing mechanisms were more functional than obligatory mechanisms. An ethical public service requires both conducive and social cultural setting as well as environment where public servants and peers act ethically (Stuart, 2005).

2.4.3 Correlation between the national public service code and some factors

Group percentages for the constructs of the code together with factors supporting its level of adherence were correlated to determine their levels of association. The correlation was done using points scored (which were expressed as percentages of maximum possible scores) four aspects that were individual values, organisational culture, working environment and the overall percentage for national code of ethics and conduct for public service (See Table 6). Before correlation was run, all the variables were checked whether they had normal distribution by computing their normal distribution curve which were then checked visually. All of them were found to have fairly normal distributions. Hence, none of them was transformed.

Table 6: Percentages of the constructs correlated

Constructs of the national public service code	n	Minimum	Maximum	Mean
Pursuit of excellence in service	387	22.2	100.0	78.1
Loyalty to government	387	16.7	100.0	69.0
Diligence	387	25.0	100.0	69.6
Impartiality	387	0.0	100.0	64.6
Integrity	387	33.3	100.0	73.0
Accountability	387	33.3	100.0	74.6
Respect for the law	387	0.0	100.0	81.2
Proper use of official information	387	33.3	100.0	84.2
Overall scores on national code of ethics	387	33.3	100.0	70.7
Constructs of factors assisting adherence to the national public service code				
Individual values	400	0.0	100.0	57.8
Organisational culture	400	0.0	100.0	68.8
Working environment	391	0.0	100.0	70.7
Overall factors assisting adherence to the national public service code	391	16.7	100.0	67.2

In rural LGAs the correlation analysis results in Table 7 indicate significant positive associations between national code of ethics and conduct for public service and individual values as well as working environment (individual values, $r = 0.165$, $p < 0.1$ and working environment, $r = 0.120$, $p < 0.01$). Organizational culture was not significant ($r = 0.029$, $p > 0.05$). Differently, in urban LGAs correlation between national code of ethics and

conduct for public service and factors supporting its level of adherence was not significant (individual values, $r = 0.099$, $p > 0.05$, organisational culture, $r = 0.008$, $p > 0.05$, working environment, $r = 0.069$, $p > 0.05$).

Table 7: Correlations between the code and factors supporting its level of adherence

Variables correlated with the national public service	Urban			Rural		
	n	Correlation coefficient (r-value)	p-value	n	Correlation coefficient (r-value)	p-value
Individual values	191	0.099 ^{ns}	0.171	196	0.165*	0.021
Organisational culture	191	0.008 ^{ns}	0.912	196	0.029 ^{ns}	0.684
Working environment	191	0.069 ^{ns}	0.379	196	0.120*	0.096
Overall factors	191	0.091^{ns}	0.216	196	0.184*	0.010

The dependent variable was national code of ethics and conduct for public service

*Correlation is significant at the 0.1 level (2-tailed)

^{ns} means not significant

As seen in Table 7, the factors that were analysed to be associated with the national public service code (individual values and working environment) were associated with the code in rural councils. Some researchers had similar findings regarding correlation between public service code and factors such as individual and environment. For example, according to Stuart (2005), while good practices of codes require an environment that nourishes them, without support of the senior leadership within a country it is very difficult to get codes taken seriously. Stuart (2005) added that ethical public service requires both conducive and socio-cultural setting as well as environment where public servants and peers act ethically.

2.5 Conclusions and Recommendations

2.5.1 Conclusions

There is a high level of adherence to the national code of ethics and conduct for public service by Government servants in all the four selected councils where the research on which this thesis is based was conducted. Likewise, the findings indicated high level of

factors supporting employees to adhere to the code, although in some aspects level of support was a bit high in urban than in rural LGAs. Nevertheless, there was a bit disparity in some areas of the code and factors supporting its level of being adhered to between urban and rural councils. For example, while out of 29 statements which were used to test level of adherence to the national code of ethics and conduct for public service rural LGAs were doing a bit better on 18 (62.1%) aspects, urban LGAs were doing better in 11 (37.9%) aspects. Regarding factors supporting level of adherence to the code out of 14 aspects, urban LGAs were doing better in 9 (64.3%) aspects while rural LGAs were doing better in 5 (35.7%) aspects. The disparities between urban and rural councils are partly contributed to diversified mechanisms taken by each council. This state of affairs features well in the rural councils where much effort and diversified mechanisms are used to encourage adherence to the code. Existing disparities are influenced by individuals' commitment and willingness to adhere to the code. For example, unwillingness to work at any work station is purely an indicator of lack of commitment and willingness. Besides, acceptability of the code by individuals and council employees influences similar or various levels adherence to the code in urban and rural councils. This well features in the acceptance of recommended attire, which is equally accepted by both urban and rural councils.

2.5.2 Recommendations

Based on the above conclusions, the following recommendations should be considered in order that employees' can adhere more to the national code of ethics and conduct for public service in Tanzania.

- i. The Ministry of Regional Administration and Local Government should monitor, oversee and emphasize on practical and routine training on ethical issues in its LGAs.

- ii. LGAs disciplinary committees should strengthen reward and punishment mechanisms against unethical behaviour.
- iii. Public servants should take into consideration ethical variables in their daily operations.

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CHAPTER THREE

3.0 RELATIONSHIPS BETWEEN NATIONAL CODE OF ETHICS AND CONDUCT FOR PUBLIC SERVICE AND FINANCIAL ETHICAL ISSUES IN FOUR SELECTED LOCAL GOVERNMENT AUTHORITIES IN TANZANIA

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3.1 Abstract

The Government of the United Republic of Tanzania has issued the national code of ethics and conduct for public service to help public servants, among other things, use well public resources including public funds. Contrarily, some employees in Tanzanian Local Government Authorities (LGAs) are misusing public funds, something which suggests prevalence of unethical behaviour. This paper analyses views on the status of financial ethical issues in Tanzanian Local Government Authorities (LGAs) with reference to four selected LGAs and also determines correlation between adherence to the code and financial ethical issues. A sample of 400 respondents was selected through simple random sampling, and data were collected in May and June 2016 using a questionnaire for respondents, a checklist for key informant interviewees and a guide for focus group participants. Descriptive statistical data analysis was done to determine the level of abidance by the national code of ethics and conduct for public service and the status of

financial ethical issues, both in terms of points scored on index summated scales which were used to determine them.

Besides, inferential analysis was done using Pearson's correlation to determine the strength of relationship between abidance by the national code of ethics and conduct for public service and financial ethical issues. It was found that status of financial ethical issues was high in the four selected LGAs, although rural LGAs were doing a bit better than urban LGAs. Moreover, while in urban LGAs financial ethical issues in terms of integrity ($p > 0.05$), conflict of interest ($p > 0.05$), trust ($p > 0.05$) and accountability ($p > 0.05$) were not significantly correlated with the code, in rural LGAs there was significant correlation between financial performance and financial ethical issues in terms of integrity ($p \leq 0.001$), conflict of interest ($p \leq 0.001$), trust ($p \leq 0.01$) and accountability ($p \leq 0.1$). Based on the above findings, it is concluded that good relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues in rural and urban LGAs is partly attributed to fear to be dismissed or to be taken accountable by supervisory institutions. Therefore, it is recommended that LGA administrators, especially urban LGAs, should take proactive measures to insist to their employees to abide by available ethical principles articulated in the national code of ethics and conduct for public service by focusing on right actions based on moral outcome. Also, each LGA, through its own disciplinary committee, is urged to strengthen reward and punishment mechanisms against unethical behaviour.

Key words: Code of ethics and conduct, public service, financial ethical values

3.2 Introduction

3.2.1 Background and statement to the problem

The image of the government depends upon the conduct of its office holders (Vyas-Doorgaperad and Ababio, 2010). Following this, the Government of Tanzania introduced the national code of ethics and conduct for public service for the first time in 1961 (URT, 2005). The code specifies prohibitions and articulates acceptable behaviour of public officeholders (Staurt, 2005). The code articulates expected ethical behaviour, conduct and standards of performance of the public servants (URT, 2005). As a result, the code acts as an ethical framework, which describes the key values that employees are obliged to take into account in their organisation including aspiration to observe financial ethical issues (Nagiah 2012 cited by Yusuph *et al.*, 2016).

Be that as it may, the code is adopted in many fields although it is not perceived to fulfil all the needs of organisations (Leone *et al.*, 2016 cited by Yusuph *et al.*, 2016). Due to that, there are other ethical values being taken by other fields to fulfil missing ethical needs of organisations. These ethical values include financial ethical issues such as integrity, accountability, transparency, conflict of interest and trust. Following this, public servants adhering to the national code of ethics and conduct for public service are expected to adhere to the financial ethical issues.

Integrity is a state of being true to one's own beliefs and standards as well as to the abundant organization mission statements and codes of conduct that now state not just one but a variety of stakeholders (Kolk *et al.*, 1999). Accountability is willingness to be responsible and provide answers to those who have entrusted them with financial resources (Bowens, 2007). Transparency refers to the principle of creating a situation where information on available condition, decision and action are made accessible,

visible, and understandable to all stakeholders (Lepadatu and Pirnau, 2009). Conflict of interest is a disclosure of personal financial interest in the public service (Liem, 2007). Conflict of interest is the state of public officials' personal interests to be contrary to their loyalty to public business. Trust is a belief built upon financial perceptions or images of the characteristics of others, based on previous experience (Liem, 2007).

Although efforts are being made to introduce and enforce the practice of ethical standards by the regulatory bodies, strict adherence to the standards has been a problem (Gowthorpe and Amat, 2005). Similar problems are inevitable in the context of Tanzania. Under this perspective, while abiding by financial ethical issues, public servants were expected to adjust their malpractices as well as behaving ethically especially in relation to financial practices, but in some Tanzanian LGAs there have been allegations concerning financial malpractices (Mbaya *et al.*, 2014; Staurt, 2005, Brammer and Millington, 2005).

Such allegations leave behind a lot to be desired. For example, a recent study has revealed lack of financial transparency and accountability in most Tanzanian LGAs (Poncian and Chakupewa, 2015). Additionally, some Tanzanian LGAs had foreseeable presence of billions of money spent on unintended expenditures (Poncian and Chakupewa, 2015). The worst of the matter was the fact that the 2012/13 CAG report indicated that loans amounting to TZS 1 389 192 866 were not recovered though contract dates had already expired in the 58 audited LGAs (NAO, 2014 cited by Poncian and Chakupewa, 2015). These are some of unethical behaviours manifesting less commitment to the adherence to the code and financial ethical issues.

Besides the above drawbacks, many studies reviewed in relation to the code of ethics and conduct for public service were carried out in other countries (Victoria, 2012; Sakyi and

Bawole, 2009; Staurt, 2005). Again, there was no recent study carried out in Tanzania, which analysed status of financial ethical issues in Tanzanian local government authorities. Moreover, it was not known why unethical financial practices were still recurring in Tanzanian local government authorities' in spite of numerous efforts made to offset them. Therefore, there was a need to carry out a study to fill in the gaps in information available that the study on which this PhD thesis is based aimed to fill in. Therefore, in this paper, the status of financial ethical issues (integrity, accountability, transparency, conflict of interest and trust) in terms of points scored on them in an index-summated scale were analysed as well as correlation between points which were scored on adherence to the national code of ethics and conduct for public service and financial ethical issues. The theories of deontology and consequentialism reviewed below guided this study.

3.2.2 Theory of deontology and consequentialism

There is an assumption that people more often take a consequentialist point of view, which implies a focus on the outcomes only when making decisions. Such a view basically ignores the existence of a deontological perspective, which implies that people are sensitive to moral duties that require certain behaviours, irrespective of the consequences. In Tanzania, the national code of ethics and conduct for public service predicts outcome of ethical violation as per theory of consequentialism (Uduigwomen 2006 cited by Ochulor, 2011; Alder *et al.*, 2008). Nevertheless, the outcomes need to be guided by moral ethical rules in other fields such as the field of finance as emphasized by the theory of deontology.

As such, adherence to the national code of ethics and conduct for public service is expected to advocate a moral devotion to other ethical values such as financial ethical

issues (integrity, accountability, transparency, conflict of interest and trust) as emphasized by the theory of deontology (Mizzoni, 2010). However, although the theories of deontology and consequentialism are antagonistic due to their approaches, what make a duty right or wrong as held by the theory of ontology may not be defined without linking them with the final outcome as per the theory of consequentialism. Based on this logic, a combination of both consequentialism and deontology concerns are expected to bring attention to act against omission and greater attention to outcomes (Tanner and Medin, 2007).

In relation to this study, the theory of deontology is critiqued by failing to provide guidance when one enters a complex situation in which there are conflicting obligations (Victoria, 2012). This is true because sometimes council employees normally enter into a complex situation whereby different instructions towards their obligation contradict available set of rules. Nevertheless, the deontology theory affirms that ethics enjoins to do the right thing simply because it is intrinsically the right thing (Preston, 2007). This means that employees should always dare to do the right thing aligned with available rules and principles. Regarding the theory of consequentialism, it is problematic to evaluate the morality of decision based on actual consequences as well as probable consequences. Since doing one's duty on the ground of ethics matters, the theory is relevant to this study.

Additionally, failure to provide guidance when one enters a complex situation whereby there are conflicting obligations as per deontological approach is filled up by the theory of consequentialism that the dilemma encountered should be counterbalanced by focusing on the outcome of one's action. Also, despite its importance in managing public servants' behaviour, to rely entirely on the national code of ethics and conduct in making decision in moral dilemma can bring unjust and unbiased decisions. This is due to the fact that

some decisions can base on moral values and the environment of the existing dilemma. Under this gap these theories addressed loopholes in the national code of ethics and conduct for public service as well as loopholes in the financial ethical issues by insisting on performance of moral duties based on good outcome.

3.3 Methodology

3.3.1 Description of the study areas

The study was carried out in four selected Local Government Authorities (LGAs) in Tanzania namely Shinyanga Municipal Council, Korogwe Town Council, Monduli District Council and Siha District Council. Based on CAG reports from the financial year 2007/2008 to 2011/2011, there were nine (9) LGAs with consistently good financial performance (Kisarawe DC, Mufindi DC, Biharamulo DC, Missenyi DC, Siha DC, Nachingwea DC, Serengeti DC, Shinyanga MC and Maswa DC) and four (4) LGAs with consistently poor financial performance (Monduli DC, Makete DC, Mvomero DC and Korogwe TC) (URT, 2013). Therefore, the four LGAs where the research was done were selected because of the following reasons. Shinyanga MC was selected because it was the only urban LGA with consistently good financial performance within five consecutive years, and Korogwe TC was selected as it was the only urban LGA with consistently poor financial performance within five consecutive years. Siha DC was selected as a rural LGA with consistently good financial performance, and Monduli DC was selected as a rural LGA with consistently poor financial performance (URT, 2013). Besides the above reasons, Siha DC and Monduli DC were selected because geographically they are located nearby each other; hence the researcher could save time and resources in visiting them.

Shinyanga Municipal Council, which is also called Shinyanga Urban District, is one of the eight districts of Shinyanga Region and is bordered to the North by Mwanza Region, to

the South by Shinyanga Rural District, to the East by Kishapu District, and to the West by Kahama District. Korogwe is one of the eight districts of Tanga Region and is bordered to the North by Lushoto District, to the East by Muheza District, to the South by Handeni District and to the West by Kilimanjaro Region. Monduli District is one of the five districts of the Arusha Region. It is bordered to the North by Kenya, to the East by Kilimanjaro Region and Arumeru District, to the South by Manyara Region and to the West by Ngorongoro District and Karatu District. Siha District is one of the seven administrative districts of Kilimanjaro Region. It is bordered to the South and South-East by Hai District, to the North-East by Rombo District, to the North-West by Longido District, and to the West by Meru District. Also, the district borders with Kenya to the North.

3.3.2 Research design

A research design is a plan for collecting data, organizing and analyzing them with the objective of combining the relevance of a research with the economy in procedure (Kothari, 2004). The study adopted a cross-sectional design whereby data were collected at a single point in time. The design enabled the researcher to collect data once from four LGAs from different sources. The design was preferred due to its wide scope and its ability to incorporate many variables of interest to the study. The design was of great importance in this study as it helped to create qualitative and quantitative data for national code of ethics and conduct for public service (Bryman, 2004). The design also was useful for determining relationships between national code of ethics and conduct for public service and financial ethical issues.

3.3.3 Population, sample size and sampling

This section is in relation to the population, sample size and sampling procedures. It shows the studied population, sample size generated from the population and sampling procedures used to select the study areas and participants in the research.

3.3.3.1 Population

A population is the universe of units from which a sample is selected (Bryman, 2004). The population for the research was all government employees who were based at the LGA Headquarters in the four LGAs where the research was done. The employees were preferred because of easy accessibility, which saved time and resources. They were also the employees that were required to adhere to the national code of ethics and conduct for public service and other ethical principles. They were also required to use LGAs resources with care (performing financial performance).

3.3.3.2 Sample size determination

The sample size for this study was 400 respondents. The sample size was determined by using Cochran's formula (1977), cited by Bartlett *et al.* (2001), which is used when the population size is not known. The formula is:

$$n = \frac{z^2 * p (1 - p)}{d^2} \text{ (Cochran, 1977, cited by Bartlett } et al. \text{ (2001), where:}$$

n = sample size;

z = a value on the abscissa of a standard normal distribution (from an assumption that the sample elements are normally distributed), which is 1.96 or approximately 2.0 and corresponds to 95% confidence interval;

p = estimated variance in the population from which the sample is drawn, which is normally 0.5 for a population whose size is not known; and

d = acceptable margin of error (or precision), whereby the general rule is that in social research projects d should be 5% for categorical data and 3% for continuous data (Krejcie & Morgan, 1970, cited by Bartlett *et al.* (2001). The research used 5% since the study collected substantial categorical data.

Using a z-value of 2.0, a p-value of 0.5, a q-value of 0.5, and a d value of 5% (which is equivalent to 0.05), the sample size (n) was determined to be 400, i.e.

$$n = \frac{z^2 * 0.5 (1 - 0.5)}{0.05^2} = (4 \times 0.25) / 0.0025 = 1 / 0.0025 = 400.$$

This sample size is considered relevant based on the fact that “too large a sample implies a waste of resources, and too small a sample diminishes the utility of the results” (Cochran, 1977,

3.3.3.3 Sampling

3.3.3.3.1 Area sampling

Purposive sampling was employed to select four LGAs from both urban and rural LGAs. The reasons for selecting the four local government authorities were that, although financial accountability in LGAs appears to have improved, corruption is still perceived by many people to be a serious problem (Tidemand and Msami, 2010). The four councils were selected using the principle of most different systems design (MDSD) by taking into consideration variations in socio-economic bases, rural–urban variations as well as financial statuses of the LGAs according to reports by the Controller and Auditor General (CAG) as explained in sub-section 2.3.1. Two “unqualified” councils (urban and rural) and two “qualified” councils (urban and rural) within five (5) years from CAG’s Annual Reports (2007/2008 to 2011/2012) were selected. The two LGAs with good financial performance that were selected are one rural LGA (Monduli DC) and one urban LGA (Korogwe TC); the LGAs with poor financial performance that were selected are one rural

LGA (Siha DC) and one urban LGA (Shinyanga MC). The four LGAs are listed in Table 1, together with their financial statuses.

Table 1: Trend of audit opinion issued to LGAs for the financial years 2007/2008 to 2011/2012

Councils	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Monduli DC	Qualified	Qualified	Qualified	Qualified	Qualified
Siha DC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Korogwe TC	Qualified	Qualified	Qualified	Qualified	Qualified
Shinyanga MC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

Source: URT, 2013

Note that qualified opinion is expressed when auditors conclude that the financial statements are materially misstated but not pervasive. This means that there is either limitation or disagreement limited to a specific area, but the rest of the financial statements show true and fair view. Unqualified opinion is pressed when the auditor concludes that the financial statements were prepared in all material respects, in accordance with the applicable financial reporting framework.

3.3.3.3.2 Respondents sampling

This section is about how respondents, key informant interviewees, and focus group discussants were selected.

(a) Simple random sampling

According to Brymann (2004), simple random sampling is a probability sampling method whereby each unit of the population has an equal probability of inclusion in the sample. A hundred (100) respondents were selected from each of the four LGAs due to the fact that types and qualification of employees within the strata (urban and rural councils) are more or less similar (Lugumamu, 2015). For example, according to Lugumamu (2015), the head

of the paid service is the District Executive Director in the district authority while in the town/municipal/city authority the head of the paid service is the director. Typically, below the director there are a number of heads of department, usually including personnel and administration; planning and finance; engineering and works; education and culture; trade and economic affairs; urban planning; health and social welfare; cooperatives, agriculture and livestock development; and community development). In each department there are other staff with similar qualifications from one council to another one.

The respondents in each of the LGAs were selected through simple random sampling using a table of random numbers which were generated in MS Excel using “the =RAND()” command. Names of council staff which were obtained from Human Resource Officers (HROs) were assigned serial numbers, and the staff whose serial numbers corresponded with the random numbers that were generated in MS Excel were selected for interview. The researcher selected randomly the council employees under the assumption that they were the key players in performing, supporting and evaluating services within their councils. Secondly, the researcher had an assumption that all council employees had reasonable knowledge regarding council’s ethical and unethical conducts as employees from low to high ranks interacted with one another. A pilot study, with the aim to test accuracy and reliability of the research tools, was carried out in Tabora Municipal Council prior to actual data collection. The study intended to collect data from three departments (human resources, procurement, and the department of finance and planning). However, through pilot study it was observed that other departments were useful in providing data.

(b) Sampling key informant interviewees

The researcher selected purposefully Heads of Department as key informant interviewees. In each council the Head of Department from three departments that are Department of

Human Resources, Department of Procurement, and Department of Finance and Planning were chosen. This made a total of 12 key informant interviewees. These were the departments with reliable information regarding use of councils' resources and ethical behaviour of council employees. Those departments were identified during a pilot study as recommended by council employees and Human Resource Officers. Purposive sampling was used because with non-probability sampling the researcher chooses a particular unit of the universe for constituting a sample on the basis that the small mass that they so select out of a huge one will be a typical or representative of the whole (Kothari, 2004). Another reason is that the people were considered to be knowledgeable on the issues of ethics and finance.

(c) Sampling focus group discussants

Three groups that are males group, females group and both males and females group were selected. The aim of dividing them basing on sex was that the pilot study revealed that some women were not free to participate actively when mixed with men. Moreover, the same pilot study revealed that some points were not discussed well when men and women were separated. These were the reasons for having three groups for focus group discussions. The researcher formed groups each of which consisted of 8 participants who were involved in focus group discussions as it was easy to handle and manage the discussions. Forming groups each of 8 people was also based on advice by Barbour (2011) and Bryman (2004) that the optimum size of a focus group should be 6 to 10 people for the reasons that if discussants are too many some of them may just sit idle and if they are too few they may not be able to discuss effectively difficult topics. This made a total of 96 focus group discussants. This was done with the assistance of LGAs' Human Resource Officers. Sakyi and Bawole (2009) argue that the focus group method is appropriate since it can provide basic information from those who witnessed, experienced or were direct

beneficiaries or victims of both ethical and unethical behaviour. Purposive sampling was used to select members of focus group discussions based on being citizens of that council and being considered to be knowledgeable of the issues of ethics.

3.3.4 Data collection

Quantitative data were collected using one questionnaire. The study used questionnaire to collect opinions from council employees regarding status of national code of ethics and conduct for public service, and ethical issues in the finance. The questionnaire included a 29-statements index scale to measure the dependent variable (national code of ethics and conduct for public service) in Tanzania LGAs. It also included a 24-statement index summated scale to measure independent variables (financial ethical issues). Employees were asked to tick on different aspects of ethics and factors supporting level of adherence to ethical conduct by assessing if their co-workers were practising them. Qualitative data were collected using checklists of items for key informant interviews and guides for focus group discussions (FGD). The key informant interviews helped the researcher to get opinions regarding character and procedure in respective councils. FGDs enabled the researcher to gather views from the respondents in view of employees' behaviour and the way they handled public property, satisfaction of service provision and customer care.

3.3.5 Reliability

The researcher tested the inter-item consistency reliability to ensure that there is the consistency of respondents' answers to all items in the measure. It is evident that all the coefficients are above 0.70 which means that the scales used to measure these variables were consistent and therefore reliable (Cronbach, and Shavelson, 2004).

Table 2: Reliability

Reliability Statistics for national code of ethics and conduct for public service	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	0.787	0.806	29
Reliability Statistics for financial ethical issues	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	0.806	0.797	24

3.3.6 Measurement of variables

This study had one dependent variable (the national code of ethics and conduct for public service with eight constructs that are pursuit of excellence, loyalty to government, diligence, impartiality, integrity, accountability to the public, respect for the law and proper use of official information). Each of the eight items had a number of statements to which the respondents were required to respond Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points). Likewise, the study had independent variables (financial ethical issues with five constructs that are integrity, accountability, transparency, conflict of interest and trust). Each of the five constructs had a number of indicators to which the respondents were required to respond Not true at all (0), fairly true (1 point), true (2 points) very true (3 points). The dependent and independent variables were measured individually as shown in Tables 3 and 4.

From Table 3, for the national code of ethics and conduct for public service, an index summated scale comprising 29 statements (taken from 2005 code of ethics and conduct for public service) was used to determine the levels of the variables. For financial ethical issues, an index summated scale comprising 24 statements (gathered from literature) was used to determine the levels of the variables. Moreover, automatic boundaries for classification of the scores obtained on the index scales were used to rank respondents' views on the national code of ethics and conduct for public service and financial ethical

issues low level, moderate level and high level. The scores obtained were expressed in terms of points actually scored as percentages of maximum possible scores on the scales. The expression of points actually scored in percentages was done by multiplying the number of statements for each variable (29 and 24 as seen above) by automatic boundaries (0, 1, 2 and 3) that were automatically generated from responses such as Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points).

For example, by considering financial ethical issues that had 24 statements (taken from literature cited), the percentage of low level was obtained by multiplying 24 statements by the first upper automatic boundary, dividing by the highest possible score and multiplying by 100, i.e. $(1 \times 24) \div (24 \times 3) \times 100$ which is 33.3. The percentage of moderate level was obtained by multiplying 24 statements by the second upper automatic boundary, dividing by the highest possible score and multiplying 100, i.e. $(2 \times 24) \div (24 \times 3) \times 100$ which is 66.7. The percentage of high level was obtained by multiplying 24 statements by the third upper automatic boundary, dividing by the highest possible score and multiplying by 100, i.e. $(3 \times 24) \div (24 \times 3) \times 100$ which is 100.0. Thus, low, moderate and high levels were classified as (0% to 33.3%, 33.4% to 66.7% and 66.8% to 100.0%) respectively. Similarly, the above procedure was followed for national code of ethics and conduct for public service.

Table 3: Measurement of the dependent variable*

The national code of ethics and conduct for public service	Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points)
(1) Pursuit of excellence in service (doing the best)	Maintains personal hygiene (Hygiene) Dresses in acceptable attire in accordance with office norms (appearance) Uses language (politeness)
(2) Loyalty to government (valuing and showing commitment)	Loyalty to government (faithfulness) Implement policies and lawful instructions given by leaders (commitment)
(3) Diligence (working well, hard, everywhere and time management)	Uses skills, knowledge and expertise while discharging duties (competence) Executes duties and responsibilities with maximum time (time management) Works at any duty station (obedience) Punctualities at work place and official appointments (time management)
(4) Impartiality (being fair to others)	Engages in politics in official hours and at work premises (presence on duty) Provides unbiased services to clients (customer care) Passes information to allowed people or institutions (confidentiality) Engages in religion at official hours and off work premise (presence on duty)
(5) Integrity (delivering on the promises and consistently exercising duties as a public servant)	Exercises authorized powers within specified boundaries (legitimacy) Uses powers as directed in favour of LGA and client (legitimacy) Safeguards public resources (trustfulness) Uses public resource for public use only (trustfulness) Uses official time to perform duties entrusted (time management) Behaviours well within and outside the office (character) Discharges improper favours or bribe for person serving (handing bribes)
(6) Accountability to the public (answerability for actions and inactions taken)	Treats clients politely (customer care) Pays extra attention when dealing with vulnerable clients (customer care) Clarifies or provides direction on issues when requested (customer care)
(7) Respect for the law (right to dignity of others)	Familiars and abides with rules, regulations and procedures (competency) Applies laws, regulations and procedures at work (commitment) Treats fairly all members of the public (customer care) Sexual relationships at work place and during working hours (faithfulness)
(8) Proper use of official information (caring confidential documents)	Protects unauthorised official information (confidentiality) Uses official documents or information in course of discharging duties (confidentiality)

*The 8 items to measure the dependent variable were adopted from 2005 national code of ethics and conduct for public service

Table 4: Measurement of independent variables*

Financial ethical issues	Not true at all (0), fairly true (1 point), true (2 points) or very true (3 points)
(1) Integrity (behaving financially according to stated financial ethical values)	Use council resources as instructed (authenticity) Use council funds as instructed (authenticity) Use council funds as budgeted (authenticity) Higher level of financial discipline (financial behaviour) Refuse of bribes (financial behaviour)
(2) Accountability (answering decisions made on financial to responsible authority)	Answerability for public funds (responsibility) Report the was public funds used (answerability) Observe internal financial rules and norms (commitment) Acceptance of complaints from citizens on use of public funds (customer care) Accountability for all resources (answerability)
(3) Transparency (making financial budgets accounts accessible to all responsible stakeholders)	Accessibility to financial information by all stakeholders and other users (openness) Publications of financial details in the press to all a balanced judgement (openness) Openness in decisions and actions taken regarding public funds (openness) Ready to give reasons for the decisions taken regarding public funds (answerability)
(4) Conflict of interest (disclosure of personal interest in the public service)	Avoidance of conflict of interest on use of public funds (fairness) Avoidance of influence of financial decisions for personal benefit (fairness) Use of public funds properly (faithfulness) Minimization of financial conflict of interest (fairness)
(5) Trust (building financial trust to all stakeholders)	Holding public fund in public trust (faithfulness) Responsibility for fund disbursed (answerability) Accountability to the public fund at all times (answerability) Trusted financial ethical behaviour (financial behaviour) Trusted social behaviour (character) Observation of standards of financial accountability (commitment)

*The 5 items that were used as independent variable were adopted from literature

3.3.7 Data processing and analysis

The quantitative data collected were analysed by using the Statistical Package for Social Science (SPSS) software. The analysis involved computing descriptive statistics including frequencies and averages of points which were scored on an index summated scale which was used to determine the level of adherence to the national code of ethics and conduct for public service and another index summated scale which was used to determine the status of financial ethical issues. Podesva and Devyanis (2013) recommend the use of descriptive statistics to make values of scale-level measured variables meaningful. Frequencies give a clear ranking of a scores in the distribution (Thomas and Nelson, 2001 cited by Mabagala, 2013). Furthermore, qualitative responses from interviews and focus group discussions were analysed using content analysis, which involved coding of the field notes by identifying and naming their segments in relation to the research topic. Consequently, the

segments of meaning from the field notes were clearly marked and labelled in a descriptive manner. This was followed by identifying categories and patterns and organising them in terms of context and coherence. Then the final coding procedure of the field notes involved selective scanning of all codes that were identified for comparison, contrast and linkage to the research topic. The codes were eventually evaluated for relevance of the research aim. The related codes were then listed in categories according to the research aims and theoretical framework from the literature.

On the other hand, this paper made use of Pearson's correlation to measure the strength of linear relationship between adherence to the national code of ethics and conduct for public service and ethical issues in finance. Pearson's correlation was used because the variables were measured at the ratio level in terms of points scored on each of them. Pearson correlation measures the strength of relationships between two variables measured at the scale (interval and ratio) level. Correlation coefficients range from -1 to +1. A positive sign indicates that an increase in one variable is associated with an increase in the other variable, and a negative sign indicates that increase in one variable is associated with decrease in another variable (Crichton, 2001). According to Cohen and Holliday (1982), the interpretation of correlation coefficients (regardless of positive or negative signs) is as follows: below 0.19 is very low, 0.20 – 0.39 is low; 0.40 – 0.69 is modest; 0.70 – 0.89 is high; and 0.90 – 1.00 is very high.

3.4 Results and Discussion

3.4.1 Status of financial ethical issues at four selected councils

Dealing with ethics is not a sideline of organisation but a part of its core values. This section covers status of financial conduct in Local Government Authorities (LGAs) by exploring employees' views on recent conducts. Financial ethical issues means performing well in accordance with the stated financial ethics and being answerable to decisions making on financial matters to all responsible stakeholders. Moreover, it involves disclosure of personal interests, building financial trust and transparency. In this section, status of financial ethical issues is explored, starting with status of integrity.

3.4.1.1 Status of integrity

Integrity is an important aspect in ensuring ethical issues in finance. Integrity, behaving well financially according to stated financial ethical issues, was measured by the authenticity and behaviour of public servants in relation to financial ethical issues. The study shows that there was a high level of financial integrity in the selected urban and rural LGAs on all the five aspects of integrity (See Table 5) as it scored 73% and above. Nevertheless, rural LGAs were performing a bit better than urban LGAs with use of LGAs funds as instructed, adhering to the budget and discouraging bribes (See Table, 5).

Table 5: Status of ethical issues in the finance at four selected councils

Independent variables	Statement tested status of ethical issues in the finance	Urban				Rural			
		Not true		True		Not true		True	
		N	%	n	%	N	%	N	%
Integrity	Use council resources as instructed	33	16.5	167	83.5	35	17.5	165	82.5
	Use council funds as instructed	54	27	146	73	41	20.5	159	79.5
	Use council funds as budgeted	49	24.5	151	75.5	40	20	155	80
	Higher level of financial discipline	36	18	164	82	31	15.5	169	84.5
Accountability	Refuse of bribes	36	18	164	82	31	15.5	169	84.5
	Answerability for public funds	41	20.5	159	79.5	44	22	156	78
	Report the was public funds used	48	24	152	76	34	17	166	83
	Observe internal financial rules and norms	26	13	174	87	33	16.5	167	83.5
Transparency	Acceptance of complaints from citizens on use of public funds	45	22.5	155	77.5	46	23	154	77
	Accountability for all resources	50	25	150	75	44	22	156	78
	Accessibility to financial information by all stakeholders and other users	43	21.5	157	78.5	42	21	158	79
	Publications of financial details in the press to all a balanced judgement	33	16.5	167	83.5	31	15.5	169	84.5
	Openness in decisions and actions taken regarding public funds	27	13.5	173	86.5	21	10.5	179	89.5
	Ready to give reasons for the decisions taken regarding public funds	34	17	166	83	25	12.5	175	87.5
Conflict of interest	Avoidance of conflict of interest on use of public funds	46	23	154	77	40	20	160	80
	Avoidance of influence of financial decisions for personal benefit	36	18	164	82	44	22	156	78
	Use of public funds properly	55	27.5	145	72.5	46	23	154	77
	Minimization of financial conflict of interest	31	15.5	169	84.5	31	15.5	169	84.5
Trust	Holding public fund in public trust	45	22.5	155	77.5	68	34	132	66
	Responsibility for fund disbursed	55	27.5	145	72.5	86	43	144	57
	Accountability to the public fund at all times	54	27	146	73	63	31.5	137	68.5
	Trusted financial ethical behaviour	54	27	146	73	74	37	126	63
	Trusted social behaviour	55	27.5	145	72.5	75	37.5	125	62.5
	Observation of standards of financial accountability	52	26	148	74	57	28.5	143	71.5

The ethical issues with respect to integrity which were highly adhered to by both urban and rural LGAs' staff were use of the resources as instructed by higher authorities and not giving or receiving bribes. Discussants in a focus group discussion affirmed that access to various services was free unlike in previous years when they were required by unfaithful council staffs to give money prior to getting services. Perhaps, dismissal of senior officials in the late 2010s, especially in 2016 and 2017, including ministers, permanent secretaries and many officers due to misconduct including receiving corruption was among the reasons which made employees more ethical (Policy forum, 2013) (See Table 5). In-depth

interviews, which were carried out with heads of department certainly affirmed the decrease in the misuse of public resources, and this was testified by some of the respondents as quoted below:

"... Recently, I have witnessed improvement in retirement of imprest from many employees including travelling expenses" (A KI from Korogwe TC, 26th May 2016).

The aforesaid quotation shows improvement in terms of answerability in the use of public funds as it was proved by increase in retirement of spent public funds. Similarly, using financial resources with care as stipulated in the next quotation also indicates improvement made as far as answerability is concerned. Perhaps answerability has improved due to measures taken by LGAs administrators to ensure that all employees are familiar with and abide by financial standards.

Another key informant interviewee said:

"... Since we are entrusted with public assets and funds, it is our role to create savings for the tax payers by keeping expenses low and rendering services within the available services." (A KI from Shinyanga MC, 21st June 2016).

Another key informant interviewee said:

"... It is my role to ensure that all employees are familiar with and abide by financial standards" (A KI from Siha DC, 31st May 2016).

Ultimately, the interviewees and FGD discussants gave a clear image of the improvement of financial integrity compared to previous studies which were carried out in other councils. For instance, a study which was conducted in Manyara Region on integrity of performance in finance revealed a low level of integrity. It showed that it was partly

caused by councillors' desire for allowances than serving the community and failure to adherence to rules and regulations governing the establishment of Local Government Authorities (Iriya and Namusonge, 2015). Fearing being answerable for their decisions as per consequentialism theory, the employees opted for performing their duties adhering to the moral issues as per the deontological approach.

3.4.1.2 Status of accountability

Accountability means being answerable to financial decisions made to the responsible authority. It is a matter of being responsible for public funds and resources, reporting used funds and observing rules governing the use of public funds. There was not much difference between urban and rural LGAs in terms of accountability. Accountability in observation of internal rules and norms that hold civil servants accountable for public funds was the highest (See Table 5). Conceivably, the increase in observation of internal rules was due to willingness of the LGAs to observe recommendations given by Hoseah (2014). This author commented that if the risks of being caught in bribe-taking or offering increase, the penalty for those found guilty will also increase (Hoseah, 2014). In-depth interviews reported that numerous measures were taken to ensure that public funds were secure. Among the measures taken were proper record keeping and auditing which improved the level of accountability. Moreover, the accountability for LGAs resources by all LGAs workers was examined (See Table 5). In-depth interview results showed improvement in accountability, although few areas for improvement were inevitable. For example, in an in-depth interview it was reported that:

"... Public servants are supposed to operate ethically always" (A KI from Siha DC, 31st May 2016).

Another key informant interviewee said:

"... We are always answerable to our decisions" (A KI from Shinyanga MC, 21st June 2016).

Another key informant interviewee said:

"It is emphasised to employees to be honest and answerable when dealing with public funds." (A KI from Korogwe TC, 26th May 2016).

The above three quotations point out measures taken by LGAs to nurture employees' behaviour including ensuring that they operate ethically by abiding by available ethical principles that are answerability and trustfulness. These findings from the field are similar to those by Omoregie (2012) that a responsible public agent should be accountable for their conducts to their bosses (elected officials in most cases). The court of law and citizenry should be responsible in explaining positive and negative outcomes of their duties. Most focus group discussants lacked knowledge regarding employees' financial accountability. Moreover, discussants lacked knowledge regarding the proper place where to channel their complaints regarding improper use of public funds. The findings suggest that, possibly, employees are liable to the reporting authority and not the citizens (the taxpayers and service beneficiaries) who have tasked them financial resources (Brillantes, 2000 and Conrad, 2005 cited by Chalu and Kessy, 2011). Yet, in the theory, the national code of ethics and conduct for public service has enhanced employees' level of accountability by improving employees' morality.

3.4.1.3 Status of transparency

Transparency is about making financial budgets and accounts accessible to all responsible stakeholders. Seemingly, there is not much difference between level of transparency

between urban and rural LGAs although rural LGAs are a bit higher than urban LGAs. The statements with high level of transparency are open decision and actions taken regarding public funds together with preparedness of the LGA to give reasons for the decisions and actions taken regarding public funds when called upon. Making financial information accessible by stakeholders and users was also an element of interest (See Table 5). Several measures were on progress to enforce transparency as reported by interviewees that:

"... Transparency in public funds cannot be avoided, especially with the current fifth government leadership which strictly enforces adherence to the rules and laws" (A KI 1 from Monduli DC, 10th June 2016).

The current strong administrative leadership at national level, which has put into account employees' who have used public fund unlawfully, has enhanced level of awareness in the whole issue of using public funds well. This is justified by both previous and next quotations whereby there is an increase of observation of principles of transparency.

Another key informant interviewee said:

"... You can observe on the notice board for yourself, everything we do regarding finance is reported there" (A KI 2 from Siha DC, 31st May 2016).

On the other hand, the information posted on the boards was not much used, which is in line with findings of a study by (Kiviyiro and Makaya, 2018), which reported that most of institutions especially the Prevention and Control of Corruption Bureau (PCCB) follow such information only when there is the mismanagement. This is the time you see them busy looking for documents and interrogating council officials. The discussants in the FGDs from both rural and urban LGAs approved that, although financial statements were

available on LGAs' notice boards still they were not user friendly. The discussants reported their limited ability to understand financial reports posted on the LGAs' notice board. Similarly, URT (2004, cited by Chalu and Kessy, 2011) pointed out one of them being lack of a complete and comprehensive information system. This leads to creating obstacles for LGAs to demonstrate to local taxpayers to what extent they receive value for money (URT, 2004). These findings imply that transparency is high in terms of feasibility, but not in terms of accessibility, the reason being lack of citizens' understanding. Surprisingly, this contradicts recommendations by Santiso (2006) who recommended that financial transparency plays an important role in safeguarding financial integrity and improves financial discipline in public financial management.

3.4.1.4 Status of conflict of interest

Conflict of interest is a disclosure of personal interest in the public service. Four statements were used to measure the status of conflict of interest in Tanzanian Local Government Authorities (See Table 5). The findings in Table 5 show that there were more or less similar findings from both urban and rural LGAs regarding level of conflict of interest. Out of the four statements used to measure level of conflict of interest, minimisation of financial conflict of interest was higher than others while the use of public fund properly was the last in the list (See Table 5). Most of the discussants in both in-depth interviews and focus group discussions failed to articulate the presence of employees' confrontation with conflict of interest. Nevertheless, other interviewees stated factors which could be given priority in minimising conflict of interest. For example, in an in-depth interview, the interviewees reported that:

“... It is difficult to identify someone's interest unless you are very close to that person” (A KI from Shinyanga MC, 21st June 2016).

Another key informant interviewee said:

"... Although personal values encourage people to be ethical, behave in proper ways and free themselves from social influence we have also laid down disciplinary actions against employees found violating ethical rules" (A KI from Siha DC, 31st June 2016).

May be, failure to articulate presence of employees confronted with conflicts of interest was because such conflicts appeared to be too personal (Bertok, 2000 cited by Liem, 2007). While reviewing some corresponding files, the researcher identified some sorts of personal interest on some issues related with funds disbursement. For instance, one correspondence was written: *"Malipo haya yanatakiwa yajadiliwe na kikao cha menejimenit kwanza"*, which is literarily translated as: "LGA's management should discuss before endorsing the requested funds". The reply was *"Ushauri wako ni mzuri, ila kwa uharaka tuliyo nayo turuhusu hayo malipo yafanyike mapema"*, which is literarily translated as: "Your advice is good, but due to limited time, allow the endorsement to be done as quick as possible." Forcing the issue of payments anyhow and neglecting adherence to financial procedures created some queries over the authority, which suggested that prevalence of personal interests towards requested fund was against the theory of consequentialism.

3.4.1.5 Status of Trust

Trust is one of the important elements when building financial trust to all stakeholders. It is all about faithfulness, answerability, commitment and performing well financially. Six statements were used to rank the level of trust in Tanzania Local Government Authorities (See Table 5). Urban LGAs are a bit more trustful than in rural LGAs as the data in Table 5 indicate. Perhaps the differences are due to different approaches used to institute level of

trust between these LGAs as captured from in-depth interviews and FGDs. However, there were contradicting findings regarding level of trust between heads of department and citizens. For example, while FGD discussants agreed that LGA employees were not worth trusting, heads of department declared improvement in the level of financial trust. Moreover, focus group discussants in urban LGAs argued that it was difficult to trust anyone on money related issues. The argument is similar to an argument by Salminen and Ikola (2009) that trust in public organisations is an issue of different faces. Differently, a key informant interviewee said:

"... The current financial system in our council has offset previous financial doubts" (A KI from Korogwe TC, 26th May 2016).

Another key informant interviewee said:

"... We have a list citing prohibited and allowed financial disbursements which have improved a lot in using of public funds" (A KI from Siha DC, 31st June 2016).

May be, the effort made by the fifth government from 2016 to rebuild the lost financial trust by taking and putting forward disciplinary action to all public service who embezzled public funds has facilitated the offset of previous financial doubts. These findings suggest that perhaps citizens lack trust in management of public funds due to psychological effects, caused by already experienced mismanagement of public funds in previous governments. From Table 5, some aspects were at a moderate level while others were just adjacent to the moderate rank, implying that some factors other than adherence to the national code of ethics and conduct for public service are crucial to certify high position of financial ethical issues.

3.4.2 Relationships between the National Code and Financial Ethical Issues

Group percentages for the constructs of the national code of ethics and conduct for public service together with financial ethical issues were correlated to determine their levels of association. The correlation considered seven aspects that were the percentages of points scored on integrity, accountability, transparency, conflict of interest, trust, overall group percentage financial ethical issue, and overall group percent national code of ethics and conduct for public service. Before correlation, all the variables were checked whether they had normal distribution by computing their normal distribution curves which were then checked visually. All of them were found to have normal distributions (See Table 6).

Table 6: Percentages of the constructs correlated

Constructs of national public service code	n	Minimum	Maximum	Mean
Pursuit of excellence in service	387	22.2	100.0	78.1
Loyalty to government	387	16.7	100.0	69.0
Diligence	387	25.0	100.0	70.0
Impartiality	387	0.0	100.0	65.0
Integrity	387	33.3	100.0	71.0
Accountability	387	33.3	100.0	75.0
Respect for the law	387	0.0	100.0	81.2
Proper use of official information	387	33.3	100.0	84.2
Overall scores on national code of ethics	387	33.3	100.0	70.7
Constructs of ethical issues in the finance				
Integrity	400	26.7	100.0	69.0
Accountability	400	33.3	100.0	68.2
Transparency	400	25.0	100.0	68.0
Conflict of interest	400	16.7	100.0	71.2
Trust	400	0.0	18	11.5
Overall score on financial ethical issues	400	6.9	100.0	66.5

Correlation analysis was done to determine relationships between code of ethics and conduct for public service and financial ethical issues. The results indicated positive and significant relationships between employees' opinions about frequency of the five ethical issues in finance and the degree to which they viewed such occurrence. In urban LGAs correlation between national code of ethics and conduct for public service and ethical issues in finance was not significant ($p > 0.05$) (See Table 7). Conceivably, REPOA 2014 cited by Mdee and Thorley (2016) reported bad use of resources in Tanzanian Local

Government Authorities and that only 6% of it was used well. The findings bring something which opposes the theory of consequentialism in urban LGAs than in rural LGAs. Furthermore, findings by Aiko *et al.*, 2016 cited by Mdee and Thorley (2016) noted that the trust in local government authorities in Tanzania declined by 8% between 2005/06 and 2014/15. However, in rural LGAs the correlations were higher for integrity ($r = 0.302$, $p \leq 0.001$), conflict of interest ($r = 0.247$, $p \leq 0.001$) and the overall issues in finance ($r = 0.344$, $p \leq 0.001$). This was followed by trust ($r = 0.240$, $p \leq 0.01$) and accountability ($r = 0.140$, $p \leq 0.1$) (See Table 7), but transparency was not significant.

Table 7: Correlation between national code and financial ethical issues

Variables correlated with code of ethics and conduct for public service	N	Urban		N	Rural	
		Correlation coefficient (r-value)	p-value		Correlation coefficient (r-value)	p-value
Integrity	191	0.134 ^{ns}	0.064	196	0.302 ^{***}	0.000
Accountability	191	0.060 ^{ns}	0.408	196	0.140 [*]	0.050
Transparency	191	0.228 ^{ns}	0.077	196	0.098 ^{ns}	0.171
Conflict of interest	191	0.095 ^{ns}	0.191	196	0.247 ^{***}	0.000
Trust	191	0.101 ^{ns}	0.166	196	0.204 ^{**}	0.004
Overall ethical issues in the finance	191	0.088 ^{ns}	0.224	196	0.344 ^{***}	0.000

The dependent variable was code of ethics and conduct for public service

*** Correlation is significant at the 0.001 level (2-tailed)

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.1 level (2-tailed)

^{ns} means not significant

The above positive relationships imply that employees in rural councils with high level of adherence to national code of ethics and conduct for public service have higher level of adhering to financial ethical issues and this is based on integrity, conflict of interest, trust and accountability. Nevertheless, correlation analysis indicated that transparency was not significantly correlated with the codes ($p > 0.05$).

3.5 Conclusions and Recommendations

3.5.1 Conclusions

Overwhelmingly, there is a positive relationship between the national code and ethical issues in finance in the rural LGAs. Rural LGAs show an outstanding level of compliance with ethical issues in finance compared with urban LGAs. For example, out of 24 statements used to test status of financial ethical issues, rural LGAs were doing a bit better in 14 of them (58.3%), while urban LGAs were doing as bit better on 10 of them (41.7%). The compliance lacked inner authenticity of high level of compliance as described in previous disciplinary actions taken such of dismissing unethical employees, which created fear among unethical employees. Rural LGAs doing better than urban LGAs is partly attributed to fear since most of the supervisory bodies started to be active in both urban and in rural councils. This is quite different from previous years when such supervisory bodies were more active in urban councils. The fear is in connection with the lack of authenticity in abiding by financial ethical issues. For example, the issue of transparency is not authentic as some of financial reports are hard to be interpreted by some stakeholders such as citizens. Even the mechanisms used by heads of department to endorse ethical values to their employees are in terms of sanctions, which create fear. The national code of ethics and conduct for public service is again structured into sanctions and expectations that possibly create fear. This is quite different from the philosophy of ethics which emphasises on commitment to abide by ethical values rather than just an understanding of ethical values. As such, the theories applied to this study are more elaborative as they link well with what is expected from employees with anticipated outcomes.

3.5.2 Recommendations

- i. The council administrators, especially in urban councils, are urged to take proactive measures to insist to their employees to abide by available ethical principles articulated in the national code of ethics and conduct for public service by focusing on right actions based on moral outcome.
- ii. Also, each LGA, through its own disciplinary committee, is urged to strengthen reward and punishment mechanisms against unethical behaviour.

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CHAPTER FOUR

4.0 THE INFLUENCE OF ETHICS ON FINANCIAL PERFORMANCE IN FOUR SELECTED LOCAL GOVERNMENT AUTHORITIES IN TANZANIA

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4.1 Abstract

Financial misconduct in Tanzanian Local Government Authorities (LGAs) has been recurring for many years despite efforts made to offset the situation by improving employees' ethical behaviour. In this paper the level of financial performance in Tanzanian LGAs and influence of ethics on the financial performance in Tanzanian LGAs are reported. A questionnaire-based survey, key informant interviews and focus group discussions were used to collect data from 400 LGA employees, 12 key informant interviewees and 96 focus group discussants respectively in May and June 2016. Quantitative data were analysed using the SPSS software programme. Descriptive statistical analysis was used to determine the level of national code of ethics and conduct for public service and financial ethical issues. An index-summed scale comprising 29 statements about the code and 24 statements about financial ethical issues was used to measure their levels by requesting respondents to respond by either agreeing or disagreeing with the statements. Additionally, an index-summed scale comprising 18 statements was used to measure financial performance in terms of using resources

effectively, efficiently and economically. Ordinal Logistic Regression was used to analyse the influence of ethics on financial performance. The findings showed that influence of ethics on financial performance was at a moderate level, although rural LGAs were doing a bit better than urban LGAs. Additionally, the findings showed that transparency had positive and significant influence (particularly with respect to transparency as a measure of ethics) on the chances of financial performance being moderate ($\beta = + 0.491, \leq 0.05$). From the above findings, there is empirical evidence that ethics influence positively and significantly financial performance. Based on the above findings, it is concluded that moderate influence of ethics on financial performance in rural LGAs that is a bit higher than that in urban LGAs is partly attributed to efforts made by rural LGA administrators to enforce their workers to adhere to the principles of financial performance. Since ethics had significant positive effect on financial performance, public service employees are urged to take proactive measures by considering these ethical variables seriously in their operations.

4.2 Introduction

4.2.1 Background and statement to the problem

The establishment of LGAs in Tanzania (previously called Tanganyika) dates back to pre-colonial time before 1918, although they have been established, abolished and re-established (Mustafa, 2008). Before the colonial era and up to early stages of the colonial era, local communities were organised in chiefdoms and councils of elders. Thereafter, the coming of Germans in the late 1800s through direct rule abolished the chiefdoms and established the post of the District Commissioner (DC). Unlike the Germans, the British who started ruling Tanganyika in the 1920s through indirect rule adopted a different approach whereby the Native Authorities and Township Authorities were encouraged until Tanzania became politically independent in 1961.

In the first decade of independence, 1961-1971, the chiefdoms were abolished and instead they were inclusive in local authorities. After the rural authorities were abolished in 1972, urban authorities were also abolished in 1973. In the decentralization era (1972-1982), a system of de-concentration of government replaced the comprehensive local government system. Additionally, in the early 1980s (particularly in 1982), the local governments were reintroduced. Moreover, the local government elections were carried out in 1983, and in 1984 there was establishment of functioning councils. Ultimately, Local Government Reform started in 1996 which resulted in Tanzania Local Government Reform Programme (LGRP) in 1998 (Tidemand and Msami, 2010).

The main objective of the above reform was to transfer financial responsibilities to LGAs (Flavianus, 2016). More distinctively, the general objective of the LGRP was to build the ability of the LGAs, through the Decentralization by Devolution (D-by-D) in order to enable them to take greater responsibilities, to deliver services more efficiently, and control their own resources broadly (URT, 1998). The D-by-D policy (1998) states clearly that local government reforms involve four main areas, namely political decentralisation which is devolution of powers, the setting of the rules for councils and committees, financial decentralisation, which implies that the councils have discretionary powers, and power to levy local taxes. Whilst administrative decentralisation means that principles involve linking local authority staff from their respective ministries and procedures for establishment of a total payroll, the changed central-local relation also changed the central government roles including policy making, facilitative and capacity building, monitoring, quality assurance, legal control and auditing (URT, 1998).

Since the transfer of fiscal responsibilities to LGAs was important, the transfer required sound financial management in revenues and public expenditure (Flavianus, 2016; Renyan

et al., 2012). For that reason, the central government capacitated LGAs revenue system prior to fiscal decentralisation (URT, 2013). In accordance with this, the Performance Management System (PMS) to public sector emphasizing effective and efficient use of public resources was introduced in 1999 (Ngomuo and Wang, 2015). In addition, various guidelines such as the Local Government Finance Act No. 9 of 1982, Local Authorities Financial Memorandum of 1997, Financial Regulations of 1995, Public Procurement Act of 2004, to mention a few; were enacted (Mbogela and Mollel, 2014).

Apparently, there are legal instruments guiding financial performance such as URT Constitution (1977), the Public Procurement Act (URT, 2004), the Public Finance Act (URT, 2001), Leadership Code of Ethics (URT, 1995), PCCB (URT, 2007), Judiciary and Police Force, and the National Board of Accountants and Auditors (Mtandi and Chachage, 2016). Adding up, sets of ethics and rules governing public servants were introduced (URT, 2012; URT, 2005). The intention of these legal instruments and ethics was to have a public sector with a sound financial performance system (Flavianus, 2016). Financial performance is the use of financial resources in terms of values for money. Alternatively, it is the use of the financial resources economically (cost minimization in the use of resources and services), efficiently (timely use of quality and cheap resources and services) and effectively (impact of value for money in use of resource and services) (Salawu and Agbeja, 2007).

There is growing evidence that unethical decisions often undermine the financial performance of organizations (Clark and Leonard, 1998). As such, ethics is important, and one of the generally accepted ways for integrating values and standard of behaviour into public services (Sakyi and Bawole, 2009). Since ethics is a broad term, the concept was

narrowed down to the national code of ethics and conduct for public service and financial ethical issues.

The national code of ethics and conduct for public service identifies specific acts that must either be adhered to or avoided, thus, encouraging groups and individual employees to display particular characters such as loyalty, honesty and objectivity, to mention a few (Fisher and Lovell, 2006 cited by Sakyi and Bawole, 2009). Eventually, the national code of ethics and conduct for public service was expected to nurture employees' financial ethical issues that are integrity, accountability, transparency, conflict of interest and trust (Eghosa, 2012). As a result, unethical behaviours on the misuse of financial resources were expected to fall outside the bounds of accepted standards or values (Ezigbo, 2012). In turn, local government authorities were expected to have high level of financial performance.

Contrary to the above expectations, the Government of Tanzania has been experiencing difficulties in managing public resources including financial resources (URT, 2015). In addition, LGAs have failed to demonstrate to local taxpayers to what extent they receive value for money (URT, 2004 cited by Chalu and Kessy, 2011). Moreover, a study by Chalu and Kessy (2011) found that there are problems of transparency and accountability regarding financial matters in Tanzanian LGAs (Fjeldstad *et al.*, 2004 in Chalu and Kessy, 2011). Thus, the problem of this research paper was why there was recurrence of financial mismanagement in Tanzania LGAs despite efforts made by the government to offset them. For that reason, more studies are needed to accurately measure relationship between ethics and financial performance in Tanzanian LGAs. This paper answers research objective number four by determining level of financial performance in Tanzanian LGAs in terms of

economy (cost minimization), effectiveness (impact of value for money) and efficiency (quality and cheap resources) and analysing influence of ethics on financial performance.

4.2.2 Theory of deontology and consequentialism

According to the theory of deontology, an act is moral if there is a universal sense of duty or obligation attached to it (Ochulor, 2011). The theory states that human beings are morally obligated to act in accordance with a certain set of principles and rules regardless of outcome. The theory emphasizes duty as something we are required to do (Mizzoni, 2010). Differently, the theory of consequentialism emphasizes to take into account the final consequence of our action (Uduigwomen, 2006 cited by Ochulor, 2011; Alder *et al.*, 2008). While the distinctive idea of deontological approaches relies on the nature of the act in which moral rightness or wrongness resides (Ritov and Baron, 1999), the consequentialism approach suggests that people normally make decisions based on the outcome only.

The consequentialism idea is opposed by the deontological approach, which argues that people are interested in moral duties that allow or refrain from certain behaviours, irrespective of the consequences. Although the deontology and consequentiality orientations are mutually exclusive in some circumstances, what make an action right or wrong may not be definable without considering their links with consequences. Basing on this logical opinion, the combination of both consequentialism and deontology is expected to bring attention in acting against omission and greater attention to outcome (Tanner and Medin, 2007).

The theory of deontology is critiqued for lacking a logical basis of deciding individuals' duties. This scenario of conflicting obligations does not lead to clear ethically correct

resolution nor protect the welfare of others from the deontologist's decision. This means that deontology is not based on the context of each situation, and it does not provide guidance when one enters into a complex situation having a conflicting obligation (Victoria, 2012). However, the deontology theory affirms that ethics instructs to do a right thing because it is intrinsically the right thing (Preston, 2007).

Regarding the theory of consequentialism, certainty can lead to unexpected results, making the user unethical as time passes by because an action taken has not benefited the people as predicted (Victoria, 2012). The process of identifying and weighing the consequences or a number of consequences is time consuming while some decisions need quickly responses. Moreover, it is problematic to evaluate the morality of decisions based on actual consequences as well as probable consequences. Since performing one's duty on the ground of ethics matters, the theory is relevant to this paper.

These theories addressed loopholes found in the study on which this paper is based as follows: despite its importance in managing public servants' behaviour to rely entirely on national code of ethics and conduct in making decision, moral dilemma can bring unjust and unbiased decisions. This is because some decisions based on moral values and the environment of the existing dilemma can cause difficulties in arriving at making ethical decisions. Furthermore, codes of ethics are not completely effective as they create fear to sanction to those who do not follow them. Under this gap, these theories addressed this gap by showing what is expected from an agent while performing duties. As a consequence, duties should be performed if they maximise good and minimise evil in terms of the number of people who benefit from those particular duties.

4.3 Methodology

4.3.1 Description of the study areas

The study was carried out in four selected Local Government Authorities (LGAs) in Tanzania namely Shinyanga Municipal Council, Korogwe Town Council, Monduli District Council and Siha District Council. Based on CAG reports from the financial year 2007/2008 to 2011/2011, there were nine (9) LGAs with consistently good financial performance (Kisarawe DC, Mufindi DC, Biharamulo DC, Missenyi DC, Siha DC, Nachingwea DC, Serengeti DC, Shinyanga MC and Maswa DC) and four (4) LGAs with consistently poor financial performance (Monduli DC, Makete DC, Mvomero DC and Korogwe TC) (URT, 2013). Therefore, the four LGAs where the research was done were selected because of the following reasons. Shinyanga MC was selected because it was the only urban LGA with consistently good financial performance within five consecutive years, and Korogwe TC was selected as it was the only urban LGA with consistently poor financial performance within five consecutive years. Siha DC was selected as a rural LGA with consistently good financial performance, and Monduli DC was selected as a rural LGA with consistently poor financial performance (URT, 2013). Besides the above reasons, Siha DC and Monduli DC were selected because geographically they are located nearby each other; hence the researcher could save time and resources in visiting them.

Shinyanga Municipal Council, which is also called Shinyanga Urban District, is one of the eight districts of Shinyanga Region and is bordered to the North by Mwanza Region, to the South by Shinyanga Rural District, to the East by Kishapu District, and to the West by Kahama District. Korogwe is one of the eight districts of Tanga Region and is bordered to the North by Lushoto District, to the East by Muheza District, to the South by Handeni District and to the West by Kilimanjaro Region. Monduli District is one of the five districts of the Arusha Region. It is bordered to the North by Kenya, to the East by

Kilimanjaro Region and Arumeru District, to the South by Manyara Region and to the West by Ngorongoro District and Karatu District. Siha District is one of the seven administrative districts of Kilimanjaro Region. It is bordered to the South and South-East by Hai District, to the North-East by Rombo District, to the North-West by Longido District, and to the West by Meru District. Also, the district borders with Kenya to the North.

4.3.2 Research design

A research design is a plan for collecting data, organizing and analyzing them with the objective of combining the relevance of the research with the economy in procedure (Kothari, 2004). The study adopted a cross-sectional design whereby data were collected at a single point in time. The design enabled the researcher to collect data from four LGAs from different sources once. Through this design, quantitative and qualitative data were collected in four selected councils. The design was preferred due to its wide scope and its ability to incorporate many variables of study's interest. The design was also preferred because of its ability to determine relationships among variables. The design was preferred due to its wide scope and its ability to determine relationships among variables. The design was of great importance as it helped to create qualitative and quantitative data on financial ethical issues. It was also useful for determining level of financial performance in selected councils and influence of ethics on financial performance.

4.3.3 Population, sample size and sampling

This section is in relation to the population, sample size and sampling procedures. It shows the studied population, sample size generated from the population and sampling procedures used to select the study areas and participants in the research.

4.3.3.1 Population

A population is the universe of units from which a sample is selected (Bryman, 2004). The population for the research was all government employees who were based at the LGA Headquarters in the four LGAs where the research was done. The employees were preferred because of easy accessibility, which saved time and resources. They were also the employees that were required to adhere to the national code of ethics and conduct for public service and other ethical principles. They were also required to use LGAs resources with care (performing financial performance).

4.3.3.2 Sample size determination

The sample size for this study was 400 respondents. The sample size was determined by using Cochran's formula (1977), cited by Bartlett *et al.* (2001), which is used when the population size is not known. The formula:

$$n = \frac{z^2 * p (1 - p)}{d^2} \text{ (Cochran, 1977, cited by Bartlett } et al. \text{ (2001), where:}$$

n = sample size;

z = a value on the abscissa of a standard normal distribution (from an assumption that the sample elements are normally distributed), which is 1.96 or approximately 2.0 and corresponds to 95% confidence interval;

p = estimated variance in the population from which the sample is drawn, which is normally 0.5 for a population whose size is not known; and

d = acceptable margin of error (or precision), whereby the general rule is that in social research projects d should be 5% for categorical data and 3% for continuous data (Krejcie & Morgan, 1970, cited by Bartlett *et al.* (2001). The research used 5% since the study collected substantial categorical data.

Using a z-value of 2.0, a p-value of 0.5, a q-value of 0.5, and a d value of 5% (which is equivalent to 0.05), the sample size (n) was determined to be 400, i.e.

$$n = \frac{2^2 * 0.5 (1 - 0.5)}{0.05^2} = (4 \times 0.25) / 0.0025 = 1 / 0.0025 = 400.$$

This sample size is considered relevant based on the fact that “too large a sample implies a waste of resources, and too small a sample diminishes the utility of the results” (Cochran, 1977, cited by Bartlett *et al.* (2001)).

4.3.3.3 Sampling

4.3.3.3.1 Area sampling

Purposive sampling was employed to select four LGAs from both urban and rural LGAs. The reasons for selecting the four local government authorities were that, although financial accountability in LGAs appears to have improved, corruption is still perceived by many people to be a serious problem (Tidemand and Msami, 2010). The four councils were selected using the principle of most different systems design (MDSD) by taking into consideration variations in socio-economic bases, rural–urban variations as well as financial statuses of the LGAs according to reports by the Controller and Auditor General (CAG) as explained in sub-section 2.3.1. Two “unqualified” councils (urban and rural) and two “qualified” councils (urban and rural) within five (5) years from CAG’s Annual Reports (2007/2008 to 2011/2012) were selected. The two LGAs with good financial performance that were selected are one rural LGA (Monduli DC) and one urban LGA (Korogwe TC); the LGAs with poor financial performance that were selected are one rural LGA (Siha DC) and one urban LGA (Shinyanga MC). The four LGAs are listed in Table 1, together with their financial statuses.

Table 1: Trend of audit opinion issued to LGAs for the financial years 2007/2008 to 2011/2012

Councils	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Monduli DC	Qualified	Qualified	Qualified	Qualified	Qualified
Siha DC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Korogwe TC	Qualified	Qualified	Qualified	Qualified	Qualified
Shinyanga MC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

Source: URT, 2013

Note that qualified opinion is expressed when auditors conclude that the financial statements are materially misstated but not pervasive. This means that there is either limitation or disagreement limited to a specific area, but the rest of the financial statements show true and fair view. Unqualified opinion is pressed when the auditor concludes that the financial statements were prepared in all material respects, in accordance with the applicable financial reporting framework.

4.3.3.3.2 Respondents sampling

This section is about how respondents, key informant interviewees, and focus group discussants were selected.

(a) Simple random sampling

According to Brymann (2004), simple random sampling is a probability sampling method whereby each unit of the population has an equal probability of inclusion in the sample. A hundred (100) respondents were selected from each of the four LGAs due to the fact that types and qualification of employees within the strata (urban and rural councils) are more or less similar (Lugumamu, 2015). For example, according to Lugumamu (2015), the head of the paid service is the District Executive Director in the district authority while in the town/municipal/city authority the head of the paid service is the director. Typically, below the director there are a number of heads of department, usually including personnel and administration; planning and finance; engineering and works; education and culture; trade

and economic affairs; urban planning; health and social welfare; cooperatives, agriculture and livestock development; and community development). In each department there are other staff with similar qualifications from one council to another one.

The respondents in each of the LGAs were selected through simple random sampling using a table of random numbers which were generated in MS Excel using “the =RAND()” command. Names of council staff which were obtained from Human Resource Officers (HROs) were assigned serial numbers, and the staff whose serial numbers corresponded with the random numbers that were generated in MS Excel were selected for interview. The researcher selected randomly the council employees under the assumption that they were the key players in performing, supporting and evaluating services within their councils. Secondly, the researcher had an assumption that all council employees had reasonable knowledge regarding council’s ethical and unethical conducts as employees from low to high ranks interacted with one another. A pilot study, with the aim to test accuracy and reliability of the research tools, was carried out in Tabora Municipal Council prior to actual data collection. The study intended to collect data from three departments (human resources, procurement, and the department of finance and planning). However, through pilot study it was observed that other departments were useful in providing data.

(b) Sampling key informant interviewees

The researcher selected purposefully Heads of Department as key informant interviewees. In each council the Head of Department from three departments that are departments of human resources, procurement, and the department of finance and planning were chosen. This made a total of 12 key informant interviewees. These were the departments with reliable information regarding use of councils’ resources and ethical behaviour of council employees. These departments were identified during a pilot study as recommended by

council employees and the offices of Human Resources Officers. Purposive sampling was used because with non-probability sampling the researcher chooses a particular unit of the universe for constituting a sample on the basis that the small mass that they so select out of a huge one will be a typical or representative of the whole (Kothari, 2004). Another reason is that the people were considered to be knowledgeable on the issues of ethics and finance.

(c) Sampling focus group discussants

Three groups that are males group, females group and both males and females group were selected. The aim of dividing them basing on sex was that the pilot study revealed that some women were not free to participate actively when mixed with men. Moreover, the same pilot study revealed that some points were not discussed well when men and women were separated. These were the reasons for having three groups for focus group discussions. The researcher formed groups each of which consisted of 8 participants who were involved in focus group discussions as it was easy to handle and manage the discussions. Forming groups each of 8 people was also based on advice by Barbour (2011) and Bryman (2004) that the optimum size of a focus group should be 6 to 10 people for the reasons that if discussants are too many some of them may just sit idle and if they are too few they may not be able to discuss effectively difficult topics. This made a total of 96 focus group discussants. This was done with the assistance of Councils' Human Resources Officers. Sakyi and Bawole (2009) argue that the focus group method is appropriate since it can provide basic information from those who witnessed, experienced or were direct beneficiaries or victims of both ethical and unethical behaviour. Purposive sampling was used to select members of focus group discussions based on being citizens of that council and being considered to be knowledgeable of the issues of ethics.

4.3.4 Data collection

Quantitative data were collected using one questionnaire. The questionnaire was also used to collect quantitative opinions from council employees regarding status of national code of ethics and conduct for public service, and ethical issues in finance. The questionnaire included an 18 -statement index summated scale to measure the dependent variable (financial performance) in Tanzania LGAs. Moreover the questionnaire included a 53 -statement index summated scale to measure the independent variable, including 29 statements to measure abidance by national code of ethics and conduct for public service and 24 statements to measure ethical issues in finance. The employees were asked to tick on different aspects of ethics and ethical issues in the finance by assessing if their co-workers were practicing them. Qualitative data were collected using key informant interviews and focus group discussions (FGD). The key informant interviews helped the researchers to get opinions regarding character and procedure in respective councils whereby the FGDs enabled the researcher to gather views from citizens regarding employees' behaviour, handling of public properties, funds and satisfaction with service provision.

4.3.5 Reliability

The reliability of an instrument is defined as the consistence of the instrument in picking the needed information. Reliability (Internal consistency and stability) of the instruments was tested using Cronbach's Alpha (α) coefficients (Cronbach, 1946). The researcher tested the inter item consistency reliability to ensure that there is the consistency of respondents' answers to all items in the measure. It is evident that all the coefficients are above 0.70 which means that the scales used to measure these variables were consistent and consequently reliable (Cronbach, and Shavelson, 2004).

Table 2: Reliability

Reliability Statistics for national code of ethics and conduct for public service	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	0.787	0.806	29
Reliability Statistics for ethical issues in the finance	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	0.806	0.797	24
Reliability Statistics for financial performance	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	0.876	0.878	18

4.3.6 Measurement of variables

Measurement of performance is not easy to quantify; although most of research texts state that improvement of performance measurement plays a central role in organisation performance. According to Neely (1999), business performance can be measured by non-financial indicators. Neely (1999) argues that in today's business environment where companies compete on the basis of non-financial indicators, we need information on their performance across a broader spectrum of dimensions. This study used non-financial indicators and had one dependent variable (financial performance with three constructs namely; efficiency, effectiveness and economy). Each of the three items had a number of statements, to which the respondents were required to respond by either not true at all (0), fairly true (1 point), true (2 points) or very true (3 points). The study also had two independent variables (the national code of ethics and conduct for public service with eight constructs: pursuit of excellence in service, loyalty to government, diligence, impartiality, integrity, accountability to the public, respect for the law and proper use of official information). Each of the eight items had a number of statements to which the respondents were required to respond Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points). The second independent variable (financial ethical issues) had five constructs that are integrity, accountability, transparency, conflict of interest, and trust). Each of the five items had a number of

statements to which the respondents were required to respond Not true at all (0), fairly true (1 point), true (2 points) very true (3 points). Each variable was measured individually as shown in Tables 3 and 4 and 5.

As seen in Tables 3, 4 and 5 for financial performance, an index-summated scale comprising 18 statements about financial performance was used, while for the national code of ethics and conduct for public service, an index summated scale comprising 29 statements was used. Moreover, in the financial ethical issues, an index summated scale comprising 24 statements (taken from literature surveyed) was used to determine the levels of the variables. Automatic boundaries for classification of the scores obtained on the index scales were applied to rank respondents' views. This was done on the national public service code and financial ethical values into low level, moderate level and high level. The scores obtained were expressed in terms of points actually scored as percentages of maximum possible scores on the scales. The expression of points actually scored in percentages was done by multiplying the number of statements for each variable (18, 29 and 24 as seen above) by automatic boundaries (0, 1, 2 and 3) that were automatically generated from responses such as not true at all (0), fairly true (1 point), true (2 points) or very true (3 points).

For example, by considering financial performance that had 18 statements, the percentage of low level was obtained by multiplying 18 statements by the first upper automatic boundary, dividing by the highest possible score and multiplying by 100, i.e. $(1 \times 18) \div (18 \times 3) \times 100$ which is 33.3. The percentage of moderate level was obtained by multiplying 18 statements by the second upper automatic boundary, dividing by the highest possible score and multiplying 100, i.e. $(2 \times 18) \div (18 \times 3) \times 100$ which is 66.7. The percentage of high level was obtained by multiplying 18 statements by the third upper

automatic boundary, dividing by the highest possible score and multiplying 100, i.e. $(3 \times 18) \div (18 \times 3) \times 100$ which is 100.0. Thus, low, moderate and high levels were classified as (0% – 33.3%, 33.4% – 66.7% and 66.8% - 100.0%) respectively. Similarly, the above procedure was followed for the national code of ethics and conduct for public service and ethical issues in the finance.

Table 3: Measurement for the dependent variable

Financial performance	Not true at all (0), fairly true (1 point), true (2 points) or very true (3 points)
(1) Efficiency (timely use of quality and cheap resources and services)	Activities are done the same as before, but with fewer resources in terms of money staff, space etc. Looking forward to get out much in relation to how much put in Optimally use of financial resources in the attainment of the councils set targets Best use of financial resources Fund disbursement on time Make retirement on time
(2) Effectiveness (impact of value of money in use of resources and service)	Impact of financial output Financial satisfaction on all the council projects Adoption of innovative and forward looking financial management practices Achievement of intended financial results in terms of quality, in accordance with the set of performance standards
(3) Economy (cost minimization in the use of resources and services)	Minimizing the cost of resources for all the available programmes Generating cost saving on most of procurements Pays the price that is exactly for what goes into providing a service of product Taking bulk discounts by buying in large quantity Uses of in-house technical capacity instead of recruiting expensive consultants Looks out for cheaper outsourcing solutions than directly buying in expensive services The proper and economical utilization of public funds Safeguards the public property

Table 4: Measurement of independent variable

The national code	Not at all adhered to (0), fairly adhered to (1 point), adhered to (2 points) or strongly adhered to (3 points)
(1) Pursuit of excellence in service (doing the best)	Maintains personal hygiene (Hygiene) Dresses in acceptable attire in accordance with office norms (appearance) Uses language (politeness)
(2) Loyalty to government (valuing and showing commitment)	Loyalty to government (faithfulness) Implement policies and lawful instructions given by leaders (commitment)
(3) Diligence (working well, hard, everywhere and time management)	Uses skills, knowledge and expertise while discharging duties (competence) Executes duties and responsibilities with maximum time (time management) Works at any duty station (obedience) Punctualities at work place and official appointments (time management)
(4) Impartiality (being fair to others)	Engages in politics in official hours and at work premises (presence on duty) Provides unbiased services to clients (customer care) Passes information to allowed people or institutions (confidentiality) Engages in religion at official hours and off work premise (presence on duty)
(5) Integrity (delivering on the promises and consistently exercising duties as a public servant)	Exercises authorized powers within specified boundaries (legitimacy) Uses powers as directed in favour of LGA and client (legitimacy) Safeguards public resources (trustfulness) Uses public resource for public use only (trustfulness) Uses official time to perform duties entrusted (time management) Behaviours well within and outside the office (character) Discharges improper favours or bribe for person serving (handing bribes)
(6) Accountability to the public (answerability to actions and inactions taken)	Treats clients politely (customer care) Pays extra attention when dealing with vulnerable clients (customer care) Clarifies or provides direction on issues when requested (customer care)
(7) Respect for the law (right to dignity of others)	Familiar and abides with rules, regulations and procedures (competency) Applies laws, regulations and procedures at work (commitment) Treats fairly all members of the public (customer care) Sexual relationships at work place and during working hours (faithfulness)
(8) Proper use of official information (caring confidential documents)	Protects unauthorised official information (confidentiality) Uses official documents or information in course of discharging duties (confidentiality)

Table 5: Measurement of independent variables

Financial ethical values	Not true at all (0), fairly true (1 point), true (2 points) or very true (3 points)
(1) Integrity (behaving financially according to stated financial ethical values)	Use council resources as instructed (authenticity) Use council funds as instructed (authenticity) Use council funds as budgeted (authenticity) Higher level of financial discipline (financial behaviour) Refuse of bribes (financial behaviour)
(2) Accountability (answering decisions made on financial to responsible authority)	Answerability for public funds (responsibility) Report the was public funds used (answerability) Observe internal financial rules and norms (commitment) Acceptance of complaints from citizens on use of public funds (customer care) Accountability for all resources (answerability)
(3) Transparency (making financial budgets accounts accessible to all responsible stakeholders)	Accessibility to financial information by all stakeholders (openness) Publications of financial details in the press (openness) Openness in decisions and actions taken regarding public funds (openness) Ready to give reasons for the financial decisions taken (answerability)
(4) Conflict of interest (disclosure of personal interest in the public service)	Avoidance of conflict of interest on use of public funds (fairness) Avoidance of influence of financial decisions for personal benefit (fairness) Use of public funds properly (faithfulness) Minimization of financial conflict of interest (fairness)
(5) Trust (building financial trust to all stakeholders)	Holding public fund in public trust (faithfulness) Responsibility for fund disbursed (answerability) Accountability to the public fund at all times (answerability) Trusted financial ethical behaviour (financial behaviour) Trusted social behaviour (character) Observation of standards of financial accountability (commitment)

4.3.7 Data processing and analysis

The quantitative data collected were analysed by using the Statistical Package for Social Science (SPSS) software. The analysis included computing descriptive statistics including frequencies and averages of the points scored on the index-summated scales to determine level of financial performance. Podesva and Devyanis (2013) recommend the use of descriptive statistics to make values of scale-level measured variables meaningful.

Descriptive statistics give a clear ranking of a score in the distribution (Thomas and Nelson, 2001 cited by Mabagala, 2013).

Qualitative responses from interviews and focus group discussions were analysed according to a qualitative content analysis process. The qualitative content analysis involved coding field notes by identification and naming of segments of meanings from the field notes in relation to the research topic. Consequently, the segments of meaning from the field notes were clearly marked and labelled in a descriptive manner. This was followed by identifying categories and patterns and organising them in terms of causality, context and coherence. Then final coding procedure involved selective scanning of all codes that were identified for comparison, contrast and linkage to the research topic. The codes were eventually evaluated for relevance to the research objectives. Related codes were then listed in categories according to the research objectives and theoretical framework from the literature.

This research also sought to determine the influence of ethics on financial performance in LGAs using ordinal logistic regression model because the dependent variable was ordered (ranked) and the independent variable included variables measured at the continuous and categorical levels (Agresti and Finlay, 2009). The dependent variable (Y) was categorized into three levels (low level, moderate level and high level), based on individual scores. The independent variables included a mixture of factors contributing to financial performance including integrity, accountability, transparency, conflict of interest, trust and national code of ethics and conduct for public service. The ordinal logistic regression model used took the following form:

$$P(y) = \frac{e^{\alpha + \beta_1 x_1 + \dots + \beta_k x_k} + E}{1 + e^{\alpha + \beta_1 x_1 + \dots + \beta_k x_k}} \text{ (Agresti and Finlay, 2009), where:}$$

$P(y)$ = the probability of the success of tertile alternative occurring

e = the natural log

α = the intercept of the equation

β_1 to β_k = coefficients of the predictor variables

x_1 to x_k = predictor variables entered in the ordinal regression model

Specifically, in the research:

$P(y)$ = the probability of LGAs being grouped in the high level of financial performance

α = the intercept of the equation

$\beta_1 \dots \beta_9$ = Regression coefficients

x_1 = Integrity

x_2 = Accountability

x_3 = Transparency

x_4 = Conflict of interest

x_5 = Trust

x_6 = National code of ethics and conduct for public service

E = Error term representing a proportion of the variance in the dependent variable that will be unexplained by the regression equation.

4.4 Results and Discussion

4.4.1 Level of financial performance in Tanzania local government authorities

The first objective of this paper was to determine level of financial performance in Tanzanian LGAs. While there was moderate level of financial performance in both urban and rural councils, rural councils were doing a bit better than urban councils (See Table 6). Prevalence of an overall moderate level of performance, which was above 56%, suggests

an improvement in financial performance as compared to results of a study by Ngomuo (2015), which reported poor financial performance in LGAs at the average rate of 15.4%. Although, the selected LGAs from both urban and rural LGAs signified the use of the use of resources efficiently (timely use of quality and cheap resources and services) it was lower in rural LGAs than in urban LGAs. Nevertheless, the use of resources effectively (impact of value of money in use of resources and service), economically (cost minimisation) and the overall use of resources (effectively, efficiently and economically) were a bit lower in urban LGAs than in rural LGAs (See Table 6).

Table 6: Descriptive Statistics of Financial Performance

Financial performance in Tanzanian LGAs	Urban			Rural		
	n	Mean	Std. Deviation	N	Mean	Std. Deviation
Use of financial resources efficiently in Tanzanian LGAs	200	55.3	21.8	200	45.7	20.1
Use of financial resources effectively in Tanzanian LGAs	200	56.9	19.3	200	53.3	23.0
Use of financial resources economically in Tanzanian LGAs	200	66.1	18.9	200	66.5	24.4
The overall use of financial resources in Tanzanian LGAs	200	60.5	15.1	200	56.6	17.4

The variation noted can be partly attributed to efforts made by rural LGAs to emphasize to their employees to adhere to the available financial performance principles. The nature of emphasis was captured from different interviews. Most of interviewees in rural LGAs showed their concern in the use of council funds prudently as they stated that:

"... the way we use resources such as stationeries and fuel today is quite different from previous years ...whereby there was a big misuse...." (A KI from Monduli DC, 10th June 2016).

The above quotation suggests that perhaps in previous years departments requested resources more than they needed. Also, it is possible that even the budget requested was higher as compared with actual expenditure as captured in the following citations.

One key informant interviewee said:

"... Although we have lowered the internal expenditure budget, the budget is still meeting essential spending..." (A KI from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"... Each department is limited to few essential resources..." (A KI from Monduli DC, 10th June 2016).

This implies that a bit improved financial performance in rural LGAs was fast-tracked by strategies used by LGAs to make its activities appear legitimate and effective (Goddard and Mzenzi, 2015). This variation is supported by reports of the Controller and Auditor General (CAG) of 2015, 2017, 2018. For instance, while from the financial year 2011/2012 to 2016/2016 each of the rural LGAs had one qualified report, each of their counterpart urban LGAs had two qualified reports implying that rural LGAs were doing a bit better than urban LGAs in terms of financial performance (See Table 7).

Table 7: LGA s financial performance status

Councils	LGA	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Rural councils	Monduli DC	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
	Siha DC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Qualified
Urban councils	Shinyanga MC	Unqualified	Qualified	Unqualified	Qualified	Unqualified	Unqualified
	Korogwe TC	Qualified	Unqualified	Unqualified	Qualified	Unqualified	Unqualified

Source, URT, 2016, 2017, 2018

Qualified opinion is expressed when auditors conclude that the financial statements are materially misstated but not pervasive. This means that there is either limitation or disagreement limited to a specific area, but the rest of the financial statements show true and fair view. Unqualified opinion is expressed when the auditors conclude that the financial statements were prepared in all material respects in accordance with the applicable financial reporting framework. This means that the financial statements are free from material misstatements. However, when unqualified opinion is issued it does not mean that the entity's systems of internal control are 100% effective, but it only means that nothing material has come to auditors' attention to warrant issuing a qualified opinion. The improvement attained is in line with theory of deontology which stipulated that LGAs are to perform a morally right action such as use of resources economically, efficiently and effectively as it maximises good and minimises evil (Ocholor, 2011). Aligned with the theory of deontology, 229 (57.3%) out of 400 respondents declared that it was morally right to use municipal funds efficiently, effectively and economically for the benefit of the entire council. Supporting this, one key informant interviewee argued that:

"... Unlike in previous years, we have reduced theft cases as most of our employees are more accountable for whatever is entrusted to them" (A KI from Korogwe TC, 26th May 2016).

Anyhow, level of financial performance in Tanzanian LGAs remained at a moderate level, possibly because management of public funds in an effective and efficient manner was not maximised (Fourie and Poggenpoel, 2016). This is perhaps why, basing on the theory of deontology, only 234 (58.5%) out of 400 respondents thought that it was their duty to use municipal funds efficiently, effectively and economically for the benefit of the entire council. Most of FGD discussants affirmed improvements achieved in relation to the use

of public resources economically, efficiently and effectively, although the improvements were jeopardized by few unfaithful employees. Discussants reported LGAs workers being conscious about the use of public resources while some of them remained unconscious. The findings suggest that level of awareness regarding utilization of public resources in Tanzanian LGAs is improving especially for the LGAs, which are strongly emphasizing on better use of public resources.

4.4.2 Influence of ethics on financial performance in Tanzanian LGAs

The second objective of the paper was to determine influence of ethics on financial performance. The aim was to find out association between ethics (financial ethical issues and national code of ethics and conduct for public service) and financial performance. Using ordinal logistic regression as specified in sub-section 4.3.7, adequacy of the model was checked by model fitting information, goodness-of-fit and test of parallel lines. The results indicated that the p-value of the Model fitting information was $p = 0.003$, which shows that the overall model was statistically significant. In other words, the independent variables (ethics) significantly affected the dependent variable (financial performance) at the 0.05 significance of level. The statistically significant chi-square statistic ($p \leq 0.05$) indicates that the final model gave a significant improvement over the baseline intercept model.

Good models have large observed significance levels. If the model fits well, the observed and expected cell counts are similar. You reject the null hypothesis that the model fits if the observed significance level for the goodness-of-fit statistics is small (Hosmer *et al.*, 1997). The goodness-of-fit had large observed significance levels ($p \geq 0.05$); so the model fitted data. There are several R^2 -like statistics that can be used to measure the strength of the association between the dependent variable and the predictor variables. What

constitutes a “good” R^2 value depends upon the nature of the outcome and the explanatory variables. The Pseudo R^2 values are having small size effect. The pseudo R^2 value that was obtained (Nagelkerke = 8.9%) indicates that there was a relatively small proportion of the variation in financial performance and ethics. This is just as we would expect because there are numerous other factors that affect financial performance.

The null hypothesis shows that the location parameters (slope coefficients) are similar through response categories. If we were to reject the null hypothesis based on the significance of the Chi-Square statistic, we would conclude that ordered logit coefficients are not equal across the levels of the outcome, and we would fit a less restrictive model (i.e. multinomial logit model). If we fail to reject the null hypothesis, we conclude that the assumption holds. For our model, the proportional odds assumption appears to have held because the significance of our Chi-Square statistic was $0.561 > 0.05$. Thus, the assumption is met as the test shows a level of non-significance. Thus, the proportional odds assumption appears to have held for the general model.

4.4.2.1 Parameter estimates of ordinal logistic regression

In the Parameter Estimates table we see the coefficients, their standard errors, the Wald test and associated p-values (Sig.), and the 95% confidence interval of the coefficients. Transparency and conflict of interest were statistically significant. The results from the analysis show that the variables transparency and conflict of interest were significant at the 5% level (0.05) of significance because p-values less than or equal to an alpha level of 0.05 are statistically significant, and p-values greater than an alpha level of 0.05 are not statistically significant. Accountability, integrity, trust and national code of ethics and conduct for public service were not statistically significant (See Table 8).

Table 8: Parameter estimates of ordinal logistic regression

Measures for influence of ethics on financial performance		Estimate	Std. Error	Wald	Df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[Financial performance = 0]	-3.070	0.307	100.246	1	0.000	-3.671	-2.469
	[Financial performance = 1]	0.476	0.235	4.111	1	0.043	0.016	0.937
Location	[Integrity = 0]	-21.769	0.000	.	1	.	-21.769	-21.769
	[Integrity = 1]	-0.066	.227	0.085	1	0.771	-0.512	0.380
	[Integrity = 2]	0 ^a	.	.	0	.	.	.
	[Accountability = 0]	-1.732	1.544	1.258	1	0.262	-4.758	1.295
	[Accountability = 1]	-0.299	0.230	1.695	1	0.193	-.750	.151
	[Accountability = 2]	0 ^a	.	.	0	.	.	.
	[Transparency = 0]	+1.954	.841	5.397	1	.020	-3.602	-.305
	[Transparency = 1]	+.491	.222	4.903	1	.027	-.926	-.056
	[Transparency = 2]	0 ^a	.	.	0	.	.	.
	[Conflict of interest = 0]	-1.679	.629	7.134	1	.008	-2.911	-.447
	[Conflict of interest = 1]	.288	.233	1.525	1	.217	-.169	.746
	[Conflict of interest = 2]	0 ^a	.	.	0	.	.	.
	[Trust = 0]	.096	.398	.058	1	.810	-.684	.875
	[Trust = 1]	-.002	.244	.000	1	.993	-.480	.475
	[Trust = 2]	0 ^a	.	.	0	.	.	.
[Code of ethics = 0]	-.728	2.191	.110	1	.740	-5.023	3.566	
[Code of ethics = 1]	-.027	.223	.015	1	.904	-.465	.411	
[Code of ethics = 2]	0 ^a	.	.	0	.	.	.	

Link function: Logit.

a. This parameter is set to zero because it is redundant.

We would say for a one unit increase in transparency (going from 0 to 1) we expect a 1.954 increase in the ordered log odds of observing moderate financial performance. Likewise, for a one unit increase in conflict of interest we expect a 1.679 decrease in the ordered log odds of observing high financial performance, given that all of the other variables in the model are held constant. The thresholds are shown at the top of the parameter estimates output, and they indicate where the latent variable is cut to make the three groups that we observe in our data (See Table 8). As for transparency, during a key informant interview session, an interviewee reported that:

"... Transparency in public funds can't be avoided especially with the current leadership" (A KI from Monduli DC, 10th June 2016).

Another key informant interviewee said:

"... You can observe on the notice board by yourself. Everything we do regarding finance is reported there" (A KI from Siha DC, 31st May 2016).

Yet, discussants in FGDs reported that although financial statements were available on LGA's notice boards, they were not user friendly. The findings were similar to findings by Muro and Namusonge (2015) that, in Tanzanian LGAs, there is a culture that does not promote transparency. Again, conflicts of interest were minimum, contradicting results of some previous studies which have reported that the public sector has a wide range of stakeholders, and each of the stakeholders has their own interests, resulting in a variety of expectations which are imposed on the public sector (Mimba *et al.*, 2007; Bjork *et al.*, 2014).

Based on the theory consequentialism, which guided this paper, whether LGAs employees' decisions were guided by financial consequences, the findings show that 256 (63%) of all the 400 respondents reported that decisions regarding use of municipal funds considered the consequences such as the wellbeing of citizens. Due to that, LGAs' duties considered ethical issues in finance such as transparency [195 (48.8%)], avoidance of conflict of interest [192 (48%)], trust [207 (51.8%)], integrity [218 (54.5%)] and accountability [200 (50%)] as reported by the respondents.

Also, the results from the analysis showed that the variables accountability, integrity, trust and national code of ethics and conduct for public service were significant at the 10% level of significance. This is to say that the p-values for the variables integrity, trust and national code of ethics and conduct for public service were less than 0.1. These findings are consistent with those reported by Aiko *et al.* (2016) cited by Mdee and Thorley, (2016)

which indicated that trust in Tanzanian LGAs declined between 2005/06 and 2014/15. Concerning the national code of ethics and conduct for public service, the findings contradict what Gilman (2005), cited by Mtandi, and Chachage (2016) reported that knowledge of the ethics codes and codes of conduct were essential ingredients in the prevention of the unethical practices including corruption. Additionally, the findings contradict findings by Uyar and Ozer (2011) and Emerson *et al.* (2007) cited by Mtandi, and Chachage, (2016) who reported that ethical orientation affects positively ethical professional commitment. In-depth interviews showed contradictory ideas regarding improvement in accountability. For example, a key informant interviewee reported that:

"... We are always answerable to our decisions" (A KI from Shinyanga MC, 10th June 2016).

Another key informant interviewee said:

"... It is insisted to employees to be honest and answerable when dealing with public funds" (A KI from Korogwe TC, 26th May 2016).

These contradictory findings are probably true, as LGAs in Tanzania are held accountable for service delivery through the 2000 Client Service Delivery Charter (CSDC) (Mdee and Thorley, 2016). Also, these findings are similar to those by Omoregie (2012) that responsible public agents should be able to account for their conducts to their bosses (elected officials in most cases), court of law, and citizenry by explaining positive and negative outcomes of their duties. Most discussants in the focus group discussions lacked knowledge regarding employees' financial accountability.

High values of Wald statistics show that the corresponding predictor variables are significant. As such, while Wald statistics for transparency (1.954) and conflict of interest

(1.679) were high, Wald statistics for accountability (0.299), integrity (0.771), trust (0.096) and national code of ethics and conduct for public service (0.728) were low. The minimal Wald statistics for integrity, accountability, trust and code of ethics and conduct for public service suggest that even though they were not statistically significant, they had minimum influence on financial performance (See Table 8). Thus, based on the small observed significance level, we cannot accept the null hypothesis (H_0) that there is no significant relationship between ethics and financial performance in Tanzania LGAs. Instead, the alternative hypothesis (H_1) that there is significant relationship between ethics and financial performance in Tanzania LGAs is confirmed.

4.5 Conclusions and Recommendations

4.5.1 Conclusions

Ethics influences financial performance in the selected four LGAs although moderately. Be that as it may, rural LGAs are doing a bit better than urban LGAs. For example, rural LGAs were doing a bit better in 2 (66.7%) aspects out of 3 aspects (effectiveness and economy). Even the CAG reports from 2011/2012 to 2016/2017 indicated that while rural councils were given only 2 qualified opinions, urban councils were given 4 qualified opinions. The differences between urban and rural LGAs are partly attributed to more efforts made by LGAs leaders to enforce their workers to adhere to the principles of financial performance. By doing so, the workers' level of self-awareness and consciousness regarding the use of public resources in prudence is being widened up. Perhaps level of enforcement to the adherence to the financial performance principles makes employees value more public resources.

Nevertheless, regardless of type of enforcement, by nature, enforcement carries with it a sense of fear. It appears that worry to be held responsible for unethical conducts is

possibly an outer power forcing workers to be more watchful with easily observed ethical issues in the finance that are transparency and conflict of interest than uneasily observed ethical issues in the finance that are accountability, integrity, trust and the national code of ethics and conduct for public service.

4.5.2 Recommendations

On the basis of the above conclusions, the following recommendations are given in order to increase financial performance through improvement in ethics in the four local government authorities (LGAs) where the research was done and probably in other LGAs.

- i. Since ethics has significant influence on financial performance, public service employees should take proactive measures by considering ethics seriously in their operations.
- ii. Tanzania Public Service College, which is mandated to train public servants, should design, train and monitor ethical practices in the public sector in Tanzania in order to counterbalance fear among employees.

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CHAPTER FIVE

5.0 RELATIONSHIPS BETWEEN FINANCIAL CONTROL MEASURES AND FINANCIAL PERFORMANCE IN FOUR SELECTED LOCAL GOVERNMENT AUTHORITIES IN TANZANIA

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5.1 Abstract

In Tanzanian Local Government Authorities there is inadequate financial performance despite presence of internal financial control measures (risk assessment, control activities, information and communication and monitoring). Nevertheless, studies which have evaluated financial performance in Tanzanian Local Government Authorities (hereafter called LGAs) have given marginal attention to LGAs internal financial control measures (risk assessment, control activities, information and communication and monitoring). The objectives of this paper were to (1) analyze level of financial control measures and (2) determine correlation between financial control measures and financial performance in Tanzanian LGAs in terms of points scored on index summated scales which were used to measure financial control measures and financial performance. The study was a cross-

sectional one, and data were collected through a questionnaire-based survey, key informant interviews, and focus group discussions. Descriptive statistical analysis was used to determine the level of financial control measures and of financial performance, based on index summated scales which were used to measure them. Pearson correlation was run to measure the strength of relationship between dependent and independent variables. The findings revealed prevalence of moderate level of financial control measures in both rural and urban LGAs, although rural LGAs were doing a bit better than urban LGs. Moreover, four independent variables (control environment, information and communication, monitoring, and overall financial control measures) had significant positive relationships with financial performance in urban councils [($r = 0.376$, $p \leq 0.001$; $r = 0.146$, $p < 0.1$; $r = 0.400$, $p \leq 0.001$; $r = 0.373$, $p \leq 0.001$) and in rural councils ($r = 0.138$, $p < 0.1$; $r = 0.162$, $p < 0.1$; $r = 0.266$, $p \leq 0.001$; $r = 0.202$, $p < 0.01$)] respectively. Nevertheless, the correlation for urban and rural LGAs versus risk assessment and financial performance was not significant ($r = 0.72$, $p > 0.05$). Based on the above findings, it is concluded that powerful mechanisms available in rural LGAs that institute adherence to the financial control measures lead to better financial performance in rural LGAs than in urban LGAs. Therefore, the Ministry of Regional Administration and Local Government is urged to assess internal financial control measures of their LGAs financial performance. Also, caution should be taken into account in designing and interpretation of the financial performance assessment tools. Additionally, LGAs auditing offices need to have regular financial performance assessment.

Key words: Financial control measures, Local Government Authorities, Financial Performance

5.2 Introduction

5.2.1 Background and statement of the problem

The problem of poor financial performance in many LGAs is a major concern for many nations (Maphalla, 2015). If this situation is not curbed with concerted efforts, it will not only lead to financial un-sustainability but also to restlessness and demonstrations which are already on a gradual rise (Maphalla, 2015). For example, in South Africa, MGI (2012 cited by Maphalla, 2015) reported an estimated number of 226 protests across the country due to inadequate service delivery by local government authorities. In Tanzania, citizens by themselves or through their representatives such as NGOs have made efforts to call government to deliver on its promises (Roell and Mwaipopo, 2013). Also, in Tanzania, protests against government failure to improve education and health sectors have been reported (Roell and Mwaipopo, 2013).

Such failures have also been reported in many other countries. For example, a study which was carried out in Kenya concluded that fixed budgets in hospitals led to inequities and failure to respond to new demands and priorities while centralized budget systems contributed to technical inefficiency by preventing health staff from optimizing the deployment of inputs perpetuating poor quality of service in hospital (Wanjau *et al.*, 2012). A study carried out in South Africa also noted challenges of health disparities in South Africa (Benata, 2013). Due to that, several developing and developed countries have taken steps to reform their councils about financial performance (Nzuza and Lekhanya, 2014). Although several developing and developed countries have taken steps to reform their council financial performance, the operation is still shrouded by secrecy, inefficiency, exploitation, and weaknesses (Nzuza and Lekhanya, 2014).

Tanzania is one of the developing countries which have reformed their LGAs financial performance (URT, 2015; URT, 2012). In the Tanzanian financial sector, reforms started in 1992, and Integrated Financial Management System (IFMS) was originally started as part of the Civil Service Reform Programme in 1996 (World Bank, 2002). Other financial performance reforms undertaken in the Tanzanian public sector are: enactment of Public Finance Act No. 6 of 2001, amendment of Public Procurement Act Number 21 of 2004 and enactment of Public Audit Act Number 11 of 2008, to mention a few. Additionally, the government has extended its commitment to further strengthening of public financial management system through the implementation of Public Financial Management Reform Programme (PFMRP IV) (URT, 2015). As such, a positive impact on Tanzanian LGAs financial performance was expected (Boex and Muga, 2009). Nevertheless, there is a debate that the Government of Tanzania is experiencing difficulties in managing its financial resources (URT, 2015; Policy forum, 2012; URT, 2012). Also, it is debatable whether the financial reforms undertaken in Tanzania have fully reached the desired end results (URT, 2012).

According to Kewo (2017), weaknesses in internal control systems of organisations have made numerous organizations fail to achieve their intended purposes. Besides, effective internal control systems have improved financial performance of many organizations (Mardiasmo, 2009 cited by Kewo, 2017). Following this, several internal control measures have influenced financial performance of organizations and, therefore, these measures are valuable, and there is a need to be taken into consideration (Brammer and Millington, 2008). Financial control measures include institutional size, industry environment, business culture and exposure to risks (McWilliams and Siegel, 2000). Other measures are control environment, risk assessment, control activities, information and communication

and monitoring (Mardiasmo, 2009; Mahmudi, 2010 cited by Kewo, 2017; Deloitte and Touche, 2012; Cili *et al.*, 2010).

The control environment sets the tone of organisation and influences the control consciousness of its people (Cili *et al.*, 2010). The environmental factors influence the effectiveness of an organisation (Mihain and Opreana, 2010). Risk assessment is all about measuring and prioritising risks (Deloitte and Touche, 2012). Control activities are rules, procedures and actions aimed at reducing risks so as to attain the goals and objectives of an organisation (Cili *et al.*, 2010). Information and communication is all about government's proactive efforts to provide enough information to the public related to financial performance of an organisation (Mardiasmo, 2009; Mahmudi, 2010 cited by Kewo, 2017). Monitoring is an overall process of reviewing the organization's activity, aimed at giving reasonable assurance that control activities are operating according to their intended use, and they remain efficient over time (Cili *et al.*, 2010).

It is worth noting that, although there is a handful literature regarding organisation performance, there is relatively little empirical research done which has explored the internal financial control measures (control environment, risk assessment, control activities, information and communication and monitoring) influencing LGAs financial performance in Tanzania (Boex and Muga, 2009). Most of the existing literature is from countries other than Tanzania. Citing few examples, a study by Coggburn and Schneider (2001) cited by Boex and Muga (2009) analysed the relationship between management and budget performance in America. A study by Dennis (2004) cited by Boex and Muga (2009) examined relationship between a local government financial management and local government's financial performance in America. Also, a study by Andrews *et al.* (2005) cited by Boex and Muga (2009) analysed overall government performance in the United

Kingdom. Other studies have had more or less similar approaches. For example, a study by Ammons and Rivenbark (2008) investigated the use of performance information by Local government managers or officials. A study by Cohen (2008) studied financial performance in relation to local people.

In Tanzania, a study by Fjeldstad *et al.* (2010) studied internal systems of financial performance such as fiscal autonomy, methods of revenue collection, financial management (budgeting, accounting, auditing), transparency in fiscal and financial affairs, tax compliance and fiscal corruption. Moreover, a study by Boex and Muga (2009), which was carried out in Tanzanian LGAs, considered the comprehensiveness and transparency of the budget, the effectiveness of each stage of the budget cycle as well as the soundness of management of donor finances. Additionally, Gasper and Mkasiwa (2014) conducted a study in Tanzania which examined the use of performance information by local government stakeholders.

More importantly, even if studies that examined financial control measures on LGAs financial performance exist, it is relevant to note that no single factor has emerged as the preferred measure of financial performance (Boex and Muga, 2009). Equally important, a study which was carried out by Habibuw (2015) in Indonesia proposed addition of some independent variables that may affect financial performance to be included in related investigations in subsequent studies. Therefore, the need to theoretically integrate the use of financial performance information by various factors was critical.

Thus, based on studies by Fjeldstad *et al.* (2010), Gasper and Mkasiwa (2014) together with Boex and Muga (2009) which were carried out in Tanzania which examined financial performance, this study used different independent variables as recommended by Habibuw

(2015). This paper covers the research objective number five. Consequently, the research on which this paper is based analysed level of financial control measures in Tanzanian LGAs. Secondly, the study determined relationship between financial control measures and financial performance in Tanzanian LGAs. This paper was guided by the theory of causality. The paper is not about the ethical factors that are reported on by the same authors in one of the four papers from the same study, which are national code of ethics and conduct for public service and ethical issues in finance.

5.2.2 Theoretical framework

This paper was guided by the Theory of Causality, which was chosen because the process of informing policy makers and experts require application of causality rather than application of mere associations. Also, the theory plays quite some different roles when analysed from different fields (Gerring, 2005). The theory of causality is divided into four causes that are formal cause (the cause by which an effect is made), material cause (the cause whereby effect is fashioned), efficient cause (motive forces of effect), and final cause (purpose for which an effect was produced) (Gerring, 2005). Although four types of causality were identified by Aristotle, the modern use the theory has been narrowed down to the cause and effect emphasizing the efficient role of the cause (Psillos, Sthatis, 2004, cited by Cresp and Ricardo, 2016).

For example, while scholars such as Mahoney (2001) narrowed the theory into cause analysis and the analysis of causal processes, Hall (2004) narrowed it to dependence and production cause. Additionally, Hodgson (2004) considered the efficient cause of the Aristotle theory in social sciences as capability of having an effect. Therefore, this theory maintains that proper understanding of the causes of something and reasons for those causes leads to proper knowledge (Cresp and Ricardo 2016). Thus, in relation to this

paper, proper understanding of causes of financial performance and factors which cause financial performance could lead to proper knowledge regarding financial performance in Tanzanian LGAs.

Hence, tracing financial control measures such as control environment, risk assessment, control activities, information and communication and monitoring was of vital importance. The theory has been critiqued as follows. Firstly, the theory failed to ask the question why? The theory asked where and what something came from, what it is, and what its purpose is, but it failed to ask “why?” (Gano, 2008). By asking why the answer could have provided reasons for a particular cause. Secondly, the causality theory relies on experience. Plato argued that experience was unreliable as it changes from person to person. However, these irregularities didn't disprove this theory. There is no evidence so far reached to disapprove this theory. If the theory was disapproved, it would be regarded as an inaccurate theory, but it has not been. Therefore, the theory showed the way financial control measures could cause financial performance in Tanzanian local government authorities.

Organizations differ in the ways they change situations. The idea of cause is a fundamental category of understanding and a necessary condition for experience. Nevertheless, in seeking to explain any change, we have evidence but no proof that its assumed cause produced an effect on it. Although the literature covered has specified factors that can probably affect financial performance, knowledge regarding the exact ways on how the mentioned factors could affect the change is not well articulated. By using that missing theory, the theoretical gap was filled in.

5.3 Methodology

5.3.1 Description of the study areas

The study was carried out in four selected Local Government Authorities (LGAs) in Tanzania namely Shinyanga Municipal Council, Korogwe Town Council, Monduli District Council and Siha District Council. Based on CAG reports from the financial year 2007/2008 to 2011/2011, there were nine (9) LGAs with consistently good financial performance (Kisarawe DC, Mufindi DC, Biharamulo DC, Missenyi DC, Siha DC, Nachingwea DC, Serengeti DC, Shinyanga MC and Maswa DC) and four (4) LGAs with consistently poor financial performance (Monduli DC, Makete DC, Mvomero DC and Korogwe TC) (URT, 2013). Therefore, the four LGAs where the research was done were selected because of the following reasons. Shinyanga MC was selected because it was the only urban LGA with consistently good financial performance within five consecutive years, and Korogwe TC was selected as it was the only urban LGA with consistently poor financial performance within five consecutive years. Siha DC was selected as a rural LGA with consistently good financial performance, and Monduli DC was selected as a rural LGA with consistently poor financial performance (URT, 2013). Besides the above reasons, Siha DC and Monduli DC were selected because geographically they are located nearby each other; hence the researcher could save time and resources in visiting them.

Shinyanga Municipal Council, which is also called Shinyanga Urban District, is one of the eight districts of Shinyanga Region and is bordered to the North by Mwanza Region, to the South by Shinyanga Rural District, to the East by Kishapu District, and to the West by Kahama District. Korogwe is one of the eight districts of Tanga Region and is bordered to the North by Lushoto District, to the East by Muheza District, to the South by Handeni District and to the West by Kilimanjaro Region. Monduli District is one of the five districts of the Arusha Region. It is bordered to the North by Kenya, to the East by

Kilimanjaro Region and Arumeru District, to the South by Manyara Region and to the West by Ngorongoro District and Karatu District. Siha District is one of the seven administrative districts of Kilimanjaro Region. It is bordered to the South and South-East by Hai District, to the North-East by Rombo District, to the North-West by Longido District, and to the West by Meru District. Also, the district borders with Kenya to the North.

5.3.2 Research design

A research design is a plan for collecting data, organizing and analyzing them with the objective of combining the relevance of the research with the economy in procedure (Kothari, 2004). The study adopted a cross-sectional design whereby data were collected at a single point in time. The design enabled the researcher to collect data from four LGAs from different sources once. Through this design, quantitative and qualitative data were collected in four selected councils. The design was preferred due to its wide scope and its ability to incorporate many variables of study's interest. The design was also preferred because of its ability to determine relationships among variables. The design is of great importance in this study because it helped to create qualitative and quantitative data about financial control measures in the finance. The design also is useful for determining level of finance performance in selected councils and influence of financial control measures on financial performance.

5.3.3 Population, sample size and sampling

This section is in relation to the population, sample size and sampling procedures. It shows the studied population, sample size generated from the population and sampling procedures used to select the study areas and participants in the research.

5.3.3.1 Population

A population is the universe of units from which a sample is selected (Bryman, 2004). The population for the research was all government employees who were based at the LGA Headquarters in the four LGAs where the research was done. The employees were preferred because of easy accessibility, which saved time and resources. They were also the employees that were required to adhere to the national code of ethics and conduct for public service and other ethical principles. They were also required to use LGAs resources with care (performing financial performance).

5.3.3.2 Sample size determination

The sample size for this study was 400 respondents. The sample size was determined by using Cochran's formula (1977), cited by Bartlett *et al.* (2001), which is used when the population size is not known. The formula:

$$n = \frac{z^2 * p (1 - p)}{d^2} \text{ (Cochran, 1977, cited by Bartlett } et al. \text{ (2001), where:}$$

n = sample size;

z = a value on the abscissa of a standard normal distribution (from an assumption that the sample elements are normally distributed), which is 1.96 or approximately 2.0 and corresponds to 95% confidence interval;

p = estimated variance in the population from which the sample is drawn, which is normally 0.5 for a population whose size is not known; and

d = acceptable margin of error (or precision), whereby the general rule is that in social research projects d should be 5% for categorical data and 3% for continuous data (Krejcie & Morgan, 1970, cited by Bartlett *et al.* (2001). The research used 5% since the study collected substantial categorical data.

Using a z-value of 2.0, a p-value of 0.5, a q-value of 0.5, and a d value of 5% (which is equivalent to 0.05), the sample size (n) was determined to be 400, i.e.

$$n = \frac{2^2 * 0.5 (1 - 0.5)}{0.05^2} = (4 \times 0.25) / 0.0025 = 1 / 0.0025 = 400.$$

This sample size is considered relevant based on the fact that “too large a sample implies a waste of resources, and too small a sample diminishes the utility of the results” (Cochran, 1977, cited by Bartlett *et al.* (2001).

5.3.3.3 Sampling

5.3.3.3.1 Area sampling

Purposive sampling was employed to select four LGAs from both urban and rural LGAs. The reasons for selecting the four local government authorities were that, although financial accountability in LGAs appears to have improved, corruption is still perceived by many people to be a serious problem (Tidemand and Msami, 2010). The four councils were selected using the principle of most different systems design (MDSD) by taking into consideration variations in socio-economic bases, rural–urban variations as well as financial statuses of the LGAs according to reports by the Controller and Auditor General (CAG) as explained in sub-section 2.3.1. Two “unqualified” councils (urban and rural) and two “qualified” councils (urban and rural) within five (5) years from CAG’s Annual Reports (2007/2008 to 2011/2012) were selected. The two LGAs with good financial performance that were selected are one rural LGA (Monduli DC) and one urban LGA (Korogwe TC); the LGAs with poor financial performance that were selected are one rural LGA (Siha DC) and one urban LGA (Shinyanga MC). The four LGAs are listed in Table 1, together with their financial statuses.

Table 1: Trend of audit opinion issued to LGAs for the financial years 2007/2008 to 2011/2012

Councils	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Monduli DC	Qualified	Qualified	Qualified	Qualified	Qualified
Siha DC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Korogwe TC	Qualified	Qualified	Qualified	Qualified	Qualified
Shinyanga MC	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

Source: URT, 2013

Note that qualified opinion is expressed when auditors conclude that the financial statements are materially misstated but not pervasive. This means that there is either limitation or disagreement limited to a specific area, but the rest of the financial statements show true and fair view. Unqualified opinion is pressed when the auditor concludes that the financial statements were prepared in all material respects, in accordance with the applicable financial reporting framework.

5.3.3.3.2 Respondents sampling

This section is about how respondents, key informant interviewees, and focus group discussants were selected.

(a) Simple random sampling

According to Brymann (2004), simple random sampling is a probability sampling method whereby each unit of the population has an equal probability of inclusion in the sample. A hundred (100) respondents were selected from each of the four LGAs due to the fact that types and qualification of employees within the strata (urban and rural councils) are more or less similar (Lugumamu, 2015). For example, according to Lugumamu (2015), the head of the paid service is the District Executive Director in the district authority while in the town/municipal/city authority the head of the paid service is the director. Typically, below the director there are a number of heads of department, usually including personnel and

administration; planning and finance; engineering and works; education and culture; trade and economic affairs; urban planning; health and social welfare; cooperatives, agriculture and livestock development; and community development). In each department there were other staff members with similar qualifications from one council to another one.

The respondents in each of the LGAs were selected through simple random sampling using a table of random numbers which were generated in MS Excel using “the =RAND()” command. Names of council staff which were obtained from Human Resource Officers (HROs) were assigned serial numbers, and the staff whose serial numbers corresponded with the random numbers that were generated in MS Excel were selected for interview. The researcher selected randomly the council employees under the assumption that they were the key players in performing, supporting and evaluating services within their councils. Secondly, the researcher had an assumption that all council employees had reasonable knowledge regarding council’s ethical and unethical conducts as employees from low to high ranks interacted with one another. A pilot study, with the aim to test accuracy and reliability of the research tools, was carried out in Tabora Municipal Council prior to actual data collection. The study intended to collect data from three departments (Department of Human Resources, Department of Procurement, and Department of Finance and Planning). However, through a pilot study, it was observed that other departments were useful in providing data.

(b) Sampling key informant interviewees

The researcher selected purposefully Heads of Department as key informant interviewees. In each council the Head of Department from three departments that are departments of human resources, procurement, and the department of finance and planning were chosen. This made a total of 12 key informant interviewees. These were the departments with

reliable information regarding use of councils' resources and ethical behaviour of council employees. These departments were identified during a pilot study as recommended by council employees and the offices of Human Resources Officers. Purposive sampling was used because with non-probability sampling the researcher chooses a particular unit of the universe for constituting a sample on the basis that the small mass that they so select out of a huge one will be a typical or representative of the whole (Kothari, 2004). Another reason is that the people were considered to be knowledgeable on the issues of ethics and finance.

(c) Sampling focus group discussants

Three groups that are males group, females group and both males and females group were selected. The aim of dividing them basing on sex was that the pilot study revealed that some women were not free to participate actively when mixed with men. Moreover, the same pilot study revealed that some points were not discussed well when men and women were separated. These were the reasons for having three groups for focus group discussions. The researcher formed groups each of which consisted of 8 participants who were involved in focus group discussions as it was easy to handle and manage the discussions. Forming groups each of 8 people was also based on advice by Bryman (2004) that the optimum size of a focus group should be 6 to 10 people for the reasons that if discussants are too many some of them may just sit idle and if they are too few they may not be able to discuss effectively difficult topics. This made a total of 96 focus group discussants. This was done with the assistance of Councils' Human Resources Officers. Sakyi and Bawole (2009) argue that the focus group method is appropriate since it can provide basic information from those who witnessed, experienced or were direct beneficiaries or victims of both ethical and unethical behaviour. Purposive sampling was

used to select members of focus group discussions based on being citizens of that council and being considered to be knowledgeable of the issues of ethics.

5.3.4 Data collection

Quantitative data were collected using one questionnaire. The study used questionnaire to collect quantitative opinions from council employees regarding status of financial control measures and financial performance. The questionnaire included an 18-statement index summated scale to measure the dependent variable (financial performance) in Tanzania LGAs, and a 16 - statement index summated scale to measure the independent variable (financial control measures). Employees were asked to tick on different aspects of ethics and factors supporting level of adherence to ethical conduct by assessing if their co-workers were practising them.

Qualitative data were collected using checklists of items for key informant interviews and guides for focus group discussions (FGD). The key informant interviews helped the researcher to get opinions regarding character and procedure in respective councils. FGDs enabled the researcher to gather views from the respondents in view of employees' behaviour and the way they handled public property, satisfaction of service provision and customer care.

5.3.5 Reliability

The researcher tested the inter-item consistency reliability to ensure that there was consistency of respondents' answers to all items in the measure. It is evident that all the coefficients were above 0.70, which means that the scales used to measure these variables were consistent and consequently reliable (Cronbach, and Shavelson, 2004).

Table 2: Reliability

Reliability Statistics for financial performance	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of items
	0.876	0.878	18
Reliability Statistics for financial control measures	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of items
	0.839	0.841	16

5.3.6 Measurement of variables

This study had one dependent variable (financial performance with three construct that are efficiency, effectiveness and economy). Each of the eight items had a number of statements to which the respondents were required to respond Not true at all (0), fairly true (1 point), true (2 points) very true (3 points). Furthermore, the study had independent variables (financial control measures) with five constructs that are control environment, risks assessment, control activities, information and communication and monitoring). Each of the five construct had a number of indicators to which the respondents were required to respond for either, not a factor at all (0), fair factor (1 point), factor (2 points) and strong factor (3 points). Each variable was measured individually as shown in Table 3.

As shown in Table 2, for financial performance, an index-summated scale comprising 18 statements (taken from literature surveyed) about financial performance was used. On the side of financial control measures, an index summated scale comprising 16 statements (taken from literature surveyed) was used to determine levels of the variables. Automatic boundaries for classification of the scores which were obtained through index scales were used to rank respondents' views on financial performance into low, moderate and high level. The scores obtained were expressed in terms of percentages of maximum possible scores on the scales. The expression of points scored in percentages was performed by multiplying the number of statements for each variable (18 and 16 as seen above) by

automatic boundaries (0, 1, 2 and 3) that were automatically generated the responses not true at all (0), fairly true (1 point), true (2 points) or very true (3 points).

For example, for financial control measures that had 16 statements, the percentage of low level was obtained by multiplying 16 statements by the first upper automatic boundary dividing by the highest possible score and multiplying by 100, i.e. $(1 \times 16) \div (16 \times 3) \times 100$ which is 33.3. The percentage of moderate level was obtained by multiplying 16 statements by the second upper automatic boundary dividing by the highest possible score and multiplying 100, i.e. $(2 \times 16) \div (16 \times 3) \times 100$ which is 66.7. The percentage of high level was obtained by multiplying 16 statements by the third upper automatic boundary dividing by the highest possible score and multiplying 100, i.e. $(3 \times 16) \div (16 \times 3) \times 100$ which is 100.0. Thus, low, moderate and high levels were classified as (0% – 33.3%, 33.4% – 66.7% and 66.8% - 100.0%) respectively.

5.3.7 Data processing and analysis

The quantitative data collected were analysed by using the Statistical Package for Social Science (SPSS) software. The analysis included computing descriptive statistics including frequencies and averages of the points scored on the index-summed scales explained above that were used to determine the status of financial control measures and financial performance. Podesva and Devyanis (2013) recommend the use of descriptive statistics to make values of scale-level measured variables meaningful. Frequencies give a clear ranking of a score in the distribution (Thomas and Nelson, 2001 cited by Mabagala, 2013).

Table 3: Measurement of variables

Financial performance	Not true at all (0), fairly true (1 point), true (2 points) or very true (3 points)
(1) Efficiency (timely use of quality and cheap resources and services)	<ul style="list-style-type: none"> • Activities are done the same as before, but with fewer resources in terms of money staff, space etc. • Looking forward to get out much in relation to how much put in • Optimally use of financial resources in the attainment of the councils set targets • Best use of financial resources • Fund disbursement on time • Make retirement on time
(2) Effectiveness (impact of value of money in use of resources and service)	<ul style="list-style-type: none"> • Impact of financial output • Financial satisfaction on all the council projects • Adoption of innovative and forward looking financial management practices • Achievement of intended financial results in terms of quality, in accordance with the set of performance standards
(3) Economy (cost minimization in the use of resources and services)	<ul style="list-style-type: none"> • Minimizing the cost of resources for all the available programmes • Generating cost saving on most of procurements • Pays the price that is exactly for what goes into providing a service of product • Taking bulk discounts by buying in large quantity • Uses of in-house technical capacity instead of recruiting expensive consultants • Looks out for cheaper outsourcing solutions than directly buying in expensive services • The proper and economical utilization of public funds • Safeguards the public property
Financial control measures	Not a factor at all (0), fair factor (1 point), factor (2 points) and strong factor (3 points).
(1) Control environment (financial internal control mechanisms)	<ul style="list-style-type: none"> • High commitment to financial completeness • Good management of financial philosophy • Good management of financial operating style • Good human resources financial policies • Good human resources financial practices
(2) Risk assessment (ability to forecast and control risks)	<ul style="list-style-type: none"> • Financial risk identification • Financial risk prioritization • Management of financial change
(3) Control activities (available internal financial control mechanisms)	<ul style="list-style-type: none"> • Written financial policies • Written financial procedures • Written controls over financial information system
(4) Information and communication (openness in financial procedures)	<ul style="list-style-type: none"> • Access to financial communication by all stakeholders • Good financial communication patterns
(5) Monitoring (oversee of financial usage)	<ul style="list-style-type: none"> • Good financial management supervision • Good financial response mechanism • Good financial assessment mechanisms

Qualitative responses from interviews and focus group discussions were analysed according to a qualitative content analysis process. The qualitative content analysis involved coding of the field notes by identification and naming of segments of meanings from the field notes in relation to the research topic. Consequently, the segments of meaning from the field notes were clearly marked and labelled in a descriptive manner. This was followed by identifying categories, patterns and organizing them in terms of causality, context and coherence. Then final coding procedure involved selective scanning

of all codes identified for comparison, contrast and linkage to the research topic. The codes were eventually evaluated for relevance to the research aim. The related codes were listed in categories according to the research aim and theoretical framework from the literature.

On the other hand, this paper used Pearson correlations to measure the strength of linear relationship between financial performance and financial control measures. Pearson's correlation was preferred because the variables were measured at the ratio level in terms of points scored on scales which were used to measure them. The correlation measured the strength of relationships between two variables at the scale (interval and ratio) level.

Correlation coefficients range from -1 to +1. A positive sign indicates that an increase in one variable is associated with an increase in another variable, and a negative sign indicates that an increase in one variable is associated with a decrease in another variable (Crichton, 2001). According to Cohen and Holliday (1982), interpretation of correlation coefficients (regardless of positive or negative signs) as follows; below 0.19 very low, 0.20 – 0.39 low; 0.40 – 0.69 modest; 0.70 – 0.89 is high; and 0.90 – 1.00 very high.

5.4 Results and Discussion

5.4.1 Level of financial control measures

This section deals with the analysis of the level of financial control measures, which were measured using descriptive statistics. The financial control measures were measured by five constructs, specifically: control environment, risk assessment, control activities, information communication, and monitoring (See Table 4).

Table 4: Descriptive statistics of financial control measures (n = 400)

Construct of financial control measures	N	Urban		n	Rural	
		Mean	Std. Deviation		Mean	Std. Deviation
Control environment	200	58.3	19.7	200	63.5	17.3
Risk assessment	200	49.1	26.7	200	57.8	21.6
Control activities	200	60.5	26.5	200	60.5	23.4
Information and communication	200	53.8	30.5	200	58.7	24.6
Monitoring	200	56.3	28.2	200	62.0	21.6
Overall group financial control measures	200	56.1	16.8	200	61.0	13.5

There was a moderate level of financial control measures in both urban and rural LGAs, although rural LGAs were doing a little better than urban LGAs (See Table 4). During key informant interviews, the interviewees were asked to explain what they thought was the capacity of their LGA in executing financial control measures (control environment, risks assessment, control activities, information communication and monitoring) to improve financial performance. The majority of the interviewees in both urban and rural LGAs declared that control activities such as written financial policies, written financial procedure, financial communication patterns and accessibility to financial information system were the most reliable measures. Other measures were control environment, risks assessment, information and communication, but were less prioritised because of its nature of operation. For example, one key informant interviewee said:

"... Any financial action we implement is guided by laws, regulations and procedures." (A KI from Korogwe TC, 26th May 2016).

Possibly, the interviewees were in line with Kewo's (2017) caution that failure of an organisation to achieve its intended purpose is partly caused by weaknesses in one or several stages in the process of internal control. There were other several statements from interviewees supporting adherence to the financial control measures. For example in Shinyanga Municipal Council it was reported that:

"... We always get satisfaction with adherence to the financial requirement before authorizing any fund" (A KI from Shinyanga MC, 21st June 2016).

Another key informant interviewee said:

"There are formal correspondences between the accounts department and the office of human resources before endorsing any payment" (A KI from Shinyanga MC, 21st June 2016).

The researcher managed to review some few corresponding files related to funds disbursement, which showed that laws, regulations and procedures were adhered to. In addition to that, one of the correspondences in one file was written, *"Mwongozo hauruhusu malipo kama haya kutekelezwa kabla ya kupitishwa na kikao cha madiwani."* This is literary translated as, *"regulations restrict such payments prior to approval by councillors."* This may be the reason why an interviewee from Siha DC reported that:

"... insisting and keeping organisation financial control measures takes dedication, time, effort, commitment and communication ... With great emphasis, these requirements will highly increase long term chances and successful financial performance" (A KI from Siha DC, 31st May 2016).

Possibly, the moderate level of financial control measures in the LGAs where data were collected was caused by failure of some of the councils, in order to offset some limitations within the internal system of the organisation. Theoretically, this could be the reasons why some 211 (52.8%) of the respondents said yes, while 189 (47.3%) said no in predicting possible outcomes of municipal funds allocated. In the same way, the LGA could predict causes of financial performance failure in their council whereby 240 (60%) said yes and only 160 (40%) of the respondents said no.

Surprisingly, there was a lack of efficiency within the process of implementing financial control measures. Likewise, Mihaiu (2010) wrote that efficiency in the public sector was a problem which most governments were facing which was caused by the presence of some key shortfalls such as bureaucracy. Startlingly, most of the focus group discussants revealed inefficiencies in service delivery, which were partly caused by delay in authorizing service funds. Moreover, different constraints could account for those inefficiencies. PWC (2016) pointed out that failure to comply with rules of internal controls and budget execution among other reasons could lead to inefficiencies. Vigilantly, PWC (2016) cautioned management inability to respond to the recommendations given by previous studies. This suggests that, perhaps, there were some factors limiting efficiency and effectiveness of financial control measures in Tanzanian local government authorities.

Furthermore, it is important to note that local financial performance may be influenced by factors that were beyond immediate control of local government officials (Boex and Muga, 2009). For example, studies by Dennis (2004), Andres *et al.* (2005) and Coggburn and Schneider (2001) cited by Boex and Muga (2009) provide vivid examples of factors influencing local financial performance. The factors are beyond the immediate control of local government officials and could be exactly what is happening in Tanzanian local government authorities. Again literature shows that, in Tanzanian LGAs, meetings organised by LGA including full council meetings, ward and village meetings are the primary methods for disseminating information on financial and fiscal affairs (Fjeldstad *et al.*, 2010). Definitely, accounting strategies used by Tanzanian LGAs to make activities legitimate and effective have led to the moderate level of financial performance.

5.4.2 Relationship between financial control measures and financial performance

Group percentages for the constructs of financial performance with and for financial control measures were correlated to determine their levels of association. The correlation considered seven aspects namely the percentages of control environment, risk activities, control activities, information and communication, monitoring, overall group financial performance and overall group financial control measures (See Table 5).

Table 5: Percent of the constructs correlated

Financial Performance	n	Mean (%)	Std. Deviation
Efficiency	400	50.5	21.5
Effectiveness	400	55.1	21.3
Economy	400	66.3	21.8
Overall financial performance	400	58.5	16.4
Factors other than ethics			
Control environment	400	60.9	18.7
Risk assessment	400	53.4	24.6
Control activities	400	60.5	24.9
Information and communication	400	56.2	27.8
Monitoring	400	59.2	25.3
Overall financial control measures	400	58.5	15.4

Before performing correlation, all variables were checked whether they had normal distributions through generating their normal distribution curves which were then checked visually. All of the variables were found to have normal distributions; hence none of them was transformed. Correlation analysis indicated a significant positive association between financial performance and financial control measures. The correlation results in Table 6 show that four independent variables (control environment, information and communication, monitoring and overall financial control measures) had significant positive relationships with financial performance in urban councils [($r = 0.376$, $p \leq 0.001$; $r = 0.146$, $p < 0.1$; $r = 0.400$, $p \leq 0.001$; $r = 0.373$, $p \leq 0.001$) and in rural councils ($r = 0.138$, $p < 0.1$; $r = 0.162$, $p < 0.1$; $r = 0.266$, $p \leq 0.001$; $r = 0.202$, $p < 0.01$)] respectively. Conversely, the correlation for urban and rural councils versus risk assessment and

financial performance was not significant ($r = 0.72$, $p > 0.05$). The significance of monitoring was at the 0.1% level, which was the highest level of significance in both urban and in rural councils.

Table 6: Correlations between financial performance and financial control measures

Variables correlated financial performance	N	Urban Correlation coefficient (r-value)	p-value	n	Rural Correlation coefficient (r-value)	p-value
Control environment	200	0.376***	0.000	200	0.138*	0.051
Risk assessment	200	0.050 ^{ns}	0.479	200	0.054 ^{ns}	0.445
Control activities	200	0.212**	0.003	200	0.044 ^{ns}	0.535
Information & communication	200	0.146*	0.039	200	0.162*	0.022
Monitoring	200	0.400***	0.000	200	0.266***	0.000
Overall financial control measures	200	0.373***	0.000	200	0.202**	0.004

The dependent variable was financial performance

*** Correlation is significant at the 0.001 level (2-tailed)

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.1 level (2-tailed)

^{ns} means not significant

The theory of causality was used to explain whether the surveyed LGAs were able to detect causes of financial performance in their LGAs. The findings show that the LGAs were able to predict success or failure related to the use of municipal funds as 240 (60%) of the respondents acknowledged so, whilst 160 (40%) of the respondents didn't acknowledge it. And whether the municipal officers were able to predict problems which might arise while using municipal funds, 212 (53%) affirmed it, while 188 (47%) of the respondents didn't affirm. The findings imply that LGAs have an ability to trace causes of financial performance. These correlations suggest that the higher the levels of financial control measures (control environment, control activities, information and communication and monitoring) the more the financial performance (use of financial resource efficiently, effectively, and economically).

In relation to previous studies carried out in Tanzania, Gasper and Mkasiwa (2014) reported LGAs' failure to use performance information to improve their efficiency. The

researchers also reported lack of financial performance reports in surveyed LGAs like annual performance reports (Gasper and Mkasiwa, 2014). Moreover, a study by Fjeldstad *et al.* (2010) noted that 86% of the surveyed respondents in the study had never received information on the amount of tax revenues and user charges collected in their area. In relation to that, most of discussants in Focus Group Discussion said that accurate financial information in their LGAs was not accessible. The risk assessment was not significant, perhaps due to quarterly progress reports submitted by LGAs which were neither read nor perceived to be significant by appropriate authorities (Gasper and Mkasiwa, 2014). The relationship between financial control measures and financial performance was improving as compared to previous studies carried out in Tanzania.

5.5 Conclusions and Recommendations

5.5.1 Conclusions

References

This paper mostly deals with the relationship between financial control measures and financial performance in four selected councils in Tanzania. It is concluded that there is a moderate level of financial control measure in both urban and rural LGAs, although rural LGAs perform a little better than urban LGAs. For example, out of 6 aspects used to test level of financial control measures, rural councils were doing a bit better in 5 of them (88.3%). Despite the fact that correlation in urban LGAs had more significant positive relationship with financial performance than in rural LGAs, still there were slight differences. This difference in financial control measures between urban and rural LGAs is to an extent attributed to the mechanisms employed by individual LGA to institute financial control measures. While in some councils mechanisms used to institute financial control measures were strong, in other councils they were a bit weak. Nevertheless, there is no clear picture in differentiating strong and weak mechanisms between urban and rural

LGAs. Basing on this argument, perhaps the urban councils performing less than rural LGAs fail to offset some existing weaknesses and inefficiencies in financial control measures. These weaknesses are bridged by the theory of causality focusing on the causes of weaknesses and inefficiencies predicting effect of these weaknesses and inefficiencies. These could enable individual LGA to take proactive measures to offset them through early identification of the weaknesses and inefficiencies and reduce them hence effective financial control measures.

5.5.2 Recommendations

In view of the above conclusions, in order to improve financial performance in the local government authorities (LGAs) where the research was done and probably in other LGAs in Tanzania through improvement in financial control measures, the following recommendations are given.

- i. The Ministry of Regional Administrative and Local Government should consider using these findings to improve internal systems of local government authorities' financial performance.
- ii. Financial control measures are many and their efficiency varies from one factor to another; hence it is recommended that prudence should be taken into account in designing and interpretation of the financial performance assessment tools.
- iii. Furthermore, it is recommended to councils auditing offices to have regular financial performance assessments by putting forward different financial control measures.

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CHAPTER SIX

6.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Chapter six is about summary of the findings, conclusions and recommendations. The conclusions are derived from the findings based on the four specific objectives of the study on which this thesis is based. Thus, each conclusion is preceded by a summary of the major findings on which it is based.

6.1 Summary of the Major Results and Conclusions

Despite numerous efforts made by the government of Tanzania to ensure good financial management in the LGAs, there are still recurrent incidents of financial malpractices in most of Tanzanian LGAs. This study figured out the status of financial performance in four selected councils in terms of material and financial resources by examining their efficiency, effectiveness and economic grounds. In relation to available status, the study was determined to check whether the code of ethics and conduct for public service, ethical issues in finance and financial control measures were factors influencing levels of financial performance (use of council material and financial resources prudently). The study examined five objectives to which the summary of results and conclusions in sub-sections 6.1.1, 6.1.2, 6.1.3, 6.1.4 and 6.1.5 are aligned.

6.1.1 Level of adherence to the national code of ethics and conduct for public service

Objective number one was to determine the level of adherence to the national code of ethics and conduct for public service among public service employees. This objective is addressed in chapter two which contains paper one of this thesis. The results for level of adherence to the national code of ethics and conduct for public service indicated high level of adherence to the code in both urban and rural LGAs, although on some aspects rural

LGAs were doing better than urban LGAs. In view of these results, it is concluded that disparities on some aspects of adherence to the national code of ethics and conduct for public service between rural and urban LGAs are due to diversified mechanisms taken by each LGA to institute to its employees adherence to the code.

6.1.2 Factors supporting Tanzanian LGAs employees' to adhere to the national code of ethics and conduct for public service

Objective number two was to analyse factors adherence to the national code of ethics and conduct for public service. This objective is also addressed in chapter two which contains paper one of this thesis. The results for factors supporting adherence to the code of ethics and conduct for public service indicated that factors supporting level of adherence to the code were high, although in some areas urban LGAs were doing a bit better than rural LGAs. On correlation between code of ethics and conduct for public service and factors supporting its level of being adhered to, while in rural LGAs two factors (individual value and working environment) indicated significant positive correlation with the code ($p < 0.1$); in urban LGAs correlation between national code of ethics and conduct for public service and factors supporting its level of adherence was not significant ($p > 0.05$). In relation to these findings, it is concluded that disparities in some factors supporting level of adherence to the national code of ethics and conduct for public service are also due to differences that exist in employees' background factors, influenced by their own values, working culture and working environment. In a real sense, background factors used to enforce adherence to the code in rural LGAs are stronger than those in urban LGAs, something which makes employees in rural LGAs to be more committed to adherence to the national code of ethics and conduct for public service than those in urban LGAs.

6.1.3 Relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues.

Relationship between the national code of ethics and conduct for public service and financial ethical issues are discussed in chapter three to address the third specific objective. The chapter evaluated status of financial ethical issues and relationship between national code of ethics and conduct for public service and financial ethical issues. The results for status of financial ethical issues specified that the level of financial ethical issues was high in both rural and urban LGAs, although rural LGAs were doing a bit better on some aspects. On correlation between national code of ethics and conduct for public service and ethical issues in finance, while in rural LGAs four financial ethical issues indicated significant positive association with the code (integrity, $p \leq 0.001$; accountability, $p \leq 0.1$, transparency, $p \leq 0.001$ and trust $p \leq 0.01$), in urban LGAs the correlations were not significant ($p > 0.5$). Based on these findings, it is concluded that good relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues between rural and urban LGAs is partly attributed to fear to be dismissed or to be held accountable by supervisory institutions.

6.1.4 Influence of ethics on financial performance

Chapter four discussed influence of ethics on financial performance to address the fourth specific objective. The chapter determined the influence of ethics on financial performance in terms of efficiency, effectiveness and economy. It determined level of financial performance and influence of ethics (national code of ethics and conduct for public service and financial ethical issues) and financial performance. The results for level of financial performance indicated prevalence of moderate level of financial performance in both rural and urban LGAs, although rural LGAs were doing a bit better than urban

LGAs. The results for influence of ethics on financial performance was found to be positive and significant ($\beta = + 0.491, \leq 0.05$) for transparency. In view of these results, it is concluded that moderate influence of ethics on financial performance in rural LGAs than in urban LGAs is partly attributed to efforts made by rural LGA leaders to enforce their workers to adhere to the principles of financial performance.

6.1.5 Relationship between financial control measures and financial performance

The relationship between financial control measures and financial performance in terms of efficiency, effectiveness and economy is discussed in chapter five to address the fifth specific objective. This chapter discussed level of financial control measures and established relationship between financial control measures and financial performance. The results for level of financial control measures indicated a moderate level of financial performance in both urban and rural LGAs, although rural LGAs were doing a bit better than urban LGAs. Correlation analysis between financial control measures and financial performance indicated a significant positive correlation between financial control measures and financial performance [urban (control environment $p \leq 0.001$, information and communication $p < 0.1$, monitoring $p \leq 0.001$) and rural (control environment $p < 0.1$, information and communication $p < 0.1$, monitoring $p \leq 0.001$)]. In view of these findings, it is concluded that powerful mechanisms available in rural LGAs that institute adherence to the financial control measures lead to better financial performance in rural LGAs than in urban LGAs.

6.2 Recommendations

In order to improve financial performance in Tanzanian Local Government Authorities, the following recommendations, which have been derived from empirical findings of this study and from the above conclusions, should be considered.

6.2.1 Level of adherence to the national code of ethics and conduct for public service

Since the implementation of the national code of ethics and conduct for public service is not free from challenges, the Ministry of Regional Administration and Local Government, which is responsible for formulating policies for local government authorities to monitor, oversee and emphasize on training, specifically training related to the adherence to the national code of ethics and conduct for public service especially with LGAs doing bad.

6.2.2 Factors supporting Tanzanian LGAs employees' to adhere to the national code of ethics and conduct for public service

Given that background factors supporting employees to adhere to the national code of ethics and conduct for public service differ from one employee to another, the Ministry of Regional Administration and Local Government, which is responsible for formulating policies for local government authorities is urged to nurture employees' background factors to conform with standards of ethical behaviour in public service.

6.2.3 Relationship between employees' views on the national code of ethics and conduct for public service and views on financial ethical issues.

As ethical variables play an important role in helping employees to adhere to financial performance principles, each LGA, through its own disciplinary committee, is urged to strengthen reward and punishment mechanisms against unethical behaviour. Again, LGAs are urged to have own additional mechanisms of enforcing adherence to financial ethical issues in their respective councils.

6.2.4 Influence of ethics on financial performance

In view of the fact that some employees were unethical in some LGAs; thus, public service employees should take proactive measures by considering ethics during their operations.

6.2.4 Relationship between financial control measures and financial performance

Given that some instruments used to test financial performance worked better than others for example control environment and monitoring, it is suggested that the Ministry of Regional Administration and Local Government to assess internal financial control measures of their LGAs financial performance.

6.3 Contribution of the Study

Most of literature covered has shown the relationship between ethics and behaviour. The literature also has shown ethical behaviour expected from public servants. Nevertheless, expected ethical behaviours is in terms of indication of what a public servant is allowed to do or prohibited to do. The literature does not demonstrate the way behaviour should base on the reasoning instead of expressed expectations and sanctions. Thus, this study has added literate on ethical decision making based on moral reasoning. On methodology, the study has introduced an index summated scale comprising numerous statements which can be used to assess ethics and financial performance by LGAs, ministries and other government institutions. Finally, based on the theories which guided this study, do's and or don'ts in the national code of ethics and conduct for public service, financial ethical issues were made to conform to the deontological and consequentialism theories. As such, instead of focusing on do's and or don'ts, decisions to be taken need to be in line with morality and expected outcomes. As for the theory of causality, which stipulates cause-

effect of financial performance, it is of significance to know the standard where any observable fact arises, and to differentiate between a cause and an associated effect.

6.4 Suggestions for Further Research

- i. It was found that ethics is an important aspect which determines financial performance in Tanzanian Local Government Authorities. This study applied both quantitative and qualitative data collection and analyses. Therefore, a purely qualitative study is recommended to probe into details of some indicators that were not covered well using quantitative data.
- ii. Since the study covered 4 LGAs out of 185 LGAs, it is suggested that a similar research should be done to cover more LGAs that were not covered by this study.
- iii. Finally, a study which will assess financial reports (LGAs account and financial records) of the respective local government authorities is suggested.

APPENDICES

Appendix 1: A copy of employees' questionnaire for research on influence of ethics and financial control measures on financial performance in Tanzanian local government authorities

SECTION I: BACKGROUND INFORMATION

1. Council where the respondent is based [**Circle the relevant answer**]
 1. Shinyanga Municipal Council
 2. Korogwe Town Council
 3. Siha District Council
 4. Monduli District Council

2. Age of the respondent..... (year of birth) OR..... (years)

3. Sex of respondent(**Circle the relevant answer**)
 1. Male
 2. Female

4. (a)Years of schooling

- (b) Highest level of formal education (**Circle the relevant answer**)
 1. Primary
 2. Secondary (Form 1- 4)
 3. Secondary (Form 5 - 6)
 4. Certificate
 5. Tertiary education

6. Ordinary Diploma
 7. Advanced Diploma
 8. Bachelor's Degree
 9. Master's Degree
 10. Others (*Specify*).....
5. (a) Your current working position.....
- (b) Your current working rank.....
6. Name of your department (**Circle the relevant answer**)
1. Human resources and administration
 2. Health and social sector
 3. Education
 4. Finance and Economic development
 5. Agriculture
 6. Community development
 7. Planning and coordination
 8. Procurement
 9. Infrastructure
 10. Water
 11. Others mention
7. (a) When were you employed by the Government for the first time.....? (Year)
- (b) For how long have you been working with this council? (years) OR since..... (year)

SECTION II: EXTENT OF ADHERENCE TO THE NATIONAL CODE OF ETHICS AND CONDUCT FOR PUBLIC SERVICE

8. Do you have any knowledge about the national code of ethics and conduct for public service?(**Circle the relevant answer**)

- 1. Yes
- 2. No

9. If you have knowledge of the national code of ethics and conduct for public service, where did you get that knowledge?

10. If you do not have knowledge of the national code of ethics and conduct for public service, have you ever heard about it?(**Circle the relevant answer**)

- 1. Yes
- 2. No

11. Do you think that LGAs employees adhere to the code of ethics and conduct for public service?

- 1. Yes (if yes go to question number 12)(**Circle the relevant answer**)
- 2. No (if no go to question number 41)

Please mark your level of agreement with each of the following statements as regards the extent of adherence to the national code of ethics and conduct for public service in your LGAs. [Tick in the relevant box] 7

S/N	Adherence with principles of code of ethics and conduct for public service in Tanzania	Not adhere to at all (0)	Fairly adhered to (1)	Adhered to (2)	Strongly adhered to (3)
	Pursuit of excellence in service				
12.	Council employees always maintain personal hygiene				
13.	Council employees dress in acceptable attire in accordance with office norms				
14.	Council employees always use good language while discharging their duties				
	Loyalty to government				
15.	Council staff are always loyal to government				
16.	Council employees always implement policies and lawful instruction given by leaders				
	Diligence				
17.	Co-workers use skills, knowledge and expertise while discharging duties				
18.	In my council duties and assigned responsibilities are executed with maximum standards and within required time				
19.	Co-workers are ready to work at any duty station				
20.	Council employees are punctual in terms of office hours at workplace and official appointment				
	Impartiality				
21.	Co-workers engage and discuss political activities during official hours and in work premises				
22.	Council staff provides unbiased services to their clients				
23.	Council staff pass information allowed to only allowed people or institutions				
24.	Co-workers engage in religious matter after official hours and out of working premises				
	Integrity				
25.	My boss use authorized powers within specified boundaries				
26.	My boss use powers as directed in favour of the council and client				
27.	Council management safeguards public funds and other public properties entrusted to them				
28.	Co-workers use public resources for public use including, machine, office equipment, office suppliers, telephone, computers, copiers etc.				
29.	Co-workers use official time to perform duties entrusted to them				
30.	Co-workers behave well within and outside their office				
31.	Council staff discharge improper favors, solicit, force or bribes from any person whom they have to serve				
	Accountability to the public				
32.	Co-workers treat clients politely				
33.	Co-workers pay extra attention when dealing with more vulnerable members of the society such as elderly, women, children, the poor, the sick, people with disabilities.				
34.	Co-workers clarify or provide direction on issues arising from laws, regulations and procedure promptly, with clarity and without bias when requested by members of the public				
	Respect for the law				
35.	Council staff are familiar with rules, regulations and procedures and abide them				
36.	Council staff apply the prevailing laws, regulations and procedures when discharging duties				
37.	Council staff treat well member of the public or a fellow employees on ground of sex, ethnicity, religion, political affiliation, nationality, marital status or disability				
38.	Co-workers avoid sexual relationships at work place and during working hours				
	Proper use of official information				
39.	All council staff protect unauthorized official information				
40.	Council staff always use official document or information obtain in the course of discharging my duties				

SECTION III: FACTORS ASSOCIATED WITH ADHERENCE TO THE NATIONAL CODE OF ETHICS AND CONDUCT FOR PUBLIC SERVICE

41. Do you think there are factors associated with adherence to the national code of ethics and conduct for public service in your LGA? **(Circle the relevant answer)**

1. Yes *(If yes go to question number 42)*
2. No *(If no go to question number 56)*

Please mark your level of agreement with each of the following statements as regards the factors supporting adherence to the national coded of ethics and conduct for public service.[Tick in the relevant box]

S/N	FACTORS SUPPORTING ADHERENCE TO THE NATIONAL CODE OF ETHICS AND CONDUCT FOR PUBLIC SERVANTS	Not supporting at all (0)	Fairly supporting (1)	Supporting (2)	Supporting (3)
	Individual values				
42.	Family norms reinforce your ethical behaviour				
43.	Religious values reinforce your ethical behavior				
44.	Personal standards reinforce your ethical behavior				
45.	Personal needs reinforce your ethical behaviour				
	Organization culture				
46.	Organization's supervisory behaviour reinforce your ethical character				
47.	Organization's policy statements reinforce your ethical character				
48.	Organization's written rules reinforce your ethical character				
49.	Organization's peer norms reinforce your ethical character				
50.	Organization's peer behaviour reinforce your ethical character				
	Working environment				
51.	Government regulations reinforce your ethical behaviour				
52.	Societal norms reinforce your ethical behaviour				
53.	Societal values reinforce your ethical behaviour				
54.	Organization values reinforce your ethical behaviour				
55.	Other actors reinforce your ethical behaviour				

SECTION IV: FINANCIAL CONTROL MEASURES

Please mark your level of agreement with each of the following statements as regards to financial control measures influencing financial performance in you council. [Tick in the relevant box]

S/N	Financial control measures influencing financial performance in Tanzanian LGAs.	Not a factor at all (0)	Fair factor (1)	Factor (2)	Strong factors (3)
	Control environment				
56.	There is high commitment to financial procedures				
57.	There is good management of financial philosophy				
58.	There is good management of financial operating style				
59.	There is good human resources financial policies				
60.	There is good human resources financial practices				
	Risk assessment				
61.	We have financial risk identification				
62.	We have financial risk prioritization				
63.	We manage financial change				
	Control activities				
64.	There is a written financial policies				
65.	There is a written financial procedures				
66.	There is a written control over financial information systems				
	Information and communication				
67.	There is access to financial information by all stakeholders				
68.	There is good financial communication patterns				
	Monitoring				
69.	We have good financial management supervision				
70.	We have good financial response mechanisms				
71.	We have good financial assessment mechanisms				

SECTION V: PERCEIVED FINANCIAL PERFORMANCE IN TERMS OF EFFICIENCY, EFFECTIVENESS AND ECONOMY

Please mark your level of agreement with each of the following statements as regards the perceived financial performance in terms of efficiency, effectiveness and economy [Tick in the relevant box]

S/N	Perceived financial performance in terms of efficiency, effectiveness and economy	Not true at all (0)	Fairly true (1)	True (2)	Very true (3)
	Efficiency				
72.	In my council, most of the council activities are done the same as before, but with fewer resources in terms of money, staff, resources etc.				
73.	In my council, all council officials and administrators always look forward to getting out much in relation to how much they put in				
74.	In my council, most of staff members endeavour to optimally use financial resources in the attainment of the councils set target				
75.	In my council, in every activity there is best use of financial resources				
76.	In my council, the council funds are disbursed on time				
77.	In my council, retirements are made on time.				
	Effectiveness				
78.	In my council, in all activities, the officers always look forward for the impact, which is financial output.				
79.	In my council, there is financial satisfaction on all the council projects, which is exhibited by how the service is perceived by both government and citizens.				
80.	In my council, the council has adopted financial management practices				
81.	In my council, all staff members strive to achieve the intended financial results in terms of quality, in accordance with the set targets and performance standards for service delivery				
	Economy				
82.	In my council, the council aims at minimizing the cost of resources for all the available programmes/projects				
83.	In my council, the council generates cost savings on most of its procurements				
84.	In my council, the council pays price that is exactly for what goes into providing a service of product.				
85.	In my council, the council takes bulk discounts by buying in large quantities				
86.	In my council, the council uses in house technical capacity instead of recruiting expensive consultants				
87. I	In my council, the council looks out for cheaper outsourcing solutions rather than directly buying in expensive services				
88.	In my council, the council always ensure that there is proper and economical utilization of public funds				
89. I	In my council, the council always safeguard council properties				

SECTION VI: ADHERENCE TO THE FINANCIAL ETHICAL ISSUES

Please mark your level of agreement with each of the following statements as regards the adherence with financial ethical issues [Tick in the relevant box]

S/N	ADHERENCE TO THE FINANCIAL ETHICAL ISSUES	Not true at all (0)	Fairly true (1)	True (2)	Very true (3)
	Integrity				
90.	Most of council workers use council resources as instructed				
91.	Most of council worker use council funds as instructed				
92.	My council use council funds as budgeted				
93.	Council accountants have higher level of financial discipline				
94.	My co-workers refuse to take bribe				
	Accountability				
95.	Council staff are answerable for public funds				
96.	The council regulations require us to report the way we have used public funds given to us.				
97.	Accountants observe internal rules and norms that hold civil servant accountable for public fund				
98.	Council management accepts complaints from citizen on use of public funds				
99.	All council workers are accountable for council resources				
	Transparency				
100.	Financial information in my council is easily accessible by stakeholders and other users				
101.	Financial details in my council are published in the press to allow a balanced judgment				
102.	Decision and actions taken regarding public funds in my council are open				
103.	My council is already prepared to give reasons for the decisions and actions taken regarding public funds when called upon				
	Conflict of Interest				
104.	Co-workers avoid conflict of interest on use of public funds				
105.	Heads of departments and council management avoid influence the outcome of financial decisions for personal benefit				
106.	The councils use public fund properly				
107.	The council has regulations which minimizes financial conflict of interest				
	Trust				
108.	The council hold public fund in public trust				
109.	The council staff in accounts department are responsible for fund they disburse				
110.	Council management and staff are accountable to the public fund at all times				
111.	Council accountants have ethical behaviour which is considered as investment in the public trust				
112.	Council staff have social behaviour considered as investment in the public fund				
113.	Council accountants always observe standards of financial accountability set which increase public trust				

**SECTION V: COMPLIANCE WITH ETHICAL THEORIES IN LOCA
GOVERNMENT AUTHORITIES (Circle the relevant answer)**

114. Are your decisions regarding use of Municipal fund/resources determined by the following? **(Circle more than one answer).**

- i. Citizens' wellbeing
- ii. Citizens' happiness
- iii. Citizens' satisfaction

115. Do you predict possible outcome and their causes when allocating/using municipal fund/resources?

- i. Yes
- ii. No

116. How do you ensure that municipal fund/resources benefit the entire municipality

.....
.....

117. Do you normally predict problem and their cause that might arise while using municipal fund/resources?

- i. Yes
- ii. No

118. When you predict negative outcome if fund/resource are to be used what action do you take?

.....
.....

119. Are your decisions regarding use of Municipal fund/resources based on the following? **(Circle more than one answer).**

- i. Maintaining personal integrity
- ii. Prepared for accountability
- iii. Guarantee transparency

- iv. Avoidance of conflict of interest
- v. Ensuring public trust

120. What is your aspiration? **(Circle one answer).**

- i. Use municipal fund/resources as budgeted
- ii. Use municipal fund/resources for the benefit of citizens.

121. What best describes performance of your duties. **(Circle one answer).**

- i. Honest
- ii. Fairness
- iii. Loyalty

122. What are you doing to ensure people's welfare are promoted?

.....
.....

123. Do you know needs of the people you are serving?

- i. Yes
- ii. No

124. How do you use municipal fund/resources to meet needs of the people you are serving?

.....
.....

125. What best describes performance of duties in your municipal. **(Circle one answer)**

- i. I am free to make personal choices related to my duties
- ii. My duties are strictly done as described

126. What best describes your duty regarding use of municipal fund/resources **(Circle one answer).**

- i. I believe that it is morally right to use municipal fund/resources efficiently, effectively and in economy.
- ii. I believe that it is my duty to use municipal fund/resources efficiently, effectively and in economy.

127. What best describe choices regarding use of municipal fund/resources (**Circle one answer**).

- i. I am motivated to use municipal fund/resources efficiently, effectively and in economy.
- ii. I am obliged to use municipal fund/resources in efficiently, effectively and in economy

128. What best describe causes of financial use of resources in effectiveness, efficiency and economy? (**Circle one answer**).

- i. Employees behaviour
- ii. Organization setup
- iii. Organization culture
- iv. Available rules, laws and regulations.

THANK YOU FOR YOUR COOPERATION

Appendix 2: A key Informant Interview Guide for Research on: Influence of ethics and financial control measures on financial performance in Tanzanian local government authorities

1. Relationship between beliefs, personal values and organization status with level of employees' ethics.
2. Organization rewarding mechanisms on ethical conducts.
3. Status of national code of ethics and conduct for public service (probe all constructs).
4. Strategies to enhance level of ethics.
5. Strategies to curb unethical behaviours.
6. Relationship between national code of ethics and conduct for public service and job description.
7. Employees' consciousness on how public perceive them.
8. The way citizens expect public servants to behave.
9. The way citizens expect public servant to manage public resources.
10. Status of financial ethical values (probe all constructs).
11. Status of financial performance (probe all constructs)
12. Status of factors other than ethics (probe all constructs).
13. Strategies to improve financial performance.
14. Challenges for financial performance.

THANK YOU FOR YOUR COOPERATION

Appendix 3: Focus Group Discussion Guide for Research on: Influence of ethics and financial control measures on financial performance in Tanzanian local government authorities

1. Ethical behaviour of local government employees (probe in relation to national code of ethics and conduct for public service).
2. Satisfaction with services offered by local government authorities.
3. Interaction between service providers and service recipients.
4. Opinions regarding the way municipal funds are handled (probe in relation to financial ethical values).
5. Proper use of municipal funds (probe in relation to efficiency, effectiveness and economy).
6. Relationship between previous and recent service provisions.
7. Their roles towards performance of local government authorities.
8. Improvement of employees' ethical behaviour.
9. Improvement of councils' financial performance

THANK YOU FOR YOUR COOPERATION