

**INTERNAL CONTROL SYSTEMS AND ACCOUNTABILITY IN UNIVERSITY OF  
BURAO IN SOMALILAND**

---

A Thesis

Presented to the

College of Higher Degrees and Research

Kampala International University

Kampala, Uganda

---

In Partial Fulfillment of the Requirements for the Masters

Degree in Finance and Accounting

---

By:

Sahal Salah Abdulrahman

August, 2012

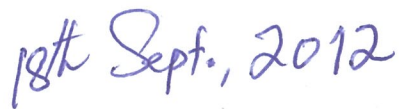
## DECLARATION A

"This thesis is my original work and has not been presented for a degree or any other academic award in any university or institution of learning".



---

Name and Signature of Candidate



---

Date

## DECLARATION B

"We confirm that the work reported in this thesis was carried out by the candidate under our supervision".

Kasoti Geoffrey

Name and Signature of Supervisor

Name and Signature of Supervisor

18<sup>th</sup> Sept, 2012

Date

Date

### APPROVAL SHEET

This thesis entitled "Internal Control Systems and Accountability in University of Burao in Burao City, Somaliland" prepared by **Sahal Salah Abdulrahman** in partial fulfillment of the Requirements for the Masters Degree of Business Administration in Finance and Accounting has been examined and approved by the panel on oral examination with a grade of \_\_\_\_\_.

\_\_\_\_\_  
Name and Signature of Chairperson

\_\_\_\_\_  
Name and Signature of Supervisor

\_\_\_\_\_  
Name and Signature of Supervisor

\_\_\_\_\_  
Name and Signature of panelist

\_\_\_\_\_  
Name and Signature of panelist

Date of Comprehensive Examination: \_\_\_\_\_

Grade: \_\_\_\_\_

\_\_\_\_\_  
Name and Sig. of Director DVC, CHDR

\_\_\_\_\_  
Name and Signature of DVC, CHDR

## **ACKNOWLEDGEMENTS**

First of all, the researcher thanks to the Almighty Allah who bestowed me everything: healthy, academic studying opportunity, attending world-class university, namely K.I.U, financial capability, time etc.

A lot of thanks go to Mr. Ramadan Mallinga, the HOD of Economic & Management, Mr. Ssandagi Muhamed-coordinator for business administration and all other academic staff in K.I.U., CHDR in particular, coordinators, lecturers, and anyone whose name is not mentioned here.

Other million thanks go to the Deputy Vice Chancellor for College of Higher Degrees and Research (CHDR), Dr. Novembrieta R. Sumil. Through her great efforts in improving and making the overall quality of CHDR service as World Class College, I have acquired a lot, and this remarkable improvement, in academic research, is even reflected in this current research paper of mine.

Mr. Geoffrey Kazosi, unforgettable supervisor, for his time and commitment to this research paper, for his patience and understanding with my seemingly never ending list of questions, and for his relevant advice on all aspects of the thesis.

Thanks to Viva Voce Panelists: Chairman Dr. Manuel O. Sumil and other panel members Dr. Gulebyo Muzamil and Ssandagi Mohamed for their extensive and thorough corrections and also valuable advice to this research paper.

The researcher humbly wishes to thank his Mum and Dad for their non-stop support (financial and otherwise) and encouragement.

The researcher thanks to respondents for their time and patience of answering questionnaires and returning them back completely.

The researcher also thanks with great pleasure to two friends (Ahmed A. Mohamoud and Ahmed Said Abdi) who have distributed the questionnaires to the respondents, collected from them and handed fully answered questionnaires to Mohamoud Hassan Ainashe who delivered them to me in Kampala.

The researcher thanks a lot to the research teacher, Dr. Kibuuka Mohamed, who made me know what the research is all about, as he has been in charge of valuable research lecturing classes in the course of my research academic study.

Thanks to the European Commission based in Nairobi who not only sponsored my research paper but also offered me the opportunity to do an MBA in Uganda as well and for their patience during this difficult economic period in European Union itself.

## **ABSTRACT**

The study intended to establish the relationship between internal control systems and accountability of 133 randomly selected in University of Burao (UoB) staff (both managerial and non-managerial) in Somaliland, using descriptive and correlational designs. The first major objective of this study was profile of respondents in which the study indicates that male dominate (66.2%) female (33.8%) in UoB staff, the study also revealed that 88.7% which is the very majority of the employees in the sample were aged below 40 years; 7.5% were 40-59 years old; 3.8% were 60 and above years old. The study shows that UoB, which was established only in 2005, employed a great number of academicians (45.1%). This is an indication of that UoB attracted and retained highly educated employees who are likely to perform their duties well. In second objective, the study shows that, on the overall, the level of internal control systems (as to: control environment, risk assessment, procedure, communication and monitoring and evaluation) is good (grand mean=2.54) and in third objective the study indicates that the level of accountability was found to be fair (grand mean = 2.51). The last objective of the study was to determine whether there is a significant relationship between the level of internal control systems and level of accountability in University of Burao in Somaliland. The study uses Pearson Linear Correlation Coefficient to measure and describe the relationship between the two variables of the study and to test the null hypothesis. The study also uses regression analysis to rank the effect of the five internal control components have on accountability. The level of internal control systems was found to be positively and significantly correlated with the level accountability (sig. < 0.05 and r-value = 0.435). It recommends that there is need to promote; transparency in recruitment, training and performance management, appropriate criteria should be used in the appointment of the board members, employees should be given training in maintaining effective internal control systems to carry out their daily work and improve and promote accountability and in organization risk management, policies should be developed in conjunction with the organization implementation plan.

## TABLE OF CONTENTS

### Preliminaries

Declaration A	ii
Declaration B	ii
Approval Sheet	iii
Acknowledgement	iv
Abstract	v

### Chapter

### Page

### One      **THE PROBLEM AND ITS SCOPE**

Background of the Study	1
Statement of the Problem	2
Purpose of the Study	3
Research Objectives	3
Research Questions	4
Null Hypotheses	4
Scope	5
Significance of the Study	5
Operational Definitions of Key Terms	6

### Two      **REVIEW OF RELATED LITERATURE**

Concepts, Ideas, Opinions From Authors/Experts	8
Theoretical Perspectives	13
Related Studies	14
Research Gap	15



Three	<b>METHODOLOGY</b>	
	Research Design	16
	Research Population	16
	Sample Size	16
	Sampling design and Sampling Procedure	17
	Research Instruments	18
	Validity and Reliability of the Instrument	19
	Data Gathering Procedures	21
	Data Analysis	22
	Ethical Considerations	23
	Limitations of the Study	23
Four	<b>PRESENTATION, INTERPRETATION AND ANALYSIS OF RESULTS</b>	
	Profile of Respondents	24
	Level of internal control systems	26
	Level of accountability	40
	Relationship Between the level of ICSs and Accountability	43
	Regression Analysis for level of ICSs level of Accountability	43
Five	<b>FINDINGS, CONCLUSIONS AND RECOMMENDATIONS</b>	
	Summary of Findings	45
	Level of respondents	45
	level of internal control systems	45
	level of Accountability	47
	Relationship Between the level of ICSs and Accountability	48
	Conclusions	49
	Recommendations	50
	Suggested Areas for Further Research	51

References	52
Appendices	
Appendix IA Transmittal Letter	55
Field Letter	56
Appendix 1B Transmittal Letter for Respondents	57
Appendix II Clearance from Ethics Committee	58
Appendix III Informed Consent	60
Appendix IVA Face Sheet: Profile of Respondents	61
Appendix 1VB Questionnaire to determine the extent of Internal Control Systems	62
Appendix 1VC Questionnaire to determine the level of Accountability	67
Researcher's Curriculum Vitae	69

### LIST OF TABLES

Table	Page
1. Respondents of the Study	17
2. Computation of Validity	19
3. Computation of reliability	20
4. Profile of respondents	25
5A. The extent of internal control systems in terms of control environment in University of Burao	27
5B. The extent of internal control systems in terms of Control risk Assessment in UoB	30
5C. The extent of internal control systems in terms of Procedure and Activities in UoB	33

5D. The extent of internal control systems in terms of information and communication in UoB	36
5E. The extent of internal control systems in terms of monitoring and Evaluation in UoB.	38
6. The level of Accountability in UoB	41
7. Correlation for Scores in the extent of internal control system & the Level of Accountability in UoB	43
8. Regression Analysis for level of Internal Control system and level of Accountability	44

## CHAPTER ONE

### THE PROBLEM AND ITS SCOPE

#### Background of the Study

Protecting a company's (or institutions) business and financial information is an activity common in today's economic environment, with internal control system being the most common term for the tasks. While these activities are certainly quite old in use, the term internal control system is not. Internal control systems help organizations present reliable financial reports to stakeholders, comply with laws and regulations, and have efficient and effective operations. Many public universities, Burao University in particular, are found to be lacking accountability due to the result of weak and non-existent internal control systems and also failure of the acknowledgement and assumption of responsibility for actions within the scope of a role or position. The American Institute of Accountants first defined the term internal control system in 1949 as a process, affected by the curators/regents/directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) Effectiveness and efficiency of operations, (2) Reliability of financial reporting, and (3) Compliance with applicable laws and regulations.

Various scholars have defined Internal Control System but Banerjee (1997) defined it as the whole system of control, financial or otherwise, established by the management in order to carry out the business of an organization in an orderly and efficient manner while ensuring that assets are safeguarded and reports are accurate, complete, and reliable.

According to COSO (Committee of Sponsoring Organizations of the Treadway Commission), (1992) internal control consists of five essential components: The (1) *control environment* is arguably the most important component because it sets the tone for the organization, (2) *risk assessment* refers to the identification, analysis, and management of uncertainty facing the organization, (3) *Control activities* include the

policies and procedures maintained by an organization to address risk-prone areas, (4) *Information and communication* encompasses the identification, capture, and exchange of financial, operational, and compliance information in a timely manner and lastly, (5) *monitoring* refers to the assessment of the quality of internal control systems.

Accountability has, since the 1990s, been a widely used term linked to many public services, including higher education. It is seen as a major purpose of external quality processes. Accountability is defined as the process through which institutions and individuals are expected to demonstrate the fulfillment of their obligations, including the proper use of public funds (Cambell and Rozsnyai, 2002). In other words, Wojtczak (2002) defined accountability as the responsibility for the decisions and capability to explain to others or the public all undertaken activities to carry out what was obliged to do; to ensure reaching or making progress towards planned objectives or targets.

Carmen, *et al.*, (2004) defines accountability as the obligation of power (resources) holders to account for or take responsibility for their actions and the resources at their disposal through the establishment of an effective and efficient organization. In this study accountability means the acknowledgement and assumption of responsibility for actions within the scope of a role or position, encompassing the obligation to report, and be answerable for resulting consequences.

### **Statement of the Problem**

Organizations set internal control systems to guide policies and regulations at all different levels within the set-up. Sound Internal control is one of the principal means by which risk is managed. Despite the internal controls in place, accountability seems to be lacking in many public institutions especially universities, University of Burao in particular. The operation of UoB has been characterized by inefficient and ineffective operations, non-compliance with laws, regulations, policies and procedures, and unreliable; incorrect and incomplete financial reporting resulting from weak internal control systems and failing the acknowledgement of responsibility for actions within the scope of a position.

These above, if left unattended, shall lead to negative consequences on the operations and credibility of UoB such as the reduction of registering students, the phase out in UoB funding from both government and community and finally the closure of UoB. It is therefore against the above background that the study will be undertaken to establish the relationship of internal control systems and accountability to propose recommendations to avert the likely consequences on actions resulting from poor accountability.

### **Purpose of the Study**

The following were the reasons why the study was proposed: to test the hypothesis of no significant relationship between the variables in this study and generate new information based on the findings of this study. The study will bridge the gaps identified from the related literature and related studies and finally, it will refine existing information about the variables in this study also to approve or disagree the theory. The study also establishes the cause-effect of internal control systems and accountability in University of Burao.

### **Research Objectives**

#### **General objectives**

The general objective was to investigate the relationship between internal control systems and accountability in University of Burao in Somaliland.

#### **Specific objectives**

This study aimed at achieving the following objectives:

1. To determine the profile of the respondents as to:
  - a. Gender
  - b. Age
  - c. Educational level
  - d. Position in the organization
  - e. Number of years of experience

2. To determine the level of internal control systems in University of Burao in Somaliland as to:
  - a. Control environment
  - b. Control risk assessment
  - c. Control procedures and activities
  - d. Control information and communication
  - e. Control monitoring and evaluation
3. To determine the level of accountability in University of Burao in Somaliland.
4. To determine whether there is a significant relationship between internal control systems and accountability in University of Burao in Somaliland.

### **Research Questions**

1. What are the demographic characteristics of the respondents as to:
  - a. Gender
  - b. Age
  - c. Educational level
  - d. Position in the organization
  - e. Number of years of experience
2. What is the level of internal control systems in University of Burao in Somaliland?
3. What is the level of accountability in University of Burao in Somaliland?
4. Is there a significant relationship between internal control systems and accountability in University of Burao in Somaliland?

### **Null Hypothesis**

The study was guided by the following hypothesis:

There is no significant relationship between internal control system and accountability in University of Burao in Somaliland.

## **Scope of the study**

### ***Geographical Scope***

The study was conducted in University of Burao in Burao City in Somaliland. Burao is the second largest city in Somaliland and it is three hundred kilometers to the east of Hargeisa, the capital city of Somaliland.

### ***Content Scope***

This study intends to examine the levels of internal control systems in terms of control environment, risk assessment, control activities, information and communication, and monitoring and evaluation, the strengths and weaknesses of these aspects, and cause and effect relationship between the independent variables (internal control systems) and dependent variable (accountability).

### ***Theoretical Scope***

The Accountability Theory by Mulgan (2000) was proven in this study. This theory involves two parts: a principal–accountee–and an agent– accountor. The principal has the right to call upon the agent to give account of his/her actions; the accountor has the duty to act in the accountee’s interest.

## **Significance of the Study**

This study on the internal control systems and accountability will help decision makers especially in Universities’ administrators and boards of trustees in understanding the underlying internal control systems weaknesses in their institutions.

The study further help them to design, implement, and evaluate their organizational internal control systems thereby addressing areas of weaknesses for effective, efficient, and economic running on their institutions.

It also helps the Commission for Higher Education to come up with decisions promoting accountability in existing and emerging universities.

The Ministry of Education will also use the findings to ensure that the higher education institutions or universities are accountable to appropriate stakeholders such



as the government, community, professionals, employers and students and the ministry will also use it to monitoring promoting accountability. The study will also be useful to future researchers as references for people who will conduct further research in this topic or related subject matter.

### **Operational Definition of Key Terms**

For the purpose of this study, the following terms are defined as they are used in the study:

**The profile of respondents** are attributes looked for in this study in terms of gender, age, educational level, Position in the university, and number of qualified staff.

**Internal control system** means a set of processes, functions, activities, sub-systems, and people who are grouped together or consciously segregated to ensure the effective achievement of objective and goals.

**Control Environment:** The control environment is the control consciousness of an organization; it is the atmosphere in which people conduct their activities and carry out their control responsibilities.

**Risk Assessment:** The central theme of internal control is (1) to identify risks to the achievement of an organization's objectives and (2) to do what is necessary to manage those risks.

**Control Activities:** Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks.

**Information and Communication:** Information and communication are essential to effecting control; information about an organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization.

**Monitoring:** Monitoring is the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews, and internal audits.

**Accountability:** means as the obligation of power (resources) holders to account for or take responsibility for their actions and the resources at their disposal through the establishment of an effective and efficient organization.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Concepts, Opinions, Ideas from Authors/ Experts**

##### **Internal Control Systems**

American Institute of Accountants first defined the term internal control system in 1949 as a process, effected by the curators/regents/directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) Effectiveness and efficiency of operations, (2) Reliability of financial reporting, and (3) Compliance with applicable laws and regulations.

Various scholars have defined Internal Control System but Banerjee, (1997) defined it as the whole system of control, financial or otherwise, established by the management in order to carry out the business of an organization in an orderly and efficient manner while ensuring that assets are safeguarded and reports are accurate, complete, and reliable.

Committee of Sponsoring Organizations of the Treadway Commission (COSO), (1992) defines Internal Control System as a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives including (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) Compliance with applicable laws and regulations. Internal control system is a management tool used to provide reasonable assurance that management objectives are being achieved. It is a process by which an organization governs its activities to effectively and efficiently accomplish its mission.

An internal control system encompasses the policies, processes, tasks, behaviors and other aspects of a company that, taken together: facilitate its *effective* and *efficient operation* by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed; help ensure the *quality of internal and external reporting*. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization; help ensure compliance with *applicable laws and regulations*, and also internal policies with respect to the conduct of business; (KPMG, 1999).

Control is effected by people throughout the company, including the Board of directors, management and all other staff. People who are accountable, as individuals or teams, for achieving objectives should also be accountable for the effectiveness of control that supports the achievement of those objectives. It is important that criteria are in place by which the effectiveness of the system of control can be judged. By making individuals accountable, the likelihood that controls are operated properly is increased; (KPMG, 1999). Internal control is defined a set of processes, functions, activities, sub-systems, and people who are grouped together or consciously segregated to ensure the effective achievement of objective and goals; (PriceWaterhouse, 1993). PriceWaterhouse, (1994) also defined Internal control as any action taken by an organization to help enhance the likelihood that the objectives of the organization will be achieved.

Internal control consists of five interrelated components as follows:

### **Internal Control Environment**

The internal control environment sets the standard in an organization and comprises more than just financial management function. Important concern addressed by the control environment are the common ethical standards established, the organization's structure with clear responsibilities and authority relations, guidance and

control routines, and environment of mutual trust that support information of flow and collaboration and the organization competence to initiate and implement required control initiatives; (Save The Children Norway, 2003).

Robert and Gene (1997) further concur with the above position in their argument that control environment is influenced by an organization history and culture and in turn, influences how an organization conducts its activities. To them, the major factors that significantly affect an organization's control environment are its integrity and ethical values of management and employee, competences of personnel, management philosophy and operations style, how the organization is organized, the manner of assigning authority and responsibility, how the organization develops and trains its human resources, and attention and direction provided by oversight groups.

### **Internal Control Risk Assessment**

According to Robert and Gene (1997), the identification and analysis of risk is a continual process that is critical to the effectiveness of internal control and therefore management must focus on risks at all levels in the organization and act to manage them. They further argue that in identifying risks, management must consider other factors such as past failures in meeting budget limits and organization objectives which contribute or increase the risks to which the organization may be exposed. In terms of business failures, Lawson (1999) states that most small firms collapse because their owners are naïve about planning, development of strategies, and identifying and managing risks associated with their business.

### **Internal Control Procedures and Activities**

Robert and Gene (1997) defined control activities to mean policies, procedures, techniques, and mechanisms that ensure that management's directives are being carried out to meet the organization's objectives including budget programme, and financial objectives and to prevent and detect fraud. Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's

objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

### **Internal Control Information and Communication**

Information is needed throughout the organization to achieve all of the categories of objectives operations, financial reporting, and compliance. The quality of information captured, maintained and reported by the systems, affects management's ability to control the organization and meet its objectives and is measured by such factors as whether the information content is appropriate, timely, accurate, and accessible. These quality factors are affected by internal control systems and must be inherent in the information to help ensure that informed decisions are made throughout the organization, (Robert and Gene, 1997).

### **Internal Control Monitoring and Evaluation**

The Comptroller (2001) states that monitoring is an organization's own oversight of the control systems performance and therefore monitoring should be ongoing and part of the normal course of daily operations and activities. Internal and external audits, as part of monitoring systems, may provide independent assessment of the quality and effectiveness of a control system's design and performance. All should share responsibilities for monitoring and self-assessment, everyone should understand their roles and responsibilities to report any breaches of control systems.

### **Accountability**

Carmen, *et al.*, (2004) defines accountability as the obligation of power (resources) holders to account for or take responsibility for their actions and the resources at their disposal through the establishment of an effective and efficient organization. According to Arroyo (2005), accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by

that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions. Therefore, the concept of accountability involves two distinct stages: answerability and enforcement. Answerability refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight. Enforcement suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior. As such, different institutions of accountability might be responsible for either or both of these stages. Accountability is defined as demonstrating the worth and use of public resources. Higher education in most countries has been faced with greater demands to demonstrate its worth and to account for its use of public resources, partly as a result of fierce competition for tightened state funds and partly as a result of other restructuring taking place throughout the public sector, (Lewis, *et al.*, 2001).

Accountability is defined as the degree to which provincial governments ensure that universities and colleges are in fact accountable to the public, and not to corporations or individual sponsors or clients. In addition, it means that universities and colleges, and their functions of teaching, research and community service remain in the public domain and are not privatized. This is determined largely by the amount of public funding dedicated to post-secondary education budgets, as compared to funding from private donations or student fees, which download the cost of education to individuals, (Doherty-Delorme and Shaker, 2001). Accountability systems for higher education are the systematic collection of input, process, and outcome data, their analysis and information dissemination, contributing to internal and external decision making by policy makers, educational leaders, and other stakeholders in the higher education enterprise, (David, 2005).

Accountability is central to many activities and arrangements in government and business, including, for example, elections, work-place hierarchies, delegation of authority, and fiduciary responsibility, (Mashaw, 2005). Grant and Keohane (2005),

their Study accountability in the interaction of nation states; they defined it as the "right of some actors to hold other actors to a set of standards, to judge whether they have fulfilled their responsibilities in light of these standards, and to impose sanctions if they determine that these responsibilities have not been met." The SIAGA (1999) framework of control, links the significance of Internal Control Systems to the achievement of the organization, management and accountability objectives since reference, is always made to the Internal Control System when management decisions go wrong.

### **Theoretical Perspectives**

According to Mulgan (2000) theory, Accountability involves two parts: a principal – accountee – and an agent – accountant. The principal has the right to call upon the agent to give account of his/her actions; the accountant has the duty to act in the accountee's interest, to present account of his/her execution, and to give him/her the required information to be rewarded or sanctioned. Accountability is needed wherever there are hierarchical relationships, or where delegation of duties or responsibilities takes place." The establishment of any accountability relationship hence presupposes a delegation of tasks and duties between an accountant and accountee or the existence of an already established hierarchical framework, which is also based on prior entrustment of certain tasks and authorities. In accountability relationships the internal control system can be seen as a tool available to the principal to reduce the negative effects of information asymmetries and to reward or punish the agent's behavior. The essence of accountability is answerability; being accountable means having the obligation to answer questions regarding decisions and/or actions".



## **Related Studies**

A study conducted in Uganda by Odong (2005), on the impact of internal control systems on accountability in local Non-Governmental Organizations in Kampala, indicated that the internal control adopted, and operational within NGOs studied was weak and not sufficient to ensure accurate, complete, and dependable flow of accounting information and protect the NGOs assets resources against waste, fraud and cannot facilitate the evaluation of organizational performance by management.

According to Dragoljub Kavran (1986) in his study: internal controls and financial accountability in Belgrade Local government found out that internal controls have served as an inspiration on promoting robust financial accountability.

According United Nations Economic Commission for Africa study (1998) conducted In Adis-Ababa, Ethiopia assessing Public Internal Control systems and Accountability in the Context of Budget Transparency in Africa found that countries heavily depended on extractive sectors, especially oil and gas, are lagging behind on the implementation of sound internal controls aimed at enhancing financial accountability.

Another study on the role of internal control systems and promotion of accountability conducted on the projects affiliated to Christian Children's Fund (CCF) Inc., Ethiopia, Adis-Ababa (2000) concluded that CCF affiliated projects have the necessary components such as: control environment, control activities and monitoring to promote accountability, but they are not fully implemented as laid down in order to be able to improve accountability.

## **Research Gap**

Many researchers concentrated on accountability in manufacturing organizations, where others concentrated on state governments, local (municipal) governments, and Non-governmental organizations (NGO).

Failure to come across any study concentrated on internal control systems and accountability in educational institutions, higher education in particular, was interested in me to conduct this study. The study bridged that above-mentioned gaps identified from the literature and related studies.

## CHAPTER THREE

### METHODOLOGY

#### Research Design

This study used the *descriptive research* design and *correlation* research design. Descriptive *research* design describes the characteristics of an event, community or region, providing data about the population. *Correlation* research design involves collecting data in order to determine whether and to what degree a relationship exists between two or more variables.

#### Research Population

Target population of this study was all the staff of University of Burao in Burao City in Somaliland. The target population involved all 200 employees of whom 140 were non-managerial staff, and 60 were top and middle administrators. University of Burao is among the three largest universities in Somaliland in terms of number of students, number of staff and assets it control.

#### *Sample Size*

The sample size of the study was 133 respondents of whom 93 were supporting staff (non-managerial staff), and forty (40) were top and middle administrators (managerial staff). This sample size was computed using the Sloven's formula, which state that for any given population the required sample size is given by;

$$n = \frac{N}{1+N(e)^2}$$
 Where; n =the required sample size; N = the known population size; and e= the level of significance, which is = 0.05.

$$\begin{aligned}
n &= \frac{N}{1+N(e)^2} \\
&= \frac{200}{1+200(0.05)^2} \\
&= \frac{200}{1+200(0.0025)} \\
&= \frac{200}{1+0.5} \\
&= \frac{200}{1.5} \\
&= 133.33 \\
n &= \underline{133}
\end{aligned}$$

Given a total population of 200 respondents in University of Burao in Somaliland, the sample was 133 respondents as illustrated Table 1.

**Table 1**  
**Respondents of the Study**

Organization	Target population	Sample size
Burao University		
Supporting Staff	140	93
Top and Middle administrators	60	40
Grand total	<b>200</b>	<b>133</b>

Source: primary data 2012

### ***Sampling design and sampling Procedure***

The study used two sampling techniques: stratified random sampling and simple random sampling techniques. In stratified sampling the population is divided into sub-populations. The goal of stratified random sampling is to achieve desired representation from various sub-groups in the population. In this study the target population is 200 hundred employees of whom 140 are non-managerial staff and 60 are managerial staff (middle and top administrators) - these are called stratums.

Stratified sample size is proportionate to stratum size: the sample size from each stratum is proportionate to the size of the stratum. That is, the sampling fraction =  $n/N = 133/200 = 0.665$ .

Therefore of the 133 employees:  $140 \times 0.665 = 93$  non-managerial staff  
 $60 \times 0.665 = 40$  managerial staff

Simple random sampling technique is then used to select independently from each sub-population. Simple random sample is a sample obtained from the population in such a way that samples of the same size have equal chances of being selected. Random sampling also allows the use of inferential statistics; statistical indices calculated on the sample can be evaluated to determine the degree to which they accurately represent the population parameters.

This study used the lottery method whereby University of Burao employee ID numbers were written on the tags that identified 200 employees to be sampled of whom 140 are non-managerial and 60 are managerial staff. The tags were placed in two containers: one container for 60 managerial tags and the other for 140 non-managerial tags and each stirred well. Two persons were allocated to draw the tags from the two containers at a time and the process was repeated until the required 93 non-managerial and 40 managerial employees were obtained which makes 133 desired sample size respondents.

## **Research Instrument**

The study used a questionnaire which had the following sub-components:

(1) *face sheet* to gather data on the respondents' demographic characteristics (gender, age, qualifications, number of years in the university, number of years of working experience); (2) *researcher devised questionnaires* to determine the level of internal control systems as components of *control environment* (10 items), *risk assessment* (7 items) and *procedures and activities* (8 items), *information and communication* (5 items), *monitoring and evaluation* (5 items), similarly non-standardized *instrument* will be used to determine the level of accountability (4 items).

## Validity and Reliability of the Instruments

The researcher tested for validity of the internal control systems and accountability questionnaires which are non-standardized, where content validity was done by ensuring that questions or items in questionnaire conform to the study's conceptualization, supervisor and other senior staff in KIU who are experts in the field of the study evaluated the relevance, wording and clarity of questions or items in the instrument. Pre-testing for reliability was conducted by administering the questionnaire to 3 qualified administrators in selected among the staff of the university who were not included actual questionnaire in this study.

### Validity Table using Content Validity Index (CVI)

The study used 3 judges whereby the first judge agreed that 45 items of the 55 items were valid, second judge agreed that 42 items and lastly third judge agreed that 46 items were valid. In addition to the inter-judge individual coefficient of validity, the average results of CVI are indicated in table 2.

**Table 2**  
**Computation of Content Validity**

Judges	number of items declared valid	÷ Total no. of items	= Inter-judge individual coefficient validity
1 <sup>st</sup> Judge	45	55	.82
2 <sup>nd</sup> Judge	42	55	.76
3 <sup>rd</sup> Judge	46	55	.84
<b>Total inter-judge individual coefficient of validity-----</b>			<b>2.42</b>

Therefore, average CVI =  $\frac{\text{Total inter-judge individual coefficient of validity}}{\text{Total number of judges}} = \frac{2.42}{3.00}$

CVI ----- = **0.81**

For the instrument to be accepted as valid, the average index should be 0.7 or above. Therefore, since CVI is 0.81 then the instrument used in this study is valid.

Reliability is the degree to which an instrument consistently measures whatever it is measuring. An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concept from the same respondents even by other researchers. To ensure reliability, the two instruments were pre-tested by administering them to 10 respondents in Burao Golis University. Reliability of the data collected was tested using the Cronbach's coefficient alpha ( $\alpha$ ), computed using SPSS.

**Table 3**  
**Computation of Reliability**

**Cronbach's alpha coefficients for Reliability of Instruments**

<b>Construct</b>	<b>Number of Items</b>	<b>Cronbach's alpha</b>
<b>1. Internal Control systems</b>		
1A. control environment	5	0.906
1B. risk assessment	4	0.928
1C. procedure and control	4	0.989
1D. communication	5	0.847
1E. evaluation	3	0.800
<b>1. Accountability</b>	5	0.863

Results in table 3 indicate that the instrument had a high degree of reliability, with all Cronbach's alphas for all items greater than 0.8, which is the minimum Cronbach's alpha required to declare the instrument reliable.

### **Data Gathering Procedures**

The following data collection procedures were implemented:

**A. Before the administration of the questionnaires**

1. The researcher requested for an introduction letter from Deputy Vice Chancellor (DVC) College of Higher Degrees and Research (CHDR) addressed to the authorities of the University of Burao in Somaliland where the study was conducted, to be permitted to collect from the staff.

2. When approved, the researcher secured a list of the qualified respondents from the University of Burao authorities in charge and selected through simple random sampling from this list to arrive at the minimum sample size (table 1).
  3. The researcher then produced over 133 copies of the questionnaires, and
  4. Sat with research assistants, discussed and briefed and oriented them in order to be consistent in administering the questionnaires.
- B. During the administration of the questionnaires
1. The respondents were requested to answer completely and not to leave any part of the questionnaires unanswered.
  2. The researcher and assistants emphasized retrieval of the questionnaires within two weeks from the date of distribution.
  3. On retrieval, all returned questionnaires were checked if all were answered.
- C. After the administration of the questionnaires

On their return, the researcher edited and entered the questionnaire responses into SPSS (Statistical Package for Social Sciences) package, for further processing and analysis. Finally, a report was prepared and after approval from the supervisor, the final copy was submitted to Economic and Management School for final examination.

## **Data Analysis**

To determine the demographic characteristics of the respondents, the frequency and percentage distribution were used. The means applied for the level of internal control systems and accountability. An item analysis based on the mean scores and ranks reflected the strengths and weaknesses of the respondents in terms of internal control systems and accountability.

The t-test was utilized to test the difference between means for hypothesis one (Ho #1) at 0.05 level of significance. A multiple correlation coefficient was used to test the hypotheses on correlation (Ho #2) at 0.05 level of significance using a t-test will be employed. The regression analysis  $r^2$  (coefficient of determination) was computed to determine the influence of the independent variables on the dependent variable.



The following mean ranges were used to arrive at the mean of the individual indicators and interpretation:

*A. For the level of Internal Control Systems*

Mean Range	Response Mode	Interpretation
3.26-4.00	strongly agree	Very good
2.51-3.25	agree	good
1.76-2.50	disagree	Fair
1.00-1.75	strongly disagree	Poor

*B. For the level of Accountability*

Mean Range	Response Mode	Interpretation
3.26-4.00	strongly agree	Very good
2.51-3.25	agree	good
1.76-2.50	disagree	Fair
1.00-1.75	strongly disagree	Poor

**Ethical Considerations**

To ensure utmost confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities were implemented by the researcher:

1. The researcher avoided questions on personality identity such sexual behaviour, cheating, bribery, corruption, etc.
2. All questionnaires were coded to provide anonymity of the respondents.
3. The respondents were requested to sign the informed consent.
4. Authors quoted in this study were recognized through citations and referencing.
5. No respondent was threatened or coerced to participate.
6. Presentation of findings was generalized.

## Limitations of the Study

The researcher accepted (0.05 level of significance) 5% margin of error in view of the following anticipated threats to validity with relevance to this study:

1. *Testing:* Differences in conditions and time when the data were obtained from respondents by different persons on different days at different hours. This was minimized by orienting and briefing the research assistants on the sampling techniques and data gathering procedures.
2. *Instrumentation:* The research instruments on internal control systems and accountability were not standardized. Therefore a validity and reliability test was done to produce a credible measurement of the research variables.
3. *Language Difficulties:* Not only the respondents face English language barrier but the researcher as well. Many of the respondents were not able to fully understand the questions and as the researcher strived to translate the English-written questions into Somali language, it became impossible because the meaning of the questions might change. So, the researcher decided, with the help of two friends, to sit with respondents who need to know the meanings of questions they doubt and make them understood.
4. *Extraneous Variables:* These were beyond the researcher's control such as respondents' honesty, personal biases and descriptive nature of the design.

## **CHAPTER FOUR**

### **PRESENTATION, INTERPRETATION AND ANALYSIS OF RESULTS**

#### **Profile of Respondents**

The first research question of the study was to determine the profile of the respondents used in this study. The purpose of this background information was to find out the characteristics of the respondents and show the distribution of the population in the study, the findings are presented below.

#### **Description of Respondents Profile in UoB**

The study sample involved employee's profile in terms of gender, age, education, number of years and position in the University of Burao (UoB) in Burao city, Somaliland. This is summarized in table 3.

**Table 4**  
**Profile of Respondents**

Profile of the respondents	Frequency	Percentage
<b>Gender</b>		
Male	88	66.2
Female	45	33.8
<b>Total</b>	<b>133</b>	<b>1.00</b>
<b>Age of respondents</b>		
(1) 20-39 years	118	88.7
(2) 40-59 years	10	7.5
(3) 60 and above	5	3.8
<b>Total</b>	<b>133</b>	<b>100</b>
<b>Position in UOB</b>	<b>Frequency</b>	<b>Percentage</b>
Supporting Staff	93	70
Top and Middle management Staff	40	30
<b>Total</b>	<b>133</b>	<b>100</b>
<b>Education level of Respondents</b>		
(1) Secondary	36	27.1
(2) Diploma	37	27.8
(3) bachelors	33	24.8
(4) Masters	22	16.5
(5) PhD	5	3.8
<b>Total</b>	<b>133</b>	<b>100</b>
<b>Number of Years working in UOB:</b>		
1) Less than/below one year	17	12.8
2) 1-2 years	38	28.6
3) 3- 4 years	34	25.6
4) 5 -6 years	26	19.5
5) 7 and above years	18	13.5
<b>Total</b>	<b>133</b>	<b>100</b>

*Source: Primary Data 2012*

Results in table 3 indicate that 66.2% of employees were male while 33.8% were female. In the meantime, these findings of the study revealed that 88.7% which is the very majority of the employees in the sample were aged below 40 years; 7.5% were 40-59 years old; 3.8% were 60 and above years old. The results also showed that 27.8% of the employees held diploma; 27.1% are secondary level whereas 24.8% are bachelors degree, minority represented by 3.8% were PhD holders whereas 16.5% held masters. The study shows that UoB, which was established only in 2005, employed a great number of academicians (45.1%). This is an indication of that UoB attracted and retained highly educated employees who are likely to perform their duties well.

The findings of the study indicated that majority employees represented by 28.6% have been working for UoB for 1-2 years whereas 25.6% have been working for the institution for 3-4 years. 19.5% of the employees have been working for UoB for 5-6 years whereas 13.5% were doing their job for UoB for 7 and above years and 12.8% were in the organization just less than a year. Since 33% of the university employees were working for it more than 5 years, the study indicates that there is high employee retention in University of Burao (UoB) in Burao.

### **Level of Internal Control systems**

The independent variable in this study was internal control system broken down into five aspects that is, control environment, risk assessment, procedure and activities, information and communication, and monitoring and evaluation. All the five aspects of the internal control system are measured qualitatively using items or questions in the questionnaire, with each Likert scaled between one to four; where 1 = strongly agree; 2 = agree; 3 = disagree; 4 = strongly disagree. Employees were required to rate each of the items of the internal control system by writing the space before each. Their responses were analyzed using SPSS's (Statistical package for Social Science) summary statistics showing the means and standard deviations of internal control components, as indicated in tables 4s.

**Table 5A**  
**The extent of internal control systems in terms of control environment**  
**(n=133)**

Indicator of the internal control system	mean	Interpretation	Rank
<b>Control environment</b>			
Management demonstrates established formal policies and ethical issues, which are regularly reviewed and updated in your institution.	2.95	Good	1
The Organization structures promote clear line of responsibility and accountability conducive to effective management and control of the organization.	2.73	Good	2
Delegation assigning authority and responsibility are appropriate and provide for a balance between the need for having the job done and the involvement of senior management approval.	2.63	Good	3
Management and staff adopted an attitude of control consciousness, which ensures that a positive control environment is maintained.	2.59	Good	4
These policies and procedures are mirrored in an organization strategic plan, mission statement, operational plan, and operating instructions.	2.54	Good	5
Human resource policies and procedures relating to recruitment, training, promotion and remuneration is aimed at creating a motivated, informed and dedicated workforce	2.51	Good	6
Employee's job description and duty statement are used as the basis for interviewing and placing staff in particular jobs.	2.47	Fair	7
Policies and procedures are established to ensure that legal requirements are monitored and built into control activities.	2.39	Fair	8
Knowledge and skills needed to perform particular jobs are critically analyzed and documented in the employee job description and duty statements	2.38	Fair	9
The governing board periodically reviews policies and procedures to ensure that proper risks assessment and control processes have been instituted	2.24	Fair	10
<b>Mean Index</b>	<b>2.54</b>	Good	

Results in table 5A show that item analysis means indicate that the level of control environment is good in terms of i) management demonstrates established formal policies and ethical issues, which are regularly reviewed and updated in your institution (average mean =2.95); ii) the Organization structures promote clear line of responsibility and accountability conducive to effective management and control of the organization (average mean =2.73); iii) delegation assigning authority and responsibility are appropriate and provide for a balance between the need for having the job done and the involvement of senior management approval (average mean =2.63); iv) management and staff adopted an attitude of control consciousness, which ensures that a positive control environment is maintained (average mean =2.59); v) these policies and procedures are mirrored in an organization strategic plan, mission statement, operational plan, and operating instructions (average mean =2.54); whereas the level of control environment is fair in terms of vi) human resource policies and procedures relating to recruitment, training, promotion and remuneration is aimed at creating a motivated, informed and dedicated workforce (average mean =2.51); vii) employee's job description and duty statement are used as the basis for interviewing and placing staff in particular jobs (average mean =2.47); viii) policies and procedures are established to ensure that legal requirements are monitored and built into control activities (average mean =2.39); ix) knowledge and skills needed to perform particular jobs are critically analyzed and documented in the employee job description and duty statements (average mean =2.38); x) the governing board periodically reviews policies and procedures to ensure that proper risks assessment and control processes have been instituted (average mean =2.24).

### **Strengths**

The study shows that University of Burao is strong in establishing formal policies and ethical issues, promoting clear line of responsibility and accountability, mirroring policies and procedures, delegation of authorities and responsibilities and control conscientious adoption, aiming at human resource policies and procedures relating to recruitment, training, promotion and remuneration to create a motivated, informed and

dedicated workforce. University of Burao management has achieved these strong control environment points by setting the tone of this institution, influencing the control consciousness of its employees.

### **Weaknesses**

The study also shows that this institution University of Burao is weak in reviewing policies and procedures as intended by the governing board, designing job descriptions to produce knowledgeable and skilled staff, establishing policies and procedures in a way they can easily be monitored, critically analyzing and documenting knowledge and skills needed to perform particular jobs in the employee job description and policy manuals. University of Burao management partly failed to apply organization's philosophy and operating style, the attention and direction provided by the Board of directors, this the reason the institution has weak areas in control environment.



**Table 5B****The extent of internal control systems in terms of Control Risk assessment in University of Burao****(n=133)**

<b>Control Risk assessment</b>	<b>Mean</b>	<b>Interpretation</b>	<b>Rank</b>
The Organization's vision, mission and objectives, are participatory developed and communicated to all staff and stakeholders	2.67	Good	1
Internal and external risks to the achievement of the Organization goals and objectives have been identified.	2.66	Good	2
Meeting the Organization's objectives is the basis of the corporate plans, budget allocation and adequately communicated to all employees.	2.58	Good	3
Employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures.	2.56	Good	4
Identified risks are analyzed through formal processes to determine the relevance, significance, and likelihood of the risks occurring and the control activities needed to achieve them	2.55	Good	5
The Organization risks assessment system allows the governing board and management to plan for and respond to existing and emerging risks in the organization activities.	2.45	Fair	6
Risks relevant to the organization financial and operational performance have been accepted because of its cost and other considerations.	2.38	Fair	7
The process used to analyze risks in the organization is clearly understood and includes estimating the significance of risks, assessing the likelihood of their occurring and determining steps to mitigate them.	2.35	Fair	8
The Organization risk management policies have been developed in conjunction with the organization implementation plan.	2.31	Fair	9
<b>Mean Index</b>	<b>2.50</b>	<b>Fair</b>	

*Source: Primary Data 2012*

Results in table 5B show that item analysis means indicate that the level of control risk assessment is good in terms of i) the organization's vision, mission and objectives, are participatory developed and communicated to all staff and stakeholders (average mean =2.67); ii) internal and external risks to the achievement of the Organization goals and objectives have been identified (average mean =2.66); iii) meeting the organization's objectives is the basis of the corporate plans, budget allocation and adequately communicated to all employees (average mean =2.58); iv) employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures (average mean =2.56); v) identified risks are analyzed through formal processes to determine the relevance, significance, and likelihood of the risks occurring and the control activities needed to achieve them (average mean =2.55); whereas the level of control risk assessment is fair in terms of vi) the organization risks assessment system allows the governing board and management to plan for and respond to existing and emerging risks in the organization activities (average mean =2.45); vii) risks relevant to the organization financial and operational performance have been accepted because of its cost and other considerations (average mean =2.38); viii) the process used to analyze risks in the organization is clearly understood and includes estimating the significance of risks, assessing the likelihood of their occurring and determining steps to mitigate them (average mean =2.35); and ix) the Organization risk management policies have been developed in conjunction with the organization implementation plan (average mean =2.31). On the overall, the findings in table 5B show that identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed is not assessed as intended (average mean =2.50).

### **Strengths**

The study shows that University of Burao is strong in developing and communicating the organization's vision; mission and objectives, identifying internal and external risks to achieve the organization goals and objectives, encouraging employees to do the right things when in pressure, identifying risks and analyzing them through formal processes

to determine the relevance, significance, and the likelihood of the risks and meeting the organization's objectives as the basis of the corporate plans, budget allocation and adequately communicating to all employees. University of Burao management formed a basis for determining how the risks should be managed.

### **Weaknesses**

University of Burao is weak in allowing the board of trustees and management to plan for and respond to existing and emerging risks in the organization, accepting risks relevant to the organization financial and operational performance, clearly understanding the process used to analyze risks in the organization such as estimating the significance of risks, assessing the likelihood of their occurring and determining steps to mitigate them and developing risk management policies in conjunction with the organization implementation plan.

**Table 5C**  
**The extent of internal control systems in terms of Control Procedure and**  
**Activities in University of Burao**  
**(n=133)**

<b>Control Procedure and Activities</b>	<b>mean</b>	<b>interpretation</b>	<b>Rank</b>
The organization control activities ensure adequate segregation of duties, safeguarding of assets.	2.68	Good	1
Organization policies and control objectives have been designed and control activities established for each identified risks	2.64	Good	2
There are appropriate control activities in place to ensure that public funds are safeguarded, ethically used, efficiently and effectively and which monitor performance and address any weaknesses.	2.61	Good	3
Organization control activities have been appropriately documented in policy manuals, organization chart, and operating instructions	2.58	Good	4
The organization management and staff are informed and aware of the importance of complying with control activities	2.56	Good	5
The organization has effective control activities, which has been established to ensure compliance with all applicable laws and regulations	2.50	Fair	6
The organization has an active and professional internal audit function, which is fully supported by management	2.44	Fair	7
Management meets regularly to evaluate and discuss internal control audit report on systems and operational performance as well as external audit report on financial statement and operations	2.41	Fair	8
There is adequate monitoring of organization activities to ensure that control activities are being applied, appropriate action taken on reported exceptions, there is adequate supervision to monitor control activities are functioning.	2.35	Fair	9
Management and staff have been provided with copies of, or having access to relevant policy statements and procedure manuals	2.33	Fair	10
<b>Mean Index</b>	<b>2.51</b>	Good	

*Source: Primary Data 2012*

Results in table 5C show that item analysis means indicate that the level of control procedure and activities is good in terms of i) the organization control activities ensures adequate segregation of duties, safeguarding of assets (average mean =2.68); ii) organization policies and control objectives have been designed and control activities established for each identified risks (average mean =2.64); iii) there are appropriate control activities in place to ensure that public funds are safeguarded, ethically used, efficiently and effectively and which monitor performance and address any weaknesses (average mean =2.2.61); iv) organization control activities have been appropriately documented in policy manuals, organization chart, and operating instructions (average mean =2.58); v) the organization management and staff are informed and aware of the importance of complying with control activities (average mean =2.56); whereas the level of control procedure and activities is fair in terms of vi) the organization has effective control activities, which has been established to ensure compliance with all applicable laws and regulations (average mean =2.50); vii) the organization has an active and professional internal audit function, which is fully supported by management (average mean =2.44); viii) management meets regularly to evaluate and discuss internal control audit report on systems and operational performance as well as external audit report on financial statement and operations (average mean =2.41); ix) there is adequate monitoring of organization activities to ensure that control activities are being applied, appropriate action taken on reported exceptions, there is adequate supervision to monitor control activities are functioning (average mean =2.35); and x) management and staff have been provided with copies of, or having access to relevant policy statements and procedure manuals (average mean =2.31). On the overall, the findings in table 5C show that policies and procedures that help ensure that management directives are carried out are not implemented as intended throughout the institution, at all levels and in all functions (average mean =2.50).

## **Strengths**

The study shows that University of Burao is strong in ensuring adequate segregation of duties, safeguarding of assets in the organization control activities, designing organization policies and control objectives, putting in place appropriate control activities to ensure that public funds are safeguarded, ethically used, efficiently and effectively addressing any weaknesses and informing and making aware the organization management and staff of the importance of complying with control activities. The management ensured that necessary actions were to be taken to address risks to the achievement of the institution's objectives.

## **Weaknesses**

The weaknesses lay having an active and professional internal audit function which is fully supported by management, meeting, evaluating and discussing regularly internal control audit report as well as external audit report on financial statement and operations, providing copies of policy statements and procedure manuals to the staff and setting adequate monitoring and supervision activities to ensure that control activities are being applied. Control activities occur throughout the organization at all levels and in all functions whereby management have not performed well in all those areas and that is why this institution has weak areas in control procedure and activities.

**Table 5D**

**The extent of internal control systems in terms of Information and communication in University of Burao (n=133)**

<b>Information and communication</b>	<b>mean</b>	<b>interpretation</b>	<b>rank</b>
The key employees understand the duties and control responsibilities applicable to their jobs and how those responsibilities contribute to the organization overall objectives.	2.74	Good	1
The organization has an effective information system in place to capture and process data in meaningful ways	2.74	Good	2
Performance data including financial performance are always in compliance with legislations, policies, and directives	2.69	Good	3
The annual reports include statements explaining the organization's financial condition and compliance with relevant standards and accounting procedures	2.61	Good	4
Organization's employees are encouraged to report suspected improprieties to management.	2.54	Good	5
Management is receptive to comments by internal and external auditors and other review agencies regarding control deficiencies or suggestions for improvement. Appropriate actions are taken and documented.	2.48	Fair	6
The information system report performance against agreed budgets, desired outcome, prior performance and legislative requirements.	2.43	Fair	7
Employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures.	2.33	Fair	8
<b>Mean Index</b>	2.57	Good	

*Source: Primary Data 2012*

Results in table 5D show that item analysis means indicate that the level of information and communication is good in terms of i) the key employees understand the duties and control responsibilities applicable to their jobs and how those responsibilities contribute to the organization overall objectives (average mean =2.74); ii) the organization has an effective information system in place to capture and process data in meaningful ways (average mean =2.74); iii) performance data including financial performance are always in compliance with legislations, policies, and directives (average mean =2.69); iv) the annual reports include statements explaining the organization's financial condition and compliance with relevant standards and accounting procedures (average mean =2.61); v) organization's employees are encouraged to report suspected improprieties to management (average mean =2.54); whereas the level of information and communication is fair in terms of vi) management is receptive to comments by internal and external auditors and other review agencies regarding control deficiencies or suggestions for improvement. Appropriate actions are taken and documented (average mean =2.48); vii) the information system report performance against agreed budgets, desired outcome, prior performance and legislative requirements (average mean =2.43); viii) employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures (average mean =2.33). On the overall, the findings in table 5D that pertinent information is identified, captured and communicated in a form and timeframe that enables employees to carry out their responsibilities (average mean =2.57).

### **Strengths**

the study shows that this institution is strong in making key employees understand the duties and control responsibilities applicable to their jobs and how those responsibilities contribute to the organization overall objectives, putting in place an effective information system that captures and processes data in meaningful ways, preparing annual reports that explains the organization's financial condition and complying with relevant standards and accounting procedures and encouraging organization's



employees to report suspected improprieties to management. Management identified pertinent information, captured and communicated in a form and timeframe that enables people to carry out their responsibilities.

### Weaknesses

The study shows weakness in encouraging employees generally to do the right thing when faced with pressures to cut corners with regard to policies and procedures, installing information system that report performance against agreed budgets, desired outcome, prior performance and legislative requirements and being receptive to comments made by internal and external auditors in order appropriate actions to be taken and documented. Effective communication did not occur in a broader sense, flowing down, across and up the organization and that is the reason there are weak areas in University of Burao control information and communication.

**Table 5E**  
**The extent of internal control systems in terms of Monitoring and Evaluation in**  
**University of Burao**  
**(n=133)**

Monitoring and Evaluation	mean	Interpre tation	rank
the event of known control breakdowns or deficiencies, controls that should be prevented or detected problems are reassessed and modified as appropriate	2.96	Good	1
management has established performance measures for processes in the organization and receives periodic reports against those measures	2.73	Good	2
the organizations' corporate, operations and fraud control plans and risk assessments are reviewed regularly in response to any major changes affecting the organization	2.70	Good	3
budgets prepared and communicated in sufficient details to provide meaningful information with which to monitor performance	2.65	Good	4
management regularly reviews financial and operational performance with the results discussed with responsible staff.	2.47	Fair	5
the organization reviews the qualifications and independence of personnel evaluating the control systems	2.40	Fair	6
management responses to audit and control review findings fully documented and tracked for adequate follow up.	2.39	Fair	7
internal audit and other control review functions are adequate and independent.	2.32	Fair	8
<b>Mean Index</b>	<b>2.58</b>	Good	
<b>Overall Mean Index</b>	<b>2.54</b>	Good	

Source: Primary Data 2012

Results in table 5E show that item analysis means indicate that the level of monitoring and evaluation is good in terms of i) preventing and reassessing breakdowns and control problems; ii) establishment of performance measures for processes in organization; iii) reviewing and reassessing organizations' corporate, operations and fraud control plans; iv) Budgets are prepared and communicated in sufficient details; v) Management regularly reviews financial and operational performance with the result discussed with responsible staff, whereas the level of monitoring and evaluation is fair in terms of; vi) The organization reviews the qualifications and independence of personnel evaluating the control systems; vii) Management responses to audit and control review findings fully documented and tracked for adequate follow up; viii) Internal audit and other control review functions are adequate and independent. On the overall, the level of accountability was found to be fair (average mean= 2.58). On the overall, the findings in table 5E that management regularly assesses the quality of the system's performance over time through ongoing monitoring activities, separate evaluations or a combination of the two (average mean=2.54).

### **Strengths**

In this study, University of Burao has strengths in establishing performance measures for processes in the organization and receiving periodic reports against those measures, reviewing regularly the organizations' corporate, operations and fraud control plans in response to any major changes affecting the organization and preparing budgets and communicating it in sufficient details to provide meaningful tool with which to monitor performance. UoB Management accomplished a process that assesses the quality of the system's performance over time through ongoing monitoring activities, separate evaluations or a combination of the two.

## **Weaknesses**

Results in the study show that UoB has weaknesses in reviewing regularly financial and operational performance with the result of discussing with responsible employees, reviewing the qualifications and independence of personnel evaluating the control systems, reviewing adequate and independent internal audit and other control functions, responding to audit and fully documenting and tracking control findings for adequate follow up. Management did not fully monitor the scope and frequency of separate evaluations that depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures and internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.

## **Level of Accountability**

The dependent variable in this study was one category namely accountability. It was measured using qualitative questions in the questionnaire and each of the questionnaire item was Likert scaled using four points 1=strongly agree; 2=agree; 3=disagree; 4=strongly disagree. Their responses were analyzed using SPSS's summary statistics showing the means and standard deviations as indicated in table 5 shows data on each.

**Table 6**  
**The level of Accountability in University of Burao**  
**(n=133)**

<b>Accountability</b>	<b>Mean</b>	<b>Interpretation</b>	<b>Rank</b>
Institution operations have been designed to prevent waste of resources utilization, producing output at least costs maintaining acceptable standard.	2.80	Good	1
Institution operation and activities are in compliance with laws, regulations, policies and procedures.	2.75	Good	2
There are measures that have been taken to protect assets of the organization and strengthen accountability of office holders and supporting staff as well.	2.59	Good	3
Accounting and auditing standards and practice are in line with international standards.	2.56	Good	4
Financial and narrative reports produced by the institution are accurate, reliable and complete.	2.51	Good	5
Stakeholders participate in any form in planning, budgeting, implementation, monitoring and other fora (forum) for decision making.	2.49	Fair	6
There are criteria used in the appointment of the members of the board of directors of the organization.	2.44	Fair	7
Levels of improvement in decision making, resource allocation and institution capacity are regularly reviewed by the board of trustees.	2.35	Fair	8
Institution implements practically anti-fraud and financial misconduct policies within the framework of their delegation of authority.	2.30	Fair	9
Transparency in recruitment, training, promotion, management and evaluation of organization performance are followed up by all stakeholders.	2.26	Fair	10
<b>Mean Index</b>	2.51	Good	

Results in table 6 of item analysis showing means indicated that the level of accountability is good in terms of i) operation design (average mean = 2.80), ii) complying rules and regulations (average mean = 2.75); iii) protecting assets (average mean = 2.59); iv) accounting and auditing procedures (average mean = 2.56); whereby the following means indicate fair v) accuracy of financial reports (average mean = 2.51) while vi) stakeholders participation in planning (average mean = 2.49); vii) criteria of selecting governing board members (average mean = 2.44); viii) level of improvement in decision making (average mean = 2.35); xi) implementing anti-fraud and financial misconduct policies (average mean = 2.30); x) transparency in recruitment and performance management (average mean = 2.26). On the overall, the level of accountability was found to be fair (average mean = 2.51).

### **Strengths**

Results in table 6 of item analysis indicate that UoB is strong in designing university operations to prevent waste of resources utilization, taking measures to protect assets of the organization and strengthening accountability of office holders and supporting staff as well, applying accounting and auditing standards and practice that are in line with international standards and producing accurate, reliable and complete financial report.

### **Weaknesses**

Results in table 6 show that UoB is weak in allowing stakeholders to participate in planning, budgeting, implementation, monitoring and other decision making meetings, setting and using criteria in the appointment of the members of the board of trustees of the organization, practically implementing anti-fraud and financial misconduct policies within the framework of their delegation of authority and following up transparency in recruitment, training, promotion, management and evaluation of organization performance by all stakeholders.

### **Relationship between the level of internal control systems and the Level of accountability of University of Burao employees**

The PLCC was used to test a null hypothesis that the level of internal control systems and accountability in University of Burao are not significantly correlated, results of which are indicated in table 6.

**Table 7**  
**Correlation for Scores in Internal control system and Accountability in University of Burao**

(Level of significance 0.05)

<b>Variables Correlated</b>	<b>r-value</b>	<b>Sig.Value</b>	<b>Interpret</b>	<b>Decision Ho</b>
Internal control systems vs Accountability	.435**	.000	Positive and significant	Rejected

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Results in table 7 suggest that the level of internal control systems altogether is significantly correlated with level of accountability in general ( $r = 0.435$ ,  $\text{Sig.} = 0.000$ ). This leads to a conclusion that internal control systems are important for accountability and these results are significant at 0.05 level of significance. Basing on these results, the stated research hypothesis is rejected, the alternative is accepted leading to a conclusion that internal control system and accountability ( $\text{sig.} = 0.000$ ) are significantly correlated at 0.05 level of significance.

### **Regression Analysis for level of Internal Control system and level of Accountability**

Regression analysis helped rank the effect of the five internal control systems on accountability in University of Burao in Burao City, with the view of identifying the most important control components. Table 7 shows results of this test.

**Table 8**  
**Regression Analysis for level of Internal Control system and level of Accountability**  
(Level of significance 0.05)

Variables regressed	Adjusted $r^2$	Beta	F-value	Sig.	Interpret.	Decision on Ho
Internal control systems vs accountability	0.95	-	511.373	0.000	Significant effect	Rejected
Information and communication vs Accountability	0.38	.487	22.377	0.000	Significant effect	Rejected
evaluation vs Accountability	0.35	.468	20.561	0.000	Significant effect	Rejected
Procedure and activities vs Accountability	0.31	.380	15.693	0.000	Significant effect	Rejected

*Source: Primary Data 2012*

The results in table 8 suggest that internal control systems positively and significantly affect accountability in University of Burao ( $F=511.373$ , sig. = 0.000). The results indicate all the five internal control components together contribute over 95% towards variations in accountability in University of Burao (adjusted  $r^2 = 0.95$ ). Results also indicate that procedure and activities component contributes 31% towards variations in accountability, monitoring and evaluation contributes 35% and information and communication contributes over 38%.

Considering coefficient section of table 8, results indicate that while all the five components of internal control systems when taken together significantly affect accountability of University of Burao, not all the five components are individually significant and not all of them contribute the same way. Results indicate that of the five control components only three significantly affect accountability, from there; information and communication most significantly affects accountability (Beta = 0.487); the second most significantly component that affects accountability is evaluation component (Beta = 0.468); and the least component that affects accountability is procedure and activities component (Beta = 0.380).

## **CHAPTER FIVE**

### **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **Summary of Findings**

This study was guided by four objectives: (i) To determine the profile of the respondents as to: gender; age; educational level; position in the organization; number of years of experience (ii) To determine the level of internal control systems in University of Burao as to: control risk assessment; control procedures and activities; control information and communication; control monitoring and evaluation. (iii) To determine the level of accountability in University of Burao (iv) to determine whether there is a significant relationship between internal control systems and accountability in university of Burao.

#### **Profile of Respondents**

The findings revealed that; i) men (66.2%) dominate women (33.8) in UoB employees; ii) majority (55%) of employees in UoB have either a certificate or diploma and over 45% are graduates; iii) majority (33%) of employees in UoB have been working for UoB more than 5 years, 28.6% for 1 – 2 years whereas 25.6% worked for UoB for 3-4 years and 12.80% worked for less than a year; iv) majority (88.7%) of the employees in UoB are below 40 years, 7.5% are aged from 41 to 59 years and only 3.8% are above 60 years old; v) majority (70%) of employees in UoB did not have any management position.

#### **Level of Internal Control Systems**

Results from item analysis show that the level of internal control systems is good in terms of four components among five internal control components. (i) in control environment, the study shows that University of Burao (UoB) administrators established formal policies and ethical issues, policies and procedures are mirrored, authorities and responsibilities are delegated and control conscientious are adopted. On



the other side of the fence, policies and procedures are not reviewed as intended by the governing board, job descriptions are not designed to produce knowledgeable and skilled staff and Policies and procedures are not established in a way they can easily be monitored.

(ii) in risk assessment UoB administrators develops and communicates the organization's vision, mission and objectives, employees are encouraged to do the right things when in pressure, identified risks are analyzed through formal processes to determine the relevance, significance, and the likelihood of the risks. In weak areas of risk assessment component, risk management policies have not been developed in conjunction with the implementation plan, the risks analysis process is clearly understood and risk relevant to the financial and operational performance have not been accepted.

(iii) In procedure and activities, control activities ensure adequate segregation of duties and safeguarding of assets, policies and control activities have been designed and established for each identified risk and UoB administrators put in place appropriate control activities to ensure public funds are safeguarded. In weakness areas, the copies of policy statements and procedure activities have not been provided with staff, the institution doesn't have active professional audit function.

iv) in communication component, the key employees understand the duties and control responsibilities applicable to their jobs, The UoB has an effective information system in place to capture and process data in meaningful ways, performance data including financial performance are in compliance policies, and directives, The annual reports include statements explaining the organization's financial condition and compliance with relevant standards and accounting procedures. In weakness areas, employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures, the information system do not report performance against agreed budgets, desired outcome and management is receptive to comments by internal and external auditors.

v) In evaluation, management established performance measures for processes and receives reports against those measures, UoB administrators have taken measures to protect assets and strengthen accountability of office holders and supporting staff as well and budgets prepared and communicated to provide meaningful tool with which to monitor performance whereas internal audit and other control review functions are not adequate and qualifications and independence of personnel evaluating the control systems are not reviewed and management responses to audit and control review findings are not fully documented and not tracked for adequate follow up.

### **Level of Accountability**

Results in table 6 of item analysis indicate that UoB operations have been designed to prevent waste of resources utilization, operation and activities are in compliance with laws; regulations; policies and procedures, measures have been taken to protect assets of the organization and strengthen accountability of office holders and supporting staff, accounting and auditing standards and practice are in line with international standards and stakeholders participate in planning, budgeting, implementation, monitoring and other decision making processes.

Results in table 6 also show that UoB transparency in recruitment, training, promotion, management and evaluation of organization performance are not followed up by all stakeholders, anti-fraud and financial misconduct policies within the framework of their delegation of authority are not practically implemented and there are no appropriate criteria used in the appointment of the members of the board of directors of the organization and Levels of improvement in decision making, resource allocation and institution capacity are not regularly reviewed by the board of trustee.

### **Relationship between Internal Control Systems and Accountability**

Results from using Pearson's Linear Correlation Coefficient shows that internal control system is significantly correlated to the level of accountability of University of Burao employees ( $r=415$ , sig or  $p=0.000$ ). Basing on these results, the stated research hypothesis is rejected, the alternative is accepted leading to a conclusion that internal control system and accountability where sig. = 0.000; are significantly correlated at 0.05 level of significance.

Regression analysis results showed that internal control systems were collectively significant in explaining variations in accountability of University of Burao employees ( $F=511.373$ , sig. = 0.000) and that internal control systems account for over 95% variations in accountability of University of Burao employees ( $r^2 = 0.95$ ). Results further revealed that all internal control components together significantly affect accountability, the most significant internal control components were monitoring and evaluation (Beta=0.468, sig. = 0.000); information and communication (Beta=0.487, sig. = 0.000) and control procedure and activities (Beta = 0.380, sig. = 0.000).

## **CONCLUSIONS**

In this section, the researcher gives conclusion to the study findings in relation to the study purpose. The study tested the hypothesis and reached that internal control systems have positive and significant relationship with accountability leading to the rejection of null hypothesis and accepting alternative hypothesis. The level of internal control components are positively and significantly correlated with the level of accountability in University of Burao (UoB).

The study validated that accountability involves two parts: a principal (accountee) and agent (accounter). The principal has the right to call upon the agent to give account of his/her actions and the accounter has the duty to act in the accountee's interest and that internal control system is a tool to the principal to reduce the negative effects of information asymmetries and to reward or punish the agent's behavior, (Mulgan, 2000). The management (agent) through their supporting staff in University of Burao is required to report to Board of Trustees (principal) in timely manner.

Many researchers concentrated on internal control system and accountability in manufacturing organizations, state governments, local (municipal) governments, and Non-governmental organizations (NGO). Therefore, this study contributed to fill that gap and concentrated on internal control systems and accountability in higher education filed, University of Burao, in particular.

The researcher found out that without effective internal control systems, management of University of Burao aren't be able to prepare correct and reliable information (e.g. financial or operation reports) and cannot be accountable to the stakeholders such as the Board of Trustees and the government as well.

## **RECOMMENDATIONS**

From the findings reached in this study, the researcher derives the following recommendations. Recommendations are made from the weak points in the findings.

Employee's job description and qualifications should be used as the basis for interviewing and placing staff in particular jobs and at the same time, policies and procedures should be established to ensure that legal requirements are monitored and built into control activities.

The organization risk management policies should be developed in conjunction with the organization implementation plan, the process used to analyze risks in the institution should be clearly understood and included estimating the significance of risks, assessing the likelihood of their occurring and determining steps to mitigate them and risks relevant to the organization financial and operational performance should be accepted because of its cost and other considerations.

Staff should be provided with copies of, or having access to relevant policy statements and procedure manuals, there should be adequate monitoring of organization activities to ensure that control activities are being applied, appropriate action taken on reported exceptions and there should be adequate supervision to monitor control activities are functioning and employees should be given training in maintaining effective internal control systems to carry out their daily work and improve and promote accountability.

Transparency in recruitment, training, promotion, management and evaluation of organization performance should be followed up by stakeholders, anti-fraud and financial misconduct policies within the framework of their delegation of authority should be practically implemented and appropriate criteria should be used in the appointment of the members of the board of directors of the UoB and stakeholders should participate in planning, budgeting, implementation, monitoring and other decision making processes and activities.

### **Suggested Areas for the Further Research**

The field of accountability research in Somaliland is still young and continues to grow. Therefore, more studies are still needed relating to accountability with effective application of internal control systems in higher education institutions, public universities in particular.

Studies relating financial management and good governance would also help in the struggle to explain factors affecting improving and promoting accountability in public universities in Somaliland. Other studies are needed to carry out on the roles of human resource policies and procedures in the promotion of accountability. Studies similar to this one need to be conducted in other emerging and increasing private universities in big cities in Somaliland.

## REFERENCES

- Amin, M. E. (2005). Social Science Research: Concepts, Methodology and Analysis. Kampala: Makerere University.
- Arroyo, D. and K. Sirker. 2005. Stocktaking of Social Accountability Initiatives in the Asia and Pacific Region. Washington DC: WBI Working Paper.
- Banerjee, A.K., (2002): Internal Control: Journal of Management and Training: Vol. April – March 2002.
- Campbell, C. and Rozsnyai, C., 2002, Quality Assurance and the Development of Course Programmes.
- Carmen Malena, Reiner Foster, and Janmejay, Singh (2004): "Social Accountability: An Introduction to the Concept and Emerging Practice" Social Development Paper on Participation and Civic Engagement, Paper No. 76 December 2004.
- Colbert, J. L., and Bowen, P. L. (1996). "A Comparison of Internal Controls: CobiT, SAC, COSO and SAS 55/78." *IS Audit and Control Journal* 4:26-35.
- Committee of Sponsoring Organizations of the Treadway Committee (COSO). (1992). Internal Control— Integrated Framework, Executive Summary at [http:// www.coso.org](http://www.coso.org).
- Comptroller of the Currency Administrator of National bank (2001): Internal Control. Comptroller hand Book.
- David E. Leveille, Visiting Scholar, Center for Studies in Higher Education University of California, Berkeley: Research and Occasional Paper Series: CSHE.8.05.
- Doherty-Delorme, D. and Shaker, E., (2001), Missing Pieces II An Alternative Guide to Canadian Post-Secondary Education. 2000/2001 Provincial Rankings: Where Do the Provinces Stand on Education?

- January, Canadian Centre for Policy Alternatives at <http://www.policyalternatives.ca/publications/pub4.html>. Paper no longer accessible at this address.
- Dragoljub Kavran, (1986), Institute of Internal auditors, *Internal Control Systems in Candidate Countries*, Volume2, SIGMA, OECD, 1986.
- Economic Commission for Africa (ECA), 1998, *Guidelines for Enhancing Public Internal Control systems and Accountability in Africa*, Addis Ababa, Ethiopia.
- Guidelines for Internal Control Standards at (<http://www.intosai.org>).
- <http://www.cqs.co.za/ACL>.
- <http://www.ehow.com/facts>.
- Institute of Internal Auditors Research Foundation. (1994). *Systems Auditability and Control*. Altamonte Springs, FL: Author. (<http://www.theiia.org>).
- Intercultural Development Research Association (IRDA), 2002, IDRA Newsletter, May 2002.
- Lawson, R. (1995): *The Attitude of Accountancy Profession to SMEs*, ICAEW, London.
- Lewis, D.R, Ikeda, T. and Dundar, H., 2001, 'On the use of performance indicators in Japan's higher education reform agenda' *Nagoya Journal of Higher Education* 1 pp.
- Odong Richard, (2005), *A Descriptive Study on the Impact on Internal Control Systems in Accountability in Uganda*, Uganda Management Institute (UMI), Kampala.
- Orelo Jay, (2000), *A Case Study on the Role of Internal Control Systems in The Promotion Accountability – Projects Affiliated to Christian Children's Fund (CFF) Inc., Ethiopia, Adis-Ababa*.



- PriceWaterhouse, (1993) Systems Auditability and Control. Altamonte Springs, FL: Institute of Internal Auditors Research Foundation.
- R. Grant and R. Keohane, "Accountability and Abuses of Power in World Politics, "American Political Science Review, vol. 99, no. 1, 2005, pp. 29{43.
- Robert, W Grambling and Gene, L Dodaro (1997): Standards for Internal Controls in the Federal Government: Internal Control Exposure Draft.
- SAIGA (1999): Advancing Auditing and Accounting – The Southern African Institute of Government Auditors; at (<http://www.saiga.co.za/research/1.htm>).
- Save The Children Norway (2003): The Country Programme Hand Book.
- The KPMG Review, Internal Control: A Practical Guide, Printed by Service Point (UK) Limited, (1999).
- Wojtczak, A., 2002, *Glossary of Medical Education Terms*, <http://www.iime.org/glos>.
- Yin, R. (1994): Case Study Research Design and Methods. London: Sage.



**KAMPALA  
INTERNATIONAL  
UNIVERSITY**

Ggaba Road - Kansanga  
P.O. Box 20000, Kampala, Uganda  
Tel: +256 - 414 - 266813 / +256 - 772 - 322563  
Fax: +256 - 414 - 501 974  
E-mail: admin@kiu.ac.ug  
Website: www.kiu.ac.ug

---

**OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND  
MANAGEMENT SCIENCES  
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)**

Date: 30<sup>th</sup> May, 2012.

**RE: REQUEST SAHAL SALAH ABDULRAHMAN MBA/33699/111/DF  
TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing Masters of Business Administration. (Finance and Accounting).

He is currently conducting a research entitled **"Internal Control Systems and Accountability in University of Burao in Somaliland."**

Your organization has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

Any information shared with him from your organization shall be treated with utmost confidentiality.

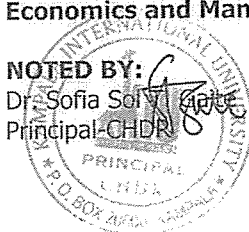
Any assistance rendered to him will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan  
**Head of Department,  
Economics and Management Sciences, (CHDR)**

**NOTED BY:**

Dr. Sofia Sory  
Principal-CHDR





University of Burao

To: Kampala International University  
Kampala, Uganda

Date: 26/07/2012

**RE: Research for Sahal Salah Abdurahman MBA/33699/111/DF**

In reference to your letter dated on 30<sup>th</sup>, May, 2012, we are pleased to accept Sahal Salah Abdurahman to conduct his research under the title "Internal Control System and Accountability in University of Burao."

Any information given by University of Burao to you through this research is highly confidential and should not be missed.

We appreciate your efforts in exploring heights.

Sincerely Yours,

  
Prof. Suleiman Dirir Abd

The Vice Chancellor

Email: [universityburao@hotmail.com](mailto:universityburao@hotmail.com)  
[vicechancellor@buraouniversity.com](mailto:vicechancellor@buraouniversity.com)  
Mobile: +252 2 4253982  
Office +252 2 712642

## APPENDIX 1B

### TRANSMITTAL LETTER FOR THE RESPONDENTS

---

Dear Sir/ Madam,

Greetings!

I am a MBA in Finance and Accounting candidate of Kampala International University. Part of the requirements for the award is a thesis. My study is entitled, **The Internal Control Systems and Accountability in University of Burao (UoB) in Burao city, Somaliland**. Within this context, may I request you to participate in this study by answering the questionnaires. Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

May I retrieve the questionnaire within two weeks (2)?

Thank you very much in advance.

Yours faithfully,

Mr. Sahal Salah Abdulrahman

## APPENDIX II

### CLEARANCE FROM ETHICS COMMITTEE

Date\_\_\_\_\_

#### Candidate's Data

Name\_\_\_\_\_

Reg. # \_\_\_\_\_

Course \_\_\_\_\_

Title of Study \_\_\_\_\_

---

#### Ethical Review Checklist

The study reviewed considered the following:

\_\_\_ Physical Safety of Human Subjects

\_\_\_ Psychological Safety

\_\_\_ Emotional Security

\_\_\_ Privacy

\_\_\_ Written Request for Author of Standardized Instrument

\_\_\_ Coding of Questionnaires/Anonymity/Confidentiality

\_\_\_ Permission to Conduct the Study

\_\_\_ Informed Consent

\_\_\_ Citations/Authors Recognized

**Results of Ethical Review**

- ☐ Approved
- ☐ Conditional (to provide the Ethics Committee with corrections)
- ☐ Disapproved/ Resubmit Proposal

**Ethics Committee (Name and Signature)**

Chairperson \_\_\_\_\_

Members \_\_\_\_\_

### **APPENDIX III**

#### **INFORMED CONSENT**

I am giving my consent to be part of the research study of Mr. Sahal Salah Abdulrahm and that will focus on internal control systems and accountability.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials:\_\_\_\_\_

Date\_\_\_\_\_

## **APPENDIX IVA**

### **FACE SHEET: PROFILE OF THE RESPONDENTS**

**Gender (Please Tick):**   \_\_\_ (1) Male \_\_\_ (2) Female

**Age (Please Specify):**

(1) 20-39 years \_\_\_\_\_

(2) 40-59 years \_\_\_\_\_

(3) 60 and above years \_\_\_\_\_

**Qualifications Under Education Discipline (Please Specify):**

(1) Secondary \_\_\_\_\_

(2) Diploma \_\_\_\_\_

(3) Bachelors \_\_\_\_\_

(4) Masters \_\_\_\_\_

(5) Ph.D. \_\_\_\_\_

**Position in the Organization (Please Specify):**

Top and Middle management \_\_\_\_\_

Supporting Staff \_\_\_\_\_

**Number of Years Working Experience (Please Tick):**

\_\_\_ (1) Less than/Below one year

\_\_\_ (2) 1- 2 yrs

\_\_\_ (3) 3 - 4yrs

\_\_\_ (4) 5 – 6 yrs

\_\_\_ (5) 7 years and above



## APPENDIX IVB

### QUESTIONNAIRE TO DETERMINE THE EXTENT OF INTERNAL CONTROL SYSTEMS

(For Both Administrators and Staff)

Direction: Please respond to each item by using the scoring guide below. Kindly write your best choice in the space before each item. Be honest about your options as there is no right or wrong answers.

Score	Response Mode	Description
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

---

#### Control Environment

- \_\_\_\_\_1. Management demonstrates established formal policies and ethical issues, which are regularly reviewed and updated in your institution.
- \_\_\_\_\_2. These policies and procedures are mirrored in an organization strategic plan, mission statement, operational plan, and operating instructions.
- \_\_\_\_\_3. Management and staff adopted an attitude of control consciousness, which ensures that a positive control environment is maintained.
- \_\_\_\_\_4. Policies and procedures are established to ensure that legal requirements are monitored and built into control activities.
- \_\_\_\_\_5. Knowledge and skills needed to perform particular jobs are critically analyzed and documented in the employee job description and duty statements.
- \_\_\_\_\_6. Employee's job description and duty statement are used as the basis for interviewing and placing staff in particular jobs.

- \_\_\_\_\_7. The Organization structures promote clear line of responsibility and accountability conducive to effective management and control of the organization.
- \_\_\_\_\_8. Delegation assigning authority and responsibility are appropriate and provide for a balance between the need for having the job done and the involvement of senior management approval.
- \_\_\_\_\_9. Human resource policies and procedures relating to recruitment, training, promotion and remuneration is aimed at creating a motivated, informed and dedicated workforce.
- \_\_\_\_\_10. The governing board periodically reviews policies and procedures to ensure that proper risks assessment and control processes have been instituted.

Score	Response Mode	Description
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

---

### **Control Risk Assessment**

- \_\_\_\_\_11. The Organization's vision, mission and objectives, are participatory developed and communicated to all staff and stakeholders.
- \_\_\_\_\_12. Meeting the Organization's objectives is the basis of the corporate plans, budget allocation and adequately communicated to all employees.
- \_\_\_\_\_13. Internal and external risks to the achievement of the Organization goals and objectives have been identified.

- \_\_\_\_\_14. Identified risks are analyzed through formal processes to determine the relevance, significance, and likelihood of the risks occurring and the control activities needed to achieve them.
- \_\_\_\_\_15. The Organization risk management policies have been developed in conjunction with the organization implementation plan.
- \_\_\_\_\_16. The Organization risks assessment system allows the governing board and management to plan for and respond to existing and emerging risks in the organization activities.
- \_\_\_\_\_17. Risks relevant to the organization financial and operational performance have been accepted because of its cost and other considerations.
- \_\_\_\_\_18. Employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures.
- \_\_\_\_\_19. The process used to analyze risks in the organization is clearly understood and includes estimating the significance of risks, assessing the likelihood of their occurring and determining steps to mitigate them.

#### **Control Procedures and Activities**

- \_\_\_\_\_20. Organization policies and control objectives have been designed and control activities established for each identified risks.
- \_\_\_\_\_21. Organization control activities have been appropriately documented in policy manuals, organization chart, and operating instructions.
- \_\_\_\_\_22. The organization management and staff are informed and aware of the importance of complying with control activities.
- \_\_\_\_\_23. Management and staff have been provided with copies of, or having access to relevant policy statements and procedure manuals.
- \_\_\_\_\_24. There are adequate monitoring of organization activities to ensure that control activities are being applied, appropriate action taken on reported exceptions, there is adequate supervision to monitor control activities are functioning.

- \_\_\_\_\_25. The organization control activities ensures adequate segregation of duties, safeguarding of assets
- \_\_\_\_\_26. The organization has an active and professional internal audit function, which is fully supported by management.
- \_\_\_\_\_27. Management meets regularly to evaluate and discuss internal control audit report on systems and operational performance as well as external audit report on financial statement and operations.
- \_\_\_\_\_28. The organization has effective control activities, which has been established to ensure compliance with all applicable laws and regulations.
- \_\_\_\_\_29. There are appropriate control activities in place to ensure that public funds are safeguarded, ethically used, efficiently and effectively and which monitor performance and address any weaknesses.

**Control Information and Communication.**

- \_\_\_\_\_30. The key employees understand the duties and control responsibilities applicable to their jobs and how those responsibilities contribute to the organization overall objectives.
- \_\_\_\_\_31. The organization has an effective information system in place to capture and process data in meaningful ways.
- \_\_\_\_\_32. Performance data including financial performance are always in compliance with legislations, policies, and directives.
- \_\_\_\_\_33. Organization's employees are encouraged to report suspected improprieties to management.
- \_\_\_\_\_34. The information system report performance against agreed budgets, desired outcome, prior performance and legislative requirements.

- \_\_\_\_\_35. The annual reports include statements explaining the organization's financial condition and compliance with relevant standards and accounting procedures.
- \_\_\_\_\_36. Management is receptive to comments by internal and external auditors and other review agencies regarding control deficiencies or suggestions for improvement. Appropriate actions are taken and documented.
- \_\_\_\_\_37. Employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures.

<b>Score</b>	<b>Response Mode</b>	<b>Description</b>
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

---

### **Control Monitoring and Evaluation.**

- \_\_\_\_\_38. The organizations' corporate, operations and fraud control plans and risk assessments are reviewed regularly in response to any major changes affecting the organization.
- \_\_\_\_\_39. Management regularly reviews financial and operational performance with the result discussed with responsible staff.
- \_\_\_\_\_40. Budgets prepared and communicated in sufficient details to provide meaningful tool with which to monitor performance.
- \_\_\_\_\_41. Management responses to audit and control review findings fully documented and tracked for adequate follow up.
- \_\_\_\_\_42. Internal audit and other control review functions are adequate and independent.
- \_\_\_\_\_43. The organization reviews the qualifications and independence of personnel evaluating the control systems

- \_\_\_\_\_44. Management has established performance measures for processes in the organization and receives periodic reports against those measures.
- \_\_\_\_\_45. In the event of known control breakdowns or deficiencies, controls that should have prevented or detected problems are reassessed and modified as appropriate.

### **QUESTIONNAIRE TO DETERMINE LEVEL OF ACCOUNTABILITY**

Direction: Please respond to each item by using the scoring guide below. Kindly write your best choice in the space before each item. Be honest about your options as there is no right or wrong answers.

Score	Response Mode	Description
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

---

- \_\_\_\_\_46. Institution operations have been designed to prevent waste of resources utilization, producing output at least costs maintaining acceptable standard.
- \_\_\_\_\_47. Institution operation and activities are in compliance with laws, regulations, policies and procedures.
- \_\_\_\_\_48. Financial and narrative reports produced by the institution are accurate, reliable and complete.
- \_\_\_\_\_49. Institution implements practically anti-fraud and financial misconduct policies within the framework of their delegation of authority.
- \_\_\_\_\_50. Levels of improvement in decision making, resource allocation and institution capacity are regularly reviewed by the board of trustees.

- \_\_\_\_\_51. Transparency in recruitment, training, promotion, management and evaluation of organization performance are followed up by all stakeholders.
- \_\_\_\_\_52. There are measures that have been taken to protect assets of the organization and strengthen accountability of office holders and supporting staff as well.
- \_\_\_\_\_53. There are criteria used in the appointment of the members of the board of directors of the organization.
- \_\_\_\_\_54. Accounting and auditing standards and practice are in line with international standards.
- \_\_\_\_\_55. Stakeholders participate in any form in planning, budgeting, implementation, monitoring and other fora (forum) for decision making.

## RESEARCHER'S CURRICULUM VITAE

To document the details of the researcher, his competency in writing a research and to recognize his efforts and qualifications, this part of the research report is thus meant.

### Personal Profile

Name: Sahal Salah Abdulrahman  
Gender: Male  
Nationality: Somali

### Educational Background

Bachelor of Business Administration in University of Burao (UOB) (2010)  
Candidate of MBA (Master of Finance and Accounting (K.I.U) (2012)

### Other Education

Education Management Information System and Quality Assurance (18–30 August, 2009)	University of Nairobi
Small Business Training Counseling programme (22 <sup>th</sup> August–8 <sup>th</sup> Sept., 2010)	ILO Hargeisa
Report Writing Skills development (one week)	KIU, Kampala
Research Methodology (2 <sup>nd</sup> -30 <sup>th</sup> July, 2011)	KIU, Kampala
Leadership and Governance Training (1 week)	KIU, Kampala
Statistical Package for Social Science SPSS (1 week)	KIU, Kampala
Computerized Accounting (Tally, QuickBooks)	Makarere University, Kampala

### Work Experiences

1998 –1991	Jubba Sugar Project (machinist)
1993 –1996	Clerk for local business



2000 –2008	Secretary/storekeeper/personnel officer for Telecommunication Company (SOLTELCO)
2009 –2010	Director of Administration and Finance – (UOB)

**Languages**

Somali	(as Mother Tongue)
English	
Arabic	