

INTERNAL CONTROL AND ORGANIZATIONS' PERFORMANCE IN NON-  
GOVERNMENTAL ORGANIZATIONS: A CASE STUDY OF TADAMUN  
SOCIAL SOCIETY (TSS) IN PUNTLAND STATE OF SOMALIA

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in Business Administration ( Finance and Accounting)

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Nov, 2014

### **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"

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Name and Signature of Candidate

11<sup>th</sup> / Nov / 2014

Date

## DECLARATION B

"I confirm that the work in this Thesis was carried out by the Candidate under my supervision"

Dr. S. Kinyata 

Name and signature of supervisor

11 / Nov / 2014

Date

## **DEDICATION**

I dedicate this thesis firstly to Almighty God, my dear mum Khadija Abdullahi, my dear brothers and sisters for moral and financial support they have given me during my studies.

## **ACKNOWLEDGMENT**

My sincere gratitude is accorded to the Almighty Allah for the gift of life that he gave me throughout my studies.

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## **ABSTRACT**

The study sought to establish a relationship between internal controls and organization's performance in non-governmental organization a case study of Tadamun Social Society (TSS) Organization in Puntland state of Somalia. The study objectives were; to examine the effectiveness of internal controls used in Tadamun Social Society (TSS), to establish the level of performance in Tadamun Social Society(TSS) and to establish a relationship between internal control and organization's performance in Tadamun Social Society (TSS) Organization. A cross sectional survey was used in the course of the study. Both qualitative and quantitative data was gathered in order to establish the relationship between the independent and dependent variables, so as to examine how internal controls are used in Tadamun (TSS) and therefore account for the performance levels. The study comprised of 250 as a target population where by 154 respondents were sampled and these were; 18 accounting and finance officials, 25 internal auditors, 37 human resource officers, 19 field officers, 30 procurement officers and 25 directors of (TSS) Organization. Simple random sampling approach was used during the study. Purposive sampling was also used to select respondents for interviews in order to attain the purpose of the study. Data was collected from primary and secondary sources using questionnaires and interviews. The researcher used Statistical Package for Social Sciences (SPSS) to analyze data. It was found out that the level of effectiveness of internal controls used in Tadamun Social Society (TSS) had an average mean of 2.49 which was equivalent to low and the level of performance in Tadamun Social Society (TSS) is poor an average mean of 2.50 equivalent to agree on the Likert Scale. The study concludes that internal controls used in Tadamun Social Society (TSS) were ineffective and unsatisfactory, the level of organizational performance was found to be inadequate and a significant positive relationship between internal controls and organizational performance was established to exist. It also recommends that there is also need for the management has put in place as guidelines to control information and transaction procedure so as to achieve the organization's objectives. This can be through employing effective internal control tools thus organizational performance.

## **CHAPTER ONE**

### **GENERAL INTRODUCTION**

#### **1.0. Introduction**

This chapter presents the background to the study, statement of the problem, the purpose, objectives, research questions, scope, significance of the study, and the operational definitions of terms.

#### **1.1 Background of the study**

##### **1.1.1 Historical perspective**

Globally, during the early parts of the 19<sup>th</sup> century, internal controls were typically put in place to keep organizations on course towards profitability goals and achievement of their mission and to minimize surprises along the way (Hodder 2008). They enabled management to deal with rapidly changing economic and competitive environment, shifting customer demands and priorities and restructuring for future growth. Internal controls also promoted efficiency, reduced risks of asset loss and helped to ensure the reliability of financial statements and compliance with laws and regulations (Billings and Hodder 2008).

An overview of the process of internal controls in Africa, Brown (1996) notes that internal controls are a set of instructions, guidelines and procedures that an organization's senior leadership establishes to prevent operating losses resulting from theft, error, technological malfunction and employee neglect or carelessness. An internal control also helps an organization/company prevent adverse regulatory initiatives, such as fines or litigation. Accounting principles and internal audit rules require that organizations or companies establish adequate and functional internal controls to improve corporate governance processes (Brown 1996). These principles include generally accepted accounting principles and the Institute of Internal Auditors standards.

In the early 1960s in Africa, the focus of internal controls in corporate governance systems played an important role in improving on organizational performance. Governance tools included human resources policies and guidelines, as well as

departmental work specifications. These tools also included external elements, such as laws and regulations (Buckhoff2002). The controls helped organizations prepare accurate and complete financial statements at the end of each month and quarter(Buckhoff2002).

According to Tadamun Internal Control Manual (2007) in Somalia, the following control measures and guidelines are highlighted: Financial responsibilities and authority are defined in employee job descriptions; Written procedures are maintained regarding financial and accounting practices, account coding and activity coding schemes. This includes written policies on travel, personnel and procurement practices; Safeguards and policies are in place to guard against conflict of interest; cash and expenses are segregated by donor fund or contract, if applicable financial records are subject to internal or external audit routinely, at least once per year.

In the early 19<sup>th</sup> century, successful organizations ensured that they attained and consolidated continued survival in a competitive environment (Drucker 1999). Thus successful organizations set performance measures that focused attention that identified and communicated the success, supported organization learning and provided a basis for assessment and reward (Butici 1994). Organizational performance was measured in terms of customer satisfaction, through reduced customer complaints (Brown1996).In order to be able to perform, organizations critically looked at customers and all stakeholders in business and know how best they were satisfying their needs. Kloot (2000) adds that organizations continuously improved their services through assets accumulation; create value, improved quality services.

In recent past in Africa, it has been noted that performance measures in organizations focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward. COSO (2004), adds that appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. This is because according to him a firm's performance is central to the future well being and prosperity of any enterprise.

Today, the general concern over the seemingly performance can be measured at both organizational and individual levels. This measurement is sometimes referred to as performance appraisal. Butici (1994) argues that organizations have desired potentials in terms of capacity, attraction, manual share and financial strength and performance is the difference between those potentials and those that have been achieved. Brown (1996) argues that human capital asset accumulation has significant impact on the organization's ability to introduce new products, compete within markets thus influencing the level of performance. It increases knowledge base within the organization's success and performance.

### **1.1.2 Theoretical perspective**

The theory used by the researcher was organizational theory. The origin of the theory was the idealized organizational structure research of German sociologist and engineer, Max Weber (1864-1920), who theorized that work should be guided by rules, policies, and procedures (Robins S.P 1998). Weber based his model theory on legal and absolute authority, logic, and order. Among other important contributors to organization theory was Henri Fayol (1845-1925), who identified strategic planning and employee guidance through policies and procedures as key functions of management in creating and nourishing a successful organization (Dixon 1990).

According to Ducker (1990), organization theory provides an interdisciplinary focus on such issues as performance, success, and survival of business organizations, among others, noting that the ultimate goal of the theory is to maximize the achievement of corporate objectives through the active involvement of all levels of the organization. Therefore, research in this area mainly examines internal control in the context of organizational effectiveness and performance.

Within the ambit of organization theory, internal controls, which traditionally had been a mechanism for checking instances of fraud, misappropriation, and errors (Drucker 1990), has become more extensive, addressing all the various risks faced by organizations (Farrugia2002). As a result, a sound internal control process has come to be widely recognized to be critical to the ability of a firm to meet its established goals and to maintain its financial viability (McVay2007). Based on the

above evidence, the relationship between internal control and organizations performance in the non-governmental organizations in Somalia was assessed.

### **1.1.3 Conceptual Perspective**

The concept of internal control is referred to as a process effected by an entity's board of directors, management and other persons designed to provide reasonable assurance regarding the achievements of objectives in the following categories; efficiency and effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations (Gaskill2000). The first category addresses an entity's basic objectives, including performance and progressing goals and safeguarding of resources. The second category relates to preparations of reliable published financial statements. The third deals with complying with the laws and regulations to which the entity is subject to.

Conceptually, internal controls (IC) are an integral part of any organization's financial and business policies and procedures. They are adopted by management to ensure that the organization conducts business in an orderly and efficient manner (Dixon1990). Consequently Henle(2005) argues that they provide the framework through which management uses the resources at its disposal to achieve the organization's goals. According to Tadamun Social Society literature, internal controls consist of a couple of measures at management's disposal intended to ensure the organizations proper functioning, correct management of its assets and liabilities and true recording in accounting evidences.

Drucker (1990) emphasizes that performance as a concept in organizations is looked at in terms of economy, efficiency and effectiveness. Economy and efficiency are usually measured in financial terms and data such as costs, volume of sales and productivity are used. Economy is defined as acquiring resources in appropriate quantities and at the least cost.

Knechel Naiker and Pacheco (2007),are also in agreement with Drucker's (1999), contention that performance should be measured in terms of customer satisfaction. Morton argues that in order to be able to perform, organizations should critically look at their customers and know how best they are satisfying their needs. He adds that

organizations should continuously improve on their services through innovations and great value. Wernefelt (2011) adds that in order to assess performance, organizations should be examined in terms of quality of services, flexibility, utilization and innovations.

#### **1.1.4 Contextual Perspective**

Farrugia (2002) stresses that due to poor performance of most organizations in Puntland, they have yielded poor results. He further notes that because of most financial statements users, regulators, directors and managers in organizations have failed to view internal control function as a key component of an organization's corporate governance.

According to the Tadamun Strategic Plan (2005), overriding mission is to save lives and improve the health of the world's poorest and most vulnerable people by closing the gap between knowledge and action in public health. However this has not been the case since the managers in TSS have consistently failed to recognize the importance of internal controls in regard to organizational performance.

One of the objectives to achieve the above mission is through establishment of sound financial management systems for accountability however little has been done towards this thus there has been lack of effective measurement of the financial performance and provision of timely information hence leading to poor governance and oversight of the NGO's activities.

TSS managers have gradually failed to recognize the need to set up proper books of account and financial management and measurement systems including the setting up of an internal control system to ensure proper financial performance.

The organizational performance in most organizations including TSS has failed to focus on improving on service delivery, transparency, compliance with rules and regulations and financial reporting and hence poor results have yielded.

Gaskill (2000) argues that although internal controls are viewed as the plan of organization and the coordinated procedures used within an entity to; safeguard its assets from loss by fraud or errors, check the accuracy and reliability of accounting

data which management uses in decision making, little efforts have put in place to ensure these intended functions.

## **1.2 Problem Statement**

The TSS has not been performing well as it was expected. For example, despite receiving the necessary support from USAID, Tadamun organization has not met its major obligation of saving people's lives and improving on health of the world's poorest and most vulnerable people. Most of the donated funds lack proper accountability, miss management and inadequate record keeping. According to puntland government report (2012), it is revealed that about \$17,786 of donor funds given to the TSS has not been of benefit to vulnerable people of Somalia. The report also indicates that staffs have not been effective. The Tadamun workshop report 2011-2013, indicated that, there was credible evidence of fraud detected at Tadamun in form of inflated workshop expenses which in multiple cases were supported by forged receipts; these inflated expenses were submitted by several Tadamun staff members. Credible evidence was also brought out which highlighted inflated workshop expenses, especially on accommodation of participants and hiring of venue. It is also pointed out that a Tadamun project director has not carried out effective management oversight which is expected to be one of the control measures. Therefore, it is upon this that the researcher wanted to find out why Tadamun continues facing such problems despite putting in place a number of policies and internal controls.

## **1.3 Objectives of the study**

### **1.3.1 General Objective**

The general objective of the study was to examine why Tadamun Social Society's operations in Puntland state of Somalia have not yielded tangible results and help to improve the internal control and organizations performance.

### **1.3.2 Specific objectives**

The study was guided by the following specific objectives:

- i) To examine the effectiveness of internal controls used in Tadamun Social Society (TSS).
- ii) To establish the level of performance in Tadamun Social Society (TSS).
- iii) To establish a relationship between internal controls and organizational performance of Tadamun Social Society (TSS)

### **1.4 Research Questions**

The study was guided by the following research questions:

- i) How effective are internal controls in Tadamun Social Society (TSS)?
- ii) What is the level of performance in Tadamun Social Society (TSS)?
- iii) What is the relationship between internal control and organizational performance of Tadamun Social Society (TSS)?

### **1.5 Research Hypothesis**

- i) There is no significant relationship between internal control and organizational performance of Tadamun Social Society (TSS)

### **1.6 Scope of the Study**

#### **1.6.1 Geographical scope**

The study focused on Tadamun headquarters in Puntland state of Somalia. Tadamun is located at Ministerial Complex 100 meters away from Ministry of Health.

Staff in different departments was approached to give information about the subject matter, coordinators and staff of the same program in other states was approached to give a response as well. Other partners in Bosaso dealing with Tadamun were also approached to give information about internal control.



### **1.6.2 Theoretical scope**

The researcher used the organizational theory in the study. Organization theory explains the dynamics of business organizations, including the ways they exercise control for the attainment of set objectives. Modern organization theory, which has its roots in sociology, is grounded on concepts that were developed during the Industrial Revolution in the late 1800s and early 1900s.

The origin of the theory was the idealized organizational structure research of German sociologist and engineer, Max Weber (1864-1920), who theorized that work should be guided by rules, policies, and procedures (Gaskill 2000). Weber based his model theory on legal and absolute authority, logic, and order. Among other important contributors to organization theory was Henri Fayol (1845-1925), who identified strategic planning and employee guidance through policies and procedures as key functions of management in creating and nourishing a successful organization (Nicolaisen (2004).

According to Robins (1998), organization theory provides an interdisciplinary focus on such issues as performance, success, and survival of business organizations, among others, noting that the ultimate goal of the theory is to maximize the achievement of corporate objectives through the active involvement of all levels of the organization. Therefore, research in this area mainly examines internal control in the context of organizational effectiveness and performance.

The researcher used organizational theory because the theory focuses on the decisions, organizational culture and structure of the organization in relation to its performance.

### **1.6.3Content scope**

The study was about internal controls and the performance of Non-governmental organizations a case study of Tadamun Social Society (TSS) Organization in Somalia. The study specifically focused on: the effectiveness of internal controls used in Tadamun Social Society (TSS), the level of performance in Tadamun Social Society

(TSS) and the relationship between internal control and organizational performance of Tadamun Social Society (TSS)

#### **1.6.4 Time Scope**

The study focused on TSS internal controls in regard to its organizational performance since 2001 up to 2011. The study also took a period of eight months and took place from January 2014 to august 2014 because of the nature of exercise that was undertaken in gathering, editing and processing data.

#### **1.7 Significance of the Study**

This study will be of great importance to the following groups of people:

The findings and recommendations of the study will help the management of Tadamun Social Society (TSS) to understand the anomalies in their operations.

The finding will help the researcher understand why organizations perform the way they do, despite internal controls put in place and also to get the master's degree.

The findings will help the policy maker in decision making and enable them put in place policies guiding running of NGO's in the country

The findings will help the government and Ministry of Health in particular to learn a lot about accountability, efficiency and effectiveness of service delivery.

The study will help the Ngo forum and it members to learn about the challenges that are experienced in running NGO's in the new country.

The study will help Private organizations/ institutions to know how to be accountable and manage resources more carefully.

#### **1.8 Definition of Key terms**

**Internal control** is a process affected by an entity's board of directors management and other persons designed to provide reasonable assurance regarding the achievements of objectives.

**Control environment** is the foundational context within which the other aspects of internal control operate

**Control activities** are the policies and procedures implemented by an organization to ensure that management's directives are carried out (Posthuma2003).

**Risk assessment** is the process used by an organization (management) to decide how it will deal with the risks that pose a threat to achieving its objectives(Robins 1998).

**Organizational performance** refers to measures that focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provides a basis for assessment and reward.

**Indicators of organizational performance** Remelt content that resources which may include assets finances, employee skills and organizational process are key indicators of the organizations performance one time.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter focuses on theoretical review, conceptual framework and related studies where by literature is organized objective by objective.

#### **2.1 Theoretical review**

The researcher further used the organizational theory in the study. Organization theory explains the dynamics of business organizations, including the ways they exercise control for the attainment of set objectives. Modern organization theory, which has its roots in sociology, is grounded on concepts that were developed during the Industrial Revolution in the late 1800s and early 1900s.

The origin of the theory was the idealized organizational structure research of German sociologist and engineer, Max Weber (1864-1920), who theorized that work should be guided by rules, policies, and procedures (Dixion 1990). Weber based his model theory on legal and absolute authority, logic, and order. Among other important contributors to organization theory was Henri Fayol (1845-1925), who identified strategic planning and employee guidance through policies and procedures as key functions of management in creating and nourishing a successful organization (Drucker1990).

According to Drucker (1990) organization theory provides an interdisciplinary focus on such issues as performance, success, and survival of business organizations, among others, noting that the ultimate goal of the theory is to maximize the achievement of corporate objectives through the active involvement of all levels of the organization. Therefore, research in this area mainly examines internal control in the context of organizational effectiveness and performance.

Organization theory has been used in some past research studies relating to internal control. In their study involving senior executives at 50 companies in the United States (Doyleand McVay2007),used this perspective and found that internal control

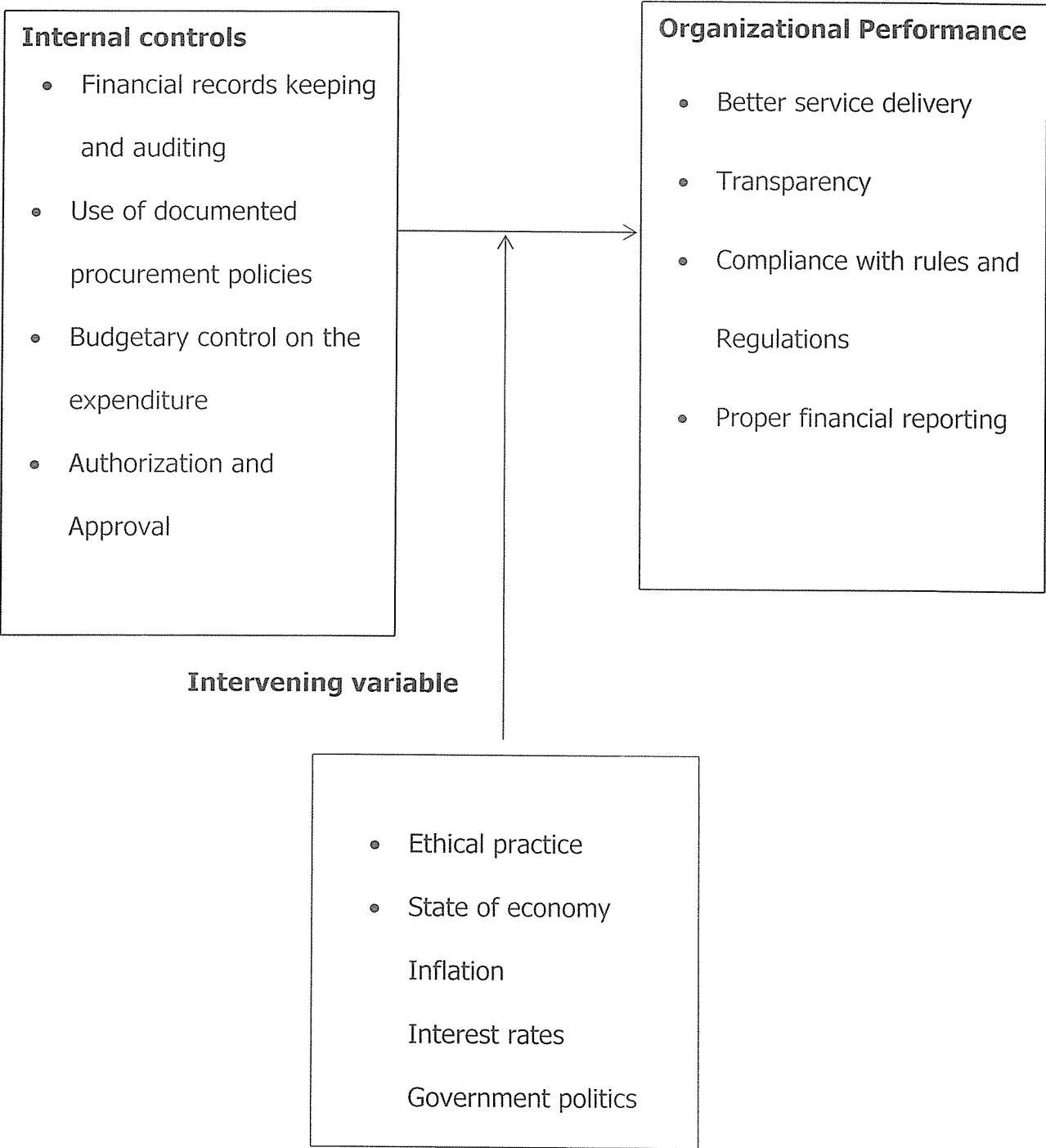
was seen as an important responsibility of management. Similarly, Feng, Li, and McVay (2009) examined the relationship between internal control quality and the accuracy of management guidance, and found that internal control quality has an economically significant effect on internal management reports and decisions. Daft, Murphy and Willmott (2011) stated that organization theory provided a mechanism by which resources are directed, monitored, and measured. Well managed, organization theory can leverage maximum productivity and revenue from the different capacities within the organization. Poorly managed, however, organization theory can result in the loss of proper systems of internal control.

Within the ambit of organization theory, internal control, which traditionally had been a mechanism for checking instances of fraud, misappropriation, and errors (Morehead 2007), has become more extensive, addressing all the various risks faced by organizations (Drucker1990).As a result, a sound internal control process has come to be widely recognized to be critical to the ability of a firm to meet its established goals and to maintain its financial viability (Farrugia2002). Based on the above evidence, the relationship between internal control and organizations performance in the non-governmental organizations in Somalia was assessed.

2.2 Conceptual Frame Work between internal controls and organizational performance

Independent Variable

Dependent Variable



Source: Gaskill, M. (2000)

The conceptual framework is adopted from Gaskill (2000), it describes a relationship between the two variables the independent in this case internal controls and the dependent that is organizational performance. The independent variable comprises of the objectives of internal controls such as Financial records keeping and auditing, authorization and approval, use of effective procurement policies and budgetary control on the expenditures which when well-done can lead to better performance measures which include better services, transparency, compliance with rules and regulations and proper financial reporting, never the less moderate factor such as ethical practice, state of economy, inflation, interest rates and government politics may affect, implementation of internal controls. This may also affect performance of the organization thus play an important role in the successful implementation internal controls and performance of organizations.

## **2.3 Related studies**

### **Transparency**

Transparency is about information. It is about the ability of the receiver to have full access to the information he wants, not just the information the sender is willing to provide, James Lloyd Bierstaker,( 2003). Transparency embodies honesty and open communication because to be transparent someone must be willing to share information when it is uncomfortable to do so. Transparency is also the organization being upfront and visible about the actions it takes, and whether those actions are consistent with its values (Brown 1996).

In an organization where there is alignment between their Standards and their Values, there is no fear in raising or disclosing difficult issues. A value of honesty is consistent with the ability to act on one's concerns, or ask questions. Employees and managers can safely admit mistakes and can openly deal with problems and challenges. There is true open communication. If an engineer raises a concern about product quality, for example, that person is given a chance to be heard and have the issue either resolved. The engineer may not be correct, but there is enough respect that if he or she is wrong, they are given an opportunity to learn why, and the encounter has a positive outcome (Butici 1994).

## **Compliance**

Is a comprehensive program that helps institutions and their employees conduct operations and activities ethically; with the highest level of integrity, and in compliance with legal and regulatory requirements. The term compliance describes the ability to act according to an order, set of rules or request (Henle, 2005).

Compliance is to protect organizations from potential situations of waste, fraud, and abuse, either intentional or unintentional, especially if it involves a federal audit or investigation. A well-defined corporate compliance program will assist an organization and its employees to deter and detect illegal or unethical activity (Dixon, 1990).

## **Internal Control Systems**

The traditional accounting professional definition of internal control hinged on financial reporting and compliance aspect of control, however COSO, (1994) describes internal control system as a process involving board of directors, management, and other personnel created as a means of ensuring that the organization's objectives can be achieved. The objectives are categorized as; effectiveness and efficiency of operations, reliability of financial reporting, compliance with the relevant laws and regulations. According to Butici (1994) control environment is distinguished from control procedure in that the former represents the general management attitude, awareness and actions as far as it concerns internal control whereas the later refers to what management has put in place as guidelines to control information and transaction procedure so as to achieve the organization's objectives.

Since organizations differ in management philosophy, structure and size the wider outlook of control elements will always reflect the above differences, (COSO, 1994). Organizational culture determines control through self-discipline and internal monitoring (Henle, 2005). According to COCO (1995), 'top down, command and controlled' organizations emphasize formal controls while those that are down sized and empowered will adopt informal controls.



According to Nicolaisen (2004) an internal control system is an organization's confidence in its ability to perform or undertake a particular behavior. He further asserts that a system of internal controls potentially prevents errors and fraud through monitoring and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations. The Basel Committee on Banking Supervision, as well as by the National Bank of Romania (Regulation no. 17/2003) claim that internal controls represent a continuous process which takes part of the board of directors, senior management and all levels of personnel, and whose aim is to ensure that all the established goals will be achieved.

### **Determinants of internal control strength**

While Brown (1996) emphasizes that internal control procedural quality depends upon the control strength on cash management, physical assets, purchasing and accounts payable, sales, payroll, bank account management and employee recruitment, Posthuma (2003), suggests that effectiveness of internal control system will be judged from the reliability of financial reports, efforts to comply with applicable laws and regulations, unflinching management reporting, protection of assets, guarding against fraud and errors and encouraging efficiency and effectiveness of operations.

### **Common weaknesses of internal control systems**

Wernefelt (2011) outlines twelve most common internal control weaknesses, in order of frequency as; Too much trust in employees, lack of proper procedure for authorization, lack of personal financial information disclosure (for bank frauds), lack of separation of transaction authority from custodian of assets, absence of independent checks on performance, lack of adequate attention to detail, failure to separate asset custody from accounting for assets, failure to separate accounting duties, absence of clear lines of authority, relaxed or absence of audit activities or reviews, no conflict of interest statement required and lack of adequate documents and records.

A view held by Posthuma (2003), and supported by literature by Mac Arthur, Waldrup and Fane (2004) is that lack of segregation of duties, lack of independent

reconciliation on cash received and deposited and performing incompatible roles greatly facilitates internal fraud. The conditions for fraud to occur include an incentive to commit fraud (pressure), good reason for justifying fraudulent behavior (attitude) and an opportunity to commit fraud Nicolaisen (2004), it is pointed out that opportunity is easy to control by establishing strong internal system unlike pressure and attitude which are human factors that are usually beyond direct influence of management.

### **Elements of internal controls**

Internal control is a multifaceted concept and has been defined in various ways in management control literature. Brown (1996) provides one of the narrower definitions of IC and is viewed as a part of the overall management control system comprising of the measures taken by an organization to avoid errors and irregularities while operations are in progress.

Buckhoff (2002), suggests that it is not solely a procedure or policy that is performed at certain Point in time but rather a continually operating and integrated system at all levels within an organization which consists of three interrelated components i.e., Control environments, risk assessment, control activities. Doyle et al (2007) concurs that it is generally felt that all the following three components must be present for an internal control system to be considered as effective.

### **Control environment**

The control environment is the foundational context within which the other aspects of internal control operate (Brown 1996). The philosophy and management style, organizational structure, methods of imposing control, assignment of authority and responsibility are all key aspects of the control environment (Butici 1994).

Drucker (1990) defines the control environment as the tone of an organization and the way it operates. Researcher further says that it concerns the establishment of an atmosphere in which people can conduct their activities and carry out their control responsibilities effectively. Likewise, COSO (2004) looks at the ethical environment of an organization to encompass aspects of upper management's tone in achieving

organizational objectives, their value judgments and management styles. The control environment represents the control atmosphere for the entity and is the foundation for the other components (Doyle and McVay, 2007), considers the factors relating to the control environment to include the integrity, ethical values, and competence of employees and management, management's philosophy and operating style, the manner in which authority and responsibility are assigned, the organization and development of employees, and the attention and direction of the board of directors towards organizational success.

### **Risk assessment**

Risk assessment is the process used by an organization (management) to decide how it will deal with the risks that pose a threat to achieving its objectives (Farrugia 2002). It entails the identification and prioritization of objectives, the identification of risks and assessment of their likelihood and impact. Consequently Brown (1996) looks at risk assessment as the identification, evaluation and management of risks. Researcher further notes that risks can relate, to financial statement fraud or to the misappropriation of assets.

### **Control activities**

Control activities are the policies and procedures implemented by an organization to ensure that management's directives are carried out. These activities are often grouped into the three categories of objectives to which they relate, namely, operations, financial reporting, and compliance (Shelton & Whittington, 2008). He further argues that these control activities include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties, segregation of duties and authority.

### **Organizational Performance**

Gaskill (2000) suggests that organizational performance is defined as an analysis of an organization's performance as compared to goals and objectives. Dixon (1990)

argues that organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

According to Doyle and McVay (2007), organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.).

## **Key indicators of organizational performance**

### **The Balanced Scorecard**

Henle (2005) stresses that the balanced scorecard is a popular method for measuring an organizational performance. The idea of the balance scorecard is that a firm should not be evaluated on the basis of one single measure. Instead, it is most effective if to measure a organizational performance according to four distinct perspectives. These perspectives are: the financial perspective (a measure of organization earnings); the customer perspective (a measure of performance related to clients); the internal process perspective (a measure of how effectively the organization functions); and the growth perspective (a measure of how well the organization is able to learn and develop). These four perspectives measure an organizational performance in a holistic way so that the overall health of an organization can be gauged.(IFAC2002)

### **Gap Analysis**

Nicolaisen (2004) cites that a gap analysis is a useful method of measuring performance when there are already fixed performance standards. For example, there might be a goal of producing a certain number of units per month. This could be a performance standard. Researcher further states that a gap analysis starts with the established performance measure. After looking at the established performance measure, a manager assesses the current performance level. Finally, the manager will calculate the difference between the performance standard and the actual standard. This provides the gap, which is an indication of how close a organization

has come to its performance standards. The smaller the gap, the better the organizational performance. An advantage of this performance measure is that it provides an indication of what needs to be overcome in order to achieve the desired level of performance(O'mara1995).

## **Financial Assessment**

Robins (1998) mentions that a financial assessment is the simplest way to analyze the performance of a firm. This tells everything about the organizational processes, but it tells a lot about an organizational end results. A financial assessment simply looks at the financial records of a firm to determine if it is performing well. Specific measures may vary, but will usually include gross profits, return on investment, and total shareholder value. In assessing the financial performance of a firm, one wants to see continued growth without a leveling off or decline in profits (Whyte2008).

Drucker(1990) goes ahead to state that performance comprises of the actual output or results of an organization as measured against its intended outputs or objectives.

Brown (1996) argues that performance measures in organizations must focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward. Dixon (1990) adds that appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. This is because according to him a firm's performance is central to the future well being and prosperity of any enterprise.

Study by Farrugia (2002) shows that performance can be measured at both organizational and individual levels. This measurement is sometimes referred to as performance appraisal. Whyte argues that organizations have desired potentials in terms of capacity, attraction, manual share and financial strength and performance is the difference between those potentials and those that have been achieved. Whyte argues that human capital asset accumulation has significant impact on the organizations ability to introduce new products, compete within markets thus influencing the level of performance. It increases knowledge base within the organization's success and performance.

Henle (2005) asserts that availability and level of resources can also be used to analyze the performance of an organization. He further contents those resources which may include assets finances, employee skills and organizational process are key indicators of the organizations performance one time. In agreement with this, Nicolaisen (2004) suggested that resources could be grouped into physical, human and capital resources and that a firm can increase its performance only when the firms are unable to imitate its resources. Ryne (1994) argues that although a strong financial performance indicates a strong institution, qualitative indicators like the nature of management and education level of labour force must supplement the quantitative indicators in order to enable the enterprise ability to meet its focus and objectives.

Palmer (1993) emphasizes that performance in organizations is looked at in terms of economy, efficiency and effectiveness. Economy and efficiency are usually measured in financial terms and data such as costs, volume of sales and productivity are used. Economy is defined as acquiring resources in appropriate quantities and at the least cost.

Druker (1999) defines efficiency as maximizing inputs for a required output. On the other hand he further defines effectiveness as the extent to which the defined task has been accomplished and is consistent with notions of non-financial accountability. Effectiveness may partly be measured in terms of quality service, customer satisfaction and achievement of goals.

Nicolaisen (2004) is also in agreement with Drucker's (1999) contention that performance should be measured in terms of customer satisfaction. Morton argues that in order to be able to perform, organizations should critically look at their customers and know how best they are satisfying their needs. According to him adds that organizations should continuously improve on their services through innovations and great value. Nicolaisen (2004), adds that in order to assess performance, organizations should be examined in terms of quality of services, flexibility, utilization and innovations.

## **Relationship between internal control and organizational performance**

Robins (1998) provided criteria against which effectiveness of internal controls can be assessed. Internal control can be judged effective if the entity's operations objectives are being achieved; published financial statements are being prepared, reliable and applicable laws and regulations are being complied with. While internal control is a process, its effectiveness is a state or condition of the process at a point in time. Accordingly, the effective functioning of components of internal control provides a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of organizational performance thus the organization's criteria for effective internal control and success of the entire organization.

Efficiency and effectiveness of operations have been taken to mean efficiencies and effective use of its resources including personnel, accurate information for decision making and safeguarding of assets and records (Nicolaisen2004).

One of the three interrelated components of an internal control system is a control environment factor. It refers to the integrity, ethical values and competence of the entity's people (COSO, 1994). Internal control should be viewed in a broader context for example it should as well be reorganized as a function of people's ethical values as it is of standards and compliancy mechanisms. Posthuma (2003) illustrates practical fraud occurrences discovered by competent accountants within organizations and what the accountants say about how they detect fraudulent transactions. Internal control system helps an organization to achieve its objectives such as its efficiency and effectiveness, reliable financial reporting and compliance with regulations COSO (1994). Controls serve the systems goals, they interact with the system and its environment thus directing the energy of the system toward fulfillment, in the same way changes in the environment are easily noticed and adapted to (Nicolaisen2004). Wernefelt (2011) recognizes that internal controls can enhance the productivity and competitiveness of organizations.

The study by COSO (2004), traced the origin of the idea of internal control system from the fact that, the size of an entity, the diversity of its operations and the

geographic dispersion of its activities often prohibit the Board of Directors and senior management from supervising operations firsthand. So they can not personally observe, manage and supervise all activities of their entities instead they attempt to achieve their specific objectives through internal control activities which permeate the entity's operations.

Accordingly, the research findings of Kiger (1997) came up with an observation that, in an effort to stop payment of bribes, U.S congress passed the foreign corrupt practice Act of 1977(FCPA), amending the SEC Act of 1934 requiring companies registered with SEC to device and maintain satisfactory internal controls.

In the same way, Posthuma (2003)in their edition also agreed with (Gaskill2000) that the importance of internal controls in anorganizations regard to cash management has been recognized by the congress of United States that, the congress passed the Foreign Corrupt Practice Act of 1977. The requirement of the FCPA states that all major U.S corporations are required to maintain an adequate system of internal controls and this was intended to reduce fraud and provides safety for the organization's cash.

From this same data source it was observed that in 1987, the national commission on Fraudulent Financial Reporting concluded that all Companies whose stock are publicly traded should maintain internal controls that can provide reasonable assurance that Fraudulent Financial reporting was prevented and thus promoted accurate cash records.

### **Summary of gaps identified in the literature review**

According to Henle (2005), organization theory provides an interdisciplinary focus on such issues as performance, success, and survival of business organizations; among others however it does not show the ways to achieve these objectives in relation to organizational performance.

Nicolaisen (2004),stated that organization theory provided a mechanism by which resources are directed, monitored, and measured however the theory does not cover



for poor management that can result in the loss of proper systems of internal control.

The problem of organizational theory is the separation of ownership and management. However, there is a new problem when separating ownership and management in regard to organizational theory. First of all, the shareholders intend to do is to maximum their own wealth, and gain the best return of the investment. However, the management of a firm prefers to consider its own benefits, such as the bonus, reputation, working environment, holidays and so on. Thus, it is not possible to eliminate the organizational theory totally.

Through the brief summary of organizational theory, a result is that it is necessary for a firm to establish a sound internal control system, to coordinate the conflict of wealth between the ownership and management. Although an internal control may increase the cost of operating, an organization still needs it to prevent fund frauds and lower financial risks. In addition, through long-time internal control activities companies would find equilibrium between organizational cost and value maximum.

The study on internal control and organizational in Somalia; the location of the study was quite different and the organizational performance might be different to the one in Bosaso due to different organizational behavior and the researcher was the first person who carried out this topic in TSS organization in puntland Somalia.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was used to conduct this research. It presents the research design, the study population, sample size, data sources, data collection methods, research procedure, validity and reliability of instruments, data analysis, ethical considerations and limitation.

#### **3.2 Research design**

A cross sectional survey was used in the course of the study. The study followed a descriptive research design. The qualitative and quantitative approaches were employed based on the Tadamun Social Society (TSS) organization and staffs were drawn from different departments in Bosaso, Somalia. The quantitative technique was used to collect and analyze data on the role of internal controls on the performance of TSS. The qualitative approach was used to examine the role played by internal control in nongovernmental organizations sector. This design was used because it brought out clearly the relationship between internal control and Organization's performance. The study was specifically non experimental because the researcher intended to describe and make observations of what the real results were for purposes of making decisions based on the facts to improve the situation.

#### **3.3 Research population**

The target population was 250 and it comprised of TSS staff drawn from different departments of accounting and finance (18), internal audit (25), Directors (25), procurement and logistic (30) and field officers (19) and human resource (37). The rationale was that all the above were stake holders. Target population refers to the cumulative elements of study from an environment in which information was gathered from.

### 3.4 Sample Size

The sample size for the study was computed by use of the Slovene's formula and obtained 154 respondents as the minimum sample size. This was arrived through the following mathematical procedure.

$$n = \frac{N}{1 + Ne^2} = n = \frac{250}{1 - 250(0.05)^2} = \mathbf{154 \text{ respondents}}$$

n = sample size

N = the population size

e = level of significance, fixed at 0.05

**Table 1: target population and sample size**

| Category                  | Target Population | Sample size |
|---------------------------|-------------------|-------------|
| Accounting and finance    | 30                | 18          |
| Internal auditor          | 40                | 25          |
| Directors                 | 40                | 25          |
| Field officers            | 30                | 19          |
| Procurement and logistics | 50                | 30          |
| Human resource            | 60                | 37          |
| <b>Total</b>              | <b>250</b>        | <b>154</b>  |

**Source: Primary Data**

### 3.5 Sampling methods

The researcher used various sampling techniques which include: simple random and purposive sampling.

#### 3.5.1 Simple Random sampling

Random sampling involved selecting respondents from the population listing by chance. In this way, every member had an equal chance to be selected. The main disadvantage of this method was with the bias which it could diminish the integrity of random selection but this was overcome since the population listing involved only members with relevant information.

### **3.5.2 Stratified random sampling**

Stratified random sampling was applied in consideration of the categorization of accountants, human resource, internal auditors, field officers, procurement and directors. This method involved organizing the units in the population into strata using common characteristic of activities performed.

### **3.6 Data Sources**

Both primary and secondary data collection methods were used to collect relevant data to the study. Data collection methods that were considered in such a way that relevant information were collected as much as possible with little inconvenience to respondents.

Primary data means first hand data. It was collected from the respondents through interviews, and self-administered questionnaire. Primary data was important in answering questions about internal controls, and their effects on organizational performance in non-governmental organizations. Secondary data means to second-hand data. This was obtained from recorded documents, earlier studies and some publications on internal controls. Other information was obtained from the internet.

### **3.7 Data collection instruments**

The researcher used the following instruments in this study, questionnaire and interview.

#### **3.7.1 Questionnaire**

The questionnaires were the main primary source of data collection. The identified sample served with the questionnaire directly by the researcher. To obtain quantitative data, one set of questionnaires were used for all respondents. The questionnaire was filled in by accountants, auditors, procurement staffs, the human resource staff and field officers and directors. The questions involved the feelings of respondent groups regarding the contribution of internal controls and organization's performance in nongovernmental organizations. As (Muganda & Mugenda, 2003) observe, self- administered questionnaires are cheaper to use and can be distributed on a large scale The questionnaire also aimed at getting

responses from the respondents about their views on internal controls and how it could be improved.

### 3.7.2 Interviews

The researcher used face-to-face interviews to allow an in-depth examination of the key informants, who comprised of senior managers and policy implementers, on issues related to internal control and organization's performance. These were information rich cases and normally very busy people who did not have time to complete questionnaires. On the advantages of interviews, (Amin, 2005) observes that face-to-face interviews enable the interviewer to establish rapport with respondents; allow interviewer to observe and listen; permit complex questions to be asked than in other types of data collection and allows extensive delving to establish interviewees emotions, feelings, attitudes, prejudices and opinions. The face-to-face interview guide contained a basic checklist for relevant topics to be covered.

## 3.8 Validity and Reliability of Instruments

### 3.8.1 Validity

Validity of the instrument was ensured through expert judgment and the researcher made sure the coefficient of validity to be at least 70%. The researcher consulted her supervisor for expert knowledge on questionnaire construction. After the assessment of the questionnaire, the necessary adjustments were made bearing in mind of the objectives of the study. The formula that was used to calculate the validity of the instrument was

$$CVI = \frac{\text{no of items declared valid}}{\text{total no of items}}$$

Out of the total of the 24 questions in the questionnaire, 20 were declared valid. This leads us to confirm the validity of the questionnaire as calculated below.

$$CVI = \frac{20}{24} = 0.8333 = 83.33\%$$

Since this the CVI is above 83.33%, the questionnaire was said to be valid

### 3.8.2 Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Muganda & Mugenda, 2003).

Reliability of the instrument was established through a test-retest technique. The researcher conducted a pre-test of the instrument on group of subjects and waited one week then administered the same test to the same subjects a second time.

Cronbach's alpha was also used to determine the reliability of the instruments. A Cronbach's alpha value of 0.70 is considered to be the criteria for demonstrating internal consistency of an instrument. The table below shows each main constructs of the model were considered acceptable since the Cronbach's alpha related to each of them exceeded 0.70, confirming satisfactory reliability.

**Table 1: Cronbach's Alpha**

| Construct Variable                     | Cronbach's Alpha | Number of items |
|--|------------------|-----------------|
| Financial records keeping and auditing | 0.76             | 3               |
| Use of documented procurement policies | 0.84             | 3               |
| Budgetary control on the expenditure   | 0.70             | 3               |
| Authorization and approval             | 0.80             | 3               |
| Better service delivery                | 0.73             | 3               |
| Transparency                           | 0.75             | 3               |
| Compliance with rules and regulations  | 0.72             | 3               |
| Proper financial reporting             | 0.76             | 3               |
| <b>Mean</b>                            | <b>0.76</b>      |                 |

The mean for the reliability test was established at 0.76 which is well above 0.70 and therefore the internal consistency (reliability) of the instrument was confirmed.

### 3.9 Data gathering procedures

#### 3.9.1 before the administration of the questionnaires

Before getting to the field of the study the researcher ensured the following steps;

- 1) An introduction letter was obtained from the College of Higher Degrees and Research for the researcher to solicit approval to conduct the study from Tadamun social society Headquarters in puntland, Somalia.
- 2) When approved, the researcher divided the respondents into accountants, internal auditors, human resources, field officers, procurement and directors, then using simple random sampling and stratified sampling, respondents for the study were identified.
- 3) The respondents were explained to about the study and requested to sign the Informed Consent Form.
- 4) The researcher produced more than enough questionnaires for distribution.
- 5) Research assistants were selected to assist the researcher in the data collection; they were briefed and oriented in order to be consistent in administering the questionnaires.

### **3.9.2 During the administration of the questionnaires**

- 1) The respondents were requested to answer the questions completely and not to leave any part of the questionnaires unanswered.
- 2) The researcher and assistants emphasized retrieval of the questionnaires within five days from the date of distribution.
- 3) On retrieval, all returned questionnaires were checked if all are answered.

### **3.9.3 After the administration of the questionnaires**

The data gathered was collated, encoded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

### **3.10 Data Analysis**

After data processing, it was that summarized and analyzed so as to make sense of the data to ensure completeness and consistence. To facilitate reporting and inferring meaningful conclusion, data was edited and condensed. Frequency tables, micro soft excel and Statistic Package for Social Scientists (SPSS 11), for analysis; these were used to test the relationship between the independent

variable and the dependent variable that was, internal control and organization's performance of non-governmental organizations. Quantitative data were edited first and coded before analysis. Data validation was done. Thereafter, the data was summarized in form of tables and other statistical forms found suitable for presentation of the findings.

### **3.11 Ethical Consideration**

To ensure ethical considerations of the study and the safety, social and psychological well-being of the person and/or community involved in the study, the researcher got clearance letter from the ethical committee, also getting an introductory letter from the College of Higher Degree and Research, Kampala International University. The study also ensured the privacy and confidentiality of the information provided by the respondent which was solely used for academic purpose. On the other hand to ensure the safety of the person and/or community involved in the study the researcher got the consent of the respondent approval by their signing before the respondents filled the questionnaires.

### **3.12 Limitations and problems encountered**

The study had the following limitations:

The researcher encountered problems of financial difficulties, especially in regards to printing, transportation, internet costs and feeding among others,

this constraint was averted by seeking financial sponsorship from friends and well wishers. Some respondents were too busy with their daily schedule and fail to spare time for the questionnaire. In such circumstances the researcher gave ample time to those respondents. This was made possible by serving them the questionnaires in time.



## CHAPTER FOUR

### DATA PRESENTATION, INTERPRETATION AND ANALYSIS

This chapter contains detailed descriptive results obtained from the data analysis. It also focuses on the data presentation, interpretation and analysis in form of tables and figures.

#### 4.1. Profile of the respondents

This part presents the background information of the respondents who participated in the study. The purpose of presenting the background information was to find out the demographic characteristics of the respondents.

**Table 3**

**Respondents' Profile (n=154)**

| MAIN CATEGORY              | SUB-CATEGORY | FREQUENCY  | PERCENTAGE |
|----------------------------|--------------|------------|------------|
| Gender                     | Male         | 90         | 58.44      |
|                            | Female       | 64         | 41.56      |
|                            | <b>Total</b> | <b>154</b> | <b>100</b> |
| Age                        | Below 25     | 14         | 9.09       |
|                            | 26-39        | 87         | 56.49      |
|                            | 40-54        | 38         | 24.68      |
|                            | 55 and above | 15         | 9.74       |
|                            | <b>Total</b> | <b>154</b> | <b>100</b> |
| Marital Status             | Single       | 40         | 25.97      |
|                            | Married      | 69         | 44.81      |
|                            | Widowed      | 27         | 17.53      |
|                            | Divorced     | 18         | 11.69      |
|                            | <b>Total</b> | <b>154</b> | <b>100</b> |
| Highest Level of Education | Diploma      | 69         | 40.26      |
|                            | Degree       | 45         | 22.73      |
|                            | Masters      | 30         | 19.48      |
|                            | PhD          | 10         | 17.53      |
|                            | <b>Total</b> | <b>154</b> | <b>100</b> |

**Source: primary source**

From the above table, it is evident that the profile of the respondents in respect to gender, the male were (58.44%) and female (41.56%), this implies that there exists gender disparity in employment of workers in TSS organization.

As pertains to Age, most TSS staff was between 26-30 years of age. This formed (56.49%) whereas very few employees were below 25 years of age and fewer still are above 55 years of age. This is true because TSS organization prefers employing young people who are still energetic and flexible. Majority of the respondents were married, forming 44.81% of the total population.

The majority of the respondents were diploma and degree. This could be explained by the fact that the basic requirement to be employed in TSS organization was recognizable academic qualifications. This indicated adequate distribution of highly qualified staff in the organization and thus improved organizational performance.

**Table 4**

**The effectiveness of internal controls used in Tadamun Social Society  
(TSS)  
n=154**

| INDICATORS   | MEAN | INTERPRETATION | RANK |
|--|------|----------------|------|
| <b>Financial record keeping and auditing</b>   |      |                |      |
| Scheduling an opening conference to discuss the audit objectives, timing, and report format and distribution | 3.55 | Very high      | 1    |
| Assessing the soundness of the internal controls or business systems and operations                          | 3.2  | Very high      | 2    |
| Lack of Internal auditing has led to the increasing of fraud in Tadamun Social Society (TSS) organization    | 3.13 | High           | 3    |
| <b>Use of documented procurement policies</b>  |      |                |      |
| Documented procurement policies ensures effective internal control in organizations                          | 3.13 | High           | 4    |
| Through recognized procurement policies,   | 3.00 | High           | 5    |

|   |             |            |    |
|---|-------------|------------|----|
| internal auditors ensures effective accountability  |             |            |    |
| There is a safeguard for protection against conflicts of interest among the procurement officers  | 2.40        | High       | 6  |
| <b>Budgetary control on the expenditure</b>   |             |            |    |
| Budgetary control monitors and controls all income and expenses   | 2.30        | High       | 7  |
| Budgetary control system helps the organizations not to run into any debts due to lack of enough operational funds  | 2.20        | Low        | 8  |
| Payment are made in accordance with the current budget  | 2.10        | Low        | 9  |
| <b>Authorization and approval</b>   |             |            |    |
| Organizational transactions are authorized by a person with delegated approval authority  | 1.8         | Low        | 10 |
| Organizational management also identifies a select group of people with decision-making responsibility, and clearly define who, what, where and when of financial transactions. | 1.56        | Very low   | 11 |
| Authorization and approval are also vital tools used in effective internal control system   | 1.50        | Very low   | 12 |
| <b>Average Mean</b>   | <b>2.49</b> | <b>Low</b> |    |

### Legend

| Mean Range  | Response Mode     | Interpretation |
|-------------|-------------------|----------------|
| 1.00 – 1.75 | Strongly disagree | Very low       |
| 1.76 – 2.50 | Disagree          | Low            |
| 2.51 – 3.25 | Agree             | High           |
| 3.26 – 4.00 | Strongly agree    | Very High      |

The first objective was set to establish the effectiveness of internal controls used in Tadamun Social Society (TSS). For this study, it was established using twelve indicators which the respondents were required to indicate the extent to which they agreed.

As indicated in table 4, the findings show that the effectiveness of internal controls used in Tadamun Social Society (TSS). The indicator that scheduling an opening conference to discuss the audit objectives, timing, and report format and distribution with a mean of 3.55 equivalent to very high and ranked first.

Assessing the soundness of the internal controls or business systems and operations with a mean of 3.20 equivalent to very high ranked second followed by internal auditing has led to the reduction of fraud in Tadamun Social Society (TSS) organization with a mean of 3.13 equivalent to high and ranked third.

This was followed by documented procurement policies ensures effective internal control in organizations with a mean of 3.13 equivalent to high and ranked fourth.

Through recognized procurement policies, internal auditors ensure effective accountability with a mean of 3.00 equivalent to high ranked fifth. This was followed by there is a safeguard for protection against conflicts of interest among the procurement officers with a mean of 2.40 and equivalent to high and ranked sixth.

Budgetary control monitors and controls all income and expenses followed with a mean of 2.30 equivalent to high and ranked seventh. This was followed by budgetary control system helps the organizations not to run into any debts due to lack of enough operational funds with mean of 2.20 equivalent to low and ranked eighth. Payment are made in accordance with the current budget with a mean of 2.10 equivalent to low followed and was ranked ninth.

This was followed by organizational transactions are authorized by a person with delegated approval authority with a mean of 1.80 equivalent to low and ranked tenth. Organizational management also identifies a select group of people with decision-making responsibility, and clearly define who, what, where and when of financial transactions with a mean of 1.56 equivalent top very low and was ranked eleventh and the last indicator was authorization and approval are also vital tools used in

effective internal control system with a mean of 1.50 equivalent to very low and was ranked twelfth.

Generally the effectiveness of internal controls used in Tadamun Social Society (TSS) had an average mean of 2.49 which was equivalent to low. This implies that little efforts had been put in place by managers and directors in TSS concerning internal controls so as to improve on the organizational performance.

**Table 5**

**The level of performance in Tadamun Social Society (TSS)**

**n=154**

| <b>INDICATORS</b>  | <b>MEAN</b> | <b>INTERPRETATION</b> | <b>RANK</b> |
|--|-------------|-----------------------|-------------|
| <b>Better service delivery</b>   |             |                       |             |
| Improvements on the organizational performance through better service delivery                                       | 3.33        | Very good             | 1           |
| protection of resources against waste, fraud, and inefficiency   | 3.21        | Good                  | 2           |
| Cost of production has been reducing dramatically thus improved performance  | 3.12        | Good                  | 3           |
| <b>Transparency</b>  |             |                       |             |
| The organization is able to build customer satisfaction through ensure accuracy and reliability in financial matters | 3.1         | Good                  | 4           |
| Securing compliance with the policies of the organization helps to ensure transparency                               | 2.8         | Good                  | 5           |
| The organization is enabled to improve on its performance  | 2.7         | Good                  | 6           |
| <b>Compliance with rules and regulations</b>   |             |                       |             |
| There is also achievement of policy objectives   | 2.2         | Poor                  | 7           |

|  |             |             |    |
|--|-------------|-------------|----|
| There is evaluation and discussion of the organizational performance annually by management                              | 2.15        | Poor        | 8  |
| Stock outs increases the cost of production  | 2           | Poor        | 9  |
| <b>Proper financial reporting</b>  |             |             |    |
| With financial records subjected to internal control, the organization can be able to achieve proper financial reporting | 1.9         | Poor        | 10 |
| The organization now is in a better position to serve clients more efficiently and effectively                           | 1.8         | Poor        | 11 |
| Effective record keeping in the organization can also bring about proper financial reporting                             | 1.74        | Very poor   | 12 |
| <b>Average Mean</b>  | <b>2.50</b> | <b>Poor</b> |    |

**Source: primary data**

### **Legend**

| <b>Mean Range</b> | <b>Response Mode</b> | <b>Interpretation</b> |
|-------------------|----------------------|-----------------------|
| 1.00 – 1.75       | Strongly Disagree    | Very Poor             |
| 1.76 – 2.50       | Disagree             | Poor                  |
| 2.51 – 3.25       | Agree                | Good                  |
| 3.26 – 4.00       | Strongly Agree       | Very Good             |

The second objective was set to establish the level of performance in Tadamun Social Society (TSS). For this study, the level of performance in Tadamun Social Society (TSS) was determined using twelve indicators which the respondents were required to indicate the extent to which they preferred.

On the indicator that Improvements on the organizational performance through better service delivery was at mean of 3.33 an equivalent to very good on the Likert Scale. It was followed by protection of resources against waste, fraud, and

inefficiency at a mean of 3.21 which is also good and an equivalent of very good. Cost of production has been reducing dramatically thus improved performance followed at a mean of 3.12 which was good.

This is followed by the organization is able to build customer satisfaction through ensure accuracy and reliability in financial matters with mean of 3.10 and this equivalent to good and ranked fourth. In the fifth rank was securing compliance with the policies of the organization helps to ensure transparency with a mean of 3.00 equivalent to good.

"The organization is enabled to improve on its performance "with a mean of 2.70 equivalent to good. "There is also achievement of policy objectives" followed with a mean of 2.55 equivalent to poor ranked seventh. This was followed by "there is evaluation and discussion of the organizational performance annually by management" with a mean of 2.37 equivalent to poor and ranked eighth."Stock outs increases the cost of production" with a mean of 2.10 equivalent to poor and ranked ninth.

It was followed by with "financial records subjected to internal control", "the organization can be able to achieve proper financial reporting"with a mean of 1.90 equivalent to poor and "the organization now is in a better position to serve clients more efficiently and effectively" had a mean of 1.90 too equivalent to poor and the last indicator was "effective record keeping in the organization can also bring about proper financial reporting" with a mean of 1.74 equivalent to poor and ranked twelveth.

Overall, the level of performance in Tadamun Social Society (TSS) is poor an average mean of 2.50 equivalent to poor on the Likert Scale.

## 4.2. Correlations

Correlation measures were called to measure the strength, direction and the significance between the two study variables of internal control and organizational performance.

**Table 6**

**Relationship between internal control and organizational performance of  
Tadamun Social Society (TSS)  
(Level of significance = 0.05)**

| Variable Pairs  | Pearson R | Significance | Rank | Interpretation of the relationship | Decision On Hypothesis |
|---|-----------|--------------|------|------------------------------------|------------------------|
| Financial records keeping v/s Better service delivery           | .684      | 0.000        | 10   | Strong Positive                    | Rejected               |
| Documented procurement policies v/s Better service delivery     | .591      | 0.000        | 13   | Moderate positive                  | Rejected               |
| Financial control on expenditure v/s Better service delivery    | .498      | 0.000        | 16   | Weak positive                      | Rejected               |
| Authorization and Approval v/s Better service delivery          | .781      | 0.000        | 5    | Strong Positive                    | Rejected               |
| Financial records keeping and Reporting v/s Transparency        | .697      | 0.000        | 9    | Strong Positive                    | Rejected               |
| Documented procurement policies v/s Transparency                | .640      | 0.000        | 11   | Strong Positive                    | Rejected               |
| Financial control on the expenditure v/s Transparency           | .545      | 0.000        | 14   | Moderate positive                  | Rejected               |
| Authorization and Approval v/s Transparency                     | .734      | 0.000        | 7    | Strong Positive                    | Rejected               |
| Financial records keeping and Reporting v/s Compliance          | .856      | 0.000        | 3    | Very strong positive               | Rejected               |
| Documented procurement policies v/s Compliance                  | .521      | 0.000        | 15   | Moderate positive                  | Rejected               |
| Financial control on the expenditure v/s Compliance             | .765      | 0.000        | 6    | Strong Positive                    | Rejected               |
| Authorization v/s Compliance                                    | .800      | 0.000        | 4    | Very strong positive               | Rejected               |
| Financial records keeping and Reporting v/s financial reporting | .607      | 0.000        | 12   | Strong Positive                    | Rejected               |
| Documented procurement policies v/s financial reporting         | .705      | 0.000        | 8    | Strong Positive                    | Rejected               |
| Financial control on expenditure v/s financial reporting        | .894      | 0.000        | 1    | Very strong positive               | Rejected               |
| Authorization v/s financial reporting                           | .857      | 0.000        | 2    | Very strong positive               | Rejected               |



The most significance correlation and most high was found to be between budgetary control on expenditure and financial reporting to TSS which was computed at 0.894 which signified a positive strong correlation on the Pearson scale of correlations. The worst correlation was found to be between budgetary control and better service delivery. All correlations were flagged as significant since they all assumed a significance level of 0.000 which is way lower than the significance threshold of 0.05.

**Table 7 Overall study correlation**

| Correlations               |                     |                   |                            |
|----------------------------|---------------------|-------------------|----------------------------|
|                            |                     | Internal controls | Organizational performance |
| Internal controls          | Pearson Correlation | 1                 | 0.978**                    |
|                            | Sig. (2-tailed)     |                   | .000                       |
|                            | N                   | 154               | 154                        |
| Organizational performance | Pearson Correlation | 0.978**           | 1                          |
|                            | Sig. (2-tailed)     | .000              |                            |
|                            | N                   | 154               | 154                        |

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

**Source: primary data**

Under this tool of analysis, internal control was correlated with organizational performance using the Pearson Correlation. A figure of 0.978 was obtained which signified a very strong positive relationship between internal control and organization's performance. The significance level of 0.000 also attests to the fact that the two indeed have a good relationship

**Table 8: Multiple Regression Table**

| Coefficients <sup>a</sup> |                                     |                             |            |                           |       |      |
|---------------------------|-------------------------------------|-----------------------------|------------|---------------------------|-------|------|
| Model                     |                                     | Unstandardized Coefficients |            | Standardized Coefficients | T     | Sig. |
|                           |                                     | B                           | Std. Error | Beta                      |       |      |
| 1                         | (Constant)                          | .056                        | .050       |                           | 2.654 | .241 |
|                           | Financial records keeping /auditing | .674                        | .086       | .105                      | 3.541 | .245 |
|                           | procurement policies                | .854                        | .075       | .138                      | 0.945 | .054 |
|                           | Budgetary control on expenditure    | .625                        | .065       | .127                      | 2.671 | .011 |
|                           | Authorization / Approval            | .816                        | .090       | .583                      | 5.410 | .000 |

a. Dependent Variable: **Organizational performance**

From the above analysis, the multiple regression equation based on the model was developed:

- Y = Dependent variable (Organizational performance)
- X<sub>1</sub> = Independent variable (Financial records keeping /auditing)
- X<sub>2</sub>= Independent variable (procurement policies)
- X<sub>3</sub> = Independent variable (Budgetary control on expenditure)
- X<sub>4</sub>= Independent variable (Authorization andApproval)
- b = coefficient

$$y = a + b_1x_1 + b_2x_2 + b_3x_3$$

From the above analysis, it is clear that procurement policy has the most significant positive effect on the organization’s performance whereby its unit increase would cause a 85.4% change in the organization’s performance.

**Table 9 Overall Study Regression Model**

| Coefficients <sup>a</sup>                                |                          |                             |            |                           |       |      |
|--|--------------------------|-----------------------------|------------|---------------------------|-------|------|
| Model  |                          | Unstandardized Coefficients |            | Standardized Coefficients | T     | Sig. |
|  |                          | B                           | Std. Error | Beta                      |       |      |
| 1  | (Constant)               | .323                        | .017       |                           | 0.452 | .245 |
|  | <b>Internal controls</b> | .867                        | .075       | .656                      | 9.275 | .000 |
| a. Dependent Variable: <b>Organizational performance</b> |                          |                             |            |                           |       |      |

**Interpretations:**

Y =Organizational performance while x = Internal controls

Y = a + bx therefore Y = 0.323+ 0.867x

When internal controls are 0, Organizational performance will be 32.3%. When internal controls change by one unit, Organizational performance changes by 86.7%.

## **CHAPTER FIVE**

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

#### **5.0. Introduction**

In this last chapter of the thesis, a summary of findings is provided, conclusions are drawn and recommendations made based on the findings of the study. The section begins with a summary of the findings of this study.

#### **5.1. Findings**

##### **The Level of effectiveness of internal controls used in Tadamun Social Society (TSS)**

In summary, the findings indicate that the level of effectiveness of internal controls used in Tadamun Social Society (TSS) had an average mean of 2.49 which was equivalent to low and the level of performance in Tadamun Social Society (TSS) is poor an average mean of 2.50 equivalent to agree on the Likert Scale.

Findings indicated that the internal controls used in Tadamun social society (TSS) were ineffective and unsatisfactory. Findings rhyme with studies by Coopers and Lybraud (1993) who argued that there was need to consider whether the following control objectives are met; all payments are made with clear authentication of the concerned authority; Procedures are put in place ensure asset additions, disposal, replacement and transfers for proper accountability; Scheduling an opening conference to discuss the audit objectives, timing, and report format and distribution; Through recognized procurement policies, internal auditors ensures effective accountability; Budgetary control system helps the organizations not to run into any debts due to lack of enough operational funds; Supervisory review should be performed through observation and inquiry and Organizational transactions are authorized by a person with delegated approval authority showed level of effectiveness of internal control used in TSS organization.

### **The Level of performance in Tadamun Social Society (TSS)**

The findings revealed a relatively low level of organizational performance in Tadamun Social Society (TSS). Findings are in agreement with studies by Brown (1996) who argues that performance measures in organizations must focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward however this is not the case in TSS as revealed by the findings. Furthermore, Dixon (1990) adds that inappropriate performance measures are those which disable organizations to direct their actions towards achieving their strategic objectives. This is because according to him a firm's performance is central to the future well-being and prosperity of any enterprise.

### **The relationship between internal control and performance in Tadamun Social Society (TSS)**

The most significance correlation and most high was found to be between budgetary control on expenditure and financial reporting to TSS which was computed at 0.894 which signified a positive strong correlation on the Pearson scale of correlations. The worst correlation was found to be between budgetary control and better service delivery. All correlations were flagged as significant since they all assumed a significance level of 0.000 which is way lower than the significance threshold of 0.05.

Coso (1992) mentioned that internal control can be judged effective if the entity's operations objectives are being achieved; published financial statements are being prepared, reliable and applicable laws and regulations are being complied with. While internal control is a process, its effectiveness is a state or condition of the process at a point in time. Accordingly, the effective functioning of components of internal control provides a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of organizational performance.

## **5.2. Conclusions**

From the study findings, it is concluded that; the internal controls used in Tadamun Social Society (TSS) were ineffective and unsatisfactory, the level of organizational performance was found to be inadequate and a significant positive relationship between internal controls and organizational performance was established to exist.

The study concluded that most of the donated funds to Tadamun Social Society (TSS) Organization lacked accountability. According to audit report (2012), it was revealed that about \$17,786 of donor funds given had not been of benefit to vulnerable people of Somalia.

The Tadamun workshop report 2011-2013, indicated that, there was credible evidence of fraud detected at Tadamun in form of inflated workshop expenses which in multiple cases were supported by forged receipts; these inflated expenses were submitted by several Tadamun staff members.

The study also concluded that Tadamun project directors had not carried out effective management oversight which was expected to be one of the control measures. Credible evidence was also brought out which highlighted inflated workshop expenses, especially on accommodation of participants and hiring of venue.

## **5.3. Recommendations**

The study recommends that the performance should be measured in terms of customer satisfaction in order to be able to perform; organizations should critically look at their customers and know how best they are satisfying their needs.

Organizations should continuously improve on their services through innovations and great value. For example in order to assess performance, organizations should be examined in terms of quality of services, flexibility, utilization and innovations.

The organizations should set up proper books of account and financial management and measurement systems including the setting up of an internal control system to ensure proper financial performance.

All payments should be supported by relevant documentations (Invoices, Way Bills, etc.) Attached to memo should be Invoices, Purchase Orders and other relevant documents.

In order to ensure strong control over receipts, when cashier received, it should be acknowledge by means of printed receipt which should have a counterfoil or a carbon receipt.

Internal control should be viewed in a broader context for example it should as well be reorganized as a function of people's ethical values as it is of standards and compliancy mechanisms (CoCo, 1995).

The study recommends that a firm should not be evaluated on the basis of one single measure. Instead, it is most effective if to measure a organizational performance according to four distinct perspectives according to the idea of the balance scorecard.

It also recommends that performance measures in organizations must focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward.

There is also need for the management has put in place as guidelines to control information and transaction procedure so as to achieve the organization's objectives. This can be through employing effective internal control tools thus organizational performance.

#### **5.4. Areas for further research**

The study did not exhaust all the dependent variables that influence organizational performance thus the need for other researchers to conduct an exhaustive study on variables under listed.

1. Leadership style and organizational performance
2. Organizational learning and organizational performance
3. Consumer behavior and organizational performance
4. The role of Internal controls on the performance of Public organizations
5. The impact of internal Auditing on financial management in an organization

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**COLLEGE OF HIGHER DEGREES AND RESEARCH**  
**DEPARTMENT OF ECONOMICS, BUSINESS AND MANAGEMENT**

March,12, 2014.

**INTRODUCTION LETTER FOR FADOWSA ABDULLAHI DIRIE REG.NO.**  
**MBA/39945/131/DF TO CONDUCT RESEARCH IN YOUR ORGANISATION**

The above mentioned candidate is a bonafide student of Kampala international University pursuing a Masters' of Business Administration.

She is currently conducting a field research for her dissertation entitled "**Internal Control and organizations Performance in nongovernmental organizations. Case study of Tadamun social society (TSS) in Puntland, Somalia.**"

Your organization has been identified as valuable source of information pertaining to her research project. The purpose of this letter then is to request you to avail her with pertinent information she may need.

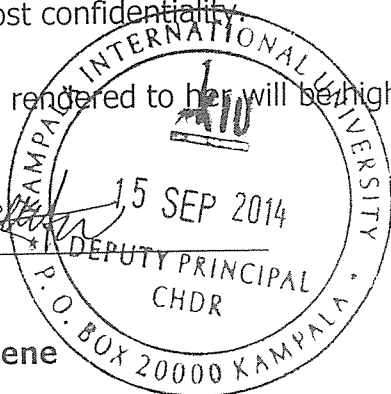
Any information shared with her will be used for academic purposes only and shall be kept with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

Dr. ES Kasenene

Deputy Principal, CHDR.



## **Appendix IA**

### **QUESTIONNAIRE**

**Dear Sir/ Madam**

I am a candidate for Master of Business Administration ( Finance and Accounting) at Kampala International University and currently pursuing a Thesis entitled "INTERNAL CONTROLS AND ORGANIZATIONAL PERFORMANCE IN NON-GOVERNMENTAL ORGANIZATIONS: A CASE STUDY OF TADAMUN SOCIAL SOCIETY (TSS) IN PUNTLAND STATE OF SOMALIA" In view of this empirical investigation, may I request you to be part of this study by answering the questionnaires? Rest assured that the information that you provide shall be kept with utmost confidentiality and will be used for academic purposes only.

As you answer the questionnaire, be reminded o respond to the items in the questionnaire thus not leave any item unanswered. Further, may I retrieve the filled out questionnaire within 5 days from the date of distribution?

Thank you very much in advance

Yours faithfully

.....

Mrs. Fardowsa Abdullahi Dirie

## FACE SHEET

Code # \_\_\_\_\_ Date Received by Respondent \_\_\_\_\_

### PART 1: RESPONDENT'S PROFILE

Gender \_\_\_\_\_ Date \_\_\_\_\_

1. Male
2. Female

Qualification \_\_\_\_\_

1. Diploma
2. Certificate

Age \_\_\_\_\_

1. 20-30 years
2. 31-40 years
3. 41-45 years
4. 45-50 years

### PART 2: INTERNAL CONTROLS

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of level of motivation. Kindly use the scoring system below:

| Score | Response Mode     | Description                       | Interpretation    |
|-------|-------------------|-----------------------------------|-------------------|
| 5     | Strongly Agree    | You agree with no doubt at all    | Very satisfactory |
| 4     | Agree             | You agree with some doubt         | Satisfactory      |
| 3     | Neutral           | You are not sure                  | None              |
| 2     | Disagree          | You disagree with some doubt      | Fair              |
| 1     | Strongly Disagree | You disagree with no doubt at all | Poor              |

## **PART 2: INTERNAL CONTROLS**

### **Financial records keeping and auditing**

- \_\_\_\_\_1. Scheduling an opening conference to discuss the audit objectives, timing, and report format and distribution.
- \_\_\_\_\_2. Assessing the soundness of the internal controls or business systems and operations.
- \_\_\_\_\_3. Internal auditing has led to the reduction of fraud in Tadamun Social Society (TSS) organization

### **Use of documented procurement policies**

- \_\_\_\_\_1. Documented procurement policies ensures effective internal control in organizations
- \_\_\_\_\_2. Through recognized procurement policies, internal auditors ensures effective accountability
- \_\_\_\_\_3. There is a safeguard for protection against conflicts of interest among the procurement officers

### **Budgetary control on the expenditure**

- \_\_\_\_\_1. Budgetary control monitors and controls all income and expenses
- \_\_\_\_\_2. Budgetary control system helps the organizations not to run into any debts due to lack of enough operational funds
- \_\_\_\_\_3. Payment are made in accordance with the current budget

### **Authorization and Approval**

- \_\_\_\_\_1. Organizational transactions are authorized by a person with delegated approval authority.
- \_\_\_\_\_2. Organizational management also identifies a select group of people with decision-making responsibility, and clearly define who, what, where and when of financial transactions.
- \_\_\_\_\_3. Authorization and approval are also vital tools used in effective internal control system

### **PART 3: ORGANIZATIONAL PERFORMANCE**

#### **Better service delivery**

- \_\_\_\_\_1. Improvements on the organizational performance through better service delivery
- \_\_\_\_\_2. protection of resources against waste, fraud, and inefficiency
- \_\_\_\_\_3. Cost of production has been reducing dramatically thus improved performance

#### **Transparency**

- \_\_\_\_\_1. The organization is able to build customer satisfaction through ensure accuracy and reliability in financial matters
- \_\_\_\_\_2. Securing compliance with the policies of the organization helps to ensure transparency
- \_\_\_\_\_3. The organization is enabled to improve on its performance

#### **Compliance with rules and Regulations**

- \_\_\_\_\_1. There is also achievement of policy objectives
- \_\_\_\_\_2. There is evaluation and discussion of the organizational performance annually by management
- \_\_\_\_\_3. Stock outs increases the cost of production

#### **Proper financial reporting**

- \_\_\_\_\_1. With financial records subjected to internal control, the organization can be able to achieve proper financial reporting
- \_\_\_\_\_2. The organization now is in a better position to serve clients more efficiently and effectively
- \_\_\_\_\_3. Effective record keeping in the organization can also bring about proper financial reporting

**Thanks for your responses**

## **APPENDIX IB**

### **INTERVIEW GUIDE**

#### **SPOT INFORMATION**

- A) Fardowsa Abdullahi Dirie Interview Date: .....
- B) Descriptive Interview
- C) Despite the effectiveness of internal control tools, most non-governmental organizations still experience poor organizational performance. This could be contributed by lack of proper accountability, Poor judgment in decision-making, Human error, occurrence of unforeseeable circumstances etc.

#### **Key Issues**

- i) Organizational performance in non-governmental organizations is relatively good due to application of appropriate internal control tools. How is this so?
- ii) What are the organizational performance challenges encountered by non-governmental organizations in Somalia as a result of internal control?
- iii) What solutions have been adopted to control the challenges of organizational performance experienced by non-governmental organizations as a result of internal control?
- iv) Appropriate strategies have been designed to support the operations of non-governmental organizations?
- v) What procedures are put in place in place to ensure asset additions, disposal, replacement and transfers for proper accountability?

## 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

\_\_\_\_\_

\_\_\_\_\_



## **INFORMED CONSENT**

I am giving my consent to be part of the study of Mrs. Fardowsa Abdullahi Dirie that will focus on internal control and organizational performance.

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 II: TIME FRAME

| Month  | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG |
|--|-----|-----|-----|-----|-----|------|------|-----|
| Activities                                     |     |     |     |     |     |      |      |     |
| Thesis formulation                             |     |     |     |     |     |      |      |     |
| Discussion of the thesis with the supervisor   |     |     |     |     |     |      |      |     |
| Pre-visit to local government for mobilization |     |     |     |     |     |      |      |     |
| Pretesting of research instruments             |     |     |     |     |     |      |      |     |
| Data collection                                |     |     |     |     |     |      |      |     |
| Data analysis                                  |     |     |     |     |     |      |      |     |
| Presentation and discussion of preliminary     |     |     |     |     |     |      |      |     |
| Report with supervisor                         |     |     |     |     |     |      |      |     |
| Editing of work and binding                    |     |     |     |     |     |      |      |     |
| Presentation of final report to supervisor     |     |     |     |     |     |      |      |     |

### APPENDIX III: STUDY BUDGET

| PARTICULARS                     | QUANTITY | UNIT COST | AMOUNT           |
|---------------------------------|----------|-----------|------------------|
| <b>Stationary</b>               |          |           |                  |
| Pens                            | 3        | 350       | 1050             |
| A flash Disk                    | 2        | 43,000    | 86000            |
| Rim of Papers                   | 2        | 12,000    | 24000            |
| <b>Sub Total</b>                |          |           | <b>43100/=</b>   |
| <b>Travel and Communication</b> |          |           |                  |
| Air time cards                  | -        | -         | 25,000           |
| Travels                         | -        | -         | 37,000           |
| Meals                           | -        | -         | 35,000           |
| <b>Sub Total</b>                |          |           | <b>97000/=</b>   |
| <b>Data Collection</b>          |          |           |                  |
| Library                         | 4 days   | 5,000/=   | 20,000           |
| Internet                        | 10 hours | 1,500/=   | 15,000           |
| <b>Sub Total</b>                |          |           | <b>35000/=</b>   |
| <b>Typing and Printing</b>      |          |           |                  |
| Proposal                        | 2 copy   | 20,000/=  | 40,000           |
| Research Report                 | 2 copy   | 70,000/=  | 140,000          |
| <b>Sub Total</b>                |          |           | <b>180,000/=</b> |
| <b>Consultations</b>            |          |           |                  |
| Editing                         | 1 copy   | 25,000/=  | 25,000           |
| Miscellaneous                   | -        | 40,000/=  | 40,000           |
| <b>Sub Total</b>                |          |           | <b>65000</b>     |
| <b>Photocopying and Binding</b> |          |           |                  |
| Research Report<br>(Photocopy)  | 4 copies | 5,000/=   | 20,000           |
| Research Report<br>(Binding)    | 4 copies | 5,000/=   | 20,000           |
| <b>Sub Total</b>                |          |           | <b>40000</b>     |
| <b>GRAND TOTAL</b>              |          |           | <b>460100</b>    |

## **APPENDIX IV**

### **RESEARCHER'S CURRICULUM VITAE**

#### **PERSONAL PROFILE**

Name : Fardowsa Abdullahi Dirie

Gender : Female

Nationality : Somali

Date of birth : 15 oct 1990

Age : 24 years

Status : Single

Contact address : Bosaso Puntland state of Somalia

Telephone No : 0793-491699

#### **EDUCATIONAL BACKGROUND**

| <b>YEAR</b>     | <b>INSTITUTIONS</b>              | <b>AWARD</b>                        |
|-----------------|----------------------------------|-------------------------------------|
| 2013-up to date | Kampala International University | MBA (Accounting and Finance)        |
| 2008-2012       | Mogadishu University             | Bachelor of Business Administration |
| 2005 – 2007     | Hamdan Secondary School          |                                     |
| 1996 – 2004     | Nawawi primary School            |                                     |

## **WORK EXPERIENCE**

| <b>YEAR</b> | <b>INSTITUTION</b> | <b>RESPONSIBILITY</b> |
|-------------|--------------------|-----------------------|
| 2007/2009   | Najax school       | Teacher               |
| 2010/2011   | Al fadli company   | Cashier               |
| 2011 – 2012 | Dirie company      | Accountant            |

## **HOBBIES**

Reading books and watching news

**END**