

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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## EFFECTIVENESS OF INTERNAL CONTROL SYSTEM OF ETHIOPIAN PUBLIC UNIVERSITIES: THE CASE OF JIMMA UNIVERSITY

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### ABSTRACT

*The research is aimed at assessing the effectiveness of internal control in public universities in Ethiopia by taking Jimma University as a case study. Both primary and secondary data was relied to achieve the purpose of the study. The primary data was collected through questionnaire while the secondary data obtained from minutes, audit reports and documents. Descriptive analysis was employed to see the attitude of employees towards the effectiveness of overall internal control and chi-square test are relied upon to see whether the response varies across demographic characteristics. The test indicated that there is no significant attitude difference among employees in most of the cases. Both the individual response and desk research indicated that the internal control system in public Universities in Ethiopia is not effective for which Jimma University is not special. More specifically, inadequate risk assessment practice, poor internal control over physical and financial resources, poor human resource management practice, inappropriate information management, and loose monitoring and control practices are the critical areas that need the focus of the management of the university.*

### KEYWORDS

Internal control effectiveness, Public Universities, Jimma University, Ethiopia.

### 1. INTRODUCTION

Higher education institutions are responsible for the creation of vital human resources for achieving socio-economic development of a nation. The knowledge and skill that are essential for the change of every nation are created, adopted and disseminated by higher institutions. These and other objectives of higher education can be attained with the presence of not only adequate resources, but also with efficient and effective utilization of human, material (movable and fixed) and financial resources. With regard to the availability of the resources, Ethiopia's focus on education for the accomplishment of the Millennium Development Goal (MDG) forces the government to allocate substantial amount to the education sector in general and to higher education in particular. According to Ministry of Education (MoE) report (2010), Ethiopia's investment in higher education has been growing over the past years and reached 4.0 percent of its GDP. V. J. Ravishankar et al., (2010) witnessed that Ethiopia spends a sizable share of GDP on education, which is high in international standards, relative to her level of per-capita income. The researcher further indicated that "Ethiopia spends to education sector significantly more than India, whose per-capita income is almost four times as much and only a little less than South Africa whose per-capita income is more than 14 times that of Ethiopia".

Office of the auditor General (OFAG) budgeting huge amount of money will not ensure the efficiency of performance and attainability of the educational objective of the country. To achieve the objectives the higher education sector, the resources should be utilized properly. For this purpose designing and implementing appropriate internal control mechanism is of significant importance. However, the audit institutions and other concerned organizations are claiming that the internal control mechanism in most organizations including higher education sector is rudimentary.

A report by the Office of Auditor General, mandated to conducted audit of institutions under the federal government indicated that, most of audited entities perpetually failed to maintain auditors' expectations. The OFAG report (2011) reveled that of 71 organizations, only to 5 organizations were found with clean (unqualified) audit report. This is because in most of the organizations the internal control system is lax and the management failed to fully discharge their stewardship responsibility to the public money. As per the same report, most organizations including ministry of education and some universities under its supervision are exposed to adverse irregularities in procurement handling, financial mismanagement, and/or poor property management practices.

As it is known, the ministry of education is giving due attention to higher education sector and much of the resource is being allocated to it. Therefore, the utilization of these resources to meet the objective is the focal point. Hence, to enable higher education achieve their objectives, there should be a strong internal control that can provide reasonable assurance to the management discharges its responsibility as through ethical, efficient, effective operation and deliver quality service to citizens.

This study therefore, was motivated to assess the effectiveness of internal control in public universities in Ethiopia by taking Jimma University as a case study. The study is believed to contribute to the process of enhancing internal control system of public universities in Ethiopia. Moreover, the study contributes to accounting and auditing literature by showing the context of public universities in least developing countries.

### 2. OBJECTIVE OF THE STUDY

The objective of this study was to assess the effectiveness of internal control system of public universities in Ethiopia by taking Jimma University as a case study. The Specific objectives of the research include the following:

1. To know whether the attitude of Respondents regarding the effectiveness of internal control vary along with the variation in the demographic characteristics such as age, gender, position held, work experience and academic qualifications.
2. To see the attitude of employees towards the effectiveness of the overall internal control system in Jimma University

### 3. REVIEW OF RELATED LITERATURES

#### 3.1. CONCEPT AND IMPORTANCE OF INTERNAL CONTROL

"Internal control is a management tool used to provide reasonable assurance that management objectives are being achieved." Guidelines for Internal Control Standards, INTOSAI, 2004). It is also explained on the integrated internal control guideline, developed by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) in the united states of America and highly adapted and adopted by other countries both in the private and public sector, "Internal

control is broadly defined as a process, effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations."

The above stated concepts of internal control indicate that managers are primarily responsible to establish an effective internal control for their organizations so as to discharge their stewardship responsibility over the use of government resource. The role of managers promoting effective internal control system has paramount importance in ensuring effective internal control system. This is because the way managers understand the need for designing, implementing, and management of internal control system, built it in the organizational facility, communicating it well to the employees, strictly adhering to it and ensuring that it is accepted as organizational culture and value can result in either strong or lax internal control.

As pointed out by Angella & Eno.L (2009), the absence of or weak internal control was identified as the cause for organizational failure. Similarly, Natan (2011) also emphasized the importance of rigor internal control system. According to Natan, in public organizations where resource required to serve public interest is limited, but misused and embezzled, strong IC system is essential to ensure efficient and effective use of resource to maximize societal welfare. The importance of EIC in public sector is therefore, very significant for efficient and effective utilization of public money and delivering acceptable service to citizenry due to the fact that, it, along other public sector control mechanisms, can enhance transparency and accountability as well as promotes efficiency in public sector. (Angella & Eno.L, 2009; Natan, 2011)

According to Angella & Eno.L (2009) effectiveness internal control in public sector especially in developing countries in Africa where the rate of public sector corruption shockingly high is worth demanding academic interest, but few has been done. Hence, the current study could contribute for existing literature in addition to its contribution for strategic and operational decision on public universities in Ethiopia.

### 3.2. MEASURING EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

Effectiveness has been presented as a necessary dependent variable in contingency research as it provides the means to determine the appropriate fit between control and organizational variables (Langfield-Smith, 1997; Otley, 1980). The definition of the effective internal control system is taken from the internal control frameworks; for example COSO (1994) states that internal control can be judged to be effective when the board of directors and management have reasonable assurances that: they understand the extent to which the entity's operations objectives are being achieved, published financial statements are being reliably prepared, and the applicable laws and regulations are being complied with. Thus, the effectiveness of internal control is defined in terms of management's perceptions of how well the internal control objectives are achieved.

Bishop, W. G., III (1991), point out that internal control must be evaluated in order to provide management with some assurance regarding its effectiveness. Internal control evaluation involves everything management does to control the organization in the effort to achieve its objectives. Internal control would be judged as effective if its components are present and function effectively for operations, financial reporting, and compliance. Internal stakeholders the board, management and internal auditor as well as individual employees are responsible to ensure that the internal control system is operating as intended.

Following the growing internal governance and internal control failure in corporate world in developed and developing countries as well the prevailing high rate of corruption in public sector in most of the developing countries, evaluation of internal control effectiveness has got the attention of academics and research. (Angella & Eno. L, 2009). Researches that aimed to evaluate the effectiveness of IC are nonarguably useful on providing feedback to the management and other responsible authority to design and implement an internal control structure that can ensure that the organization's objectives attained in a legally founded process and operation that can go in line with the policies, procedures, and other applicable regulatory frame work.

The growing number of research in evaluating effectiveness of internal control system either in private (Angella & Eno. L, 2009) and public organizations used different research strategies of quantitative and qualitative nature founded in accounting and auditing theories. Both the theories in IC and empirical studies so far reviewed depended on Internal control effectiveness guidelines developed by the "Committee of Sponsoring Organizations of the Treadway Commission, a group of several accounting organisations." (INTSO) that published a significant study on internal control titled Internal Control Integrated Framework in 1992 which commonly referred as COSO. (ibid)

The international organization of Supreme Audit institutions, which an association consists of government audit institutions in different part of the world, also adopted the COSO frame work to be used in evaluating effectiveness of government institutions in 1992. The current study, hence, followed a theoretical framework that assumed that effectiveness of internal control system in public organization should be evaluated to ensure that the five major components of an effective Internal control system: control environment, risk assessment, control activities, information and communication built in the management of an organization. It was assumed that the five components are tailored to the context of public university in Ethiopia and are effective in ensuring attainment of internal control objectives.

## 4. RESEARCH DESIGN & METHODOLOGY

A descriptive case study design were employed in order to ascertain and able to describe components of internal controls system and their contribution to control in public university context. Both qualitative and quantitative research approaches were used to analyze data gathered from various secondary sources such as reports of the Office of Auditor General, minutes of external audit meeting, and other related literatures. In addition a survey of self administered questionnaire were also used to gather primary data from managers and employees at administrative and academic wings of the university selected using judgemental sampling techniques. The questionnaires contain six major parts. The first part is concerned with the demographic characteristics of the respondents. The second part is devoted to the control environment containing 10 questions, the third part is regarding the risk assessment practice that consists of 6 questions, the fourth part deals with the control activities over payroll and non payroll payments, assets management and human resource practices obtained through a total of 62 questions, the fifth part is about the information management practice obtained by 8 questions and the last part is concerning the monitoring practice assessed with 5 questions. In order to increase the reliability of the questions, a Cronbach alpha test was made and also to increase the validity, it was commented by different professionals who do have in-depth knowledge on auditing and internal control.

## 5. RESULTS AND DISCUSSIONS

This section presents the data analysis result and discussions. The first section presents the results of desk research and the second section is the result and discussion of questionnaire survey.

### 5.1. DESK RESEARCH

Office of the Auditors General reported to the house of the parliament the finding of the financial, compliance and performance audit of ministries, other agencies in the federal government, regional state programs financed by federal government budget. On its report of 2008 it disclosed that there are lots of findings on the financial administration and internal control system of government entities so far audited, these mainly includes: utilization of budget without the approved limit and heading, poor fixed asset management, payments effected without a complete and authorized documents, inadequacy of the internal control system to detect and correct failures in control activities on cash, inventory, fixed asset, procurement and human resource management aspects, among other things. The identified audit findings showed that financial and other resource management is vulnerable to corruption and miss utilization of assets.

According to the report, of 71 audits performed in federal government agencies, the OFAG issued 5 unqualified audit reports and 51 qualified audit reports. However unqualified audit reports entail some audit findings as a qualification points it is doesn't affect the acceptability of the annual report as a whole. The remaining reports contained 10 adverse opinions, which are negative audit opinions due to significant deviations from the accepted norms of public financial administration rules applicable in Ethiopia, accounting standards and weak internal control system that attributed to identified failures, and 5 disclaimer opinions, which showed that the auditors faced difficulty to gather and evaluate audit evidence so as to come up with audit reports. The results indicates that



only 7 % of the organizations under audit discharged their responsibility to the fullest and 72% of them demand top management attention to improve their financial administration and internal control system so that they can change their audit report status from qualified to unqualified or net reports like the very few (7%). The critical situation in the remaining organizations that falls under adverse and disclaimer opinions category accounted 14 % and 7% respectively. In general, the analysis of OFAG reports indicates that about 93% of audited organizations under the federal government failed to discharge their responsibility to the fullest.

The organizations under problematic audit result included the Ministry of Education and some of the universities under its jurisdiction. Taking into account the gigantic budget allocated to education sector and especially very significant to the growing higher education system in this country the audit findings are indicative for rigorous corrective actions from the management, board and employee of each individual organization as they are legally required to ensure that the business of their organization is performed in line with the legal framework. In this regard the current study is useful as it aimed at finding out internal control related problem of which some are stated on audit reports of OFAG.

Being cognizant the criticality of the financial and other resource management problems in the higher education sector in Ethiopia and the possible favorable conditions for corruption, the Federal Ethics and Anti corruption Commission (FEACC) organized a conference on procurement related issues of public higher institutions in Ethiopia on September 2012 where in different stakeholders including commissioners and other professionals of FEACC, MoE and the top management, finance and procurement professional and internal auditors, and ethics and anticorruption officers of all universities and other reverent stakeholders participated.

On the conference various papers were presented and discussions were held and the result of the conference pointed out some major problems of resource management, procurement and related internal control mechanisms limitations in Ethiopian higher institutions. The major points raised are summarized as follows:

- Lack of transparency and weak contract administration on large construction projects which resulted cost and time overrun, miss use of resources and opens up opportunity for corruption
- Procurement process of goods, services and construction project contracts violates basic public sector procurement related rules and regulations
- Weak asset management
- Human resource management practices that violate applicable rules and regulations
- Poor management of public resources including vehicles
- Lax internal control environment which couldn't prevent nor deter the occurrences of mal practices in the management of university resources (FEACC, 2012)

The conclusions of the conference were in line with the recent opinions of the OFAG which enables one to surmise that the internal control effectiveness of public universities require earnest commitment of top management of each institutions and all other concerned to the issue so that the sector can deliver the maximum value of the scarce public money invested in higher education system.

In the context of the case university as well external auditors and university management audit exit meeting minutes of the last two years were reviewed as part of document analysis in this study confirmed above stated problems in some way. In general, the points rose as audit finding of Jimma University for 2010 and 2011 budget year showed that the control activities related to cash, inventory, fixed assets, procurement process, and construction contract administration were problematic and were not undertaken as per the necessary legal framework. Further the audit finding revealed that the basics of internal control effectiveness such as segregation of duty, maintaining timely and correct accounting treatments for business transactions are among the issues demanding management attention. Further the weakness of internal control environment were demonstrated by understaffed internal audit department that couldn't ensure the proper implementations of internal control procedures, policies and procedure that supposed to dictate the action and decision of employees and managers in the organization.

**5.2. ANALYSIS OF PRIMARY DATA**

**5.2.1. PROFILE OF RESPONDENTS**

Out of the total respondents, 147 (72.40 %) are administrative staffs of the University while the rest, 56 (27.60 %) are academic staffs. As far as they are the administrative staffs who should take the lead for internal control effectiveness, a greater number of administrative staffs are incorporated in the research to see their response towards the effectiveness of the internal control system of Jimma University. Regarding, work experience, about 22.20 % of the respondents have an experience of less than three years in Jimma University while majority 138 (67.90%) of the respondents have a work experience between three to twelve years and they are only 20 (9.9 %) who do have a work experience of more than twelve years. In terms of the position held in the university, 61 (30 %) of the respondents are those who are in managerial position, while 142 (70 %) are those who does not held managerial position. The non managerial persons might provide genuine information about the effectiveness of internal control than those who held managerial position and that is why majority of those who held no managerial position are considered. Regarding the academic qualification of the respondents, about 150 (73.90 %) are those who are Masters and Bachelor Degree graduates. Only 6 (3 %) of the respondents are PhD holders and the remaining 47 (23.20%) are diploma holders.

**5.2.2. CONTROL ENVIRONMENT**

Employees' attitude towards the effectiveness of Control environment in Jimma University is indicated in the table that follows.

**TABLE 1: ATTITUDE OF EMPLOYEES TOWARDS THE OVERALL EFFECTIVENESS OF CONTROL ENVIRONMENT (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)**

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	40(27.20)	55(37.50)	52(35.40)	147(100)	1.56	0.46
	Academic	14(25.00)	17(30.40)	25(44.60)	56(100)		
Sex	Male	41(24.80)	57(34.50)	67(40.60)	165(100)	2.89	0.24
	Female	13(34.20)	15(39.50)	10(26.30)	38(100)		
Work Experience	< 3 years	11(24.40)	10(22.20)	24(53.30)	45(100)	5.80	0.053
	3-6 Years	24(38.70)	21(33.90)	17(27.40)	62(100)		
	6-9 years	10(20.40)	20(40.80)	19(38.80)	49(100)		
	9-12 Years	6(22.20)	10(37.00)	11(40.70)	27(100)		
	> 12 years	3(15.00)	11(55.00)	6(30.00)	20(100)		
Position	Managerial	14(23.00)	19(31.10)	28(45.90)	61(100)	2.36	0.31
	Non-Managerial	40(28.20)	53(37.30)	49(45.90)	142(100)		
Academic Qualification	PhD	3(50.00)	3(50.00)	0(0.00)	6(100)		
	Masters	15(40.50)	11(29.70)	11(29.70)	37(100)		
	Bachelor Degree	29(25.70)	39(34.50)	45(39.80)	113(100)		
	Diploma	7(14.90)	19(40.40)	21(44.70)	47(100)		

Source: Primary Data (Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree)

From table 1, above, it can be observed that majority of the academic staffs 25 (44.60) agree or strongly agree that the control environment is effective while most of the administrative staffs 55(37.40) remain neutral regarding the case. Generally, employee's attitude towards effectiveness in control environment in Jimma University does not vary with being whether academic or administrative staff. This was tested by chi-square test (X<sup>2</sup> = 1.56 P = 0.46). Similarly, the chi-square test (X<sup>2</sup> = 2.89, P = 0.24, X<sup>2</sup> = 15.26, P = 0.054, X<sup>2</sup> = 5.80 P = 0.053, X<sup>2</sup> = 2.36 P = 0.31 for Sex, work experience, Position held respectively), indicating that the

attitude of employees towards the effectiveness of the control environment doesn't vary with the difference in these variables. The percentage computed indicated that as the academic qualification increases the disagreement with the statement that says the control environment in Jimma University is effective increases and vice-versa.

**5.2.3. RISK ASSESSMENT PRACTICES**

Risk assessment is the identification and analysis of the possible risks that might be encountered by the organization and also identifying the ways to overcome it.

Employees' response towards the risk assessment of the Case University is given below

**TABLE 2: ATTITUDE OF EMPLOYEES TOWARDS THE RISK ASSESSMENT PRACTICE (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)**

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	39(26.500)	49 (33.30)	59 (40.10)	147 (100)	0.39	0.82
	Academic	13 (23.20)	18 (32.10)	25 (44.60)	56 (100)		
Sex	Male	37 (22.40)	54 (32.70)	74 (44.80)	165 (100)	6.09	0.048
	Female	15 (39.50)	13 (34.20)	10 (26.30)	38 (100)		
Work Experience	< 3 years	12 (26.70)	12 (26.70)	21 (46.60)	45 (100)	6.90	0.55
	3-6 Years	19 (30.60)	25 (40.30)	18 (29.00)	62 (100)		
	6-9 years	12 (24.50)	14 (28.60)	23 (46.90)	49 (100)		
	9-12 Years	6 (22.20)	9 (33.30)	12 (44.40)	27 (100)		
	> 12 years	3 (15.00)	7 (35.00)	10 (50.00)	20 (100)		
Position	Managerial	17 (27.90)	20 (32.80)	24 (39.30)	61 (100)	0.26	0.88
	Non-Managerial	35 (24.60)	47 (33.10)	60 (42.30)	142 (100)		
Academic Qualification	PhD	4 (66.70)	1 (16.70)	1 (16.70)	6 (100)	0.09	0.018
	Masters	15 (40.50)	7 (18.90)	15 (40.50)	37 (100)		
	Bachelor Degree	27 (23.90)	44 (38.90)	42 (37.20)	113 (100)		
	Diploma	6 (12.80)	15 (31.90)	26 (55.30)	47 (100)		

Source: Primary Data

(Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree)

The chi-square test indicated that, the difference in being academic staff or administrative, (X<sup>2</sup> = 0.39 P= 0.82), work experience, (X<sup>2</sup>= 6.90 P= 0.55), position held (X<sup>2</sup> = 0.26 P= 0.88), does not affect the attitude of employees towards the risk assessment system of the University. In contrast, the difference in gender resulted in attitude difference (X<sup>2</sup>= 6.09 P= 0.048) i.e. majority of the females 15 (39.50 %) dissatisfied with risk assessment system in Jimma University, while most of the males 74 (44.81 %), are satisfied with risk assessment system.

Similarly, the difference in the academic qualification of employees resulted in difference in attitude towards the effectiveness in risk assessment system (X<sup>2</sup>= 10.09 P= 0.018). As the academic qualification increases, the dissatisfaction in the risk assessment system increases and vice versa.

**5.2.4. CONTROL ACTIVITIES**

To see the effectiveness of the various control activities in Jimma University, these activities are sub categorized in to control over payroll related payments, control over non payroll payments, control over assets and control over human resource related practices.

**5.2.4.1. CONTROL OVER PAYROLL RELATED PAYMENTS**

The table that follows indicated whether the attitude of employees towards effectiveness in control over payroll related payments differ with the difference in demographic variables.

**TABLE 3: ATTITUDE OF EMPLOYEES TOWARDS PAYROLL RELATED CONTROL (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)**

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	38 (25.90)	54 (36.70)	55 (37.40)	147 (100)	1.39	0.50
	Academic	12 (21.40)	18 (32.10)	26 (46.40)	56 (100)		
Sex	Male	39 (23.60)	57 (34.50)	69 (41.80)	165 (100)	1.38	0.50
	Female	11 (28.90)	15 (39.50)	12 (31.60)	38 (100)		
Work Experience	Less than 3 years	12 (26.70)	9 (20.00)	24 (53.30)	45 (100)	18.15	0.02
	3-6 Years	22 (35.50)	21 (33.90)	19 (30.60)	62 (100)		
	6-9 years	11 (22.40)	23 (16.90)	15 (30.60)	49 (100)		
	9-12 Years	4 (14.80)	10 (37.00)	13 (48.20)	27 (100)		
	> 12 years	1 (5.00)	9 (45.00)	10 (50.00)	20 (100)		
Position	Managerial	15 (24.60)	21 (34.40)	25 (41.00)	61 (100)	0.97	0.051
	Non-Managerial	35 (24.60)	51 (35.90)	56 (39.40)	142 (100)		
Academic Qualification	PhD	3 (50.00)	1 (16.70)	2 (33.30)	6 (100.00)	14.39	0.002
	Masters	14 (17.80)	14 (37.80)	9 (24.40)	37 (100)		
	Bachelor Degree	28 (24.80)	39 (34.50)	46 (40.70)	113 (100)		
	Diploma	5 (10.60)	16 (34.00)	26 (55.40)	47 (100)		

Source: Primary Data (Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree).

Table 3 indicated that, the difference in the division and gender, does not resulted in difference in attitude towards the effectiveness of internal control over payroll related payments in Jimma University, (X<sup>2</sup> = 0.86, P= 0.65, X<sup>2</sup> 1.38, P= 0.50) for division and sex respectively. The percentage computed indicated that, majority of the academic staffs 26 (46.40%) and administrative staffs 55 (37.40%) are satisfied with the effectiveness in internal control over the payroll related payments. Further majority of females 12 (31.60 %) and males 69 (41.80 %) are satisfied on effectiveness of control over payroll related payments.

Similarly the position held in Jimma University does not resulted in change in attitude over the effectiveness of payroll related payments (X<sup>2</sup>= 0.97 P= 0.051). Small number 14 (23.00 %) of those who held managerial position and 44 (31.00 %) of those at non managerial position are satisfied with control over payroll related payments.

However, as the experience in Jimma University increases, the dissatisfaction in payroll related control increases and vice-versa (X<sup>2</sup>= 18.15 P= 0.02) and also as the academic qualification increases dissatisfaction over payroll related control increases (X<sup>2</sup> = 14.39 P= 0.002).

5.2.5. CONTROL OVER NON PAYROLL PAYMENTS

TABLE 4: ATTITUDE OF EMPLOYEES TOWARDS NON PAYROLL RELATED CONTROL (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	51(34.70)	54 (38.70)	42 (28.60)	147 ( 100)	0.86	0.65
	Academic	16 (28.60)	24 (42.80)	16 (28.60)	56 ( 100)		
Sex	Male	56 (33.90)	63 (38.20)	46 (27.90)	165 (100)	0.39	0.82
	Female	11 (28.90)	15 (39.50)	12 (31.60)	38 (100)		
Work Experience	Less than 3 years	12 (26.70)	11 (24.40)	22 (48.90)	45 (100)	24.18	0.002
	3-6 Years	25 (40.30)	29 (46.80)	8 (12.90)	62 (100)		
	6-9 years	19 (38.80)	16 (32.70)	14 (28.50)	49 (100)		
	9-12 Years	6 (22.20)	10 (37.00)	11 (40.80)	27 ( 100)		
Position	> 12 years	5 (25.00)	12 (60.00)	3 (15.00)	20 (100)	7.31	0.026
	Managerial	15 (24.60)	32 (52.40)	14 (23.00)	61 (100)		
Academic Qualification	Non-Managerial	52 (36.60)	46 (32.40)	44 (31.00)	142 (100)	-	-
	PhD	6 (100)	0 (0.00)	0 (0.00)	6 (100)		
	Masters	16 (43.20)	13 (35.10)	8 (21.70)	37 (100)		
	Bachelor Degree	39 (34.50)	39 (34.50)	35 (31.00)	113 (100)		
	Diploma	6 (12.80)	26 (55.30)	15 (31.90)	47 (100)		

Source: primary Data (Where: DA is Disagree, SDA: is strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is strongly Agree).

From table 4 it can be seen that, the response towards the effectiveness of non-payroll related controls does not vary with the division (X<sup>2</sup>= 0.86 P= 0.65). Majority i.e. 54 (38.70 %) of administrative and 24 (42.80 %) of the academic staffs remain neutral.

Similarly, the difference in gender does not resulted in the variation of the response towards the effectiveness of control over non-payroll related payments (X<sup>2</sup> = 0.39 and P = 0.82). Majority of both male and females have undecided response towards the effectiveness of control over non payroll payments but the difference in work experience (X<sup>2</sup> = 24.18 P= 0.002), position held (X<sup>2</sup> = 7.31 P= 0.026) in the University does resulted in difference in response towards the effectiveness of internal control over non-payroll related payments. The result indicated that, employees with more experiences and who held no managerial position are dissatisfied with the effectiveness of control over non-payroll payments.

Finally, even though it cannot determine whether the academic qualification is the determinant factor to cause the difference in attitude towards control over non payroll payments because of the existence of raw with zero value, the percentage computed indicated that, as the academic qualification increases, the dissatisfaction with non-payroll payments increases and vice-versa.

5.2.6. CONTROL OVER ASSETS

The assets management indicated the extent to which Jimma University is utilizing all its assets and reduces unnecessary wastage. The response of the employees regarding control over assets is summarized in the following table.

TABLE 5: ATTITUDE OF EMPLOYEES TOWARDS ASSETS MANAGEMENT (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	17 ( 11.60)	92 (62.60)	38 (25.50)	147 (100)	1.37	0.50
	Academic	8 (14.30)	30 (53.60)	18 (32.10)	56 (100)		
Sex	Male	23 (13.90)	96 (58.20)	46 (27.90)	165 (100)	2.45	0.29
	Female	2 (5.30)	26 (68.40)	10 (26.30)	38 (100)		
Work Experience	Less than 3 years	7 (15.60)	22 (48.90)	16 (35.60)	45 (100)	-	-
	3-6 Years	8 (12.90)	37 (59.70)	17 (27.40)	62 (100)		
	6-9 years	7 (14.30)	31 (63.30)	11 (22.40)	49 (100)		
	9-12 Years	3 (11.10)	16 (59.30)	8 (29.30)	27 (100)		
	> 12 years	0 (0.00)	16 (59.30)	4 (20.00)	20 (100)		
Position	Managerial	6 (9.80)	40 (65.60)	15 (24.60)	61 (100)	1.15	0.56
	Non-Managerial	19 (13.40)	82 (57.70)	41 (28.90)	142 (100)		
Academic Qualification	PhD	2 (33.30)	4 (66.70)	0 (0.00)	6 (100)	-	-
	Masters	5 (13.50)	22 (59.50)	10 (27.00)	37 (100)		
	Bachelor Degree	15 (13.30)	66 (58.40)	32 (28.30)	113 (100)		
	Diploma	3 (16.40)	30 (63.80)	14 (29.80)	47 (100)		

Source: primary Data (Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree)

Table 5 above is used to see whether the difference in demographic variable resulted in difference in attitude towards the effectiveness in assets management practice in Jimma University. Hence, from the table constructed it can be seen that, difference in division (X<sup>2</sup>= 1.37 P= 0.50), Sex (X<sup>2</sup> = 2.45 P= 0.29) and Position held (X<sup>2</sup> = 1.15 P= 0.56) does not resulted in opinion difference among employees in Jimma University. Further the percentage computed indicates that majority of employees with various experiences and academic qualification have neutral attitude towards the effectiveness of assets management practice in Jimma University. But the fact that few of them agree with the effectiveness of the assets management practice indicates that the area seek the attention of the management.

5.2.7. CONTROL OVER HUMAN RESOURCE

The other concern of control activities is the management of human resource. This is concerned with whether the recruitment, training and development and disciplining of staffs is in accordance with rules and regulation set by the board or the country as a whole. Whether the attitude of employees regarding the management of human resource varies with demographic variables is indicated on table 6 below.

TABLE 6: ATTITUDE OF EMPLOYEES TOWARDS HUMAN RESOURCE MANAGEMENT PRACTICE (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	20 (13.60)	68 (46.30)	59 (40.10)	147 (100)	1.67	0.43
	Academic	7 (12.50)	21 (37.50)	28 (50.00)	56 (100)		
Sex	Male	24 (14.50)	71 (43.00)	70 (42.40)	165 (100)	1.20	0.55
	Female	3 (7.90)	18 (47.40)	17 (44.70)	38 (100)		
Work Experience	Less than 3 years	7 (15.60)	13 (28.90)	25 (55.60)	45 (100)	12.54	0.13
	3-6 Years	8 (12.90)	35 (56.50)	19 (30.60)	62 (100)		
	6-9 years	8 (16.30)	23 (46.90)	18 (36.70)	49 (100)		
	9-12 Years	3 (11.10)	11(40.70)	13 (48.10)	27 (100)		
	> 12 years	1 (5.00)	7 (35.00)	12 (60.00)	20 (100)		
Position	Managerial	12 (19.70)	21 (34.40)	28 (45.90)	61 (100)	0.61	0.10
	Non-Managerial	15 (10.60)	68 (47.90)	59 (41.50)	142 (100)		
Academic Qualification	PhD	2 (33.30)	3 (50.00)	1 (16.70)	6 (100)	6.88	0.074
	Masters	7 (18.90)	17 (45.90)	13 (35.20)	37 (100)		
	Bachelor Degree	17 (15.00)	47 (41.60)	49 (43.40)	113 (100)		
	Diploma	1 (2.10)	22 (46.80)	24 (51.10)	47 (100)		

Source: primary Data (Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree)

As we can see from table 6, the whole demographic variables as division, gender, work experience, position held, academic qualification does not cause the opinion difference in employees of Jimma University. ( $X^2 = 1.67 P = 0.43$ ,  $X^2 = 1.20 P = 0.55$ ,  $X^2 = 12.54 P = 0.13$ ,  $X^2 = 0.61 P = 0.10$ ,  $X^2 = 6.88 P = 0.074$ ) respectively. Only small numbers of respondents across each demographic variable are satisfied with effectiveness of human resource management practice in Jimma University. This indicates that there is significant problem in human resource practices such as recruitment, selection, hiring and training practices.

**5.2.8. INFORMATION AND COMMUNICATION**

The fourth component of internal control is the information and communication. According to COSO (1994), internal control to be effective, there should be a system that allows a smooth flow of information between top level management and employees. The response of employees towards the effectiveness of information and communication is indicated in the table that follows.

TABLE 7: ATTITUDE OF EMPLOYEES TOWARDS THE EFFECTIVENESS OF INFORMATION MANAGEMENT PRACTICE, EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	28 (19.00)	66 (44.90)	53 (36.10)	147 (100)	7.50	0.024
	Academic	8 (14.30)	16 (28.60)	32 (57.10)	56 (100)		
Sex	Male	29 (17.60)	68 (41.20)	68 (41.20)	165 (100)	0.25	0.88
	Female	7 (18.40)	24 (36.80)	17 (44.70)	38 (100)		
Work Experience	< 3 years	7 (15.60)	15 (33.30)	23 (51.10)	45 (100)	8.05	0.43
	3-6 Years	16 (25.80)	26 (41.90)	20 (32.30)	62 (100)		
	6-9 years	8 (16.30)	19 (38.80)	22 (44.90)	49 (100)		
	9-12 Years	4 (14.80)	12 (44.40)	11 (40.80)	27 (100)		
	> 12 years	1 (5.00)	10 (50.00)	9 (45.00)	20 (100)		
Position	Managerial	10 (16.40)	31 (50.80)	20 (32.80)	61 (100)	4.15	0.13
	Non-Managerial	26 (18.30)	51 (35.90)	65 (45.80)	142 (100)		
Academic Qualification	PhD	4 (66.60)	1 (16.70)	1 (16.70)	6 (100)	10.48	0.015
	Masters	7 (18.90)	16 (43.20)	14 (37.80)	37 (100)		
	Bachelor Degree	22 (19.50)	47 (41.60)	44 (38.90)	113 (100)		
	Diploma	3 (6.40)	18 (38.30)	26 (55.30)	47 (100)		

Source: primary Data (Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree)

As indicated in the above table, the position held ( $X^2 = 7.50$ ,  $P = 0.024$ ), academic qualification ( $X^2 = 10.48$ ,  $P = 0.015$ ) cause the opinion difference among employees of Jimma University regarding the effectiveness of information and communication. Majority of academic 32 (57.10 %) and those who are less qualified are more satisfied with the effectiveness of information and communication system. But the difference in employees in terms of sex, experience and position held ( $X^2 = 0.25 P = 0.88$ ,  $X^2 = 8.05 P = 0.43$ ,  $X^2 = 4.15 P = 0.13$ ) respectively does not cause the attitude difference in employees regarding the effectiveness of smooth flow of information from top to the bottom level of management in Jimma University. As they are the administrative staffs are more concerned with internal control system, it can be said that the information and communication system is not effective. This is also supported by the response provide by those experienced employees and academically more qualified.

**5.2.9. MONITORING**

Monitoring is the last component of internal control. Employees' attitude towards the effectiveness of monitoring activities in Jimma University is indicated in table 8 below.

TABLE 8: ATTITUDE OF EMPLOYEES TOWARDS THE EFFECTIVENESS OF MONITORING PRACTICE (EXPRESSED IN TERMS OF AGREEMENT/DISAGREEMENT)

		DA & SDA	NEU	AG & SAG	Total	X <sup>2</sup>	P
Division	Administrative	52 (35.40)	37 (25.20)	58 (39.50)	147 (100)	4.85	0.09
	Academic	11 (19.60)	16 (28.60)	29 (51.80)	56 (100)		
Sex	Male	52 (31.50)	43 (26.10)	70 (42.40)	165 (100)	0.11	0.95
	Female	11 (28.90)	10 (26.30)	17 (44.70)	38 (100)		
Work Experience	Less than 3 years	14 (31.10)	9 (20.00)	22 (48.90)	45 (100)	9.97	0.27
	3-6 Years	24 (38.70)	15 (24.20)	23 (37.10)	62 (100)		
	6-9 years	17 (84.70)	13 (26.50)	19 (38.80)	49 (100)		
	9-12 Years	6 (22.20)	7 (25.90)	14 (51.90)	27 (100)		
	> 12 years	2 (10.00)	9 (45.00)	9 (45.00)	20 (100)		
Position	Managerial	17 (27.90)	18 (29.50)	26 (42.60)	61 (100)	0.67	0.72
	Non-Managerial	46 (32.40)	35 (24.60)	61 (43.00)	142 (100)		
Academic Qualification	PhD	3 (50.00)	2 (33.30)	1 (16.70)	6 (100)	5.23	0.16
	Masters	13 (35.10)	8 (21.60)	16 (43.20)	37 (100)		
	Bachelor Degree	40 (35.40)	25 (22.10)	48 (42.50)	113 (100)		
	Diploma	7 (14.90)	18 (38.30)	22 (46.80)	47 (100)		

Source: primary Data: (Where: DA is Disagree, SDA: is Strongly Disagree, NEU: is Neutral, AG: is Agree and SAG: is Strongly Agree)



From table 8 above, it can be seen that the difference among employees in terms of division, gender, experience, position held and academic qualification does not result in difference in opinion towards the effectiveness of the monitoring activities in Jimma University. This is reached at through chi square ( $X^2= 4.85$   $P= 0.09$ ,  $X^2= 0.11$   $P= 0.95$ ,  $X^2= 9.97$   $P= 0.27$ ,  $X^2= 0.67$   $P= 0.27$ ,  $X^2= 5.23$   $P= 0.16$ ) for division, sex, experience, Position held, and academic qualification respectively. From the percentages computed in can be said that majority of the workers who hold non managerial position and academically more qualified are not satisfied with the effectiveness of monitoring system in the University. Similarly, majority of both males and females are either neutral or dissatisfied and small number gets satisfied with the monitoring system in the University.

## 6. CONCLUSION AND RECOMMENDATIONS

### 6.1. CONCLUSIONS

From the desk research conducted, it can be concluded that the internal control system in public Universities in Ethiopia is not effective for which Jimma University is not special. The primary data analyzed also witnessed that internal control system in the university is suffering from major problems such as; inadequate risk assessment practice, poor internal control over physical and financial resources, poor human resource management practice, inappropriate information management, and loose monitoring and control practices.

### 6.2. RECOMMENDATIONS

Based upon the findings, the following recommendations were forwarded believing that the application will reduce the observed problems.

- ❖ The management of the university is expected to be proactive in its risk management practice than seeking solution after occurrences.
- ❖ Human resource practices such as recruitment, selection, hiring, training and development need to be given special emphasis. Qualification, previous employment history, medical fitness and criminal records of the candidate should be checked in order not to recruit employees who are: less qualities & who does not fit to the position, who is already employed in other governmental or nongovernmental organizations and have criminal case.
- ❖ The management of the university is advised to provide strong oversight to physical resources especially on vehicles, computers. Further, the human resource, finance and other departments are advised to share updated information to identify the employees to whom payments are expected to be made.
- ❖ The management of the university is expected to work hard on management of information and using them for day to day decision making and monitor the overall activities in the university.

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