

## The Impact of Financial Accountability on Reducing Corruption in Mogadishu Somalia

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### ABSTRACT

*The existing financial accountability of Mogadishu-Somalia is in poor condition. Consequently, the paper intended to assess the impact of financial accountability on reducing corruption in Mogadishu Somalia as a general objective the researcher used purposive sampling techniques to choose sample in some of Somali Federal Integrity Institutions, Questionnaires and field observation were used as data collection instruments. The financial Institutions were found to have inadequate fiscal infrastructure and insufficient facilities, both petty and grand forms of corruption are prevalent in Somalia, with widespread misuse of state resources and disregard for ethical conduct by public office holders. A nepotistic job culture, poor book and record keeping and unclear internal procedures and regulations exacerbate corruption challenges and create many opportunities for misusing public resources for private gain. Unethical conducts and misuse of resources can range from unnecessary and extravagant foreign travels to Western capitals to massive mismanagement and misappropriation of state resources.*

*Finally, the researcher forwarded the possible mechanisms in which the problems are solved. Giving awareness for the community, local resource mobilization, setting appropriate rules and regulations and working closely the local government with regional and federal government are among the possibilities that are recommended in the paper.*

**Keywords:** Financial Accountability, Corruption, Mogadishu-Somalia

### INTRODUCTION

According to Redlynch and Lord Sharman (2001), financial accountability is a means of ensuring that public money has been used in a responsible and productive way. It is about verification of legality and regularity of financial accounts, but also about making sure that value for money has been achieved in the use of resources accountability is one of the most often found terms in current administrative law and public policy theory and practice. It is therefore quite surprising to note that just a few decades ago this word was used in a very restrictive sense and still has, interestingly enough, no equivalent in any European language other than English (dubrick, 1998)

Financial accountability refers the use of public money in term of norms property, austerity and efficiency, supporting this sees financial accountability as referring to giving an account of actions taken and being held accountable for these action, Financial accountability is primarily understood as the relationship between the citizens, as accouters, and the Government, as an accounted, where the citizens hold the Government to account for the stewardship of public money accountability: procedures requiring officials and those who seek to influence them to follow established rules defining acceptable processes and outcomes, and to demonstrate that they have followed those procedures (Mestry, 2006)

In Africa According to the South African Public Service Commission (State of the Public Service Report, February 2005), it is recommended that in order to make certain or make sure ethical, accountable, efficient and effective public service delivery Although the Accountability is a broad term that reflects a range of understandings rather than a single paradigm. There are indeed many different approaches and definitions of accountability but this study adopts they referred accountability as a process in which an actor explains conduct and gives information to others, in which a judgment or assessment of that conduct is rendered on the basis of prior established rules or principles and in which it may be possible for some form of sanction to be imposed on the actor (Curtin & Nollkaemper, 2005).

In Somalia, although the Somali federal constitution provides the legal framework against corruption in article 125 that law shall also determine legitimate revenue collection and expenditure disbursement relating to institutions at all levels within the Federal Republic of Somalia that law shall be based on an accountability system that has been tested worldwide and is known to have standards related to financial reserve and expenditure that can equally be implemented in every part of the Federal Republic of Somali, there is some circumstances can undermine further government accountability to its citizens and tends to reinforce patronage-based systems of governance (Menkhaus, K., 2007).

## **LITERATURE REVIEW**

Financial accountability refers the use of public money in term of norms property, austerity and efficiency, supporting this (Mestry, 2006) sees financial accountability as referring to giving an account of actions taken and being held accountable for these action, Financial accountability is primarily understood as the relationship between the citizens, as accouters, and the Government, as an accounted, where the citizens hold the Government to account for the stewardship of public money. Accountability: procedures requiring officials and those who seek to influence them to follow established rules defining acceptable processes and outcomes, and to demonstrate that they have followed those procedures. (Michael Johnston, 2006).

According to Gale (2003), financial accountability gives NGOs legitimacy and credibility, contributes to their reputation and adds to their sustainability. Good accountability limits fraud and mismanagement. It also empowers beneficiaries and other stakeholders since information is power

According to Kogan (1986), accountability refers to a condition under which a role holder renders account to another so that judgment may be made about the adequacy of performance. Learner and Tetlock (1999), describe accountability as the implicit and explicit expectations that anyone may be called upon to justify one's belief, feelings and actions to others. Learner and Tetlock (1999), equate accountability not only to reporting but also to the justification of performance.

According to Samuel (1991), accountability refers to holding individuals and organizations responsible for performance, measured as objectively as possible. Ross(1973), states that the issue of accountability arises as part of the process of delegation. There is a need for accountability when a principle seeks to get an agent to-do something for him or her. The principle gives the agent resources or delegates power for a purpose and wishes to constrain or provide incentives to the agent to provide value for money in the use of the resources.

Edwards (2002), refers to accountability as the obligation to report one one's activities to a set of legitimate authorities. According to Brown & Moore (2001), accountability should be

treated as a key strategic issue that will help an organization to define and achieve its highest value.

### **Linkage between Financial Accountability and Reducing Corruption**

There is possible to determine the cause-Impact relationship between Lack of financial accountability and corruption which is indeed a complicate scenario, since both of them have case and impact the lack of financial accountability Leeds to corruption, which negatively affects the legitimacy of local governments while Corruption is generally regarded as one of the most serious obstacles to development. Recent evidence shows that indicators of corruption are negatively correlated with important economic outcomes.

According to the (maile, 2006)financial accountability refers the use of public money in term of norms property, austerity and efficiency, supporting this (Mestry, 2006)) sees financial accountability as referring to giving an account of actions taken and being held accountable for these action and also Corruption is one of the greatest factors challenging in the Federal intuitions The problem of corruption has been seen either as a structural problem of politics or economics, or as a cultural and individual moral problem these are some relationship between financial accountability on reducing corruption.

### **Financial Audit and Reducing Corruption**

Internal audit is another valuable tool in securing financial accountability. Financial audit could be defined as “independent, objective assurance and consulting activity designed to add value and improve an organization’s accountability and reduces corruption (Sigma, OECD, 2006)historically. Financial auditing has solely focused on financial systems and financial controls within an organization. However, the role of financial audit has been changing and widening over time. Thus, in the past few decades, the financial audit function extended to examination of various kinds of risks to the organization and reviewing the adequacy of the underlying activities to manage those risks. Nevertheless, the role of the financial audit in financial matters has remained quite valuable and very important for building reliable new transitional and also reduces corruption and increases financial accountability

(Ibid and N. hepworth, 2004)

### **Budgetary Control and Reducing Corruption**

Budgetary Control is the process of establishment of budgets relating to various activities and comparing the budgeted figures with the actual performance for arriving at deviations, if any. Accordingly, there cannot be budgetary control without budgets. Budgetary Control is a system which uses budgets as a means of planning and controlling.

According to (control, I.C.M.A. England Budgetary, 2010)is defined by Terminology as the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with the budgeted results, either to secure by individual actions the objectives of that policy or to provide a basis for its revision.

(howard, Brown and, 1996) defines budgetary control is "a system of controlling costs which includes the preparation of budgets, co-coordinating the department and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability."

The above definitions reveal the following essentials of budgetary control:

- (1) Establishment of objectives for each function and section of the organization.
- (2) Comparison of actual performance with budget.

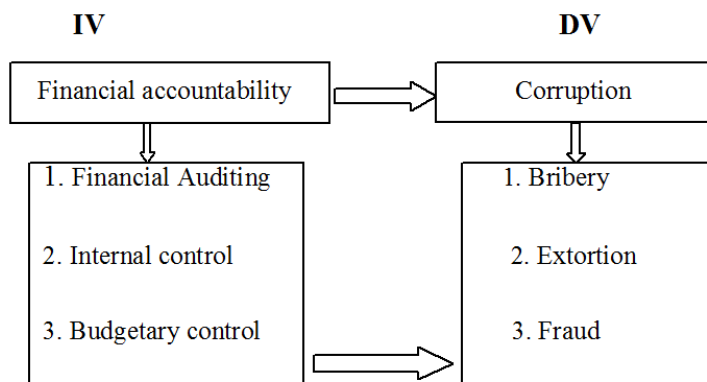
- (3) Ascertainment of the causes for such deviations of actual from the budgeted performance.
- (4) Taking suitable corrective action from different available alternatives to achieve the desired

**Internal Control and Reducing Corruption**

Refers to type of control mechanisms that are set with in the organizational financial structure of the various administrative organs of the government (Tommasi, 2005)there are number of types of internal control, whose aim is to improve performance and reinforce financial accountability in the public agencies and bodies. Those are: financial accounting and reporting, accounting controls, procurement controls, physical controls, performance measurement, and also, internal control reduces corruption. Establishment of appropriate accounting systems has an increasingly important role in securing financial accountability. Once the authorized money has-been spent, it has to be firstly accounted for and then audited subsequently. There are two key accounting techniques relevant for current public sector: cash and accrual accounting. Under cash based accounting, transactions and events are recognized when cash is received or paid. Furthermore, there is no accounting for assets and liabilities. Accrual-based systems, in turn, recognize transactions or events at the time economic value is created, transformed, exchanged, transferred or extinguished and when all, not only cash flows, are recorded.

this means while the cash accounting measures only flow of cash resources, accrual accounting includes all the revenues and expenses (including depreciation),assets (financial and physical, current and capital), liabilities and other economic flows, 140 It may therefore be argued that accruals accounting presents a truer picture of the financial costs of an organization furthermore accrual accounting ((R.allen and tommasi, 1996)

**CONCEPTUAL FRAMEWORK OF THE VARIABLES**



**METHODOLOGY**

**Research design and Sample Size**

This study was conducted through correlation research design. Correlation is to determine of Whether or not and to what extent and association exists between two or more paired and quantifiable variables, to collect data from two quantifiable variables from the same group of Subjects and then compare how they vary, (Oso&Onen, 2008). The main purpose of correlation is to compare two or more characteristics from the same group, and explain how characteristics vary together, and to predict one variable from the other, (Oso&Onen, 2008) this design is considered suitable because of its ability to provide rigorous and replicable

procedure for understand relationships, and to determine whether and to what degree, a relationship exist between quantifiable variables. So that questionnaire technique will be used in collecting the data Roscoe (1975) suggested that sample sizes larger than 30 and less than 500 are appropriate for most studies. Further, within this range of 30 to 500, it is appropriate to sample 10 percent of a parent population (Alreck& Settle, 1995) Sample is refers to sub-group of a large population (Saunders, Thornhill& Lewis, 2009) thereby the below table present total sample size and its percentage in respect to this study the samples are 150 respondents of financial integrity institutions.

### Sampling procedure and Research Instrument

The researchers used stratified sampling procedure, to have the respondents with full knowledge about the issues of financial accountability on reducing corruption in local government in Mogadishu Somalia, as well as to diminish biases from this process, so that the main purpose for select stratified random sampling is to ensure equitable representation of each stratum in the sample ( Oso&Onen, 2008) in additionally, researchers have selected stratified random sampling for the cause of first all participants may not feel any biases when researchers take this procedure , second researchers can able to get a full information about human resource development after respondent were divided into group as well as some prominent respondent will be a part of this study Researchers used Questionnaires to collect suitable information from the right respondents with fully administered of data inserting. A questionnaire is a predefined set of questions, assembled in a pre-determined order (Oso&Onen, 2009).

## FINDINGS AND CONCLUSION

Table 1(Part-I). Demographic characteristics of the respondents

<i>Demographic Profile</i>	<i>Frequencies</i>	<i>Percentage</i>
<i>1. Gender</i>		
Male	120	80%
Female	30	20%
<i>Total</i>	<i>150</i>	<i>100%</i>
<i>2. Age</i>		
20-25	40	26.7%
25-30	30	20%
30-35	40	26.7%
35-40	30	20%
40 above	10	6.7%
<i>Total</i>	<i>150</i>	<i>100%</i>
<i>3. Marital Status</i>		
Single	60	40%
Married	60	40%
Divorce	30	20%
<i>Total</i>	<i>150</i>	<i>100%</i>

**Table 1(Part-II). Demographic characteristics of the respondents**

<i>Demographic Profile</i>	<i>Frequencies</i>	<i>Percentage</i>
<i>4. Educational Level</i>		
Secondary	50	33.3%
Diploma	50	33.3%
Bachelor	40	26.7%
Master	10	6.7%
PhD	0	0%
<i>Total</i>	<i>150</i>	<i>100%</i>
<i>5. Type of The Organization</i>		
Ministry of finance	40	26.7%
Mogadishu seaport	40	26.7%
Central Bank	40	26.6%
Independent financial analyst	30	20%
<i>Total</i>	<i>150</i>	<i>100%</i>

Primary source: 2014

### **Gender**

As table 4.1 indicates that the majority of the respondents of this study were male which 120 respondents are (80%) while the remaining 30 respondents (30%) were female.

### **Age**

The majority of the respondents of this study were aged between 20-25years and 30-35 which are 80 respondents (53.4%), each 40 respondents (26.7) each, the respondents aged between 25-30years and 35-40 were 60 respondents (4%) , each 30 respondents (20%) and the remaining respondents were aged 40 above which were 10 respondents (6.7%).

### **Marital Status**

As indicated in table 4.1 the majority of the respondents in this study were 60 respondents which is (40%) married, 60 respondents which is (40%) were single, while the remaining 30 respondents which is (20%) were divorced.

### **Educational Level**

The majority of the respondents of this research were secondary and Diploma levels which were 100 respondents (66.6%), each were 50 respondents (33.3%), the bachelor degree were 40 respondents which were (26.7%), the master degree were 10 respondents (6.7%( and there is no PhD Degree holders who participated in this study.

### **Type of the Organization**

The majority of this study worked Ministry of finance; Mogadishu seaport and central bank each were 40 respondents (26.7%) and the remaining 30 respondents (20%) were worked as an Independent financial analyst.

## DATA ANALYSIS AND PRESENTATION

After background information, the researcher went ahead to present the correlation analysis from the opinions of the respondents. The first objective of this study is to identify the relationship between external financial auditing and reducing corruption in Federal Institutions, Mogadishu Somalia, and the respondents were request to indicate the size to which they agree with each of the items by expressing their perception. To achieve this objective, the respondents were asked to respond several statements related to external financial auditing and reducing corruption. Although this study, the researchers selected based on some Federal institutions in Mogadishu as a sample of the all institutions, but the result from this sample can be generalize to all Mogadishu Federal institutions.

*Object one of the study:* The relationship between external financial auditing and reducing corruption in Federal Institutions, Mogadishu Somalia.

**Table 2. Internal Financial Auditing and Reducing Corruption**

		<i>External Financial Auditing</i>	<i>Reducing Corruption</i>
<i>External Financial Auditing</i>	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	150	
<i>Reducing Corruption</i>	Pearson Correlation		1
	Sig. (2-tailed)		
	N		150

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

The first objective of this study is to find out the relationship between external financial auditing and reducing corruption in Federal Institutions, Mogadishu Somalia. The researchers found that there is a significant relationship between external financial auditing and reducing corruption and association between the variables showed a high statistically significant result.

The result was =0.275.

*Object two of the study:* The relationship between budgetary control and reducing corruption in Federal Institutions, Mogadishu Somalia

**Table 3. Budgetary Control and reducing corruption**

		<i>Budgetary Control</i>	<i>Reducing Corruption</i>
<i>Budgetary Control</i>	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	150	
<i>Reducing Corruption</i>	Pearson Correlation		1
	Sig. (2-tailed)		
	N		150

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

Based on the result of the table above, the relationship between budgetary control and reducing corruption was investigated by using Pearson product momentum correlation. The result obtained indicated that there is a significant relationship among variables. The correlation coefficient for the two variables is ( $r=.115$  and  $p< 0.01$ ).

*Object third of the study:* The relationship between internal control and reducing corruption in Federal Institutions, Mogadishu Somalia.

**Table 4. Internal control and reducing corruption**

		<i>INC</i>	<i>RC</i>
INC	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	150	
RC	Pearson Correlation		1
	Sig. (2-tailed)		
	N		150

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

The third objective of this study is to find out the relationship between internal control and reducing corruption in Federal Institutions, Mogadishu Somalia. The researchers found that there is a significant relationship between internal control and reducing corruption and association between the variables showed a high statistically significant result. The result was  $=-0.427$ .

## DISCUSSIONS AND CONCLUSIONS

This section discovers the research result and findings derived from the distributed questionnaires. The main purpose of this study was to identify the Impact of financial accountability and reducing corruption in Federal Institutions, Mogadishu Somalia. Researchers measured the financial accountability into three indicators which are financial audit, budgetary control and internal control; the researchers found that all these indicators have significant relationship to reducing corruption; therefore, the researchers found that there is a positive significant relationship between financial accountability and reducing corruption in Federal Institutions, Mogadishu Somalia.

The following conclusion drawn as a result of the research work carried out in the area of the financial accountability and reducing corruption in Federal Institutions, Mogadishu Somalia. The researchers are confirmed that there is a significant positive relationship between financial accountability and reducing corruption in Federal Institutions, Mogadishu Somalia.

This study had three objectives: the first objective was to identify the relationship between external financial audit and reducing corruption in Federal Institutions, Mogadishu Somalia.

The researchers found that there is a significant relationship between external financial auditing and reducing corruption.

The second objective of this study is to find out the relationship between budgetary control and reducing corruption in Federal Institutions, Mogadishu Somalia. The researchers found



that there is significant relationship between budgetary control and reducing corruption in Federal Institutions, Mogadishu Somalia.

The third objective of this study is to find out the relationship between internal control and reducing corruption in Federal Institutions, Mogadishu Somalia. The researchers found that there is significant relationship between internal control and reducing corruption in Federal Institutions, Mogadishu Somalia.

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