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## **Internal Audit for Accountability: Perceived Usefulness by Employees at Mbarara University of Science and Technology in Uganda**

Peter Kamugisha<sup>a\*</sup>, Manasseh Tumuhimbise<sup>b</sup>

### **Abstract**

Considering the Auditor General's Report (2013) for Uganda, Public universities spend money without due authorization. This concern raises questions about the internal audit function and whether internal audit improves accountability among public universities. In view of these questions, the article describes how employees at Mbarara University of Science and Technology (MUST) perceive the usefulness of internal audit for university accountability. Hence, a cross sectional survey design using a questionnaire tool was administered to 196 out of 403 staff of MUST to understand the perceived usefulness of internal audit for accountability. The article reveals that internal audit is perceived useful because it facilitates [1] the university to focus its activities towards achievement of set objectives and [2] financial accountability through compliance measures with set internal controls. The study concludes that when internal audit is ignored due to collusion, then accountability is flouted. The study recommends strengthening the internal audit positioning, equipping and training staff in E-Systems audit, and maintaining an environment where internal auditors have freedom to independently perform their tasks for better accountability. Strengthen internal audit is a panacea to better accountability at MUST.

**Keywords:** Accountability; University stakeholders; Communication; Internal Audit.

### **1. Introduction**

The demand for better accountability among public universities continues to escalate. Consequently, governments and University governing Councils are increasingly more involved in University running [1].

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Likewise to compete in the marketplace, Public universities need highly qualified academic and administrative staff to meet the growing requirements for graduate knowledge and skills [2]. Hence, despite their shrinking resource pool, public universities face the risk of simultaneously striking a balance between mission and stakeholder demands[3]. Given their inadequate state financing, public universities need to improve accountability since their institution's survival depends on seeking new partners for university education.

One way of improving accountability is by strengthening internal audit within public universities. Internal audit enables the organizational 'contribution value' when internal auditors intervene by assuring compliance with set internal control measures [2]. Accordingly, the value of internal audit lies in applying assurance and advisory roles, in order to bring added value to the entity through a systematic and methodical approach to corporate governance, risk management and control. From this perspective internal audit is described to be a functionally independent and objective activity intended to provide assurance and advice of sound administration of revenues and expenditures to the management [4] . The basic activities include [5].

- a) system audit - which is an in-depth assessment of internal management and control systems, in order to determine whether they are efficient, identify deficiencies and formulate recommendations;
- b) performance audit - which examines if the criteria set out for implementing the objectives and tasks are followed and determines whether the results are consistent with the objectives;
- c) Regularity audit - which represents the examination of compliance with the set of principles and procedures applicable to them.

However, several internal audit systems fail [6,7]. For public entities, failure has been attributed to misuse of power and numerous practices; which implies that often managerial and capacity handicaps in the control are responsible for enforcing good internal audit practice [8]Thus, despite efforts by Government of Uganda to set up the internal audit function for accountability among government units may fail due to managerial gaps which need to be addressed. Accordingly, understanding the priorities, scope, and application internal audit of procedures becomes a vital step for better accountability in public universities of Uganda. Therefore, this study focused on understanding the employees' perception of internal audit and how it relates to accountability. The study was taken to understand the employees' perception as regards accountability considering the [8] for Uganda; *that Public universities spend money without due authorization* taking MUST as the case study. The findings presented will support MUST and public universities with similar setting to strengthen their internal audit for better accountability.

## **2. The Case of Mbarara University of Science and Technology**

The University operates under an Act of Parliament, the MUST Act (1989) Cap 210 of the Laws of Uganda. Being a public institution, the University is also the second oldest University in Uganda, with a current population of about 5,000 students, and undertaking diverse programs in the five Faculties. From a humble beginning in 1989, the University has grown to the complex entity. Currently, the university contends with an agile external environment and dwindling financial resources from the national government. Despite rising demand for higher education in the region, the increased number of Public Universities (9) is a cause of competition for scarce Government resources (MUST Strategic Plan, 2014).

The University also faces competition from both local and foreign private universities. It therefore has to continue to create superior value to survive in a competitive environment. The contemporary environment requires MUST to adopt high standards of accountability and a prudent and business-like approach in the management of the University affair. The University is increasingly being pushed towards displaying greater sensitivity to the needs of its stakeholders. It is therefore imperative that MUST management prioritise strengthening its governance structure, including the effectiveness of Internal Audit. Presently the Council, the supreme governing organ, is composed of executive and non-executive's members. The appointment of the council is done externally and its Chairperson is external to the institution for effective oversight. The institution is headed by the Vice-Chancellor as the Chief Executive (CEO). The Vice-Chancellor is assisted by two Deputy Vice-Chancellors (DVCs) charged with the management of the dockets of Administration and Finance and Academic Affairs. Management of the day to day affairs of the institution is with the Heads of Departments which include the Finance, Administration and Human Resource, Transport, and Estates Buildings among others. The Internal Audit Function is placed at this level in the organizational structure, but unlike the other heads, who report to the relevant DVCs, the Chief Internal Auditor reports to the CEO, and to the Audit committee of Council. At the same time, the activities of MUST are subject to a continuous external review by the Auditor General's Office [8]

One of the obligations of managing public universities, MUST inclusive, is to promote accountability. Thus, strengthening the Internal Audit system is expected to assist management in such efforts. It is however important that the Internal Audit Function gets the relevant support in terms of resources and is free to operate independently and objectively. In addition, existence of an audit committee is expected to enhance, guide and support the Internal Audit activities. Against this background, the paper presents empirical findings of employees' perceived usefulness of internal audit for accountability in public universities with particular focus on MUST.

### **3. Methods**

The study used a cross sectional survey design and MUST as a case study. The study followed a quantitative approach. This quantitative data approach was preferred in order to explore employees' perceptions about the phenomena of inquiry[9]. Given that the unit of analysis was MUST, the unit of inquiry was university staff. Thus, the study population was 403 staff comprised of both senior and intermediate employees of MUST (MUST Personnel department, 2015). The study population comprised of gender from various university departments and faculties. Employees considered for this study were only those of salary scales M1 to M15. Employees above M15 salary scale were not considered in this study.

Out of the population of 403 employees, 196 respondents were selected. The procedure for determining sample size was based on the formulae by [10]. The study used simple random sampling and purposive sampling technique across all the categories. Purposive sampling was used because reliable and valid information is only obtainable from specific persons of the accessible population at specific time. Thus, MUST employees were selected randomly while purposive sampling was applied in selecting staff holding positions that are more knowledgeable about the study subject. Table 1 below describes the respondent categories, population sample

and sampling methods used.

**Table 1:** Sample size and strategy

Category	Population Size	Sample size	Method
MUST Staff M 1-M 3	15	14	Purposive Sampling
MUST Staff M4 – M15	388	182	Random Sampling
<b>Totals</b>	<b>403</b>	<b>196</b>	

**Source: MUST Human Resource Report, 2015**

Quantitative data was collected from respondents using self-administered questionnaires. The questionnaire was designed to capture perceptions about the usefulness of internal audit for accountability. The respondents filled the questionnaire at their convenience and their responses were anchored on a five (5) point Likert of *Strongly Disagree, Disagree, Not sure, Agree and Strongly Agree*. Data about Accountability was collected using the Scales adopted from Allen and Seaman [11] anchored on a (5) five point Likert Scale. The researchers pre-tested the instruments to ensure that the questionnaire is understandable by the respondents. This helped the researcher to identify redundancies and additions to adopt and render the instruments amenable to analysis. Collected data was edited, coded and entered into computer software - Statistical Package for Social Science (SPSS) - to generate frequencies, means and relationships among the variables. The researchers obtained an introductory letter from MUST and approval to undertake the research from MUST Ethical Review Committee. Questionnaires were only administered after written consent of the respondents. The completed questionnaires were collected by the researcher and confidentiality and anonymity of the respondents was adhered to.

#### 4. Results

From the above table, respondents (90; 50%) agreed that the guidelines on accountability are designed in such a way that employees without accounting background are able to interpret the final reports. This implies that with the existing guidelines, employees at MUST (90; 50%) without accounting background cannot interpret final reports. Findings show that financial reporting does not feed into accountability at MUST; which may result into failure in accountability. The respondents (92; 50.5%) further agreed that the policy on accountability is clearly understood. However, employees (90; 50%) reported that the policy is just on paper and not clearly understood. Respondents (129; 70.9) reveals that through proper accountability MUST should get value for money. However, 30% of the respondents mentioned existence of weaknesses experienced in accountability as regards to value for money.

Furthermore, respondents (65; 35.7%) confirmed that Resources are utilized for their intended goals and objectives. Thus 64% of the respondents indicate that despite budgets and plans being done with the involvement of some of the staff, resources are not utilized according to intended purpose. The finding shows lack transparency and accountability in the utilization of university funds. When asked about presence of an accessible integrated accountability system, respondents (65; 35.7%) agreed. Thus, the study reveals that 64% of the respondents are concerned that the accountability system is not accessible by stakeholders. This implies that

there is no integrated accounting system accessed by stakeholders. Interestingly, majority of respondents (139; 76.4%) confirmed that supporting documents for all transactions are submitted for accountability. The observation confirms that internal audit department is tasked by management in handling this issue and thus compliance. However, the results further reveal that 34 % of the staff either don't account at all or are not at all involved in accountability related activities.

**Table 2:** Accountability mechanisms

Employees account for MUST resources at work	N (%)		
	Agree	Disagree	Not Sure
1. The guidelines on accountability designed in such a way that staff without accounting background are able to interpret the final reports	91(50)	66(36.3)	25(13.7)
2. The policy on accountability is clearly understood by MUST employees	92(50.5)	73(40.1)	17(9.3)
3. Through proper accountability MUST gets value for money	129(70.9)	30(16.5)	23(12.6)
4. Resources are utilized for their intended goals and objectives.	65(35.7)	67(36.8)	50(27.5)
5. There is an integrated accountability system that can be accessed by all stakeholders.	65(35.7)	67(36.8)	50(27.5)
6. There are supporting documents for all transactions in MUST.	139(76.4)	23(12.6)	20(11.0)
7. There is active involvement of all stakeholders in the MUST's accountability	96(52.7)	44(24.2)	42(23.1)
8. The accounting system at MUST holds all stakeholders accountable.	134(73.6)	17(9.3)	31(17.0)
9. All MUST's resources including funds are accounted for in a timely manner	82(45.1)	62(34.1)	38(20.9)
10. Sometimes transactions are made before authorization.	46(25.3)	68(37.4)	68(37.4)
11. On time progressive accountability is done after funds are released	95(52.2)	34(18.7)	53(29.1)
12. Funds released match the planned activities.	80(44.0)	53(29.1)	49(26.9)
13. Funds are accounted for as required	117(64.3)	31(17.0)	34(18.7)
14. Finance and Accounts staff are knowledgeable about all the transactions made.	121(66.5)	38(20.9)	23(12.6)
15. MUST staffs are comfortable to respond to accountability queries.	104(57.1)	46(25.3)	32(17.6)
16. There are internal controls that help us account for all the resources	128(70.2)	30(16.5)	24(13.2)
17. We are happy with our current accounting system	89(48.9)	67(36.8)	26(14.3)
18. We can make the current system better	145(79.7)	9(4.9)	28(15.4)

**Key:** D = Disagree; A = Agree; NS = Not sure:

**Source:** Field data 2015

Further respondents (96; 52.7%) reveal that there is active involvement of all stakeholders in the MUST's accountability. The 47% of MUST staff show that there is no involvement of all stakeholders in accountability. Documents reviewed show that MUST accounts to government, staff and grant providers. Majority of

respondents (134; 73.6%) confirmed that the accounting system at MUST holds all stakeholders accountable. Furthermore, respondents (26%) disagreed that any irregularities in accounting system affect all stakeholders. Thus, weaknesses in recruitment procedures may result into an incidence like this one. Another argument may be that not all stakeholders will be affected equally or not affected at all. Thus further research may be done on this issue.

Respondents (82; 45.1%) show that all MUST's resources including funds are accounted for in a timely manner. indeed, documentary reviews support this observation. There are several cases that accountability is not made in time. Cases of unaccounted for funds have been evidenced up to AU's office. Documentary review further reveals that there are operation policies and procedure aimed at timely accountability and implementation is done under the internal audit department and the university secretaries' office. However, results show that 55% of MUST staff don't account for funds. This reveals presence of a weak accountability environment at MUST.

Further, respondents (95; 52.2%) show that timely and progressive accountability is done after funds are released; the rest disagreed. Documentary reviews show some progressive accountabilities on research projects that go on for a period more than one year, though this does not in any weak change the weakness revealed by the study. Respondents (80;44%) further show that funds released match the planned activities. Documents reviewed further show that funds are released in line with the budgets for a specific period and are said to be accounted for in line with the planned activities. However, the study reveals that 56% of the funds are not accounted for in line with the planned activities

Respondents (117; 64.3%) further show that funds are accounted for as required. This is evidenced by the bio data study findings which shows that majority of MUST staff are above 30 years and are professionals who are conscious in protecting their names and responsibility for their families and thus accounting for funds as required. On the other hand, the study further reveals weaknesses in accounting for funds as required by the organization. Respondents (121; 66.5%) also reveal that Finance and Accounts staff are knowledgeable about all the transactions made; however, 33 % disagreed implying that these are not satisfied with the current operations and work force of the finance and account section. This may be further evidenced in the earlier findings relating to the human resource recruitment processes that was said to be weak and resulting into recruiting incompetent people.

Respondents (104; 57.1%) further show that staffs are comfortable to respond to accountability queries. This is in line with the MUST staff being conscious of their professionalism and job protectionism. The study further confirms that 43% of MUST staff are not comfortable to respond to accountability queries. Responses (128; 70.2%) reveal that there are internal controls to account for all the resources This is supported by findings about employees' respect for their professionalism and job security. It was revealed that an independent internal audit function is responsible for formulation and implementation of these controls. On the other side the study findings show that 30 % of MUST Staff does not agree with the statement. This is a sign of weak internal audit and weak accountability at MUST.

Furthermore, respondents (89; 48.9%) confirmed being happy with their current accounting system. documents

reviewed show some appreciation of the existing accounting system but recommends for a shift from manual to automated system so as to match other competitors in the same industry and to improve on the system to international standards. However, 51% of the respondents were not comfortable with the current accounting system. This accounts for more than a half of the staff, implying there is a problem in the system that needs to be addressed. But from the earlier findings the study shows need to change because even though agreeing with the statement may not be happy with the existing system. The responses (145; 79.7%) confirm that the current accounting system can be made better.

## **5. Limitations of the study**

The main limitation of this study is that it did not examine whether the scope of internal audit covers the areas mentioned by OAG internal audit Guidelines. It is, therefore, suggested that future research could consider the scope of coverage and degree of compliance to the OAG internal audit guidelines. Also, a study comparing the role of internal audit in private and public universities represents another interesting area for further research. This study only focuses on the perceptions of the management and the internal auditor. Understanding the perception of other parties such as university council, ministry of finance and parliament will be an interesting to explore for future research. Likewise, this being a case study done at MUST, these results cannot be generalized. Similar studies need to be carried out in other public universities so as to generalize the findings.

## **6. Conclusion**

The study confirms presence of accountability mechanisms within MUST management processes and operations. The study appreciates the direct role played by finance, accounts and internal audit staff to use MUST resources and desire for internal audit systems improvement. However, employees perceive accountability policy guidelines not to be clearly understood by staff (50%), weaknesses in 'value for money' accountability, not involving all stakeholders in accountability and weaknesses in budgeting, planning and implementation of programs. All these contribute to employees' perceived weak internal audit and hence poor accountability at MUST. There is need for management to strengthen internal audit to improve on accountability at MUST. Hence employees perceive any change in internal audit at MUST will directly affect accountability. The study recommends strengthening the internal audit positioning, equipping and training staff in E-Systems audit, and maintaining an environment where internal auditors have freedom to independently perform their tasks for better accountability. Strengthen internal audit is a panacea to better accountability at MUST.

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