An Evaluation of Internal Control System for small business organizations to prevent risk:
A study of Hitech company, Hargeisa Somaliland.

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DECLARATION

I hereby humbly declare that this research work entitled ― Internal Control System for Small business to reduce risk of fraud the case study of Hitech Company, Hargeisa-Somaliland. Was carried out by me and is submitted as thesis to be graduated of the requireents for the degree Master of business admiration , Department of Business and Entrepreneurship, Daffodil International University, Shukrabad, Dhaka-Bangladesh.

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Approval of Certificate

This is certify that Salman ShAdemMohamoud, ID: 181-14-2701, is a regular student of Master of Business Administration, Department of Business and Entrepreneurship, and Daffodil International University. He has effectiveltycompeleted 3 months' internship program at Hitech Company and has prepared this internship report under my supervision. I wish him every success in life.

…………………......

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Abstract:

Despite sizes or segments, all associations could be powerless by cheats, particularly independent venture elements were defrauded in the best level of cases, and furthermore endured unnecessarily immense misfortunes as a result of misrepresentation.

This study expects to depict cheats and how inward control framework could enable independent ventures to anticipate fakes and accordingly lessen danger of fakes. The contextual analysis of Hitech Company was utilized in this examination so as to give pragmatic issues in connection to misrepresentation and inside control framework at this organization. How a decent inside control framework ought to be connected to a private venture will be shown through the instance of Hitech Company.

The writing section is gathered from different assets, for example, books, articles and online sources. The observational information of the contextual analysis is assembled by two research techniques: poll which sent to representatives working at the organization and meeting which directed with three administrators of the organization. In the wake of acquiring satisfactory hypothetical structure and reasonable information, an inside and out and far reaching investigation is completed dependent on those information. The outcomes uncover that the Hitech Company is to some degree having a fairly decent inside control framework, yet needs more enhancements, especially considerations from the organization's sheets of chiefs to various offices. A few conceivable arrangements are proposed dependent on the creator's comprehension of down to earth current states at Hitech Company.

It is trusted that this theory is giving useful data to the case organization just as others regarding inward control framework to lessen danger of fakes.

Contents

Chapter one

1.1 Background of the report

Over the previous decades, there has been an issue of incorrect and questionable budgetary announcing which is considered as misrepresentation in business world. The two most surely understood outrages are Enron and WorldCom. From the exercise of those embarrassments, associations these days have put progressively their inside control frameworks in motivation behind upgrading a well-improved framework which can lessen however much as could reasonably be expected the danger of cheats. A sound inside control framework enables associations to warrant that working targets, money related goals and consistence destinations are met and consolidated. Thus, inside control framework can be viewed as the central to supporting the accomplishment of an association's destinations and making, upgrading, and ensuring partner esteem. Inward control additionally plays an imperative in the survival of business which can be considered as an association's administration framework and capacity to oversee chance. All the more explicitly, inner controls are operational estimates which intended to screen the company's benefits, avoid extortion, limit mistakes, and confirm the exactness and unwavering quality of bookkeeping information.

Inward controls not exclusively are utilized by the administrators yet in addition by bookkeepers and examiners to test the adequacy of the association's progressing consistence with built up money related and administrative practices executed by the firm. Compelling inside control can enable associations to improve their execution by empowering them to accept on extra open doors and difficulties in a progressively controlled manner. Subsequently, there should be a superior comprehension of how a sound inner control framework enables the organization to improve their administration and at the same time limit danger of fakes.

So as to get the top to bottom about how inward control framework underpins the undertaking regarding lessening danger of misrepresentation, in actuality, a contextual analysis of an IT which alluded to be tended to as Hitech organization in this paper are utilized to examine. With the genuine case for the examination, the creator trust this exploration will be useful to the Hitech organization as an extensive reference for its inside control improvement.

1.1 Justification of the report

As my major subject is bookkeeping and I have this theme titled " the job of inward control framework over extortion the board in Hitech organization". This point has an extraordinary significance as the inner control framework is especially basic to run a

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foundation easily and adequately just as to accomplish the objective. I have picked this subject as it will give me a chance to have useful information on this essential territory. This report is suitabale for the general population who are occupied with the realted field of this association. It is unequivocally trusted that this examination will be utilized as extensive and enlightening one

1.2 Scope of the report

During this three months of internship program in Hitech company almost all the department related to the internal control &complaiance have been observed. It was not an easy task to collect all information relevant to my topic due i was not there in the company. I had been focused on the internal control system over the fraud management.

1.3 Objectives of the study

This study will critically examine the two following research questions as the main destination of this paper:

- To examine the internal control system of Hitech Company in relation to fraud prevention
- To evaluate the internal control system of Hitech Company to reduce risks of fraud
- To provide recommendations based on findings.

1.1.4METHODOLOGY

1.1.4.1Research methods

The exploration expects to accomplish more noteworthy comprehension of the current inward control circumstance and observation towards misrepresentation of representatives at Hitech, and along these lines prescribe a few enhancements for extortion anticipation, particularly money related extortion counteractive action in correspondence with inside control arrangement of Hitech Company. So as to meet research destinations, creator for sure must be cautious regarding picking the most proper technique procedure for the examination. Imprint and Philip (2009, p.141) recommended that there are seven research plans, to be specific test configuration, review configuration, contextual investigation configuration, activity explore configuration, grounded hypothesis structure, ethnography

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plan lastly, authentic research structure. As research points referenced above, creator chose to pick contextual analysis structure as the primary procedure inquire about plan for his paper.

Contextual analysis configuration in Mark and Philip's definition is "a system for doing research which includes an experimental examination of a specific contemporary wonder inside its genuine setting utilizing various wellsprings of proof" (2009, p.146). At the end of the day, contextual analysis configuration includes top to bottom, logical examinations of issues of a marvel. This examination configuration is profoundly prescribed if there should be an occurrence of specialists wish to get a rich understandings of the exploration setting. What's more, the most feature favorable position of this procedure is that it causes analysts have the capacity to widely pick up answers to certain inquiries, for example, "why?", "what?" and "how?" in their exploration questions or speculation. As a result of its handiness, contextual analysis configuration these days is utilized in the most informative just as exploratory research. (Imprint and Philip 2009, p. 146)

The information accumulation systems for the contextual analysis configuration are obviously different from subjective to quantitative strategy, yet subjective technique are appropriate more being used than quantitative one in this kind of research plan. In more subtleties, searchers can utilize interviews, perception, narrative investigation or polls for their contextual analysis to come to the top to bottom view towards their genuine case. As indicated by Mark and Philip (2009) subjective research strategies are viewed as the most suitable strategy in the event of analyst needs to see profoundly about observations or feeling of the respondents. Since this examination generally focuses on the discernments, assessments, and assessments of all representatives working at Hitech company (the case study) about their company's internal control system and their consciousness about frauds, author decided to use two qualitative research methods. Those methods are **questionnaire method** and **interview methods** which are considered as the best suitable methods in author's opinion.

Besides acquiring the primary data through conducting questionnaire and personal interviews, secondary data from professional guidelines as well as books are appropriately used in this research. In short, the research results are the outcomes of a mixture of primary data and secondary data.

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1.4.1 Questionnaire

Surveys' preference can be seen at the purpose of obtaining essential information all the more effectively with sparing time, energies and expenses. It is additionally a successful procedure if there should be an occurrence of an examination is adapting topography trouble, for instance, in this paper the separation between the creator's place and friends contextual investigation area would be tackled when utilizing mail poll technique through web. Likewise, this strategy is considered as a fitting way to deal with be utilized for the situation think about research configuration (Mark and Philip 2009, p.360).

As indicated by Mark and Philip, a survey "is a reformulated composed arrangement of inquiries to which respondents record their answers". As far as methods for survey conveyance, there are two kinds of polls as following

•   Personally managed polls – a standout amongst the most much of the time utilized strategies for gathering information when the study is bound to a particular neighborhood. The significant advantage of this technique is about the efficient, implying that analysts can gather all the finished answers from respondents in brief time.

•   Mail polls – as referenced above, mail through web demonstrates it best favorable position when the examination experiences issues identifying with topographical issue. This sort of technique is clearly straightforward and financially savvy too. Analysts set a composed of inquiries ahead of time, at that point the polls are sent to applicable respondents who can total the inquiries at their home, their working spot with accommodations.

Because of advantages from mail survey, the creator took this technique for use in her paper.

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The Author's poll with set of inquiries in regards to interior control framework at Hitech Company. On account of the aides of Mrs. Ali Abdi – team lead, the creator could have the mail rundown of individuals working there. Certainly, respondents the creator picked are all the official representatives working at HItech who include the most in the workplace at Hitech and furthermore generally have observations to some degree about interior control of Hitech. With the pertinent respondents for the survey, the creator is in the expectation of taking the most legitimate and dependable comprehension and learning about inward control framework at this organization.

In the wake of reaching to all respondents, the creator sent the survey to them. This survey has twenty five inquiries with six classifications isolated as five parts of an interior control framework and deceitful discernment. The six classes are control condition, hazard evaluation, control exercises, data and correspondence, checking and last however misrepresentation outline at Hitech.

This poll was sent by email to respondents. Following three weeks of pausing, the creator got sixteen answers out of forty individuals. It implies that the got proportion of this survey is just around 0.4 percent which was not high as the creator anticipated. In any case, from result dependent on every inquiry of survey, the creator had a few understanding foundations about Hitech's internal control in relations to fraud matter. This questionnaire indeed was a direction for the author to make further analyses.

1.1.4.2 Interview
As referenced above, talk with strategy is an essential information gathering system. In more detail, this technique is alluded to accumulate subjective information on the issues of recognition or intrigue. As indicated by Donald and Pamela (2014, p.152), meeting would be the best valuable technique for analyst if the investigation is on the exploratory phases of research. Implying that, the utilization of meeting engages scientist to procure substantial, dependable and refreshed information so as to addresses look into inquiries. Additionally from Donald and Pamela's sentiment, they recommend that there are three littler classifications of meeting technique, which are unstructured meeting, semi-organized meeting and ultimately organized meeting.

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• Unstructured meet – alluded as a casual meeting with no particular inquiries or request theme to be talked about. This sort of meeting is normally utilized when scientist would investigate top to bottom a general subject or zone to his/greatest advantage which is generously adaptable and variable relying upon the respondent's answers.

• Semi-organized meeting – some of subject and inquiries in the meeting would be all together or pre-decided ahead of time so as to acquire applicable data, and the rest ought to be adaptable as in the unstructured one to explore different reactions further.

• Structured meet – this sort of meeting alludes utilizing a point by point and institutionalized arrangement of inquiries in the meeting session, accordingly organized meeting could be likewise considered as quantitative research interviews when it is utilized to gather solid and quantifiable information in an exceedingly foreordained manner.

In this paper look into in correspondence to the contextual investigation, the creator utilized the semistructured talk with methodology with the desires of procuring the most legitimate and solid data about Hitech Company's interior control framework. Since the creator is presently leading her paper in Finland, yet the contextual analysis is about Hitech Company which is situated in Somaliland, it was troublesome for the creator to organize an eye to eye talking with session with HItech organization's agents. Subsequently, the meeting was went with through email trades. Subsequent to reaching to the correct delegates of organization in Somaliland, the creator got the taking an interest understanding from them. The creator, at that point at the outset, present quickly about the exploration thoughts just as goals. After this stages, the creator began making further inquiries to satisfy the creator's need of the examination. Clearly, this email talk with technique is evidently tedious in light of some postponed time; be that as it may, this methodology would permit both the creator and delegates have additional time ahead of time to audit cautiously seeing to questions being asked just as answers being conveyed.

1.1.4.3 Secondary data

The fact shows that when considering how to meet objectives of a research, some researchers, mostly students, usually think of using existing data or reanalyzing data in the books, from the internet, etc. which are partially linked to their research topics and research questions. Those existing data is defined as secondary data, which in detail "is information gathered by someone other than the researcher conducting the current study". (Mark Saunders & Philip Lewis 2009)

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The secondary data can be referred as an empowered technique to researchers for its usefulness in the stage of initially understanding deeply towards research questions. Thereby with the combination of primary data collection, secondary data truly can help researchers obtain research objectives. Furthermore, using of secondary data sources is less time-consuming and more cost-effective for researchers regarding to gaining information. For secondary data's convenience, in this research, author used several sources of secondary data such as books, published surveys, journals, guidance and statistical abstracts, etc. Moreover, since this paper analyzes Hitech Company.some internal sources of this company also in use, for instance, Hitech's website with blogs, articles, Hitech's annual reports, etc.

1.1.5 Limitation of study

Notwithstanding the creator's endeavor to deliver the most sufficient outcomes, this examination still endured a few constraints. Right off the bat, geological issue is a standout amongst the most troublesome the creator needs to adapt to. The contextual analysis Hitech organization is situated in Somaliland while the creator directed the exploration in Bangladesh. Thus, the creator did not have chance to take the best down to earth perception by eyes for the Hitech organization. Furthermore, due to far separation trouble, the creator couldn't set an eye to eye interviews with administrators, along these lines the season of sitting tight for answers from them was taking longer than the creator expected which was last this examination longer in time. Thirdly, the point of this examination is to some degree related to false issue which is modestly delicate and classified data; henceforth, a few issues identifying with moral models were barely to investigate. To wrap things up, the quantity of respondents for the survey was not high, yet time plan for this exploration was by one way or another restricted, the creator must be acknowledged the low proportion and utilized it for his further examinations.

Chapter 2

CASE COMPANY – HITECHCOMPANY

2.1   Background

The Hitech Company is an Information Technology business undertaking, which was set up in 2002 in Hargeisa, Somaliland. The organization is known as one of the absolute first data innovation (IT) organization as far as IT re-appropriating by then of time. Following quite a while of activity, these days, Hitech extends its business with another office in Buroa. Hitech Company corporates with an a lot of substances at neighborhood.

☐**IT outsourcing service**

Plainly, as an IT office, the organization has been basically concentrating on IT administration to all clients in required. Hitech Company has contributed a different scope of programming improvements for various venture ranges, for example, present moment, long haul extends, and even completely fledged undertaking lines. The more unpredictable specialized elements and versatile stages are required from clients, the more drawn out in time and the more work requirement for that venture. However, paying little respect to sorts of item require, the organization dependably gives a similar fixation toward superb, efficient, cost productivity and greatness. (Ali 2017)

There are 3 major kinds of services that Hitech Company mostly focuses on:

☐ Third party useful upkeep: conveys to customer from the beginning time venture thought to the last-arrange finished items. Additionally, the organization likewise bolster customers with designs for engineering, point by point structure and activity.

☐ Software execution: give advices in correspondence application advancement and support needs to customer as fullest.

☐ Products and administration for non-IT customers.

People at Hitech company

About human asset, Hitech Company is the perfect working spot for in excess of 50 representatives working with the point of conveying brilliance IT administrations to customers, in Somaliland as well as over Euro district. The majority of representatives were enrolled at Somaliland, thus far others originate from various nations with various societies, for example, China, India, and so forth. As a rule, Hitech Company is a universal organization offering to its workers a cordial and spurred condition set up to get the best results.

2.2   Accounting system

As indicated by Mr. Jama – bookkeeping administrator at Hitech Company, since it is a SME (little and medium-sized element) the governing body alluded to utilize a bookkeeping programming that has utilizations and capacities devoted to independent venture as it were. In Somaliland, FAST bookkeeping programming is a notable and exceptionally assessed program which is significantly reasonable to private venture highlights. Perceived the suitability of FAST bookkeeping programming, the top managerial staff chose to take it being used.
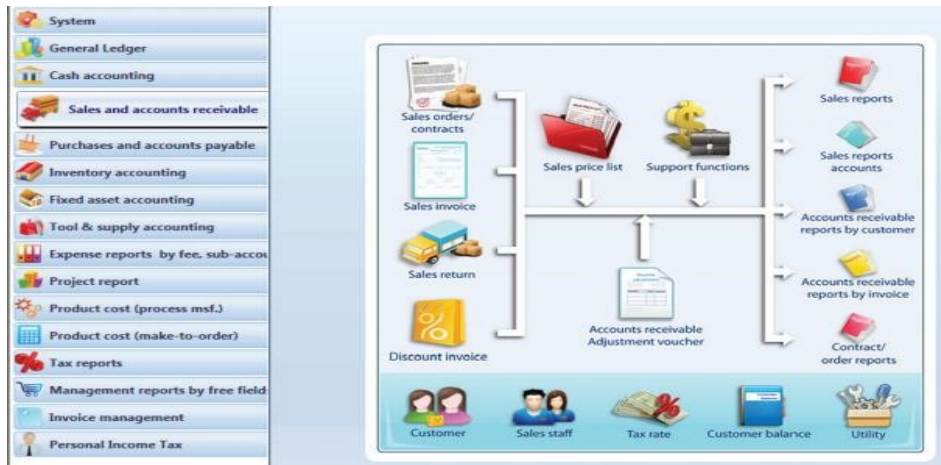
Figure 1: Function menu of FAST accounting software being used at Hitech company

There are sixteen modules comprising at this accounting software, some outstanding modules are cash accounting; sales and accounts receivable; purchase and accounts payable; and expense reports, etc. For a small business, a sound internal control system with purpose of reduce risk of fraud would be strongly associated with these modules.

Further chapter will give more explanation relating to this.

2.3   Vision   Statement
Our vision is to make a situation where all understudies, staff and network have simple access to innovation assets and data, and to give a foundation that bolsters the objectives of the Districts Strategic Plan.

2.4   Mission   Statement
The mission of the Information Technology Department is to construct a quality and far reaching innovation foundation, set up and keep up a compelling operational condition, and convey quality, brief, savvy and dependable innovation administrations

Organization hierarchy

At Hitech, there is four critical workplaces which are leaded by the chief executive officer. Each division have their various limits and obligations. These five workplaces need a solidly tight relationship among them to ensure the association's working sufficiency.

Arrangements division – Sales chairman will be in charge of this present office's extraordinary job that needs to be done similarly as its adequacy. Arrangements specialists will accept risk for open association occupation or promoting for things and organizations of Hitech. They are moreover people of tolerating demands from clients and finding new customers for the association.

Human resource (HR) division – be accountable for selecting new human resource, checking the remuneration estimations from the accounting office, arranging get-aways and cleared out leaves for all delegates.

Reserve division – leaded by cash boss. Rule commitments are bookkeeping, conveying month to month and yearly cash related offering an explanation to outside accomplices and budgetary masters, investigating new contributing open entryways for Hitech. later on, urging to CEO regarding back activities.

Programming improvement division – this office is the key adversary of the association. Amassed by shocking Information Technology engineers from different countries. Key

Programming improvement division – this office is the key adversary of the organization. Assembled by phenomenal Information Technology engineers from various nations. Principle work of this division is running programming tasks to clients or redistributing IT administration to them dependent on their requests.

Buy office – In the obligation of obtaining items which will be exchanged later. Buy method contains arranging, finding the best sellers, requesting and getting items and sparing items' information into Enterprise Resource Planning framework. Buy administrator likewise has a group for statistical surveying whose primary design is tied in with getting guarantee items from clients' need.

Chapter 3

3.1 FRAUD

Rationale – Behind a fake, there is normally a justification which is accommodated fraudster's deeds. Defense is by all accounts a mental factor having a place with person or it very well may be viewed as enthusiastic sparks, for example, outrage, dread or even feeling of being under-compensated. This superseding factor emerge in fraudster's attitude while submitting a fake. In detail, around then, this individual expect oneself that it is worthy to acting so in his/her nation. One of the noteworthy feeling of defense was deduced in the overview is the feeling of prevalence, which is represented 36 percent of faud outrages. Fraudsters with predominance sense are as often as possible official executives of organizations.

3.2   Types of fraud

Resource misappropriation is worried as a robbery or abuse of benefits, did by workers of an organization. Measurement information from ACFE with respect to this kind of misrepresentation demonstrates that 91% of inward extortion responsibilities identified with resource misappropriation segment. Resource misappropriation occasions can contain, for example, taking money, plant, stock; making deficiency solicitations, records

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and finance; or notwithstanding exaggerating of costs in repayment. Some of benefit misappropriation can includes:

☐ Cash schemes, more specifically, includes theft of cash receipts (skimming in sales or receivables; and cash larceny from register or from the deposit) and fraudulent disbursements (check tampering, billing schemes, or payroll schemes).

☐ Non-cash asset schemes insists of misuse of inventory/fixed assets; and theft of inventory/fixed assets.

- **Fraudulent statement**

This term alludes as deliberate fakes which typically done by association's directors with correspondence to making false sections in accounting and budget summaries. This sort of extortion is to expect to achieve ill-advised profit by the deceptive articulation reports. A few models incorporate misrepresenting bookkeeping exchanges for example deals request or stock labels; or all the more genuinely, altering money related report with the purpose\ of influencing it to perform superior to anything it really is.

- **Corruption**

Corruption is existing in all ventures, not just in legislative issues or government. It is a demonstration which submitted by inside representatives of unfortunate casualty substances working with somebody all things considered. In addition, most normal remuneration and debasement is identified with money and does not include any paper trail after that. Without paper trail, debasement examination procedure will go meet a great deal of challenges so as to track and discover the last outcome. Likewise, the pay off and debasement exercises with the inclusion among in and out related party more often than not involve the utilization of fixes, kickbacks, utilization of data with ill-advised purposes

As said by ACFE in the report distributed in 2014, independent company which is considered as business elements with under 100 representatives, were the greatest injured individual as far as percent in cases.

Besides, in intelligibility with middle misfortune, independent companies additionally has a place with the best misfortune gatherings, which goes as the second, after just the substantial elements (those are having in excess of 11,000 workers). The middle misfortune for independent ventures and extensive organizations are $156000 and $165,000, separately. From here, it is straightforward that, extensive substances (in excess of 10,000 staff) with middle misfortune is doubtlessly higher that independent ventures; ho\wever, the loss of $156,000 for a private company with less than 111 representatives consistently is substantially more genuine and intensely harmed contrasting with the loss of $165,000 yearly for a vast business with involving more than 10,000 workers.

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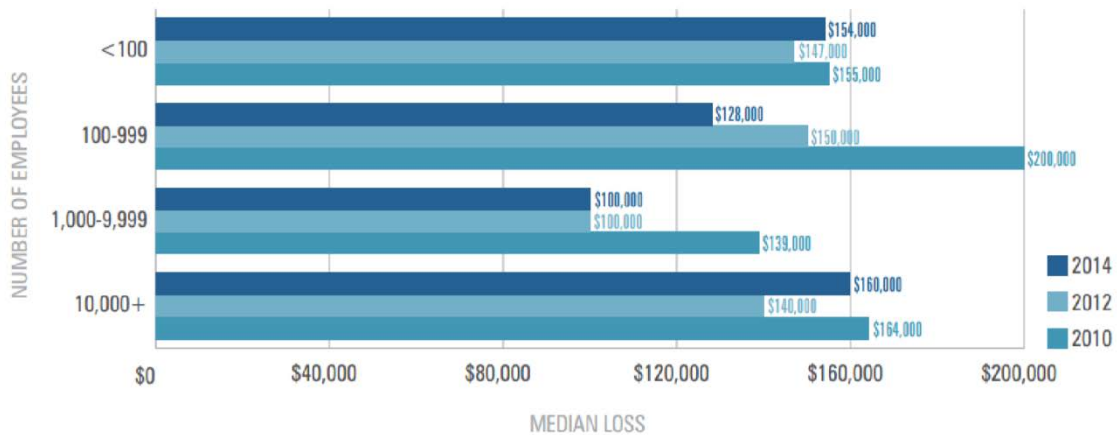
Chapter 4

INTERNAL CONTROL

For a long time, internal control is viewed as an essential quintessential to an effective task inside now the long haul keep running as well as furthermore every day keep running of a business, in light of the fact that a key responsibility of a business administrator is to oversee activities. Obviously, sufficient internal control framework which covered right protection strategies and methodologies will able to help and engage the organization to obtain its special targets.

4.1   Definition and objectives of internal control

☐**Definition**

It has been authoritatively appeared senior association of substances have been putting mind blowing exertion into their inside control frameworks as a result of the fundamental control of internal control inside their affiliations, particularly with bookkeeping data structures. Anyway, what is inside control?

Inward control proposes varying things to various individuals (The Committee of Sponsoring Organizations of the Tread way commission. Consequently, inside control is depicted in different definitions since it impacts on the a lot of parts of substances in different ways and makes a few perplexities among agents, rules and assorted assistants. Harrison struggled and demonstrated his evaluation contemplated in the definition about internal control which is as "an arrangement of methods executed by affiliation the board. It is wanted to look for after affiliation approach, advance operational sufficiency, guarantee accurate, solid bookkeeping records and conform to real fundamentals."

The most broadly recognized and honorably used defnition about internal control, in any case, is found under a generation, named Internal Control – Integrated Framework.

This structure was set up by the Committee of Sponsoring of Organizations of the Tread way Commission which is one of the extraordinary associations built up so as to create proposals for open organizations and their free evaluators. COSO is a joint activity of five supporting associations which dependably have a solid voice just as overall notoriety for quality as far as bookkeeping and inspecting angles. Those associations are as following: American Accounting Association (AAA); American Institute of Certified Public Accountants (AICPA); Financial Executives International (FEI); Institute of Management Accountants (IMA); and Institute of

Internal Auditors   .

COSO defined internal control as:

A procedure, affected by a substance's leading body of chief, the board and other faculty, plan to give sensible protection in regards to the accomplishment of goals in the accompanying classes:

• Effectivity and productivity of tasks

• Reliabilitness of money related revealing

- Compliance with material laws and guidelines.

From the definition above, it is firstly noticeable that internal control is a process of improvement within a company. In order to achieve that improvement, the controls is strictly necessary to be under periodically-reviewed process or ongoing supervision to ensure company's continuous efficient operation.

in. Hence, board of directors need to be flexible, wise and foreseeable to deal with any circumstances.

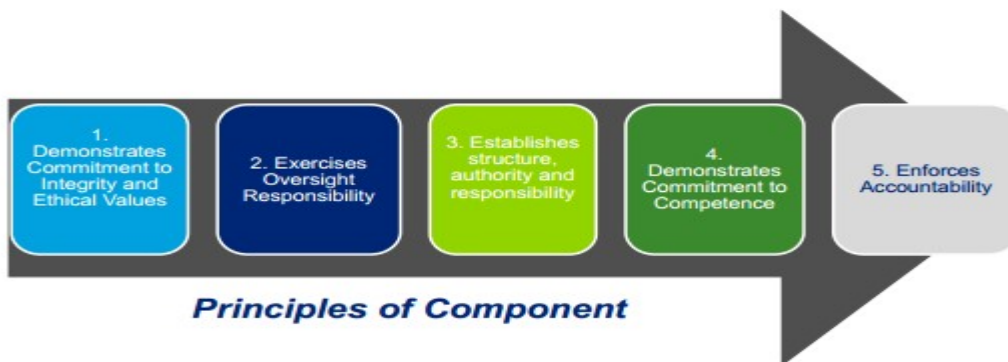## 4.2 Internal control components

According to COSO, internal control contains for the most part by five between related sections which are considered as criteria for choosing and achieving a profitable inside control structure. These fragments are resolved in correspondence with the official's style and soundness with unique excellence from components to components, and are undefined with the board methodology. Even more vitally, the COSO in like manner suggests a couple of instruments, bearing to empower business to evaluate and overhaul their inside control system through ocess. Then again, if managers don't for the most part center around the issue of their components' control perspective, the control structure without a doubt won't bring the perfect effect. That is one of th inspirations to show Edward's clarification that control condition including moral characteristics, capacity of significant worth from HR, and best in class course for the component depends for the most part on the administering body and their regulatory reasonability.

It has been agreed that "the focal point of any business is its family". In detail, association's human resource with their uprightness, moral characteristics and ability are considered as the most essential asset for drive feeling free to enable association to accomplish its goals. Additionally, "the control condition impacts the control consciousness of its family"; thusly, most enormous organizations put an a great deal of undertakings on choosing people with wellness, adventure adroit standpoint of control comprehension. From two explanations above about individuals working in a substance and the way control condition affecting on, it is trusted that the control condition assume a basic job in giving and affecting on the environment where individuals in the association can complete their working exercises and obligation. From that, a sound control condition of an association can be reflected through a proficiently controlled hierarchical structure,

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proper arrangements and trains for instance composed set of accepted rules, cooperation style, and so on.

Five Control Environment Principles

There are five factors building a control environment for an organization. Five of them are certainly as crucial as the foundations of a house and cannot lack of one factor. Yet, each of them can be varied in extent and priority in different entities. Those factors or principle will be showed by the figure below.

| 1. Demonstrates Commitment to Integrity and Ethical Values | 2. Exercises Oversight Responsibility | 3. Establishes structure, authority and responsibility | 4. Demonstrates Commitment to Competence | 5. Enforces Accountability |

Principles of Component

• Illustrating a guarantee to uprightness and moral qualities – top managerial staff will be accountable for building up the principles of direct just as component for representative to pursue; and deciding the method and all assets of the association so as to call attention to deviations on schedule.

• oversight duty – the top managerial staff of element should most likely unmistakably comprehend their business and desires from the organization's inside and outside partners which include workers, customers, financial specialists, and other legitimate administrative necessity from government. It implies that governing body need to assume the oversight liability of inner control's improvement and execution into their worry.

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•   making structure and specialist – oversight obligation isn't just co   can realize which action's choice can be acknowledged in correspondence with that dimension of hazard. **Risk assessment principles**

Principles of Component
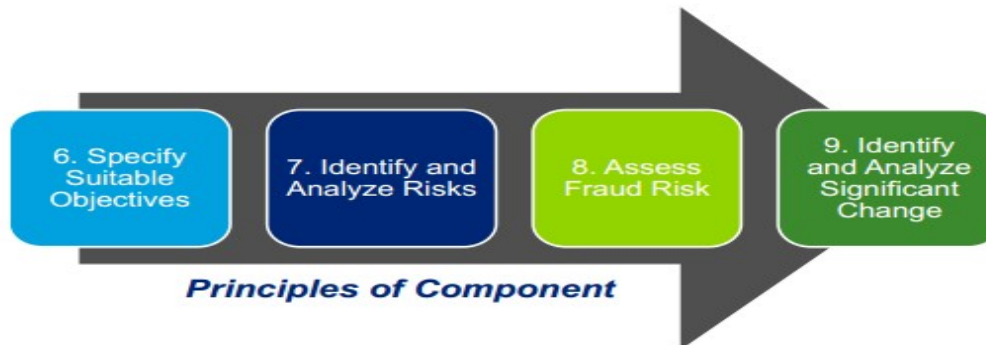
• significant targets – setting business goals isn't genuinely a part of inside control, however this action is an essential or a vital reason for hazard appraisal. An occasion is considered as a hazard to business in the event that it influences or even dangers to objectives of the endeavor. Along these lines, the principal focus of hazard evaluation is to set business destinations, at that point directors can recognize chances in connection to objectives and take vital activities to oversee them later in their capacity.

•   find and break down dangers – Risk recognizable proof is performed through the thought of elements outside and inside the undertaking which can legitimately influence the activity of the business. Hazard investigation is the thought of significance and probability of dangers, which enables supervisors to manage chances, oversee and moderate their belongings. Hazard investigation strategy is extremely differing since numerous sorts of dangers are hard to measure. However, specialists finished up hazard investigation technique with three essential stages as pursues: survey and measure the harm from hazard, at that point evaluate the likelihood of hazard, lastly discover answer for arrangement with dangers.

•   Access extortion chance – Potential misrepresentation may make risks for elements' goals; henceforth misrepresentation should be in the record of high thought. Purposes of center for this area are incorporated consideration of different kinds of misrepresentation which can happen, for example, fake

monetary revealing, resource misappropriation, defilement, and so forth.; get to extortion's motivator and openings; to wrap things up, get to inspiration just as legitimization as referenced in the misrepresentation triangle demonstrate.

4.2.3 Control activities

As communicated in COSO Internal Control – Framework, control practices are the methodologies and frameworks to ensure that organization commands are finished. These systems and procedures intend to assist other crucial activities with limiting the business peril and engage help targets be executed genuinely, adequately over the whole endeavor. At the point when executives is responsible for recognizing perils, they are in like manner in the basic obligation with respect to arranging, realizing and seeing of control activities to prevent or lessen the perceived risks.

Sorts of control works out

•	Top Level Reviews – Review is a relationship between's certified displays with data from different sources. Because of review, administrators can choose and manage the refinement of interest. The explanation behind this framework is to perceive unpredictable changes, quickly gain capability with the basic drivers and propose helpful courses of action in time. Some explanatory techniques for inspected are, for instance, checking data periodically in deternal control. This kind of checking intends to assess the execution of routine activities and thusly to review the inside control structure's viability. The appraisal criteria for enormous business checking include:

Assemble data inside and outside the undertaking to clear up issues emerging from inner or other inward data through the association of instructional meetings, workshops or different types of experience to give criticism to the supervisor • Compare the genuine information with accounting information.

•	Internal review and free evaluators – center around the suggestions for development of inner control from autonomous examiners and interior inspectors.

Chapter 5

5.1 Intern produceture in Hitech

In addition to the questionnaire, the author employed interviewing method in place around three noteworthy capacities at Hitech Company. Henceforth, this part exhibits the outcomes and discoveries of meetings. The point of the meetings is to accomplish the inside and out administrative works on existing inside three principle divisions at Hitech which are the most powerless capacities affected by false exercises; the engaged capacities are deals office, buy office and bookkeeping office. Other than the present practices, the meetings likewise solicited to approach administrators' point from view towards misrepresentation matters.
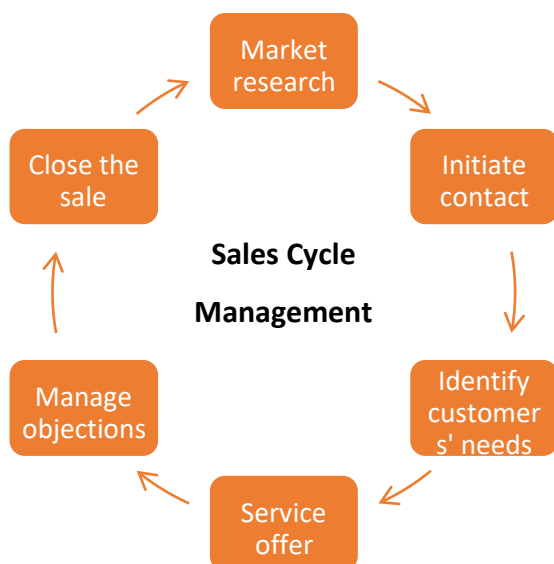
5.1.1
☐IT outsourcing service

As referenced out of sight of Hitech, re-appropriating administration plays as the backbone of the organization's income. To achieve consumer loyalty, this administration is the verbalized mix between deals group who are in charge of reaching and speaking with clients and IT programming advancement division who are responsible for structuring IT items to meet clients' necessities.

Clearly, deals office are the delegates of the organization before their clients. Deals representatives straightforwardly contact, take orders from customers, record deals exchanges lastly get the installments. Those exercises, as a rule, are straightforwardly related to income of the organization and it is trusted that business division should be under contracted control since its condition and working conditions are in high probability of extortion duties.As the result from the interview with Sales manager – Abdi, the author withdraw several findings in relation to control practices at Sales department as followings:
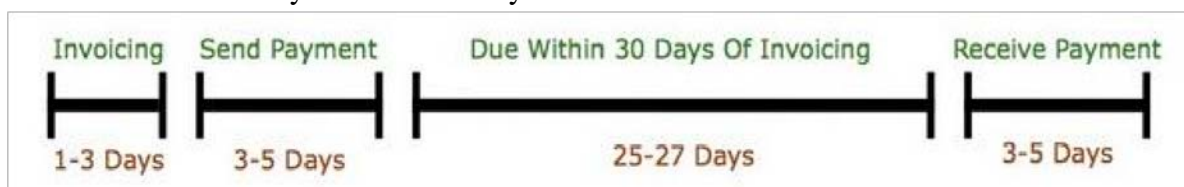
workers – there are four deals representatives for IT re-appropriating administration whose experience from one to two years. They are under administration of Sales supervisor who just has more than one years of working background at Hitech.

Sorts of agreements with clients – HItech organization is utilizing two sorts of agreements depending to sorts of IT items or activities conveying to clients, fix-estimated contract and adaptable contract. In detail, fix-evaluated contract, as it is called, is an agreement with a fix cost where installment from client is unaltered paying little respect to measure of material and time cost. Plainly, fix-evaluated contracts bolster clients as far as deciding the complete cost ahead of time without considering it later on notwithstanding when the materials and time components change. About adaptable contracts, they are clearly inverse to fix-evaluated contracts. This sort of agreements enables clients to pay the installment dependent on the measure of works performed by HR, materials utilized and time expended. The all out installment of adaptable contract would be done when the undertakings or items finished. This refinement of sorts of agreements helps Hitech legitimately estimate in the human asset use for each venture or item, along these lines set up a long haul plan ahead of time in assigning HR just as materials.

Deals cycle – through talking, Abdi said that an all around oversaw deals cycle showed a sound business. Deals cycle is a progression of stages intended to accomplish the best bring about pitching an item or administration to clients. Evidently, deals cycles are different in method for planning stages as a result of the distinction in items or administration or contrast in size of associations, and so forth. At organization Hitech, the CEO and project lead together settled a business cycle for IT redistributing administration which they think this business cycle is a legitimate cycle for their business.e are four sales employees for IT outsourcing service whose experience from one to two years. They are under management of Sales manager who only has over one years of working experience at Hitech.

Market research

Initiate contact

Sales Cycle Management

Close the sale

Identify customers' needs

Manage objections

Service offer

Money accumulation process/Accounts receivable – this term alluded as a procedure exhibiting to what extent it takes to gather receivables. It is no uncertainty that the sooner business can most likely gather cash, the shorter the money accumulation cycle is. The accompanying would demonstrate the money accumulation cycle as of now utilized at

Invoicing	Send Payment	Due Within 30 Days Of Invoicing	Receive Payment
1-3 Days	3-5 Days	25-27 Days	3-5 Days

Retail

Other than re-appropriating administration, the organization is likewise giving clients retail or product administration. This administration is the second pay wellspring of the organization. Their fundamental items pitching to clients are PCs and PC related embellishments, for example, mouse, console, memory card, connector, and so on.

The retail location is situated at a similar place of business with the organization. This well-found condition permits project lead and buy supervisor control all the more effectively as far as buy cycle, deals cycle and charging cycle..

Number of workers – There are two deals staff at this store and one individual being in charge of conveyance administration. Salespersons are in charge of dealing with items, client administration, for example, helping client select items, prompting clients by giving item data. Additionally, retail salespersons are likewise accountable for checking the stock for the following buy for the store. These sets of expectations is by all accounts important and clear to them; notwithstanding, there is a misty activity obligations between this two deals workers. They have the comparable sets of expectations and can exchange their work for one another, yet not straightforward duty in work.

Shopping answers for clients – Customers of Hitech retailing administration could have two choices for their shopping. They can either legitimately go to Hitech store and purchase items, or call to client administration to arrange by telephone. Hitech store offers and supports free conveyance administration inside Hargeisa for clients on the off chance that they allude purchasing items by call.
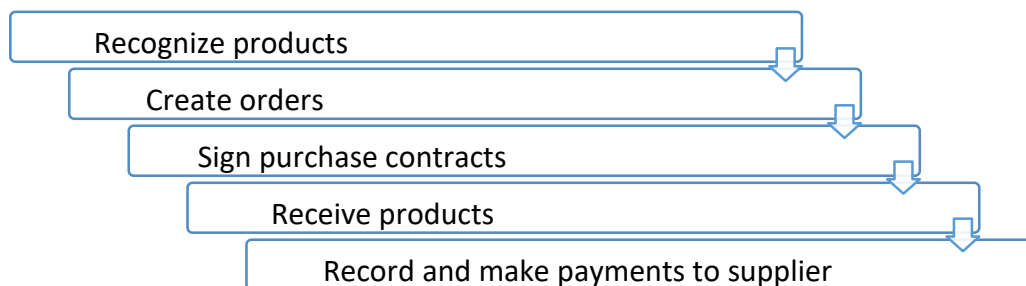
Money accumulation/Accounts receivable – In Hargeisa, installment via cards isn't normal, however money. Somali individuals allude paying with money for nearly exchanges of purchasing something. What's more, at Hitech store, it is no special case, implying that paying with money is likewise the most mainstream type of installments. Be that as it may, paying via cards is permitted at Hitech store. To put it plainly, clients have two alternatives for their buys.

Retail process – this process is showed by the below diagram:

Control practices at purchase department

Buy in Hitech organization is the way toward purchasing merchandise for giving items to Hitech retail location as talked about above. As a rule, acquiring is accepted as the real wellspring of money outpourings of each business and this division is effectively defenseless by fake exercises. Thus, the executives for this division ought to be in high thought set up to forestall fakes.

Number of representatives – Three people are dispensed to work here. All of exercises identifying with buy division are under administration of procurement director. As per buy director – Mr. Faisal, in this area there are two primary littler parts, called buy procedure and stock framework. Purchase process

Recognize products

Create orders

Sign purchase contracts

Receive products

Record and make payments to supplier

The above figure is the first procedure utilized in Hitech Company when searching for a complete new items. This procedure contains five phases for making the most significant buy for the organization. The procedure begins by the phase of item acknowledgment which is like statistical surveying of client needs, at that point request for required items is made, marking contracts with provider ought to be the following stage in this procedure, in the wake of accepting items from providers, thusly illustrative of procurement division will record the buy into buy framework and make the installments as indicated by solicitations to providers.

Inventory system

Mr. Faisal imparted his insight that in light of the fact that Hitech retail location is as the second wellspring of income, the top managerial staff did not contribute to a great extent for Hitech store as the colossal shopping store. The Hitech store is assessed as a medium-sized store, subsequently the stock framework thusly is put resources into a sufficient way which is appropriate to the store estimate.

As a rule, stock framework at Hitech store is somewhat basic. Representatives working for buy process are additionally in charge of stock framework, legitimately it is one of the best approach to either spare pay costs for the organization or take points of interest of HR at Hitech.

5.1.3 Control practices at accounting department

A As indicated by Mr. Jama – bookkeeping administrator at Hitech Company, control exercises at bookkeeping division is by and large called "bookkeeping control" at Hitech. Bookkeeping controls are built up so as to guarantee the defending of benefits and the reliabilities or straightforwardness of monetary reports or records.

Number of workers – In this division, HR are all around dispensed with one bookkeeper, one budgetary controller and one general chief who is likewise in charge of exercises in bookkeeping office and money the executives inside the organization.

Bookkeeping process – Most of independent ventures in Somaliland allude to use a bookkeeping framework as the mix among manual and mechanized methodology, even some of them utilize the manual strategy just for their organizations. At organization Hitech, despite the fact that the extent of the venture is considered as little medium measured substance, yet the governing body at first perceives the significance of a legitimate and effective bookkeeping framework for their organization, they chose to worker FAST bookkeeping programming inside bookkeeping division. The bookkeeping procedure is exhibited as the accompanying figure:

In working days, bookkeeper takes data dependent on the bookkeeping records/reports or outline of bookkeeping vouchers to enter these information into the tables communicated in FAST bookkeeping programming. Despite the fact that FAST programming, accounting of the organization is all around overseen in the correct requests, in the meantime, money related reports would come well ahead.

Vital records in bookkeeping controls – With five years filling in as bookkeeping administrators at organization D, Ms. Hong Le genuinely trusts that a suitable bookkeeping framework would contribute successfully to inward control framework, and in this manner decrease danger of cheats having the capacity to happen inside the venture ahead of time. As additionally expressed by Ms. Hong Le, there are four kinds of records that as she would see it assume the most essential jobs regarding bookkeeping controls just as inner control exercises. They are, separately money account, records of sales, creditor liabilities, and finance account. All the more explicitly, the present practices of these records are demonstrated in the table beneath:

Table 3. Current practices at four major accounts in accounting system at hitech

Chapter 6

Findings, recommendations and conclusion

Findings

• There is some Increment of pay without endorsement from Human Resource (HR) division or any separate body for the benefit of HR.

• There is much lower number of work constrain in the inner control and consistence division concerning the size and valuable domain of the association.

• There is some augmentation assessing structure or regular check by evaluator or any endorsed individual to focus on it in the plant measure.

• Some amount crisscross with challan or bill or potentially with material got report (MRR) duplicate

• Sometimes Purchased item isn't according to buy request or demand od fitting and not as synchronized item detail.

• There is no common checking among representatives, just among workers and chiefs. In the event that one of them change the measure of exchange with not exactly the genuine sum in the framework, it is difficult to perceive that misrepresentation in light of the fact that the director has an a lot of information to screen.

• Employees working for buy process are likewise in charge of stock framework.

• The individual signs the agreement with client is additionally accountable for getting the installment from them. Generally nearly installments are paid with money, hand to hand.

•   Cash the executives and bookkeeping information are overseen by just a single individual – that is bookkeeping administrator

Recommendations

Based on the previous understanding of the current practices of control activities in the Hitech company, in this final part, various suggestions for internal control solutions will be presented based on the knowledge of the author. There are three main potential control activities that are suggested to the departments of the main functions of the company: segregation of functions; review and supervision; And last but not least the authorization. These powerful control activities are taken in accordance with the COSO internal control structure which is specifically mentioned in the review chapter of the previous literature.

6.1.1 Suggestion for sales department
Practices   Weaknesses Suggestions

Deals office

1. Deals workers have a similar sets of expectations, for example, pursue the business the board cycle, post the business information in one normal deals information framework.

There is no common observing among representatives, just among workers and chiefs. On the off chance that one of them change the measure of exchange with not exactly the genuine sum in the framework, it is difficult to perceive that misrepresentation in light of the fact that the chief has an a lot of information to screen.

Isolation of obligations: the team lead must be reassign the expected set of responsibilities for every representative.

The normal employment which portrayed as the business cycle ought to be the equivalent for them; be that as it may, obligations relating deals occupations are prescribed to allocate contrastingly among the individuals who:

- Approve terms of offers

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- Records deals orders

2. The individual signs the agreement with client is likewise responsible for accepting the installment from them. Generally nearly installments are paid with money, hand to hand. This would make a decent condition to any worker to submit extortion identifying with money. Deals representative can pull back a little sum from the installment at that point alter solicitations and receipts as indicated by the sum he needs. - Invoice clients - Fill information about records receivable

- Receive the installments - Edit the records receivable ace document

Audit and Oversight:

-       The top managerial staff should lead audit and oversight at this office week after week, or if nothing else month to month.

-       Review every single extraordinary request, giving exceptional consideration to long remarkable requests and the purposes behind these requests being long remarkable.

Approval: All exchanges requires signature or electronic endorsement of an exchange by team lead.

3. Two retail salespersons in the store additionally have the normal occupations, yet

there is no clearness in their obligations. In the event that some money of store income are vanish, them two will be in charge of that.
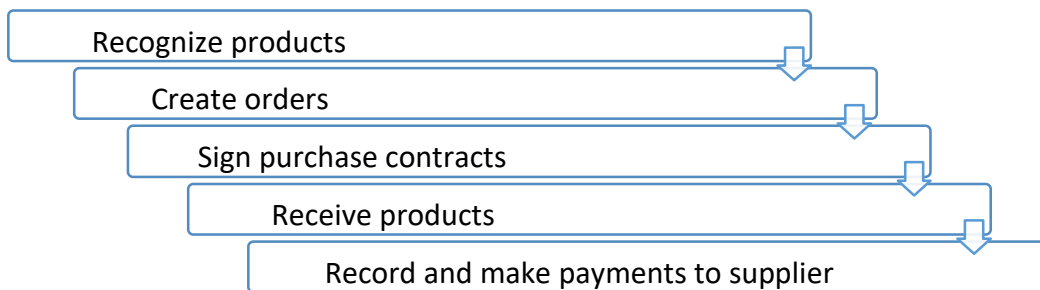
Hazy obligations can prompt extortion. One individual of them submits extortion, another does not, however thusly both are accountable for that. It isn't reasonable for the individual not submitting misrepresentation.

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4. There is no individual right now in deals group are for the most part accountable for accepting client grumblings identifying with installments.
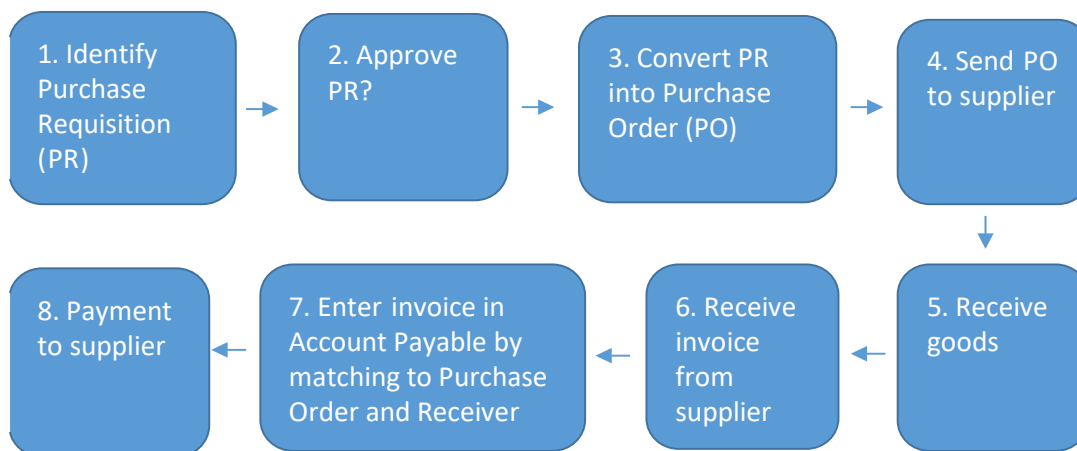
Grievances from clients for, for example, wrong measure of cash in solicitations, or notification for non-installment on record will enables the organization to discover blunder or even misrepresentation.

6.1.2 Suggestion for purchase department

Figure shows purchase process carried out at Hitech with five steps as follow:

Recognize products

Create orders

Sign purchase contracts

Receive products

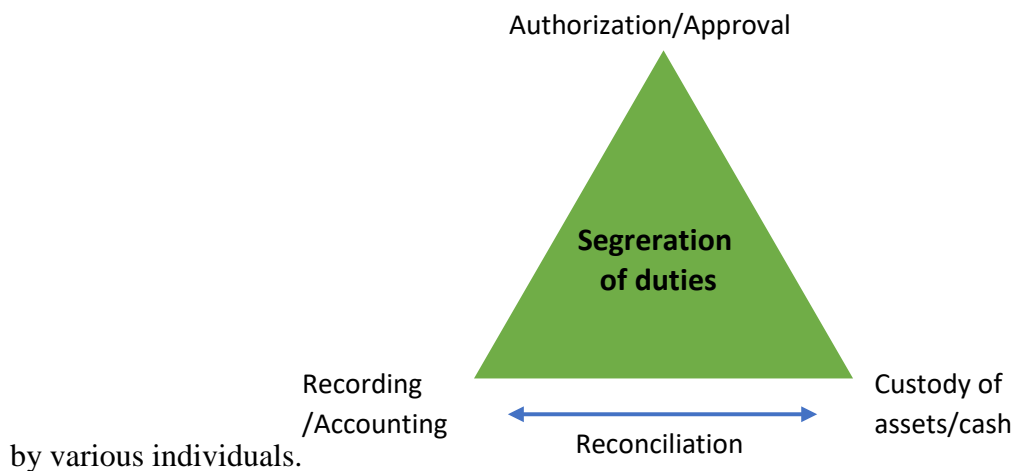Record and make payments to supplier

From point of view of the author, this process needs to be improved in order to empower purchase management and contribute as a good activity for preventive controls. The figure below is considered as a newly efficient purchase process and fit appropriately with Hitech company business.

1. Identify Purchase Requisition (PR)	2. Approve PR?	3. Convert PR into Purchase Order (PO)	4. Send PO to supplier

8. Payment to supplier	7. Enter invoice in Account Payable by matching to Purchase Order and Receiver	6. Receive invoice from supplier	5. Receive goods

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Not only about purchase process, there are also some weaknesses existing currently at purchase department of Hitech company. The following table would indicate the practices and suggestions for those weaknesses.

6.1.3 Suggestions for accounting department

Isolation of obligations could be alluded as the best preventive control exercises and in the bookkeeping office, this action is much progressively imperative since money related deceitful issue is these days winding up progressively genuine. In the event that organization D could exploit and apply this preventive movement control into their bookkeeping framework, they can avert ahead of time a lot of cheats or abuse of money or resource. The figure underneath demonstrates the most three fundamental related work at bookkeeping office which are recording; approval or endorsement; and guardianship of advantages. As indicated by "isolation of obligations" standard, those related-budgetary exercises more likely than not led

Authorization/Approval

Segreration of duties

Recording /Accounting

Custody of assets/cash

Reconciliation

by various individuals.

Several suggestion in correspondent to weaknesses at accounting department will be presented in the following table.

Table 6. Practices at accounting department at Hitechcompany and suggestions for internal control system to reduce risk of fraud.

Practices   Weaknesses Suggestions

Bookkeeping division

1. Money account - Cash the board and bookkeeping information are overseen by just a single individual – that is bookkeeping director.

Make great conditions for directors to submit fakes by pulling back some money into pocket and after that change the bookkeeping information in an intelligent manner to stow away.

Isolation of obligations: one individual must not be in charge of two among those works:

-      Collect money

-      Post money receipts to records of sales

-      Edit the records receivable document

-      Maintain access to money

Audit and oversight: as a rule survey on money account.

Approval: Every exchange with money ought to be archived by right structure and mark of money supervisor.

2. Records receivable

- Account receivable is related unequivocally to income.

Records receivable is effectively defenseless by extortion.

Isolation of obligations:

-      Collect money due

-       Review records of sales maturing preliminary equalization

-       Independently explore money due contrasts

-       Manage the records receivable ace document

Audit and oversight: Board of chief and bookkeeping oversee should survey reports for accumulations, billings and discounts. This exercises engage supervisors to screen income and furthermore admonish executives to different cheats, for example, informal benefits.

Approval: The request framework ought to be precisely controlled under the endorsement of capacities by the bookkeeping director.

CONCLUSION

 Measurements in related to cheats is on the ascent and the little estimated organizations are the most powerless casualties of that hurt. Henceforth, those sort of substances ought to guarantee that they have satisfactory capacities to adapt to. A sound interior control framework utilized for every organization is considered as a suitable and compelling administration device as respects to lessen danger of extortion and upgrade their business execution.

Distinctive organizations would have diverse inside control frameworks because of the distinctions in size, hierarchical structures, just as enterprises that the business has a place. The COSO inside control structure which fundamentally utilized in this exploration plays as the principle rule to comprehend inward control framework. However, the structure just shows itself as general substance of a perfect inside control framework to all elements. Thus, picking a contextual analysis with explicit data in connection to its interior control conveys to the examination a reasonable and all the more fascinating purpose of perspectives about inward controls. So as to perceive how COSO structure just as other inner control identifying with danger of misrepresentation are executed, in actuality, with a one of a kind and explicit case, the creator considered to take contextual analysis of Hitech organization into her examination. Furthermore, to engage the creator go further to the exploration result, poll and meeting strategy are utilized to get inside and out comprehension toward the contextual analysis. To put it plainly, the creator utilize the mix of among strategies for writing ponders – contextual investigation – poll and meetings. As author would see it, these blend alluded as a decent alternative to help her drawing nearer to the two research inquiries of this paper.

Through the investigation of inner control framework in the Hitech organization together with different solid assets in identified with the task of inside control to limit misrepresentation in business, the creator has drawn some broad remarks and after that make proposals with the motivation behind step by step improve the adequacy of interior control frameworks of the organization.. In general, the leading group of chief has been done a straightforward inner control framework at Hitech organization; be that as it may,

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there ought to be more upgrades to be executed. The creator proposes three viable ways to deal with this current organization's inward control framework which are isolation of obligations; audit and oversight; approval. Ideally, those proposals could be utilized soon at Hitech.

With information and research capacity confinement, the creator just propose straightforward and cost-viably arrangements, yet these arrangement will give effective effects to the organization inward control. After some time, with the improvement of the economy just as of the organization, the inside control framework will be fortified and further upgraded to turn into a rational framework and a vital instrument in organization the executives.

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