

**ALI AHMED MUHUMED**

**REG.NO. 113-035053-09338**

**THE EFFECT OF INTERNAL CONTROL SYSTEM ON FINANCIAL PERFORMANCE  
OF DAHABSHIL REMITTANCE COMPANY IN MOGADISHU-SOMALIA**

**SEPTEMBER 2015**

**ABSTRACT**

The study investigated the effect of internal control systems and financial performance of Dahabshil Remittance Company in Mogadishu Somalia. Internal control systems were looked at from the perspective of control environment, control activities and internal audit whereas financial performance focused on liquidity, profitability, market share and financial reporting as the measures of financial performance. The research was conducted using quantitative approaches using Correlation as Research Designs. Stratified and simple random samplings were also applied to collect data. Data was collected using questionnaire and interview as well as review of available documents and records targeting basically top managements, line manager/supervisors and operational staff as respondents from a population of 100 Dahabshil remittance company as sample size of 80. Data was analyzed using the Statistical Package for Social Scientists. The findings generally revealed that there is a significant relationship between control environment on financial performance [ $r = 98.8\%$   $P = .000$ ]. The other remaining of 1.2% may be attributed to other factors indicates that the most contributed factor. The researcher found that management of the remittance is committed to the control systems, actively participates in monitoring and supervision of the activities of the Company in all the activities of the remittance were initiated by the top level management. The researcher also found that the internal audit department is understaffed, doesn't conduct regular audit activities and doesn't produce regular audit reports although the few reports produced by the internal audit department address weaknesses in the system. The researcher recommends that Dahabshil managements establish and manage information system so as to enable all parties within the institution to freely access and utilize the official information. Management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective segregation of duties. The researcher also recommended management should improve its strategic financial performance and also the fees charged should match suitable covered to all costs incurring Dahabshil when performing its activities. Finally the researcher recommends that the Dahabshil managements should establish a strategy for improving the generation of additional finances for the operations of the organization. This could be done through writing projects, other competitive endeavours which are directly aimed at winning funds for the company.