

**ASSESSMENT OF INTERNAL CONTROL EFFECTIVENESS IN CASE
OF St. GEORGE BREWERY BGI ETHIOPIA**

**A Thesis Submitted to the School of Graduate Studies of Jimma
University in Partial Fulfillment of the Requirements for the Award of
the Degree of Master of Accounting and Finance (Msc)**



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Abstract

The study was conducted on the effectiveness of internal control of St. George brewery of BGI Ethiopia. Effective internal control system can play a very crucial role in every organization to realize organizational goals, one of which is achieving financial performance. The general objective of the study is to assess the effectiveness of internal control practiced in St. George brewery. In order to achieve the research objectives the researcher use a mixed research design, descriptive since the study assessed the effectiveness of internal control how it looks like and the study is partly explanatory because it tries examines the relationships between the five internal control components as independent variable and the dependent variable. The researcher use finance, purchasing and planning department employees. The research used both primary and secondary sources of data. the primary data was collected by using a self-administered both open and closed ended question and secondary data was collected from different manuals of working guidelines documents available in the companies. The collected data was analyzed and interpreted by using statistical Package for Social Sciences (SPSS 20). Multiple regression analysis was done to determine the relationship and the significance level of elements of internal control system towards Value for Money. On each elements of internal control to evaluate their impact on achievement of value for money using Optimal Scaling regression model which is appropriate for categorical variables. The regression result indicated that, monitoring, control activities, risk assessment and information and communication have a significant predictability of value for money at 5% significance level.

Key words: St.George, Internal control, Value of money, Effectiveness, Company

Declaration

I declare that the research paper entitled “**Assessment of Internal Control Effectiveness in Case of St George Brewery BGI Ethiopia**” submitted to Research and Postgraduate Studies Office of Business and Economics College is original and it has not been submitted previously in part or full to any university or other funding organizations.

Date: _____

Certificate

We certify that the Research paper entitled “**Assessment of Internal Control Effectiveness in case of St George Brewery BGI Ethiopia**” was done by Mekdes Getachew for the partial fulfillment of Master’s Degree under our Supervision.

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List of Acronyms

AIS	Accounting Information Systems
CA	Control Activities
CE	Control Environment
COSO	Committee of Sponsoring Organizations
E	Error Term
EBS	Egyptian Banking Sector
E- Journal	Electronic journal
IAS	International Accounting Standards
IC	Information and Communication
IC	Internal Control
ICE	Internal Control Effectiveness
ICS	Internal Control System
M	Monitoring
RA	Risk Assessment
SPSS	Statistical Package for Social Sciences
VFM	Value of Money

CHAPTER ONE

INTRODUCTION

This chapter looks at the background to the study, problem statement, objectives of the study, research questions, significance of the study, scope and limitations of the study and the organization of the study.

1.1 Background of the Study

As a pillar industry of national economy, many manufacturing companies grew rapidly. But the manufacturing companies have some problems in internal control management, for instance, the internal control environment is not standardized, communication is not smooth, risk awareness is weak relatively, internal control awareness is not strong and internal supervisions not in place; on the other hand, the manufacturing resources are redistributed in the world, and many manufacturing enterprises are facing challenges of industry restructuring, which make their business risk increased.

Lehman, Merrill Lynch and some other large companies claimed by themselves or are authenticated by external audits that they have "a sound internal control" or "a sound risk management", but all of them went bankrupt or were acquired in the financial crisis of 2008, which not only put forward a great challenge for the theory of internal control, but also made company's risk behaviors become the attention focus of academia, industry and governmental regulators (Core, Guay and Larcker, 2008).

Internal control is a very important internal governance mechanism of modern enterprises and has the important functions of error correction, internal business risks prevention and reduction of enterprise and ensure the healthy development of the organization (Dai, 2013).

A sound internal control helps an organization to prevent fraud, errors and minimize wastage. It provides assurance to management on the dependability of accounting data, eliminate suspicion and helps maintenance of adequate and reliable accounting records Caroline (2014). In the revised COSO (2013) integrated frame work it is stated that internal control helps organization to achieve important objectives and sustain and improve performance. COSO integrated frame work enables organizations to effectively and efficiently develop system of internal control that adapt to changing business and operating environment, mitigate risks to acceptable level and support decision making and governance of organization.

According to Ethiopian food beverage and pharmaceuticals industry development Institute the Ethiopian manufacturing industry has contributed much to the growth and development of Ethiopian economy. It has also offered emerging employment opportunities and participating in social responsibilities. While consumption of food and beverage is on rise for the last decades, consumers have also become more refined in demanding more products. In addition export rate has grown significantly to the neighboring countries. (Ethiopian News Agency, 2016).

Hence, the business experiences and services of BGI Share Company are multi-functional which can be shared by different manufacturing industries in Ethiopia. So, it is found appropriate and suitable to conduct the case study at this company. Several studies have been carried out on internal controls globally, but locally little research was done. However, majority of the studies have concentrated on different industries, while others have concentrated on a mix of listed firms in their localities. This is a clear gap in literature, since most of the studies on internal controls in Ethiopia focus on banking sector. Therefore, this study aims at examining the effectiveness of internal controls on the manufacturing company of St.George Brewery.

1.2 Background of the Organization

The brewery industry sector in Ethiopia is at growing stage. As a result of which, the industry is attracting multinational business companies with different mode of entry. Consequently, the number of beer manufacturing companies is increasing from time to time following the growing demand of beer in the country. As a result, the competition for these substitute products seems tough and aggressive promotional and marketing efforts are becoming high. Following the reports of international organizations like IMF and World Bank on the development and the fast

economic growth of the country, direct foreign investment is increasing and the government of Ethiopia also opens up the beverage industry to foreign investors. As a result, the world's leading multinational companies are entering this brewery industry through acquisition of the state – owned breweries and building new ones with huge investment in the country. The brewery industry currently supplying for local consumption due to growing demand of beer in the country, but it has a great potential to expand its production and enter the export business.

St.George Beer is the most popular and oldest Beer in Ethiopia. Founded in 1922, it is brewed by BGI Ethiopia in Addis Ababa; St George is named after the patron saint of Ethiopia .the founder of st. George brewery was a Belgian called mussiedawit, now owned by BGI Ethiopia

1.3. Statement of the problem

As today's business environment becomes increasingly competitive, business organizations are becoming more aggressive and dynamic in identifying strategies that will ensure profitable existence. Competition may be attributed to business innovations, advancement in technology and the changing demand of customers. Competition amongst business organizations may compel the management to develop business techniques and strategies that would guide an organization towards the maximization of profits. This may be achieved through increased sales and reduced cost of production. The optimization of profits and minimization of costs may enable an organization to create a competitive advantage in its industry. Certain management accounting practices provide strategies that can influence a large number of customers to have a lasting preference for a company's products. Thompson, Strickland and Gamble (2009) are of the view that the adoption of management accounting techniques may provide an organization with a sustainable competitive advantage over its rivals.

Effectiveness of internal control on performance should be considered most important in every firm because the task of internal controls is to prevent and detect fraud in the firm. Internal controls are put in place to ensure safe custody of all assets; to avoid misuse or misappropriation of the firm's assets and to detect and safeguard against probable frauds. Every firm whether manufacturing or non-manufacturing, should have management of the highest qualifications, caliber and dedication since its inception. The management should meet regularly to review the affairs of the firm and to direct the strategic path of the firm and also ensure continued goal

congruence (Reid & Smith, 2000).Hence, in the Ethiopia brewery history St. George has long time business experiences which can be shared by different manufacturing industries in Ethiopia. So, it is found appropriate and suitable to conduct the case study at this company. Several studies have been carried out on internal controls globally, but locally little research was done. However, majority of the studies have concentrated on different industries, public organization while others have concentrated on a mix of listed firms in their localities. This is a clear gap in literature, since most of the studies on internal controls in Ethiopia focus on banking sector. Therefore, this study aims at examining the effectiveness of internal controls on the manufacturing company of St.George Brewery.

1.4. Research Question

The following are the basic research questions answered by the researcher

- 1 Can the effectiveness of Control Environment be ascertained in the St.George?
- 2 Are the Control Activities effective in the St.George?
- 3 Is the Risk Assessment adequately practiced in the St.George?
- 4 Is there adequate Information and Communication component of internal control system in the St.George?
- 5 Is there effective Monitoring of internal control system in the St.George?
- 6 Is the internal control system of the company achieving Value for Money?

1.5. Objective of the Study

1.5.1 General Objective

The main purpose of the study is to assess the effectiveness of internal control practiced in st. George Breweries in Ethiopia

1.5.2 Specific Objective

Based on the general research objective the following are the specific objectives answered by the study:

1. To evaluate the control environment in the Brewery.
2. To examine the control activities practiced in the Brewery.
3. To study how the company's risk assessment process practiced.
4. To evaluate Brewery's information and communication system.
5. To evaluate the monitoring activities practiced in the Brewery.
6. To evaluate the internal control system of the company achieving Value for Money.

1.6. Significance of the Study

The study among its usefulness adds to existing knowledge of internal control systems and the role internal auditors play in ensuring effective internal controls. It will also serve as a good source of reference to organizations so far as instituting and ensuring effective internal controls is concerned. Also, this would enable the company derive optimum results from its employees by improving upon its control systems.

Again, the study will inform organizations that internal auditors do not only exist to detect fraud but to make sure that internal control systems of the organization are effectively implemented.

It is hoped that the study shed light on important aspect of internal control practice and will also provoke future research on the subject in connection to breweries in the country.

1.5. Scope of the Study

In conducting this study, it would be tried to be accurate in all aspects in the process. The researcher believes that it would be much more comprehensible if it would have been conducted in country wide brewery industries taking numbers of companies. However, because of the constraints of time and money, the researcher is forced to limit the study to this limited area.

Internal control in general scope goes from its design to operation and control in which several components are required to make it effective. Internal control can be affected by policy at national level, to competence and commitment of employees in each company. Though, it will be important to include all these areas because of infeasibility from resource and time perspectives, the focus of this study was only assessment of the effectiveness of the internal control in the sample company.

This study has no intent of reporting any theft or defalcation of assets made by individual employees or groups in the company.

The expected threat of the study was related to inherent limitation of internal control that, it is operated and controlled by people who are natural to errors and deliberate collusion. People hardly express failure of the internal caused by them because of various fear factors. The most possible methodologies of study were used to avoid this problem, but the researcher only express a reasonable assurance on the reliability and objectivity of data collected from the companies questioned.

1.6 Structure of the study

The paper would have been organized as follows. The first chapter was the general introduction of the study. Literature review identifies the gap in the existing literature and would be indicated in second chapter. The third chapter outlines the research methodology. The fourth chapter would present discussion of case study evidence with results and interpretation of data. The last chapter draws conclusions and implications and wind up the report by highlighting future research areas.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Understanding the concept of internal control is essential for developing an understanding of its impact on the performance of an organization. The internal control system of an entity is strictly interrelated to the structure used by management to oversee the activities of the organization, or to what is defined as the entity's corporate governance." Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently" (OECD Principles of Corporate Governance). The Board of Directors is thus responsible for providing governance, guidance and oversight for senior management and ensuring that an appropriate internal control system is in place and effective, meaning it ensures that expected objectives are attained.

2.2. Internal Controls

A primary lesson from financial failures and collapses of many organizations is that internal controls are essential to corporate success and survival. According to Millichamp (2002), internal control is a whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in orderly and efficient manner, ensure adherence to management policies, safeguard its assets and secure as far as possible the completeness and accuracy of the records. Also, according to the COSO report issued in 1992, internal control is a process, affected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objective in the following categories:

- Effectiveness and efficiency of operations
- Reliability in financial reporting and
- Compliance with applicable laws and regulations

Though there are differences in the definitions, it can be seen that the differences are only semantics as some definitions use structure; because internal controls operate everyday within an entity's framework, others use process since internal control is a dynamic function. The definitions, however, make use of the same concepts with the same objectives. For instance, a structure or process as used in the definitions means that internal controls are only means to an end but not an end in themselves. Also, in all the definitions, it is clear that internal controls are designed and implemented by people at the various levels of management; that is, people make the system work. All the definitions also emphasized the fact that internal controls provide reasonable assurance, not absolute, that objectives will be achieved. This means that internal controls can only help prevent and detect errors that caused failures but it cannot guarantee that those errors will never recur. Most importantly, all of the definitions assert that internal controls are designed to achieve objectives.

Though from the definitions, everyone in the organization has a role to play if internal controls were to be effective, that of internal auditors cannot be over emphasized. This is the more reason why the COSO, in its recommendations, emphasized the importance of a competent and involved audit committee and an active internal audit unit in preventing fraudulent practices. Internal auditors, though part of internal controls, play an inside – out role to ensure that all the components of internal controls are effective.

2.2.1. Establishment of Internal Control System

Attwood and Stein (1986) argue that every business has some kind of accounting system by which transactions are processed, and records of those transactions maintained. Millichamp (2002) further stipulates that management establish internal control system, either directly or by means of external consultants, internal audit, or accounting personnel. It follows that management is responsible for designing controls in order to carry on the business of the enterprise in orderly and efficient manner, ensure adherence to management policies, safeguard its assets and secure as far as possible the completeness and accuracy of the records. The above responsibility stems from the fiduciary responsibility of management. Internal controls are designed to suit the purpose of management. It must be noted, however, that even though the establishment of internal control system is purely a managerial function and the internal audit

department contributes significantly in the design of these controls. Since Internal Auditors are professionals who possess the necessary skill to evaluate the potential impact of any control system to be instituted, their input is vital in establishing effective internal controls.

2.2.2. Objectives of Internal Controls

According to Howard (1984), increasing attention has been paid to the methods of internal control in recent years. He argues further that not only the complexity of modern business techniques but also the increased size of business units have encouraged the adoption of methods which, whilst increasing the efficiency of the business, also act as safeguards against error or fraud. The objectives that internal controls must meet to prevent errors and to be efficient so as to provide reasonable assurance are that:

- Recorded transactions are valid. The system should not permit the inclusion of fictitious or non-existent transactions in accounting records.
- The transactions are properly authorized. The system should ensure that transactions are properly authorized.
- Transactions are recorded. The procedures must provide controls to prevent omissions of transactions from the records.
- Transactions are properly valued. An adequate system must include procedures to avoid errors in calculating and recording transactions at various stages in the recording process.
- Transactions are properly classified. Proper account classification accounting to appropriate categories or divisions must be ensured by the system.
- Transactions are recorded at the proper time. The recording of transactions either before or after the time they took place increases the likelihood of failing to record transactions or recording them at the wrong amount. Therefore, effective control system should ensure timely recording of transactions.

2.2.3. Components of Internal Control

The Committee of Sponsoring Organizations of the Tread way Commission (COSO, 1992; 1994), in its study on the causal factors that lead to fraudulent financial reporting in the early ninety's in the USA, concluded that internal controls consist of five (5) components. These are derived from the way management run the business, and are integrated with the management process. The components are:

The control environment: This includes factors such as integrity and ethical values, board of directors or audit committee, management philosophy and operating style, organizational structure, human resource policies and practices and assignment of authority and responsibility. Although many factors go into control environment, this component is significantly influenced by the effectiveness of the board of directors or audit committee if any. However, the effectiveness of these factors largely depends on their interaction with the internal and external auditor. This means internal auditors are essential to effective control environment.

Risk assessment: This is the careful assessment of factors that affect the possibility that the organization's objective will not be achieved. As we saw in the definition of internal control, management always design internal controls in order to ensure effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws and regulations. As part of the internal auditor's function to ensure that these objectives are achieved, the internal auditor conducts performance review and evaluates the adequacy and effectiveness of the controls designed.

Information and communication system: Pertinent information must be identified, captured ad communicated in a form and time frame that enable people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance - related information that make it possible to run and controls the business.

Control Activities: These are policies and procedures that help ensure management directives are carried out. Control activities occur throughout the organization, at all levels and in all functions. They include range of activities as diverse as approvals, authorizations, verifications,

reconciliations, reviews of operating performance, security of asset and segregation of duties. Most of these activities are made possible through the help of the internal audit function

Monitoring: This process assesses the quality of the internal control structure over time. This is because internal controls are processes; and thus may need modifications over time. This could be achieved through regular supervision and management activities such as monitoring of customer complaints as well as periodic audits by internal auditors. Internal auditors investigate and appraise internal control structure and the efficiency with which the various functions are performing their assigned duties. According to the Institute of Internal Auditors (IIA), internal auditors bring a systematic and disciplined approach to the evaluation and improvement of risk management activities and governance process through examination of internal controls and evaluation of how adequate and effective the controls are. From the above, we can say that internal controls are as effective as its components and these components are as effective as that of internal auditors.

2.2.4. Internal Control System's Players

According to Authority Des Marches Financiers (2010), the responsibility for the establishment of ICS *rests entirely on Management*. But, internal control is a matter of concern to everybody, from the governance bodies to the company's entire staff. Executive Management or the Management Board conceives the internal control system. This system has to be appropriately communicated so as to ensure implementation by staff.

The level of involvement of Boards of Directors or Supervisory Boards with regards to internal control varies from one company to another. It is up to Executive Management or the Management Board to inform the Board (or its audit committee when there is one) of the main features of the internal control systems. If the need arises, the Board can exercise its general powers to subsequently have the controls and verifications it deems appropriate performed or take any other steps it considers suitable in the circumstances.

Internal control is therefore not limited to a set of procedures nor simply to accounting and financial processes, nor does it embrace all of the initiatives taken by the executive bodies or by

management, such as defining company strategy, fixing objectives, and management decisions, and dealing with the risks or monitoring performance.

2.2.5. Types of Internal Controls

Broadly speaking, internal controls are grouped into;

Preventive internal controls: These seek to deter events from occurring. This is achieved through activities such as segregation of duties and authorization.

Detective internal controls: Detective internal controls aim at uncovering and correcting undesirable event that have occurred. Activities such as investigation, reconciliations and auditing help to achieve this aim.

Directive internal controls: These encourage desirable events to occur. These controls are designed to assist in the accomplishment of goals and objectives. The establishment of an effective organizational structure is an example of a directive internal control.

2.3. Importance of Effective Internal Controls

Price (2005) asserts that corporate governance and accountability processes are geared at seeking and protecting shareholders interest, which has become a number one priority of most organizations. He therefore argues that effective internal controls are essential to ensure that the stewardship responsibility placed on management is carried out effectively and efficiently by;

- protecting its resources against waste, fraud, and inefficiency;
- ensuring accuracy and reliability in accounting and operating data;
- securing compliance with the policies of the organization; and
- Evaluating the level of performance in all organizational units of the organization to ensure that objectives are achieved as planned.

The organizational checks and balances provide authority functions that minimize the potential waste, fraud, abuse and mismanagement. Thus, internal controls perform a watchdog's role on behalf of management. It implies that any organizations, profit and not for profit alike, without effective internal control system is more prone to irregularities and errors such as waste, fraud, inefficiency, as well as fines for non-compliance with the necessary regulations.

This calls for a continuous assessment and evaluation of the internal control structure to ensure that it is well designed and operating, appropriately updated to meet changing conditions, and providing reasonable assurance that the objectives of the firm are being achieved.

2.4. Internal Auditing

According to Stettler (1977), the growing recognition by management of the benefits of good internal controls and the complexities of an adequate system of internal control in a large organization have led to the development of internal auditing as a form of control over all other internal controls. The emergence of the internal auditor as a specialist in internal control is the result of evolutionary process that is similar in some ways to the evolution of independent auditing. The Institute of Internal Auditors (IIA), define internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

From the foregoing, the internal auditor undertakes appraisal activity within the organization as a service to management. It follows that internal audit department is responsible to management. However, Stettler (1977) and the IIA rightly assert that even though internal audit is a service to management, its independence must be established by the organizational and reporting structure for an effective internal audit to operate. In essence, as observed by Guy and Alderman (1984), internal auditors are employed by a specific entity to perform audits that the organization deems necessary. The internal audit is therefore a managerial control, which functions by evaluating risk exposures relating to the organization's governance, operations and information systems, in relations to;

- Effectiveness and efficiency of operations,
- Reliability and integrity of financial and operational information,
- safeguarding of assets, and
- Compliance with laws, regulations, and contracts.

The increasing importance of internal auditing, because of the indispensable role they play, is evidenced by the fact that the IIA, the international professional organization of internal auditors, was founded in 1941 with only 24 members but now has more than 115,000 members in 165 countries including Ghana.

2.4.1. Qualities of a Good Internal Audit Unit

Independence: The IIA recommends the audit chapter should establish independence of the internal audit activity by the dual reporting relationship to management and the organization's most senior oversight group. Specifically, the chief audit executive (CAE) should report to executive management for assistance in establishing direction, support, and administrative interface; and typically to the audit committee for strategic direction, reinforcement, and accountability. The internal auditors should have access to records and personnel as necessary, and be allowed to employ appropriate probing techniques without impediment. Internal auditors are independent when they render impartial and unbiased judgment in the conduct of their engagement. To ensure this independence, best practices suggest the CAE should report directly to the audit committee or its equivalent.

Objectively: Objectively is an unbiased mental attitude that requires internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to that of others. To maintain objectivity, internal auditors should have no personal or professional involvement with or allegiance to the area being audited; and should maintain an unbiased and impartial mindset about all engagement (IIA). Stettler (1977) also asserts that an internal auditor should not prepare records, or engage in any

other activity that he would normally review and appraise and which could reasonably be construed to compromise his independence.

Authority: According to the IIA, the authority of the internal auditor should be given by the highest level in the organization and this should ideally be by way of board minutes or a top - level management directive. The authority should be in a published form, must also be circulated throughout the organization, and should state the following.

- The objectives of internal audit,
- The responsibility of internal audit to make an effective contribution to the success of the organization,
- The right to access and examine all books and records in all divisions of the organizations,
- The relationship between the internal and the external auditor.

Technical competence: Millichamp (2002) argues that membership of a professional body with its competence and ethical implications are desirable in ensuring effective internal audit. Besides, ongoing training in specialist areas, such as computers, is useful.

Adequate number of personnel: A good audit department should have a number of personnel proportional to its scope of work.

2.4.2 The Need for Internal Auditing

Whittington and Pany (2001) rightly stipulate that an important aspect of the organization's monitoring system is the internal audit function. He further argues that as representative of top management, internal auditors are interested in determine whether each branch or department has a clear understanding of its assignment, adequately staffed, maintains goodrecords, properly safeguards cash, inventories and other assets, and cooperates harmoniously with other departments.

According to IIA, management is responsible for establishing and maintaining a system of internal controls within an organization. Internal controls are those structures, activities,

processes and systems which help management effectively mitigate the risks to an organization's achievement of objectives. Management is charged with this responsibility on behalf of the organization's stakeholders and is held accountable for this responsibility by an oversight body (example board of directors, audit committee, elected representatives).

A dedicated, independent and effective internal audit unit assists both management and oversight body in fulfilling their responsibilities by bringing a systematic and disciplined approach to assessing the effectiveness of the design and execution of the system of internal control and risk management processes. The objective assessment of internal controls and risk management processes by the internal audit unit provides management, the oversight body, and external stakeholders with independent assurance that organization's risks have been appropriately mitigated. Because internal auditors are experts in understanding organizational risks and internal controls available to lessen these risks, they assist management in understanding these topics and provide recommendations for improvements.

Organizations that do not have internal audit function are therefore missing the valuable benefits that professional internal auditors provide. In addition, they are also running the risk of relying on management who may not be in the best position to provide skilled, independent, and objective opinions on internal controls.

Some organizations assign internal auditing on a part-time basis to an existing staff member who has other responsibilities. When this occurs, the person does not have the professional internal audit training or experience necessary for optimal effectiveness. Such organizations run the risk of poorly performed audits and reviews, and this individual, who may be relatively junior in the organization, may lack the organizational status and stature to achieve positive results. In this environment, high - risk processes may not be identified for review and serious internal control deficiencies may be overlooked.

As a cornerstone of strong governance, internal auditing bridges the gap between management and the board assesses the ethical climate, effectiveness and efficiency of operations, and serves as an organization's safety net for compliance with rules, regulations and overall best business practices. A lesson from financial failure and collapse of numerous organizations is that good governance, risk management, and internal controls are essential to corporate success. Because

of its unique and objective perspective, a well functioning, fully resourced and independent internal audit unit is well positioned to provide valuable support and assurance to an organization and its oversight bodies.

2.4.3 Challenges of Internal Control Systems and Auditing

Various studies find recognized the fact that internal control over financial reporting is a very important element of every company (see Kinney et al., 1990; Kinney, 2000; Kinney, 2001). Notwithstanding, this important aspect of the organization has its own challenges just like every aspect of an organization. Internal auditing may face the following challenges:

Image: In most organizations in a country like Ghana, the image of internal auditors is rather a bad one. Internal auditors have come to be seen as "enemies of management" in some organizations; this may stem from misunderstanding of the roles and duties of internal auditors.

Some top and middle level management members do not even see the contributory role internal auditors play in ensuring effective internal control and overall achievement of set objectives. Rather, they are seen as a group of people who only exist to check fraud, irregularity, misappropriation or errors. This rather unfortunate image makes the work of the internal auditors difficult, as virtual and valuable information, in some instance, are hidden from them in the course of their work. They are scorned and stigmatized in many organizations.

The challenges, however, is not devastating in many well - established companies since the organizations in question have embraced the useful roles internal auditors play in ensuring the achievement of group goals. In companies where this challenge exist and abound, efforts can be made by the Chief Audit Executive (CAE), or the internal auditor, as the case may be in Ghana, to educate ad sensitize the various stakeholders and those concerned to understand and appreciate such invaluable role.

Communication: Although communication has always been of utmost importance for internal auditors, it is now taken an even more prominent role. Auditors have to speak clearly and succinctly while conveying often sensitive issues and findings to appropriate parties, such as the audit committee. Lately, it has become even more apparent that audit committees must receive

more information about the company's risk and controls - a responsibility that falls to the CAE and the internal audit unit with input from the external auditors.

Staff competency: With the myriad changes in today's business community, keeping the internal audit team members up to date will require serious commitment to continuing professional education. Reputations fall very quickly when incompetent or untrained staff is assigned to tasks beyond their ability. Management in most instances is even reluctant to release funds for the training and development of the internal audit staff. The lack of training and development of the audit staff hampers the effective discharge of duties.

Ethical conduct / independence: Another challenge for individual internal auditors as well as entire internal audit departments is ensuring ethical conduct in their operations; demonstrating the willingness to do the right thing at the right time, even in the face of opposing views. The tendency for management to pry into the activities of the internal audit department is very high. The internal auditor should be and must be seen to be independent with an acceptable line of responsibility and clear terms authority. Thus, the independence is manifested in the responsibility structure, his mandatory authority and approach to work.

Studies on the challenges of internal control systems included the following:

In its 2004 report on corporate governance and internal control, the Financial Markets' Authority (AMF), France, notes *“that unlike corporate governance, which now benchmarks standards against which issuers can compare themselves, the absence of a unanimously accepted reference framework for internal control makes the task of describing it much more difficult and can be an obstacle if one eventually wishes to assess the adequacy and effectiveness of the systems”*. The research has also found out that in the wake of a series of financial scandals which shook the American corporate sector at the end of the Nineties and at the beginning of the years 2000, the United States adopted the Sarbanes-Oxley Act (SOX) on July 30th 2002. Article 404 of this act obligated Executive Management to engage their responsibility in setting up an accounting and financial internal control structure and to assess its effectiveness, on an annual basis, from a recognized internal control model viewpoint. The external auditors have to validate this assessment.

In the article, '*Challenges in enhancing enterprise resource planning systems for compliance with Sarbanes-Oxley Act and analogous Canadian legislation*', the authors Vinod Kumar, RailiPollanen, and Bharat Maheshwari identified major challenges faced by companies in enhancing their management systems for compliance with regulatory internal control requirements, specifically those imposed by the Sarbanes–Oxley Act (SOX) of 2002 and analogous Canadian legislation. The authors undertook a research project in order to arrive at the information for the article. The research project was sponsored partly by the Canadian Academic Accounting Association under its CAAA-SAP research grant program. A previous version of this paper was presented at the Administrative Sciences Association of Canada (ASAC) Annual Conference, Information Systems Division, Ottawa, Canada, 2-5June 2007, where it was awarded an honorable mention in the best-paper competition. The *purpose* of the research was to examine the major challenges faced by companies in enhancing their management systems for compliance with regulatory internal control requirements, specifically those imposed by the Sarbanes–Oxley Act. Data were collected through case studies of four medium-sized and large companies that have operations in the USA and Canada, thus being subject to SOX and/or similar Canadian regulations. They came out with the following findings:

The companies faced some technical, Oprocess and cultural challenges in implementing regulatory control compliance. In all companies, existing management systems specifically the Enterprise Resource Planning system were not able to meet all control requirements without some modifications or add-on applications. Control implementations have been long, complicated and costly processes, which are not fully completed. Detailed analyses and documentation of existing systems, controls and processes were required in all companies. The protection of systems security and the segregation of duties were perceived to be major technical obstacles. Cultural factors resulted in additional challenges, notably resistance to change.

The Basle Committee in the USA which has been studying banking problems in order to identify the major sources of Internal Control System problems and categorized them into five (Basle Committee (1998).

- The first was lack of adequate management oversight and accountability and failure to develop a strong control system culture within the banks. Thus, management inattention to, and laxity in,

the control culture of the bank, insufficient guidance and oversight by boards of directors and senior management and a lack of clear management accountability through the assignment of roles and responsibilities hinder a successful implementation of Internal Control System.

- Inadequate assessment of the risk of certain banking activities, whether on or off the balance sheet.
- The absence or failure of key control activities such as segregation of duties, approvals, verifications, reconciliations, and reviews of operating performance.
- Inadequate communication between levels of management within the bank, especially in the upward communication of problems.
- Inadequate or ineffective audit programs and other monitoring activities.

2.4.4. Limitations of Internal Controls

Whittington and Meigs (1982) believe that internal controls can do must to protect the organization against fraud and assure the reliability of accounting data.

Nevertheless, as noted by Brewer and List (2004), it is axiomatic that thing will go wrong - people do not always perform as expected. This has always been the case. The conundrum facing management is to decide how much resource to deploy to create just sufficient controls to limit the possibility of bad event occurring and to limited the damage when they do occur. the implication is that internal control systems only provide reasonable, but not absolute, assurance to management that their policies are being followed and assets are not being misused.

It is therefore worth nothing that, as asserted by Coopers and Lybrand (1984), no internal control system is full proof. No internal control system, however elaborate, can be itself guarantee efficient administration and the completeness and accuracy of the records, not can it be proved against fraudulent collusion especially on the part of those holding positions of authority or trust. Internal controls depending on segregation of duties can be avoided by collusion.

Authorization controls can be abused by the person in whom the authority is vested. Whilst the competence and integrity of the personnel operating the controls may be ensured by selection and training, these qualities may alter due to pressure exerted both within and outside the enterprise.

Human error of misjudgment or misinterpretation, misunderstanding, carelessness, fatigue or distraction may undermine effective operation of internal controls. This is an inherent in any control system.

Again, the extent of the internal controls adopted by a business is limited by the cost consideration: to maintain a system of internal control as perfect as to make any fraud impossible would usually cost more than was warranted by the threat of loss from fraud. Particularly in a small business, it is impracticable to segregate certain duties.

2.5. Value for Money

The success for each organization is the degree to which it fulfills its set objectives and mission in terms of being efficient, effective and economical. The Internal Control Systems are keys in achieving the organizational set mission and objectives; hence Value for Money. However, many authors hold that Value for Money is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires and / or provides, within the resources available to it. Value for Money (VFM) can be achieved by eradicating waste in benefits services processes and systems. Value for Money is not paying more for a good or service than its quality or availability justifies as well public spending implies concern with economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results) (Glendinning, 1998; Davies, 2007; Deakin 1998).

The most effective way to improve Value for Money is by reducing the level of irregularity and fraud through improvements in the Government's systems of internal financial control (Kaplan, 2009). Communities need to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost. However, Kerr (2005) observed that the will to provide Value for Money in Government spending is weak because accountability to taxpayers and the public is generally weak. According to Heald (2003), VFM analysis needs to pay attention to total risks and VFM is related to concepts of efficiency and effectiveness. Fryer, Jiju, & Ogden, (2009) hold that despite a long period of implementing performance management within the public sector, improvements in performance, accountability, transparency, quality of service and Value for Money have not yet been achieved.

Government policies now promote effective control particularly in the management of resources while stressing the values of economy, efficiency and effectiveness (Value for Money) (Sanderson, 2001). Effective; Control Environment, Control Activities, Risk Assessment, Information and Communication, and Monitoring are a necessary to achieve organizational objectives and should achieve Value for Money (INTOSAI 2004).

Internal Control Systems were studied under the constructs of Control Environment, Control Activities, risk assessment, information and communication and monitoring while Value for Money constructs were Economy, Efficiency and Effectiveness. The model on INTOSAI (2004) shows that effective Internal Control Systems results in the achievement of Value for Money. The following diagram shows the relationship between components of internal control and value for money.

2.6. Empirical Evidences

This sub section presents the empirical evidence (i.e. those research that are done on the topic area) to support the undertaking of the research and helps the researcher to pin point the knowledge gap in the literatures

Tekalign(2011).Investigated if the existing internal control in public enterprises in Ethiopia contributing to accounting fraud. The survey instruments on 11 major public enterprises in Addis Ababa were conducted using self-administered questionnaires to auditors and accountants. Frauds were represented as any violation of principles, manipulation of sales, expenses or inventories. 30 The result indicated that the respondents believe the existed internal controls were sufficient to keep possibility of accounting fraud to reasonably low level. Even though the internal control would detect accounting fraud, respondents require codes of conduct and employees training as additional tool to detect fraud events.

Shambel(2018)examined Heineken brewery internal control system based on Regression analysis was used to test whether internal control environment, Risk assessment, control activities, information and communication and monitoring have any influence on financial performance. The regression results indicated that information and communication was leading with the highest influence on financial performance by 36.9% followed by Monitoring at 35.8

respectively. It was found that internal control systems had a significant relationship with financial performance in that all the identified factors are predictors of financial performance ($R^2 = 0.649$). This means the remaining 35.1% was other variables that are not included in the study. The finding shows that there is a positive relationship between internal controls and company's efficiency and effectiveness. Holding all the other factors constant, the aim of the company measured by the efficiency and effective implementation of internal controls. This implies that a single unit increase in any of the independent variables results into a corresponding increase in financial performance of company.

Therefore companies have to invest in establishing strong internal control systems to realize better their financial performance. From the above conclusion strong internal control systems must be entrenched in all levels of the company by the managers to enhance company's financial performance.

In Uganda, Mawanda (2008) examined the effect of systems of internal control on financial performance in a higher learning institution by considering internal controls from the perspective of control environment, control activities and internal audit. The measures of financial performance adopted were liquidity, financial reporting and accountability. Mawanda sought to determine the functionality of internal control system, the level of financial performance and the relationship between controls system and financial performance.

Kinyua (2016) claimed internal control should provide for an assessment of the risks the agency faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations of managing these risks

(Kulab, 2004) This study focus on the control system in government organization and the level of the Managerial and financial efforts exist and how it can support ICS. This study aimed at identifying and analyzing the current status of internal control in the Palestinian National Authority Ministries, and finding out whether such internal control has obtained the basic administrative and financial constituents, and the extent of the application of what is available of

these constituents, if compared with the integrated and effective internal control systems. The study also aimed at pointing out the importance of internal control in maintaining and better use of public money and upgrading the performance of productivity in Palestinian National Authority Ministries. Moreover, the study aimed at identifying the aspects of malfunctions in internal control and their negative effects such as financial and administrative problems, over employment, and weakness of general performance.

A study was conducted by Adewale (2014) to solve the problem of high rate of smuggled goods in Nigeria which results the wind up of many local manufacturing industry. The problem has raised form the inefficient custom service of the country. The aim of the study is to find solution and to see whether internal control system is a managerial tool for proper accountability. The result of the study shows internal control system has a positive impact on revenue collection and accountability in Nigerian custom services.

Case study was conducted by Alber and Byaruhanga (2014) to investigate the effect of internal control components on financial performance of Kenya's sugar cane out grower companies as a result of poor performance of the management which is illustrated in poor returns they post for their clients.

The researchers have formulated a hypothesis stating that components of internal control system have no significant effect on the financial performance of sugar cane out grower organization. Conceptual frame work was developed to measure internal control systems in terms of control environment, risk assessment process, information system and control activities. Financial performance was measured in terms of cost per unit, goal attainment and profitability. The study result indicates internal control system has positive significant impact on financial performance

2.7. Literature Gap

In general the literature indicates that organizations should invest heavily on the internal control and used to improve the quality of their internal control systems. The devotion of resources, knowledge, time and human power is needed for a number of reasons, notably: good internal control is good business by itself. It helps organizations ensure that operating, financial and compliance objectives are met.

Literatures indicate that there are different types of internal control. While most of the classifications are based on purposes of the controls, some other classifies them based on the control methods applied in the system. However, the objectives of every internal control system were to achieve organizational efficiency and effectiveness, meet corporate objective and ensure adherence to rules and regulations.

Internal control is integration of elements which are used to operate and control its system. The common elements/frame works are control environment, control activities, risk assessment, information and communications and monitoring. Control environment is the atmosphere or the stone at the top of internal control system. Control activities are policies and procedures used to operate the internal control system. Identifying risks caused by failure of internal control and an inherent risk of the system also a standard of ICS. A flow of communication by financial reports and accounting system plays role in effective internal control

2.8. Conceptual Framework

Conceptual framework explores, describes, explains, analyzes and presents fact, principle and provisions of phenomena for better and background understanding of such phenomena (Frank, 1979). Internal Controls are to be an integral part of any organization's financial and business policies and procedures. Effective controls provide reasonable assurance regarding the accomplishment of established objectives. The following diagram shows effects of dependent variable (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) on the independent variables (Value of Money)

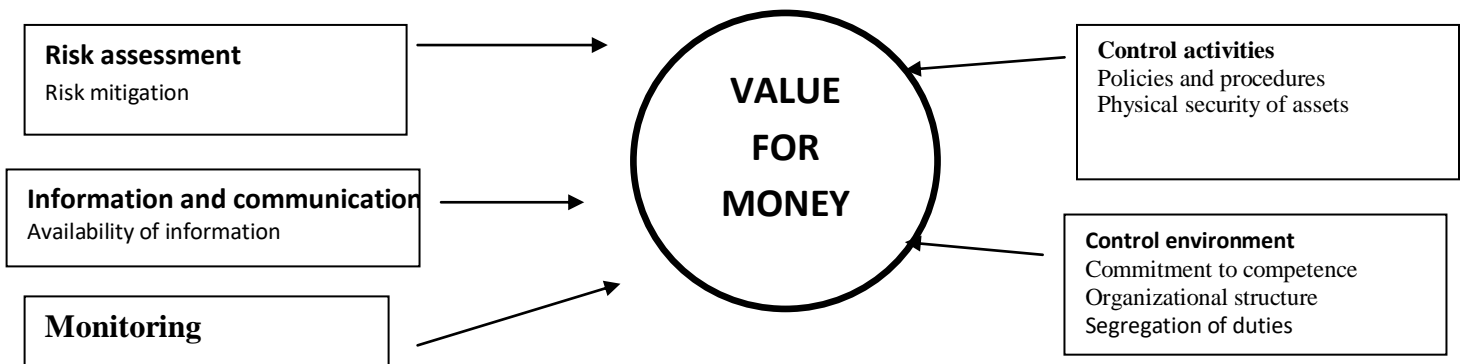


Diagram 2.1 Independent and Dependent Variables

Source; developed from INTOSAI (2004)

CHAPTER THREE

Research Methodology

3.1. Research Approaches

Research approaches are mechanisms of attaining research objectives. The approaches are adopted to achieve the best possible of the research objectives. Research approaches are also adopted based on the feasibility of the selected approaches. The common research approaches are quantitative, qualitative and mixed research approaches.

A quantitative approach is one in which the investigator primarily uses postpositive claims for developing knowledge from cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories, employees strategies of inquiry such as experiments and surveys (Creswell, 2009). Quantitative research approach uses two strategy of inquiry known as survey and experimental design. Survey research provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. Quantitative approach uses surveys of cross-sectional or longitudinal using self administered semi structured questionnaires or structured interviews for data collection, with the intent of generalizing from a sample to a population (Babbie, 1990). The data are collected on an instrument that measures attitudes, and the information collected is analyzed using statistical procedures and hypothesis testing. Experimental research seeks to determine if a specific treatment influences an outcome by providing a specific treatment to one group and withholding it from another and determining how both groups scored on an outcome (Creswell, 2009).

An alternate qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives (i.e., the multiple meanings of individual experiences meanings socially and historically constructed, with an intent of developing a theory or pattern) or advocacy/participatory perspectives. A qualitative research approach uses strategies of inquiry including narratives, ethnographies, case studies, observations, interviews, and the results are communicated subjectively through descriptions using words rather than numbers (Creswell, 2003).

Finally, a mixed methods approach is one in which the researcher tends to base knowledge claims on pragmatic grounds (e.g., consequence-oriented, problem-centered, and pluralistic). It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problem.

3.2. Research Methods Adopted

The study uses both quantitative and qualitative approaches. According to Creswell (2003) each approach has limitations which are possible to be minimized using the combined research approach. For example quantitative approach may cause bias in reliability of findings because of the nature of research problem, non representativeness of sample or the nature of questionnaires that predicts clue. In addition it is difficult to minimize the impact of human behavior using quantitative approach. Joseph (2006) justified that qualitative techniques can increase a researches depth of understanding of the phenomenon under investigation. Qualitative approach is exploratory and flexible in nature to identify problems that are affected by human behavior. Regardless of the above advantage, qualitative research design has its own demerits: lack of standardized rules reduces the objectivity of the findings, the personal view and stand of the researcher may induce bias in the interpretation of the data, and the findings cannot be statistically generalized for a broader population under investigation (Creswell, 2003).

Hence, the combined methods are aimed to complement one another and gather reliable information to draw representative outcome and conclusion.

3.2 Sources of Data & Data Collection Techniques

For the purpose of this research both primary and secondary sources of data was utilized in order to achieve the research objectives. Primary data are information that has not been published. In other words, it is the first-hand-data. The primary data are those which are collected for the first time and thus happen to be original in character (Kothari, 2004). The methods for collecting primary data are surveying, experiment, testing or observations. Most of the researchers choose to use primary data instead of secondary data due to its more credibility as it is based on the target population. Considering this the researcher collected primary data by distributing structured questionnaire for the employees of St George Brewery Company of Ethiopia. On the

other hand, secondary data was information that has been published or available to public. Secondary data collected from books, newspapers, journals, and electronic sources such as website, e-journals and etc. Secondary data are less time consuming and costly compared to primary data. This is because the information is collected from previous study by other researchers. The researcher collected secondary data for complementing the data obtained from the primary source. The secondary data was collected from different manuals of working guidelines documents available in the company.

Data collection plays an important role in research as it is the most essential information for a study. Besides, the accuracy of a result is based on the precision of the data and this study used the data collected for analyzing purpose. In order to collect data from the primary sources, this research used questionnaire, which help the researcher to draw the appropriate information. Questionnaires are a particularly suitable tool for gaining qualitative data but can also be used for quantitative data (Walliman, 2011). For conducting effective study, accurate and reliable data is necessary in this study, the primary data which is the first hand and original information was collected using self-administered questionnaires which contains closed ended and open ended questions to be held with respondents, the researcher includes open ended questionnaires' because it creates flexibility and opportunity to explain if respondents would have additional opinions which they feel the researcher found useful. The questionnaire was administrated among the selected respondents in the selected area and the respondents were requested specifically to ignore their personal prejudices.

3.3 Target Population & Sampling Methods

According to Kothari (2004), sampling may be defined as the selection of parts of an aggregate or totality on the basis of which judgment or inference about the aggregate or totality is made. It is the process of obtaining information about an entire population by examining only a part of it. Using sampling techniques, a researcher is guaranteed that the characteristics of the population are accurately reproduced in the sample. Sample should be representative because based on the sample generalization is given for the entire population, to address a research questions, the researcher decide which people and research sites can best provide information.

They contend that a population of study should possess characteristic that meet a researchers study interests. A target population is one that the researcher wants to generalize the result of the study. (Cooper & Schindler, 2011, Kothari, 2004).

The population chosen for this study is all employees of finance, Purchase, audit and Planning department of St George brewery Share Company's Ethiopia. For all finance department employees a census survey was conducted to assess the internal control effectiveness of the St George brewer Company's. Census is a procedure of systematic acquiring and recording information about all members of a given population. Conducting a census research requires an adequate response which in turn leads to high degree of statistical confidence in the results due to great accuracy and reliability. (Mugenda, 2008).

The total target population is 60 employees in the finance, Purchase, Audit and Planning department. The total number of all employees of St George brewery Share Company represent as the total population for the purpose of this study. From the total finance Purchase and planning department employees selected by the researcher 57 respondents filled and returned the questionnaires, remain 14 respondents not returned and translating to 80% response rate. According to Babbie (1990), any response of 50% and above is adequate for analysis and therefore, the response rate of 80% is satisfactory.

3.4. Method of Data Analysis & Presentation

The quantitative approach establishes the relationship between effectiveness of internal control and the elements of internal control. As indicated in the literature section an effective internal control should in priority comprises those elements considered as frameworks. Secondly an effective internal control should be measured in terms of efficiency, economy and achievement of goal collectively referred to as Value for Money. Value for Money is measured using Economy (measured by doing less with fewer resources), Efficiency (doing the same as before, but with fewer resources) and Effectiveness (doing more than before with the same resources as now or less), ((Heald (2003), Fryer, Jiju, & Ogden, (2009), Kerr (2005)).

In both ways of evaluating effectiveness of internal control the data analysis is based on the reply by the respondents on their degree of agreement or disagreement with each of the questions on a

five-point Likert response scale (Likert, 1932) that ranged from 5 “strongly agree (scored as 5) to “strongly disagree” (scored as 1). The expected mean for an effective internal control component is 5 or close to 5. However the analysis is based on how the mean response of the respondents is close to this expected value. A large amount of researchers use this methodology, because it is relatively easy for respondents to use, and responses from such a scale are likely to be reliable (Balzan and Baldacchino, 2007; Lam and Kolic, 2008).

For all questions a positive mean response more than 3 statistically suggests agreement with the statement/question, a positive mean response less than 3 implies disagreement and a mean response close to 3 indicates indifferent or offsetting differences. All of the questions are coded in such a way that a positive mean response of 4 and greater display that this component of internal control system adequately contributed to the effectiveness of internal control in the Company, while a positive mean response less than 4 reveals that this component of Internal Control System not adequately contributed to effectiveness of the internal control (Joseph, 2007). Even though the mean response between 3 and 4 indicates the agreement with the statement, the interpretation implies, these areas are the room for improvement of the internal control system. The analysis involves instruments like descriptive statistics (means, Standard deviation, frequencies, and percentages) and inferential statistics (regression). The inferential statistics analysis is not the primary alternative to answer the research question. However the results may help as supplementary to the descriptive statistics. This is due to the fact that several studies showed the results of inferential statistics for nominal and ordinary data are not highly valid.

3.5 Model specification

A multiple regression equation is set up to investigate the relationships between the dependent variable and the independent variables in this study. The econometric form of the equation is given as:

$$IC = f(\beta_0 + \beta_1 (CE) + \beta_2 (RA) + \beta_3 (CA) + \beta_4 (IC) + \beta_5 (M) + \epsilon)$$

Where:

IC = Internal Control (Dependent Variable)

CE = Control Environment (Independent Variable)

RA= Risk Assessment (Independent Variable)

CA = Control Activities (Independent Variable)

IC = Information and Communication (Independent Variable)

M = Monitoring (Independent Variable)

E = Error Term

3.6 Model Assumptions

According to Brooks (2008), ordinary least squares (OLS) or linear least squares are a method to estimate the slope and intercept in a linear regression model. This study used an ordinary least squares (OLS) regression to estimate the linear equation. The rationale for choosing OLS is that, if the Classical Linear Regression Model (CLRM) assumptions hold true, then the estimators determined by OLS have a number of desirable properties, and are known as Best Linear Unbiased Estimators (Brooks, 2008).

Thus, the following section discussed the CLRM assumptions.

The following diagnostic tests were carried in order to ensure the data is in conformity with the basic assumptions of classical linear regression model.

1. Normality test

As noted in Brooks (2008) a normal distribution is not skewed and is defined to have a coefficient of kurtosis of 3. One of the most commonly applied tests for normality; to formalize these ideas by testing whether the coefficient of skewness and the coefficient of excess kurtosis are zero and three respectively. Brooks (2008) also states that, if the residuals are normally distributed, the histogram should be bell-shaped and the statistic would not be significant at 5% significant level.

2. Multicollinearity

To test the independence of the explanatory variables or to detect any multicollinearity problem in regression model the study used a correlation matrix of independent variables.

The problem of multicollinearity usually arises when certain explanatory variables are highly correlated. Usually, as noted by Hair et al. (2006) correlation coefficient below 0.9 may not

cause serious multicollinearity problem. In contrary to this, Kennedy (2008) argued that as any correlation coefficient above 0.7 could cause a serious multicollinearity problem leading to inefficient estimation and less reliable results.

3. Auto correlation

When the error term for any observation is related to the error term of other observation, it indicates that autocorrelation problem exist in this model. In the case of autocorrelation problem, the estimated parameters can still remain unbiased and consistent, but it is inefficient. To test for the existence of autocorrelation or not, the popular Durbin-Watson test was employed.

4. Heteroscedasticity

To test for the presence of heteroscedasticity, the popular white test would be employed in this study. This test involves testing the null hypothesis that the variance of the errors is constant (homoscedasticity) or no heteroscedasticity versus the alternative that the errors do not have a constant variance.

CHAPTER FOUR

Data Analysis Interpretations and presentation

The previous chapter discussed appropriate methodologies of evaluating effectiveness of internal control. This chapter presents the result and analysis of the survey method. The chapter is organized into four broad sections. Section 4.1 presents Survey result, section 4.2 analysis, and section 4.3 presents the Conclusion.

4.1. Survey Results

This section presents the result and analyzes the data collected using self administered questionnaire from sample of 57 employees of finance, Purchase, auditand planning Department from St.GeorgeBrewery. The section will be categorized as 4.1.1 Respondents profile; 4.1.2 Survey result on internal control system.

4.1.1. Respondents' Profile

It is necessary to analyze the demographic profile of the respondents to validate reliability of data collected. Accordingly the respondents were asked to respond to their gender category, year of experience, level of education and field of qualification. The information processed by SPSS is summarized as follows.

Table 4.1 Gender Categories of the Respondents

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	44	77.2	77.2	77.2
Valid	Female	13	22.8	22.8	100.0
	Total	57	100.0	100.0	

Source; Survey Results and Own Computation

As indicated in the above table the gender proportion of female respondents is 22.8% while the male respondents were 77.2%. Though the ratio of the respondents not proportional and varied both category of gender were participated in the survey. This enables the researcher that there is no bias in the survey instrument related to the gender of the respondents.

Table 4.2. Experiences of the Respondents

operating in this company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 5 years	8	14.0	14.0	14.0
5 - 10 years	21	36.8	36.8	50.9
11 - 15 years	10	17.5	17.5	68.4
16 - 20 years	18	31.6	31.6	100.0
Total	57	100.0	100.0	

Source; Survey Results and Own Computation

Experience is one of the competences to understand internal control in a company. Experience also referred to as professional competence. In the literature it is indicated that commitment to this competence by employees is one part of effective control environment in internal control system. The more experienced employees are the more they understand about the internal control they execute. Out of the survey, 36.8% of the respondents as indicated in table 4.2 were experience with years of 10. 31.6% has more than 10 years the remaining 14% were at least has an experience between 1-5 years. This indicates that the employees working in the key areas of internal control system are well experienced both to respond to the questionnaire, and to understand or implement the control system.

Table 4.3. Education Level of the Respondents

		Level of Education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	41	71.9	71.9	71.9
	Masters and above	16	28.1	28.1	100.0
	Total	57	100.0	100.0	

Source; Survey Results and Own Computation

Another commitment of employees to competence that contributes to effectiveness of internal control is the level of education the employees possesses. This competence is referred to as academic competence. The control environment component of internal control system reveals that a good education level has a positive impact on effectiveness of internal control. As summarized in the above table, all the respondents (100%) were qualified in degree and above which is favorable. This is an indication that the respondents are also at adequate education level to understand the concept of internal control system.

Table 4.4. Field Of Qualification of the Respondents

		Field of qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting	28	49.1	49.1	49.1
	Management	20	35.1	35.1	84.2
	other Field	9	15.8	15.8	100.0
	Total	57	100.0	100.0	

Source; Survey Results and Own Computation

Internal control is primarily the responsibility of management. The broader category of internal control is operational and accounting control. Obviously the respondents with knowledge of management and accounting understand the concept of internal control system than others. Thus the survey made to assess the areas of qualification of the respondents presented in table 4.4 indicated that 49.1% of the respondents were qualified in accounting and 35.1% were qualified in management. The remaining 15.8% were qualified by other Business fields. This means the respondents had at least had the theoretical education on the concept of internal control.

In general the respondents profile indicates that the respondents were good enough to respond to the questionnaire and they had the knowledge and experiences to understand internal control system in their company.

4.1.2. Examining Effectiveness of Elements of Internal Control

Recalling statement of COSO (1994); an effective internal control has five components; control environment, control activities, risk assessment, information and communication and monitoring. The effective functioning of components of internal control provides a reasonable assurance regarding achievement of stated objectives to ensure high levels of organizational performance. The design and implementation of each element of internal control affect the overall effectiveness of internal control. As indicated in the literature section of this study effective internal control achieve its objectives which are; ensuring achievement of organizational objective, safeguarding asset and ensuring compliance to rules and regulations. The specific objectives of this study were to evaluate the effectiveness of each components of the internal control as a foundation for evaluation of effectiveness of internal control system as a whole.

Based on the survey instrument through questionnaire the respondents were asked to scale their degree of agreement whether each items under elements of internal control practiced in their respective company. The results are presented and analyzed as subsequent to reliability test of the survey instrument.

4.1.2.1. Reliability Test of Instrument

One of the common methods to test the reliability and validity of data collected through questionnaire is use of Cronbach's alpha coefficient. Lee Cronbach (1951) defines Reliability as

an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has constructive value it used to measure. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha is as follows

Table 4.5. Lee Cronbach' Reliability Estimation Table

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.8 \leq \alpha < 0.9$	Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

The Cronbach's alpha for data collected for 6 components of control environment, control activities, risk assessment, information and communication and monitoring is 0.885(approximated to 0.9).

Table 4.6. Reliability Statistics

Cronbach's Alpha	No. of Items
0.858	6

Source; Survey Results and Own Computation

This indicates that the survey instrument used is highly valid and the data are highly consistent because the Cronbach's alpha is ranged in a Good measure of internal consistency.

4.1.2.2. Tests for the classical linear regression model (CLRM) assumptions

In this study as mentioned in chapter three diagnostic tests were carried out to ensure that the data fits the basic assumptions of classical linear regression model. Consequently, the results for model misspecification tests are presented as follows

4.1.2.2.1. Assessment of Normality

In order to assess Normality of data Shapiro-Wilk test of Normality is good. Accordingly the result shown in the table confirms all variables were found to be normal and existence of normality accepted at $P > 0.05$

Table 4.7 SPSS output Assessment of Normality

Tests of Normality						
	Klmogorov-smirnov ^a			Shapiro-Wilk		
	Statistic	df	sig	Statistic	df	sig
CE	.182	57	.000	.881	57	.002
CA	.161	57	.000	.865	57	.009
RA	.181	57	.000	.882	57	.004
IC	.174	57	.000	.883	57	.000
M	.211	57	.000	.852	57	.000
E	.334	57	.000	.771	57	.001

a .Lilliefors significance Correction

4.1.2.2.3. Test for Heteroscedasticity

In this study as indicates in table 4.8, both the F-statistic and Chi-Square versions of the test statistic gave the same conclusion that there is no evidence for the presence of heteroscedasticity,

since the p-values were in excess of 0.05. The third version of the test statistic, “Scaled explained SS”, which as the name suggests is based on a normalized version of the explained sum of squares from the auxiliary regression, also gave the same conclusion that there is no evidence for the presence of heteroscedasticity problem, since the p-value was considerably in excess of 0.05.

Table 4.8.Heteroscedasticity Test:

White Diagnostic test

Version of Test	Value		Probability
F-statistic	0.5067	Prob. F	0.8372
Obs*R-squared	6.36964	Prob. Chi-Square	0.7014
Scaled explained SS	3.02124	Prob. Chi-Square	0.9634

According to (Gujarati, 2004) this is a situation whereby the error variances are not constant. This is a violation of one important assumption of the classical linear regression assumptions. To detect heteroscedasticity, the research employed the Whites test for heteroscedasticity. The problem of continuing to use data that suffers heteroscedasticity is that whatever conclusion or inferences, they will be misleading. It has been assumed that the variance of the errors is constant. This is known as the assumption of homoscedasticity. If the errors do not have a constant variance, they are said to be Heteroscedasticity. The Whites’ test was used to check for the presence of heteroscedasticity in the residuals.

4.1.2.2.4. Correlation Analysis

In statistics, the Pearson correlation analysis is a measure of the correlation (linear dependence) between two variables, giving a value between +1 and -1 inclusive. It is widely used in the sciences as a measure of the strength of linear dependence between two variables. Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables

take place in the same direction), whereas negative values of ' r ' indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of ' r ' indicates that there is no association between the two variables. When $r = (+) 1$, it indicates perfect positive correlation and when it is $(-) 1$, it indicates perfect negative correlation, meaning thereby that variations in independent variable (X) explain 100% of the variations in the dependent variable (Y) (Kothari, 2004).

The p-value, in Pearson Correlation analysis, attempts to provide a measure of the strength of results of a test, in contrast to a simple reject or do not reject decision. In Pearson correlation analysis the value of strength of relationship (r) plays an important role in determining the level of relationships among variables. The significance level, $p < 0.05$ is also used to establish the relationship. This significance level shows that there is only 5 percent chance that the relationship does not exist, and 95 times out of 100 times the relationship among variables can be defined as having significant correlation. The table below shows the results of the Pearson correlation analysis among the variables.

Table 4.9 Pearson correlation

Correlations *							
		Control Environment	Control Activities	Risk Assessments	Information and Communication	Monitoring	Value for money
Control Environment	Pearson Correlation	1	.430**	.004	.387**	.069	.297**
Control Activities	Pearson Correlation	.430**	1	-.154**	.604**	.072	.318**
Risk Assessments	Pearson Correlation	.004	-.154**	1	-.266**	.547**	.106**
Information and Communication	Pearson Correlation	.387**	.604**	-.266**	1	-.067	.331**
Monitoring	Pearson Correlation	.069	.072	.547**	-.067	1	.655**
Value for money	Pearson Correlation	.297**	.318**	.106**	.331**	.655**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.001	
	N	57	57	57	57	57	57

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

Source: Survey data

Pearson correlation analysis was used to describe the strength and direct relation of the linear relationship between two variables. As shown in table 4.9 above, control environment, control activities, risk assessment, information and communication and monitoring is positively correlated. From this study has investigated this issue and the result indicates that there is positive and significantly relationship between control environment, control activities, risk assessment, information and communication and monitoring. ($r=0.597$, $p=0.000$), ($r=0.318$, $p=0.000$), ($r=0.206$, $p=0.000$), ($r=0.331$, $p=0.000$) and ($r=0.135$, $p=0.000$) respectively.

In general control environment is measuring value for money with higher influence relative to control activities, risk assessment, information and communication and monitoring other internal control component with greater positive significant relationship value for money.

4.1.2.2.5. Regression Analysis

Inferential analysis makes inferences about population using data drawn from samples. Instead of using the entire population to gather data, the researcher will collect a sample or samples and make inferences about the entire population using the sample. Accordingly the researcher has performed inferential analysis to verify the actual implication of the data collected and to provide conclusion pertaining to specific variables. Regression analysis was done to set up the statistical significant relationship between the independent and dependent variables. The regression analysis results were presented using regression model summary tables, ANOVA table and beta coefficient table. The analysis applied software called SPSS version 20 to calculate the measurements of the multiple regression for the study.

Multiple regressions are the most common and widely used to analyze the relationship between a single continues dependent variable and multiple continues on categorical independent variable (George et al, 2003). In this study multiple regression analysis was employed to examine the effect of internal control components on value for money. The following table presents the results of multiple regressions analysis. Here the squared multiple correlation coefficients (R²) which tells the level of variance in the dependent variable (value for money) that is explained by the model.

Table.4.10 spss Result of Regression

Model Summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.656a	.430	.422	.670	.430	57.012	5	378	.000

a. Predictors: (Constant), Control Environment , Control Activities , Risk Assessment , Information and Communication and Monitoring

b. Dependent Variable: value for money

Source: Survey data

The results of multiple regressions, as presented in table 4.10, above, revealed that the internal components combined significantly influence the satisfaction of customers. The adjusted R2 of 0.422. this means that holding other factors control environment, control activities, risk assessment, information and communication and monitoring about 42.2% of the changes in value for money can be predicted by the internal control components. Internal control component has a positive and significant effect on value for money the remaining 57.8% is contributed by other factors beyond the scope of the study.

Furthermore, to ascertain whether there was at least one slope coefficient of the simple regression model that is not equal to zero and therefore infer on the overall significance of the model, an ANOVA (F-test) was performed. The results of this are shown in Table 4.11:

Table.11. ANOVA

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	128.114	5	25.623	57.012	.000^b
	Residual	169.885	378	.449		
	Total	298.000	383			
a. Dependent Variable: value for money						
b. Predictors: (Constant), control environment, control activities, risk assessment, information and communication and monitoring						

Source: Survey data

The results imply that the independent variables are good predictors to assess internal control components on value for money was supported by an F statistic of 57.012 because the probability of the results occurring by chance was less than 0.005 ($P < 0.005$) at a 95% significance level.

Table 4.12 SPSS Result of Coefficient

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.224	.262		.857	.392		
	Control Environment	.476	.041	.514	11.671	.000	.778	1.286
	Control Activities	.044	.071	.032	.623	.534	.575	1.740
	Risk Assessment s	.280	.048	.283	5.809	.000	.637	1.571
	Information and Communication	.207	.057	.185	3.624	.000	.580	1.723
	Monitoring	.046	.047	.046	.966	.335	.675	1.481

a. Dependent Variable: value for money

Source: Survey data

Based on the table 4.12, show the standardize beta coefficient, which tell us the unique contribution of each factor to the model. A high beta value and a small p value (<.005) indicate the predictor variable has made a significance statistical contribution to the model. On the other hand, a small beta value and a high p value (p >.005) indicate the predictor variable has little or no significant contribution to the model. Gorge et al., (2003).

Table 4.12 also indicates that control environment, control activities, risk assessment, information and communication and monitoring of internal control components have a significant and positive relationship on value for money 95% confidence level in St. George are significant at 0.000.

$$Y = \mu + .541 X_1 + .032 X_2 + .283 X_3 + .185 X_4 + .046 X_5$$

The t-test results for independent variables with the probability of this occurring by chance being equal to 0.000, that is, P < 0.005 (95% confidence interval, two tailed) implying this was statistically significant.

4.1.2.2.6 Assessment of Multi-collinearity

When a strong correlation among the predictor variables with r greater than 0.8, tolerance value below 0.10 and variance inflation factor (VIF) greater than 10, then these are existence of multi-collinearity existence. The collinearity statics table confirms the mentioned criteria are met where the result shows there was no multicollinearity among variables.

4.2. Effectiveness of Control Environment

Control environment considered as “a tone on the top” in internal control system. It indicates the general atmosphere of internal control which includes the policies and procedures of internal control, management structure, reporting structure, competence of employees and discharging responsibility and others.

The survey made is based on those components of control environment and the result is scaled as follows.

	N	Min	Max	Mean	Std. Deviation
1. In the company there is clear separation of roles and responsibilities	57	1	5	3.70	1.101
2. The policies, procedures and guidelines in the company are documented.	57	1	5	3.98	.935
3. The company has a clear organizational structure.	57	1	5	3.89	1.012
4. The reporting structure is clearly stipulated	57	1	5	4.05	1.007
5. All employees in charge of the company program are aware of the guidelines of the program	57	2	5	3.67	.951
6. All staff in charge perform their responsibilities as per the regulations and	57	1	5	3.67	.970

guidelines					
7. Segregation / separation of roles can lead to attainment of set company objectives.	57	2	5	3.61	.861
8. The control environment in your company is enough to attain the company set objectives	57	1	4	3.07	.863
9. Segregation / separation of roles can lead minimizing of costs.	57	1	5	3.61	.996
mean				3.69	.996
Valid N (list wise)	57				

Source; Survey Results and Own Computation

As indicated in above table.13 the mean value of the response computed based on Likert scale indicated the average agreement of respondents on existence and practice of each element of internal control. The overall mean of the control environment can be approximated to 3.5 which indicate an agreement in practices of control environment but rooms for improvement.

The highest mean 4.05 indicates that majority of respondents agreed that the reporting structure is clearly stipulated in their respective company. The result of the survey is also in line with this theory which is indicated by mean value of 3.98. This means majority of the respondents agreed the policies, procedures and guidelines in the company are documented.

The above table also indicated three areas; where the control environment of the company is not effective. The least mean 3.07 indicates that majority of the respondents disagreed that all employees The control environment in your company is enough to attain the company set objectives. In percentiles 47.3% of respondents disagreed with this statement while 40% of respondents either agree or strongly agree and the remaining undecided.

From the table it is also indicated that there is a doubt by the respondents whether there is clear reporting structure (mean 3.31) and this element also indicated the highest standard deviation (1.012 Finally the mean 3.65 Segregation / separation of roles can lead to attainment of set company objectives.

4.3. Effectiveness of Control Activities

Control activities include methods as; preparation of reliable reports, update documentation, authorization of transactions, independent review and others. The result of the survey indicated in the table below shows that the degree of agreement ranged from 1 to 5 by respondents in all criteria's of control activities. The Overall mean of the control activities for the nine questions can be estimated to 3.6 which are good. The highest standard deviation of the response was showed in question number 11 which is about a clear segregation of accounting procedures".

The highest mean (3.78) indicated on table 4.8 confirm that majority of respondents agree that the policies and procedures can lead to producing reliable financial reports.

Subsequently mean of 3.76 indicated on the table also indicate that majority agree that the company expenditures are duly approved by authorized persons.

Table 14 control Activities					
	N	Min	Max	Mean	Std. Deviation
10. Policies and procedures can lead to producing reliable financial reports.	57	1	5	3.58	1.101
11. Accounting procedures of in the company Are Clearly Segregated.	57	1	5	4.18	1.167
12. The company expenditures are duly approved in advance by appropriately authorized persons.	57	1	5	3.47	1.338
14. Authorization, processing, cheque signing and accounting functions are clearly segregated under the company program	57	1	5	3.65	1.026
15. The company invoices or requests for disbursements are backed by appropriate supporting documents.	57	1	5	3.77	1.337

16. There is an up-to-date asset register	57	1	5	4.04	1.034
17. The procurement and disposal of assets procedure is strictly followed under the company program	57	1	5	3.00	1.069
18. Bank reconciliations are prepared by someone independent of the cash receiving, processing and recording activities.	57	1	5	3.67	1.185
19. Someone other than the preparer reviews and approves bank reconciliations	57	1	5	3.44	1.069
mean				3.64	1.143
Valid N (list wise)	57				

Source; Survey Results and Own Computation

The lowest mean 3.00 indicated that the procurement and disposal of an assets procedure is not followed strictly under the company program. In this regard total of 29% disagreed and strongly disagreed while 23.6% undecided on the matter. Another lower means 3.44 and 3.47 indicated that someone other than the preparer reviews and approves bank reconciliations and. The company expenditures are duly approved in advance by appropriately authorized persons respectively.

4.4. Effectiveness of Risk Assessment

Risk assessments become an integral part of internal control system. The management is responsible to identify and assess control risk caused by failure of internal control. There should be strategies of identifying Risk, system to respond to risk and reduce the risk. The survey result and analysis on this issue therefore; is presented as follows.

Table 4.15 Risk Assessment					
	N	Min	Max	Mean	Std. Deviation

20. The company management has designed an appropriate strategy of identifying risks	57	1	5	2.96	.999
21. The management designed a system to offer appropriate response to risks	57	1	5	3.09	1.005
22. It is management's role to identify, evaluate and respond to risk	57	1	5	3.32	.985
Mean				3.12	0.996
Valid N (list wise)	57				

Source; Survey Results and Own Computation

From the table 15 it shows that was no employee strongly agreed that there exists appropriate strategy of identifying risks (Min 1 and Max 5). The companies have not sufficiently designed appropriate strategy of identifying risk and no sufficient system designed to respond to risk (2.96). About 54.5% of respondents were collectively either disagreed or undecided that the management is identifying, evaluating and responding to the risks. Average agrees that Audit staff during implementation reduces the occurrence of risk (mean 3.75).

4. 5. Effectiveness of Information and Communication

Based on frameworks of an effective information and communication in an internal control system the survey result and interpretation as presented below.

Table 16. Information and Communication					
	N	Min	Max	Mean	Std. Deviation
24. Information should be communicated to all stakeholders and all level of employee	57	1	5	3.46	1.053
25. Transactions are promptly recorded and classified to provide reliable information.	57	1	5	3.40	1.033
25. Transactions are promptly recorded and classified to provide reliable information.	57	1	5	3.82	.889

27. The Accounting Officer publicizes the Company's Revenue	57	1	5	3.32	1.136
Mean				3.5	1.027
Valid N (list wise)	57				

Source; Survey Results and Own Computation

As summarized in above table the minimum response to each standard of information and communication is 1 and the maximum is 5. The respondents relatively agreed that the communication helps to evaluate how well the guidelines of the company are working. The survey result mean (3.32) indicates that 52.7% of respondents strongly disagreed, disagreed or undecided; the remaining 47.2% agreed or strongly agreed that the accounting officer publicized company's revenue. This element of information and communication degree of agreement varied among respondents with standard deviation of 1.136.

The means 3.46 and 3.40 are also slightly different from 3 which imply no convincing numbers of respondents believe that Transactions are promptly recorded and classified to provide reliable information or Information should be communicated to all stakeholders.

4.7. Effectiveness of Monitoring

An ongoing monitoring of internal control is vital to ensure whether internal control is achieving desired objectives. According to Coffin (2003) monitoring entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectives. The result and interpretation of the survey is presented as follows.

Table 17. Monitoring					
	N	Min	Max	Mean	Std. Deviation
28. Monitoring is important if the company program is to achieve its set objectives	57	2	4	3.23	.682
29. Monitoring is built into the normal operating activities	57	2	5	3.32	.970

30. Monitoring is on continuous basis	57	2	5	3.09	.996
31. Monitoring helps to determine whether controls under the company are effective	57	2	5	3.20	1.001
32. Monitoring covers the evaluation of the effectiveness of internal control in achieving set objectives	57	2	5	3.40	1.040
33. management considers audit findings and recommendations and takes adequate action	57	1	5	3.21	1.127
mean				3.24	.969
Valid N (list wise)	57				

Source; Survey Results and Own Computation

An estimated overall mean of monitoring components indicate that there are areas of improvements. In the majority of monitoring criteria's practices the respondent's minimum degree of agreement is 2. This implies that there were few respondents strongly disagreed with the practices of monitoring in the company.

Majority of respondent's don't believe that monitoring in the company is on the continuous basis (mean 3.09). On the other hand the company higher authority fails to consider sufficiently the audit findings and recommendations to take necessary corrective actions (mean 3.20).

4.8. Value for Money

Internal control is effective when value for money is achieved. An effective internal control is economical, efficient, achieve its objectives and adhere to rules and regulations. The survey result from the respondents on achievement of value for money is presented as follows.

Table 19. Value For Money					
	N	Min	Max	Mean	Std. Deviation
34. The success of the company product and service is the degree to which it attains its set objectives.	57	1	5	3.68	.890

35. The attainment of VFM is based on the use of the company resources in order to achieve its set objectives	57	2	5	3.74	.745
36. Internal Audit staff carry out regular reviews to ascertain whether the company achieved value for money for all its activities	57	1	5	3.42	1.179
37. Management carries out Monitoring and Evaluation and control operations in order to achieve VFM.	57	1	5	3.00	1.309
38. VFM is improved by reducing the level of irregularity, wastage, defective, and fraud under the company activities	57	2	5	3.32	1.311
39. The quality of product and service by the company assures the customer that product are well preferred	57	2	5	3.49	.869
40. The regulatory body gets assured of VFM if costs incurred by company are reasonable.	57	1	5	3.26	1.142
41. The commitment by the management of the company in providing VFM in its program is strong	57	1	5	3.39	1.192
Mean				3.41	1.079
Valid N (list wise)	57				

Source; Survey Results and Own Computation

Under value for money, almost all mean responses are slightly different from 3. The highest mean (3.74) implies that majority of respondents believe that the attainment of VFM is based on the use of the company resources in order to achieve its set objectives. In the other word company achieve value for money when use the company resource to achieve objectives.

The other results on value for money represents deficiency in achieving value for money. For example the lowest mean 3.00 Management carries out Monitoring and Evaluation and control operations in order to achieve VFM. In percentiles 49.2% strongly disagreed or disagreed, 10.5% undecided, and only 33.3% agreed or strongly agreed that the management of company management is strong in achieving value for money. The above table furthermore indicates that there is insufficient internal audit in carrying out regular reviews to ascertain that value for money is achieved (mean 3.42). Value for money is also achieved when level of irregularities, wastage, defectives and frauds are reduced activities of organizations. The mean response for this question is 3.49 which is 17.5% disagreed, 15.8% undecided, 35.1% agreed and 19.3%

strongly agreed in percentiles This implies that only 41.8% agreed or strongly agreed that level of irregularities, wastage, defectives and frauds is reduced in the company activities.

The respondents are asked whether the quality of service by the company assures the customer that product are well preferred , and the mean response 3.49 implied that 48.9% strongly disagreed, disagreed or undecided; while the remaining 51.1% of the respondents agreed or strongly agreed that quality of the product and service by company guarantee that company customer well preferred . VFM is improved by reducing the level of irregularity, wastage, defective, and fraud under the company activities he highest standard deviation (1.311) indicated in the above table shows that respondents ideas varied highly that reducing wastage, irregularities achievement of value for money in the brewery.

4.9.Calculation value for money with of the internal components

The various perceptions under each value for money were grouped into 5 constructs and calculated its individual average to get composite scores. The table below shows the result of the value for money dimensions composite score.

Table 20. Descriptive Statistics of the internal components

	N	Minimum	Maximum	Mean	Std. Deviation
Control Environment	57	2	5	3.69	.996
Control Activity	57	1	5	3.64	1.143
Risk Assessment	57	1	5	3.12	0.996
Information Communication	57	1	5	3.5	1.027
Monitoring	57	1	5	3.24	.969
Value of Money	57	1	5	3.41	1.079
Valid N (listwise)					

Source: Survey data

Control environment has the highest score of 3.69 followed by control activity, Monitoring, risk assessment and Information communication with a score of 3.24, 3.12, 3.5, 3.41 respectively.

These findings indicate that the composite mean scores are all less than 4 for each internal control components and yet the maximum possible score is 5. The mean composite scores are above average but less than the mean maximum score. The findings of the study indicate that currently the internal controls are perceived by the Employees to be moderately effective but that they still need for improvement.

4.10. Summary of Findings

Internal Control is a policy, methods and practices employed for attainment of organizational objectives. These objectives are ensuring operational efficiency, safeguarding assets and adherence to rules and regulations. As indicated in literature, customarily the management of organizations performs this task through monitoring the effectiveness of internal control they designed. The study sought to establish the relationship between internal control systems and value of money of St. George. Specifically the study was guided by the following objectives; to investigate the relationship between internal control environment, Risk assessment, control activities, information and communication and monitoring with value for money indicators. The data obtained was analyzed using both qualitative and inferential analysis. The competence level of employees working in the company from experiences and academic competence perspective can be concluded as good.

The control environment of the internal control system is adequate to be judged as effective, that majority of respondents agreed that there are the reporting structure is clearly stipulated, clear organizational structure in the company. The results indicated that internal control environment exist in the company. The regression analysis also indicated that there is a positive significant relationship between internal control environment and financial performance. The positive relationship. Risk assessments become an integral part of internal control system. The management is responsible to identify and assess control risk caused by failure of internal control. The researcher found that, in the company regular risk assessment procedures was carried out. Also in the brewery management has criteria for ascertainment of which fraud related risks to the organization is most critical and they have put in place mechanisms for

mitigation of critical risks, which may result from fraud. The regression analysis also indicated that there is a positive significant relationship between Risk management and value for money.

Control activities are specific methods and procedures of implementing internal control. The Overall mean of the control activities for the listed questions can be estimated to 3.99 which is lower than the other components. The highest mean (4.34) indicated majority of respondents agree that the company has a well-developed Chart of Accounts. As clearly indicated from results the Company control over access to resources and records and Management responsibility for defining policies, processes and procedures for governance, risk management and compliance are not effective in the Brewery, so, it needs due attention. The Regression analysis was done where the results indicated that internal control activity has lower amount for the contribution of value of money

The researcher found, it was revealed that management ensures that reliable, relevant information is communicated at all levels of the firm, and all employees understand and are up to date on performance, development, risks and the function of internal control. Also on the open ended questionnaires' found under information and communication the company have its own explorer that updates its employees about the company current status. In addition the company updates the achievements in every meeting like, monthly, quarterly, yearly and creating different get together opportunities that enable employee's to communicate the business. The information and communication regression higher contribution for the positive significant relationship to value of money

Monitoring entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectives. From the finding, monitoring was functionality in company. In general the monitoring of the st. George is effective because of all of monitoring related question result shows existence of good monitoring systems in the company and also the regression result show existence of good monitoring in the company.

CHAPTER FIVE

Conclusion and Recommendations

The purpose of this chapter is to pinpoint the major findings of the study and indicate recommendations that can help in improvement of internal control system in the company. Thus the chapter is organized as section 5.1. Conclusion which presents major findings of the study, and section 5.2 which presents recommendations based on the findings.

5.1. Conclusion

Internal Control is a policy, methods and practices employed for attainment of organizational objectives. These objectives are ensuring operational efficiency, safeguarding assets and adherence to rules and regulations. Both government and private institutions need a guarantee that the internal control system in their institutions is effective enough in attaining such objectives. As indicated in literature, customarily the management of organizations performs this task through monitoring the effectiveness of internal control they designed. Though managements may use different criteria's to evaluate effectiveness of an internal control, COSO (1992) revealed that; internal control effectiveness is resulted from an effective function of the control environment, control activities, the risk assessment, information flow and communication and monitoring of the system itself. INTOSAI (2004) indicates an effective functioning of these elements helps in achieving Value for Money which is an objective of effective internal controls

- ❖ The components of internal control i.e. the control environment, control activities, the risk assessment, information flow and communication and monitoring .On control environment , the average mean of the responses was 3.69 which mean that majority of the respondents were agree with most of the statements; Standard deviation measured how spread out the distribution was, a standard deviation greater than 1 indicated significant variation in the respondents while a standard deviation of less than 1 indicated no significant variation between respondents; however the answers were varied as shown by a standard deviation of 0.996. And also on control activity the responses had an

overall mean of 3.64 which indicated that the respondents agreed to the majority of the questions asked. The standard deviation of 1.143 indicates that the responses were varied.

- ❖ The risk assessment, information flow and communication and monitoring the responses is 3.12, 3.5 and 3.24 which indicates that majority of the respondents agreed to the Statements. The standard deviation was 0.996, 1.027 and 0.969 respectively which indicate that the responses were varied. The results imply those internal control components has influence on value for money

- ❖ The Pearson's correlation result it is indicated that there is a positive and significant relationship between the internal control components and value for money. Accordingly control environment is found to have the highest correlation with value for money. More over control environment has the highest beta value on the regression model and is the dominant from internal control components with the highest impact on value for money.

- ❖ Based on the findings on the study concluded that The five internal components control environment, control activities, the risk assessment, information flow and communication and monitoring have a positive significant effect on the value for money of st. George. Based on this ground it was necessary to examine the effectiveness of internal control in practices in manufacturing company.

Control activities are specific methods and procedures of implementing internal control. As clearly indicated from results the Company control over access to resources and records and Management responsibility for defining policies, processes and procedures for governance, risk management and compliance are not effective in the Brewery so, it needs due attention.

The control environment of the internal control system is adequate to be judged as effective, that majority of respondents agreed that there is Sufficient training opportunities provide by the company to improve employee's work related competencies and a clear organizational structure in the company The results indicated that internal control environment exist in the company.

Risk assessments become an integral part of internal control system. The management is responsible to identify and assess control risk caused by failure of internal control. The researcher found that, in the company regular risk assessment procedures was carried out. Also in the brewery management has criteria for ascertainment of which fraud related risks to the organization is most critical and they have put in place mechanisms for mitigation of critical risks, which may result from fraud. The regression analysis also indicated that there is a positive significant relationship between Risk management and value of money by 0.240 Coefficients

Relevant information is communicated at all levels of the firm, and all employees understand and are up to date on performance, development, risks and the function of internal control. Also on the open ended questionnaires' found under information and communication the company have its own explorer that updates its employees about the company current status. In addition the company updates the achievements in every meeting like, monthly, quarterly, yearly and creating different get together opportunities that enable employee's to communicate the business.

Monitoring entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectives. From the finding, monitoring was functionality in company. In general the monitoring of the st.George brewery is effective because of all of monitoring related question result shows existence of good monitoring systems in the company and also the regression result show existence of good monitoring in the company.

5.2. Recommendations

There is no absolute guarantee from internal control that organizations objectives will be achieved. This implies the inherent limitations of internal control; that internal control is designed, operated and monitored by human beings. However it is possible to improve internal control effectiveness through continuous monitoring, related risk assessment, designing sound control methods and with good communication in the organization. From the result of this study it is impossible to conclude the internal control systems in the company are economical, efficient and effective.

As stated by Spencer (2003) a control environment which is an entire commitment of managements from design of internal control to its monitoring should be strong enough to keep the other components of internal control in line. However, Based on the finding the Review of operating performance against a set of standards that need due emphasis to improve the internal control system in the company and Proper verification before and after processing is strictly adhered to. The management should also ensure that their companies have strong internal control activities inform of policies and procedures are adequate. The study recommends that management must develop and discover new ways to strengthen the internal control because the dimension of fraud in most company is growing at an alarming rate day by day, it further assert that this is necessary because both variable have significant relationship with each other. It also recommends that company can achieves its objectives, if the management of the company ensure a regular review and training of the internal control staffs so that each member of the internal control department is fully equip with the best skill to handle any unforeseen event that may hinder the company from achieving its objectives with the least possible resources

Internal control is a responsibility of management, employees and other stakeholders. Hence there should be a clear line of responsibility and structure of reporting to discharge any risk of collusion and fraud.

Good information flow and line of communication risk of failure in internal control caused by information gap. Thus necessary information should be communicated to all stakeholders, transactions should be recorded promptly.

The control system effectiveness should be evaluated against clearly established criteria's and should be monitored continuously. This is the responsibility of management and internal controllers.

Some respondents believe that internal control in all company should be integrated or consolidated to maintain the consistency of its implementation. Finally internal control system in the company is also responsibility all employees.

5.3. Limitation of the Study

Internal control in general scope goes from its design to operation and control in which several components are required to make it effective. Internal control can be affected by policy, competence and commitment of employees in the company. Though, it is important to include all these areas because of infeasibility from resource and time perspectives, the focus of the study was on the effectiveness of the internal control in the company.

5.4. Future Research

The study recommends further research on ways in which not only value of money of manufacturing companies can be enhanced through internal controls and other factors. Due to constant changes in business environment, a further study on emerging areas in the field of internal control to ensure the company's objectives and goals are achieved. Results suggesting that poor internal control negatively affect company performance raise the question of why not all company's practice effective internal control. Further studies on determinants of internal controls and causes of internal control weaknesses disclosure, should be carried out.

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ANNEX.1

Research Questionnaire

Questionnaire for assessment of internal control effectiveness in case of St. George Brewery

You are invited to participate in the below mentioned research questionnaires. The survey should only take 10-15 minutes to complete. To ensure confidentiality of all responses, you are not obliged to provide your name and the information you give in response to this survey will be purely used for academic purpose only.

For further information please contact MekdesGetachew by the following address.

Email: Mekdyisha@gmail.com

Part I: Personal information of the respondent (Please, tick in the appropriate circle)

1. What is your Gender?

A. Male []

B. Female []

2. In what age bracket do you fall?

A. 18-25 []

B. 26-35 []

C. 36-45 []

D. 46-55 []

E. 56+ []

3. Respondent's Highest Educational qualification

A. Certificate/Diploma []

B. degree and above []

C. other

4. For how long you have been operating in this company?

- A. Less than 5 years []
- B. 5 - 10 years []
- C. 11 - 15 years []
- D. 16 - 20 years []
- E. More than 20 years []

5. Field Of Qualification

- A. Accounting []
- B. Management []
- C. Others []

Part II: Internal Control Components (ICC) In the Company

This questionnaire is prepared based on the elements of internal control and its components. Please, tick in the appropriate box against the statements as defined below; 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree

Section I: Internal control environment

control environment	1	2	3	4	5
1. In the company there is clear separation of roles and responsibilities					
2. The policies, procedures and guidelines in the company are documented.					
3. The company has a clear organizational structure.					
4. The reporting structure is clearly stipulated					
5. All employees in charge of the company program are aware of the guidelines of the program					
6. All staff in charge perform their responsibilities as per the regulations and guidelines					
7. Segregation / separation of roles can lead to attainment of set company objectives.					
8. The control environment in your company is enough to attain the company set objectives					
9. Segregation / separation of roles can lead minimizing of costs.					

control Activities					
	1	2	3	4	5
10. Policies and procedures can lead to producing reliable financial reports.					
11. Accounting procedures of in the company Are Clearly Segregated.					
12. The company expenditures are duly approved in advance by appropriately authorized persons.					
14. Authorization, processing, cheque signing and accounting functions are clearly segregated under the company program					
15. The company invoices or requests for disbursements are backed by appropriate supporting documents.					
16. There is an up-to-date asset register					
17. The procurement and disposal of assets procedure is strictly followed under the company program					
18. Bank reconciliations are prepared by someone independent of the cash receiving, processing and recording activities.					

19. Someone other than the preparer reviews and approves bank reconciliations					
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Is there any other information you would like to add not mentioned in this questionnaire?
 (Specify)-----

Is there any other information you would like to add not mentioned in this questionnaire?
 (Specify)

.....

Risk Assessment					
	1	2	3	4	5
20. The company committee has designed an appropriate strategy of identifying risks					
21. The Committee designed a system to offer appropriate response to risks					
22. It is management's role to identify, evaluate and respond to risk					
23. Involvement of the Internal Audit staff during implementation reduces the occurrence of risk.					

Is there any other information you would like to add not mentioned in this questionnaire?
 (Specify)

.....

Information and Communication					
	1	2	3	4	5
24. Information should be communicated to all stakeholders.					
25. Transactions are promptly recorded and classified to provide reliable information.					
25. Transactions are promptly recorded and classified to provide reliable information.					
27. The Accounting Officer publicizes the funds received					

Is there any other information you would like to add not mentioned in this questionnaire?
(Specify)

.....

Monitoring					
	1	2	3	4	5
28. Monitoring is important if the company program is to achieve its set objectives					
29. Monitoring is built into the normal operating activities					

30. Monitoring is on continuous basis					
31. Monitoring helps to determine whether controls under the company are effective					
32. Monitoring covers the evaluation of the effectiveness of internal control in achieving set objectives					
33. Council considers audit findings and recommendations and takes adequate action					

Is there any other information you would like to add not mentioned in this questionnaire?
(Specify)

.....
.....
.....

Value For Money					
	1	2	3	4	5
34. The success of the company service is the degree to which it attains its set objectives.					
35. The attainment of VFM is based on the use of the company resources in order to achieve its set objectives					
36. Internal Audit staff carry out regular reviews to ascertain whether the company achieved value for money for all its activities					
37. Management carries out Monitoring and Evaluation and control operations in order to achieve VFM.					

38. VFM is improved by reducing the level of irregularity and fraud under the company activities					
39. The quality of service by the company assures the community that funds are well utilized					
40. Government gets assured of VFM if costs incurred by company are reasonable.					
41. The commitment by the management of the company in providing VFM in its program is strong					

Is there any other information you would like to add not mentioned in this questionnaire?
 (Specify)

.....

... *Thank you very much for taking your time to participate in this study*

ANNEX.2

CONTROL ENVIROMENT

		Frequency	Percent
Missing	System	57	100.0

In the company there is clear separation of roles and responsibilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.8	1.8	1.8
	Disagree	9	15.8	15.8	17.5
	Neutral	12	21.1	21.1	38.6
	Agree	19	33.3	33.3	71.9
	Strongly Agree	16	28.1	28.1	100.0
	Total	57	100.0	100.0	

The policies, procedures and guidelines in the company are documented.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.8	1.8	1.8
	Disagree	3	5.3	5.3	7.0
	Neutral	10	17.5	17.5	24.6
	Agree	25	43.9	43.9	68.4
	Strongly Agree	18	31.6	31.6	100.0
	Total	57	100.0	100.0	

The company has a clear organizational structure.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	5.3	5.3	5.3
Valid Disagree	2	3.5	3.5	8.8
Valid Neutral	8	14.0	14.0	22.8
Valid Agree	29	50.9	50.9	73.7
Valid Strongly Agree	15	26.3	26.3	100.0
Valid Total	57	100.0	100.0	

The reporting structure is clearly stipulated

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	2	3.5	3.5	3.5
Valid Disagree	2	3.5	3.5	7.0
Valid Neutral	9	15.8	15.8	22.8
Valid Agree	22	38.6	38.6	61.4
Valid Strongly Agree	22	38.6	38.6	100.0
Valid Total	57	100.0	100.0	

All employees in charge of the company program are aware of the guidelines of the program

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	8.8	8.8	8.8
Valid Disagree	31	54.4	54.4	63.2
Valid Neutral	10	17.5	17.5	80.7
Valid Agree	7	12.3	12.3	93.0
Valid Strongly Agree	4	7.0	7.0	100.0
Valid Total	57	100.0	100.0	

All staff in charge perform their responsibilities as per the regulations and guidelines

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	8	14.0	14.0
	Disagree	10	17.5	31.6
	Neutral	4	7.0	38.6
	Agree	29	50.9	89.5
	Strongly Agree	6	10.5	100.0
	Total	57	100.0	100.0

Segregation / separation of roles can lead to attainment of set company objectives.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	8.8	8.8
	Neutral	21	36.8	45.6
	Agree	22	38.6	84.2
	Strongly Agree	9	15.8	100.0
	Total	57	100.0	100.0

The control environment in your company is enough to attain the company set objectives

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.5	3.5
	Disagree	13	22.8	26.3
	Neutral	21	36.8	63.2
	Agree	21	36.8	100.0
	Total	57	100.0	100.0

Segregation / separation of roles can lead minimizing of costs.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.5	3.5
	Disagree	7	12.3	15.8
	Neutral	10	17.5	33.3
	Agree	30	52.6	86.0
	Strongly Agree	8	14.0	100.0
	Total	57	100.0	100.0

Frequency Table

CONTROL ACTIVITIES

		Frequency	Percent
Missing	System	59	100.0

Policies and procedures can lead to producing reliable financial reports

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	5.1	5.3	5.3
	Disagree	7	11.9	12.3	17.5
	Neutral	12	20.3	21.1	38.6
	Agree	24	40.7	42.1	80.7
	Strongly Agree	11	18.6	19.3	100.0
	Total	57	96.6	100.0	
Missing	System	0	0		
	Total	57	100.0		

Accounting procedures of in the company Are Clearly Segregated

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	6.8	7.0	7.0
	Disagree	3	5.1	5.3	12.3
	Neutral	1	1.7	1.8	14.0
	Agree	20	33.9	35.1	49.1
	Strongly Agree	29	49.2	50.9	100.0
	Total	57	96.6	100.0	
Missing	System	0	0		
	Total	57	100.0		

The company expenditures are duly approved in advance by appropriately authorized persons.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	7	11.9	12.3	12.3
Disagree	9	15.3	15.8	28.1
Neutral	4	6.8	7.0	35.1
Agree	24	40.7	42.1	77.2
Strongly Agree	13	22.0	22.8	100.0
Total	57	96.6	100.0	
Missing System	0	3.4		
Total	57	100.0		

Authorization, processing, cheque signing and accounting functions are clearly segregated under the company program

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	5.1	5.3	5.3
Disagree	6	10.2	10.5	15.8
Neutral	7	11.9	12.3	28.1
Agree	33	55.9	57.9	86.0
Strongly Agree	8	13.6	14.0	100.0
Total	57	96.6	100.0	
Total	57	100.0		

The company invoices or requests for disbursements are backed by appropriate supporting documents.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	8.5	8.8	8.8
Disagree	8	13.6	14.0	22.8
Neutral	4	6.8	7.0	29.8
Agree	18	30.5	31.6	61.4
Strongly Agree	22	37.3	38.6	100.0
Total	57	96.6	100.0	
Total	57	100.0		

There is an up-to-date asset register

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.4	3.5	3.5
	Disagree	4	6.8	7.0	10.5
	Neutral	5	8.5	8.8	19.3
	Agree	25	42.4	43.9	63.2
	Strongly Agree	21	35.6	36.8	100.0
	Total	57	96.6	100.0	
Total		57	100.0		

The procurement and disposal of assets procedure is strictly followed under the company program

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.7	1.8	1.8
	Disagree	2	3.4	3.5	5.3
	Neutral	4	6.8	7.0	12.3
	Agree	18	30.5	31.6	43.9
	Strongly Agree	32	54.2	56.1	100.0
	Total	57	96.6	100.0	
Total		57	100.0		

Bank reconciliations are prepared by someone independent of the cash receiving, processing and recording activities.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	15	25.4	26.3	26.3
	Disagree	9	15.3	15.8	42.1
	Neutral	22	37.3	38.6	80.7
	Agree	2	3.4	3.5	84.2
	Strongly Agree	9	15.3	15.8	100.0
	Total	57	96.6	100.0	
Missing	System	2	3.4		
Total		59	100.0		

Someone other than the preparer reviews and approves bank reconciliations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	21	35.6	36.8
	2	10	16.9	54.4
	3	15	25.4	80.7
	4	2	3.4	84.2
	Strongly Agree	9	15.3	100.0
	Total	57	96.6	100.0
Total		57	100.0	

Frequency Table

EFFECTIVE RISK ASSMENT

	Frequency	Percent
Missing System	57	100.0

The company committee has designed an appropriate strategy of identifying risks

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	8.8	8.8
	Disagree	10	17.5	26.3
	Neutral	28	49.1	75.4
	Agree	10	17.5	93.0
	Strongly Agree	4	7.0	100.0
	Total	57	100.0	100.0

The Committee designed a system to offer appropriate response to risks

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	7.0	7.0
	Disagree	10	17.5	24.6
	Neutral	24	42.1	66.7
	Agree	15	26.3	93.0
	Strongly Agree	4	7.0	100.0
	Total	57	100.0	100.0

It is management's role to identify, evaluate and respond to risk

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.5	3.5
	Disagree	9	15.8	19.3
	Neutral	21	36.8	56.1
	Agree	19	33.3	89.5
	Strongly Agree	6	10.5	100.0
	Total	57	100.0	100.0

Involvement of the Internal Audit staff during implementation reduces the occurrence of risk.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.8	1.8
	Disagree	5	8.8	10.5
	Neutral	12	21.1	31.6
	Agree	28	49.1	80.7
	Strongly Agree	11	19.3	100.0
	Total	57	100.0	100.0