ROLE OF INTERNAL CONTROL SYSTEMS ON PERFORMANCE OF ETHIOPIAN SHIPPING AND LOGISTICS SERVICES ENTERPRISE.

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Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all source of materials used for the thesis have been duly acknowledged.

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List of Abbreviations

AICPA	Association of Institue of Chartered Accountants of Pakistan
APB	*Accounting* Principles Board
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COBIT	Control Objectives For Information and Related Technology
CA	Control Activities
CE	Control environment
ESLSE	Ethiopian shipping and Logistics services Enterprises
FP	Financial performance
GAO	Government Accountability Office
ICAEW	Institute of Chartered *Accountants* in England and Wales
IFAC	International Federation of *Accountants*
IIA	Institute of Internal Auditors
IC	Internal controls
INFO & COM	Information and communication
INCS	Internal control systems
INTOSAI	The International Organization of Supreme Audit Institutions
MON	Monitoring
RA	Risk assessment
SAS	Statements on Auditing Standards
SPSS	Statistical Package for the Social Sciences

Abstract

Effective internal control system can play a very crucial role in every organization to realize organizational goals, one of which is achieving financial performance objectives. The main purpose of this study was to determine the impact of internal control systems on financial performance on Ethiopian shipping and Logistics Services Enterprises as a case study. Specific objectives include evaluating the existing internal control system in the organization and investigating the relationship between the five internal control elements and financial performance. The study used explanatory research design research design by using both descriptive and quantitative methods where primary data is collected using Likert-scale questionnaires distributed and interviews made with employees in the finance department. Secondary data was gathered from company's financial statements and publications. The dependent variable was financial performance measured in-terms of profitability and ROA. The predictors or independent variables were the five elements of internal control system, control environment, control activities, risk assessment, monitoring and information and communication. The target population was 40 employees in the finance department and census design was adopted. The study period covers 9 years 2005-2013. Effectiveness of the elements of internal control system was analyzed from the descriptive statistics result. Multiple regression analysis was done to determine the relationship and the significance level of elements of internal control system towards financial performance. The result revealed that internal control system contributed only31% variation on financial performance. The descriptive result shows there is weak internal control system in the organization. The study recommend more commitment by the management in monitoring internal control system and continue working on improving for the effectiveness of the internal control system so, the company will achieve better performance.

Chapter one

Introduction

The chapter portrays the background of the study about the concept of internal control systems. It also clearly elaborates how effective internal control system can lead to improved firm performance. The chapter consist the purpose of the study the impact of INCS on firm financial performance of ESLSE. The scope of the study, the significance of the study and the structure of the study are also discussed in the chapter**.**

1.1 Back ground of the study

Definition was provided by committee of sponsoring organization of Tread way Commission COSO (1992) as internal control is an executive process of board of directors ,authorities and other employees to achieve purpose in efficiency and effectiveness of operation, reliability of financial accountability, obeying laws and legal acts. In the revised guide lines for internal control standards for public sector of INTOSAI (2004) the international organization of supreme audit institution , internal control system has been defined as an integral process that is effected by an entities management and personnel, and is designed to address risk and to provide reasonable assurance that achievement of entities mission. Control objective for information and related technology, COBIT (2007) also defined internal control system is a process including norms, procedures, performance and organizational structure established to ensure reasonable guarantees so as to achieve the settled business goals and avoid undesirable event, or they could be indicated and fixed. Although the conception of internal control is defined in different ways, the core point still remains the same in all frame works definition as internal control is the inspection, observation, maintenance and regulation of organization work for the achievement of objectives.

The great remedy against business failure and an important driver of keeping business competitive advantage is having an effective internal control system. Best performing organizations know how to take advantage of opportunities and prevent threats through effective application of internal controls IFAC (2012) .Government, auditors and management are responsible for the review and evaluation of internal control system. According to Statement of Auditing Standards SAS No.55 it requires an auditor to obtain an understanding of entity's internal control system sufficient to plan the audit. The Sarbanes-Oxley Act requires that the management of public companies assess the effectiveness of the internal control of issuers for financial reporting. Section 404(b) requires a publicly-held company's auditor to attest to, and report on, management's assessment of its internal controls. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires the General Accounting Office (GAO) to issue standards for internal control in government. The standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement.

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 unnecessary 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.

Ayagre,et.al (2014), have stated internal control system is an integrated process with the management action to achieve overall organizational goals. Achieving organizational objectives can be realized whenever components of internal control system and business process interact ceaselessly. The effectiveness of internal control system is dependent up on the actions of Board of directors, as well as the presence of independent internal audit unit. In addition to this the interaction of the elements of internal control system in the business organization plays the major role for its effectiveness DiNapoli (2010).

Concept of organizational performance is based up on the idea that an organization is the voluntary association of productive assets, including human, physical and capital resources for the purpose of achieving a shared purpose. Simon (1976). Organizational performance encompasses accumulated end result of all organization work process and activities. Performance measures can be financial or non-financial. Both measures are used for competitive firms in changing business environment Munene (2013).

CIMA official terminology, 2005 has defined organizational performance as a process of assessing the proficiency with which a reporting entity succeeds by the economic acquisition of resources and their efficient and effective deployment in achieving its objectives.

Effective performance measure is key in ensuring that an organization strategy is successfully implemented .It is about monitoring organizations effectiveness in fulfilling its own predetermined goals or stakeholder requirements. A company must perform well in terms of cost, quality, flexibility, value and other dimensions.

Robert (1984) argues there is no agreement on how to measure organizational performance in strategic management empirical literatures. He claimed the researchers had only tried to develop models and then test them against several different single measurement performance construct without any clear theoretical support for why those various performance variables were selected.

Applying financial indicators to measure business performance is the dominant model in empirical strategy research Hofer (1983). However Kaplan and Norton (1992, 1996) argue the application of only financial measures are not enough to display a full picture of organizations performance. They claimed the use of balanced performance measures that consist of both financial and non-financial metrics can provide a better view about the accomplishment of strategic objectives.

Vishvesh (2011) also argues even though large number of literatures have explained numerous organizational performance measures that is a hybrid of financial and non-financial its implication is there is no single measurement to represent overall organizational performance. Hence, in his novel work he has proposed different variables such as resilience from market force and internal stability of firm as a measure of strategic firm performance. Venkatraman, (1986) has claimed business performance is a subset of the overall concept of organizational effectiveness. The fulfillment of economic goals of the firm is conceptualized as financial performance. Organizational performance is the sum total of operational and financial performance.

The motivation of this study is the recent fraudulent activity happened in the Ethiopian shipping and logistics services enterprise which results loss of significant amount of cash from company's bank account. One of the important reasons of financial fraud is the failure of internal control J. Leng and Y. Ding (2011) Therefore it is necessary to review and evaluate effectiveness internal control of the company and its role on performance.

In this research paper the internal control system will be studies in terms of control environment, control activities, information and communication, monitoring and risk assessment. The performance will be measured in terms of ROA which is an accounting base measurement. The reason of choosing ROA as a measure of financial performance as the company is investing great amount of capital on ships, port machineries and on infrastructures of dry ports.

1.2 The Problem statement

Organizations establish system of internal controls to help them achieve performance and organizational goals, prevent losses of resources, enable production of reliable reports and ensure compliance with laws and regulations Emasu (2010).

Many empirical studies have focused on the contribution of INCS on financial performance of various sectors other than shipping and logistics business. INC is essential factor that affect many firms, the evidence of fully functioning INCS within ESLSE is almost nonexistent. It is therefore the purpose of this research is to evaluate the existing internal control system in ESLSE and its impact on organizational performance. The study will be carried out by assessing existing internal control system in the company in each sector and the responses are combined. The study period covers 9 years 2005-2013.

Ethiopian shipping and Logistics services Enterprise is a public organization engaged in freight forwarding and logistics sector with a mission of supporting country's import and export trade.

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1.3 Research objectives

Research objective as an accurate description of specific actions a researcher will take in order to reach a purpose. Research objective outlines the specific goals to study plans to achieve when completed**.** Accordingly, this study has general and specific objective that will be addressed.

General objective

The general objective of this study is to assess the existing internal control practice in Ethiopian shipping and logistics enterprise and to examine its impact on the performance of the organization which will be measured by profitability measure ROA. The study commissioned by the case company which is also my employer, Ethiopian Shipping and Logistics Services Enterprises. COSO (2013) internal control frame work is selected to function as the main guideline for this study as it is widely adopted by many organizations. In addition to COSO frame work, many theoretical and empirical studies are reviewed to build a theoretical base for answering research questions.

Specific objectives

1) To study the relationship between internal control system and firm performance
2) To evaluate the practice of existing internal control system in the company.

1.4 Research questions

Research question is the fundamental core of research project. It focuses on the study, determines the methodology, and guidelines all stages of inquiry, analysis and reporting. It usually has general research question and specific research question.

General research question

What is the role of internal control system to firm performance of Ethiopian shipping and Logistics services organization?

Specific research questions

1) Do all elements of INCS effective in ESLSE? Where is/are areas of deficiencies in Internal Control System of the ESLSE?
2) Are the existing controls of ESLSE enhancing firm performance of ESLSC in terms of achieving financial objectives?

1.5 Research Hypothesis

After reviewing related literatures, specifically the impact of elements of internal control systems on firms financial performance the below hypotheses are developed.

Research hypothesis

H1 Components of INCS have no significant effect on FP of ESLSE

H2 Internal controls adopted by ESLSE enhanced its ROA performance

1.6 Significance of the study

It is mandatory for an organization to understand its obligation and take necessary action as to be in better position to deliver competitive service. Identifying deficiencies in the internal control system can provide company's management to avoid misuse of resources and attaining organizational objectives. This study would create awareness to the level of internal controls which have been put in place in ESLSE and to use recommendations proposed to add in to the already implemented. The study would also contribute to the existing body of knowledge on INC and financial performance. Readers will benefit both from the findings of the study planned to establish link between INCS and financial performance. It added a value for the researcher in getting better experience in conducting empirical researches for further studies.

Ethiopian shipping and logistics services enterprise is a government owned company engaged in the freight forwarding and logistics sector. It was established as a public enterprise on 21 November 2011.The company is governed by Public Enterprises Proclamation NO. 25/1992. The main objectives are

- ✓ To render coastal and international marine and inland water transport services
- ✓ To render freight forwarding agency, multimodal transport, shipping agency and air agency services;
- ✓ To provide services of stevedoring, shore handling, dry port, warehousing and other logistics services for import and export goods

The enterprise has its head office in Addis Ababa, Ethiopia, branches and coordinating offices both in Ethiopia and abroad. The sole shareholder of the enterprise is the Government of the Federal Democratic Ethiopia.

Its major mission is rendering world class and competitive shipping and logistics services at the same time contributing towards the rapid economic growth of the country.

1.7 Scope and limitation of the study

The study focuses on determining the relationship between INCS and financial performance in ESLSE. In this study internal control system was based on control environment, control activities, risk assessment, monitoring and information and communication. Financial performance on the other hand focused on ROA. The study targeted employees in the finance department of ESLSE.

Limitation of the study

Some information related to INCS confidential by their nature. However to overcome this problem the researcher approached managers in the finance department and requested their support in making available such information and assures confidentiality in handling information provided. The other limitation is the organization has audited financial statements to end of 2013.

1.8 Structure of the study

This research is organized in to five chapters. The first chapter presents the introduction and back ground of the study. The second chapter shows the literature review made from both theoretical and empirical studies while the third chapter contains brief description of the research design and methodologies. The fourth chapter presents data analyses and the results. Finally, the fifth chapter presents the conclusions and recommendation of the study.

Chapter Two

2.1 Literature review

This chapter reviews both the theories and empirical studies on effectiveness and role of internal controls system. The chapter is organized as theoretical review empirical review and conclusion. The theoretical section discusses overview of internal control, types of internal control, elements of internal control, limitations of internal control and firm performance. The empirical section reviews various research papers in the areas of internal controls. The conclusion section points out main findings from the literatures there to indicate the knowledge gap existing in the area of internal control

2.2 Internal control system

It is a process effected by management designed to provide reasonable assurance regarding the achievement of objectives in Reliability of financial reporting, effectiveness and efficiency of operations and Compliance with applicable laws and regulations. Kaplan (2008), INTOSAI (2004) and COSO (1992)

Similarly, INTOSAI (2004) also defined internal control systems as integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, with general objectives of executing orderly, ethical, economical efficient and effective operation, fulfilling accountability obligation, complying with applicable laws and regulations and safeguarding resources against loss, misuse and damage.

Furthermore INTOSAI (2004) explains that internal control needs commitment of management and employees at all levels to involve to address risks and to provide reasonable assurance of the achievement of entity's mission and general objectives as internal control is a dynamic and integral process that is continuously adapting to the changes an organization is facing.

According to Arad and Jamshedy (2009) internal control system is a combination of financial control and other controls where financial control addresses; Control for recording accounting transactions properly, Control for proper safeguarding company assets, Early detection and prevention of errors and frauds, Properly and timely preparation of financial records, and Maximizing profit and minimizing of costs. Also other control emphasizes on quality controls, control over raw material and finished products, marketing controls etc..

An internal control system comprises the whole network of systems established in an organization to provide assurance that organizational objectives will be achieved and more over system of internal control will always lead to improved financial performance. Nyakundi, et.al, (2014).

The revised COSO (2013) frame work presents a more clear explanation of internal control as a process designed to provide reasonable assurance regarding the achievement of objectives, for reliable financial reports, effective and efficient operations and compliance with applicable laws and regulations.

According to definitions provided by (Kaplan,2008,INTOSAI,2004,COSO,1992 ,ABP,1999) internal control is a process ,effected by entity's board of directors ,managements and other employees, designed to provide reasonable assurance regarding the achievement of organization’s objectives in the effectiveness and efficiency of operations, reliability of financial and management reporting, compliance with applicable laws and regulations and protect organization reputations.

The broad objectives mentioned in the revised COSO (2013) frame work are directly related to the five interrelated components considered necessary to achieve internal control objectives, Boyel, et.al (2004).

As defined by A.H Millichamp (2002) internal control system is the whole system of controls, and otherwise, established by the management in order to carry on business, safeguard the assets and secure as far as possible the completeness and accuracy of records. Millchamp (2002) further analyzed the definition as follows

- The whole system: Internal control can be seen as a whole or single system. The whole is more than the sum of parts
- Financial and otherwise: The distinction is not important. Perhaps the financial would include control accounts and otherwise physical access and restrictions to computer terminals
- Established by the management: internal controls are established by management, either through consultant (external) or internal through internal audit.
- Ensure to adherence to management policies: Management has express policies such as budget and adherence of budget can be achieved through the procedures such as variance analysis.
- Safe guard assets : allowing assets to be stolen or broken is unacceptable and procedures are always put in place to safe guard assets
- Secure completeness: to check that transactions are duly recorded, checking that all good s leaving the factory must have a delivery note attached to it.

Internal Control provides reasonable assurance that the objectives of the organization are being achieved in the following categories: effectiveness and efficiency of operations including the use of the entity’s resources, reliability of financial statement and other report for internal and external use, compliance with applicable laws and regulation, Moeller,(2005). Internal control provides reasonable assurance, not absolute assurance; management design and implement internal control based on the related cost and benefits. No matter how well designed and operated, internal control cannot provide absolute assurance that all organization’s objectives will be met. Factors outside the control or influence of management can affect the entity’s ability to achieve all of its goals. For example, human mistakes, judgment errors, and acts of collusion to circumvent control can affect meeting organization's objectives. Therefore, once in place, internal control provides reasonable not absolute assurance of meeting organizational goals, Adewal (2014).

2.3 Types of internal control system

According to SAP No.6 INCS defined as the plan of organization and all the methods and procedures adopted by the management of entity to help in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business including adherence to management policies, the safe guarding of assets, prevention and detection of fraud and error ,the accuracy and completeness of records and the timely preparation of reliable financial information. Moeller, (2005) categorized control techniques as preventive, detective, corrective or combination of the three.

Preventive Controls these are controlling techniques built in to a system prohibit an error or irregularities from happening.

Detective Controls -They are designed to notify management of errors or problem as they occur, or shortly after

Corrective Controls-They are controls used in conjunction with detective controls designed to fix errors after they are detected.

2.4 Elements of internal Controls system

COSO, 1992, AU section 319 and ISA 315 have identified internal control system consists five interrelated parts namely control environment, control activities, risk assessment, monitoring and information and communication. In order to have effective internal control system all the components must be present and function effectively for operation, financial reporting and compliance.

2.5 Control environment

According to COSO (1992) and Brinks (2005) the control environment sets the tone for the organization and influences how employees conduct their activities and carry out their control responsibilities. The control environment is the foundation for all other components and provides structure and discipline. An effective control must incorporate integrity and ethical values, commitment to competence, management philosophy and operating style, organizational culture, attention and oversight by directors or audit committee with the objective of good governance and adequate financial reporting.

The control environment is the basis for a complete internal control system. This environment creates discipline and structure which influence the quality of internal control. The control environment highly influences the establishment of the strategies, objectives and structure of control activities (COSO) 1992.

An effective control environment is an environment where competent people understand their responsibilities, the limit to their authority, and are knowledgeable, mindful, committed to following an organization policy and procedure and its ethical and behavioral standards. The control environment encompasses technical competence and ethical commitment. Mohammed et al. (2013).

2.6 Control Activities

Control activities are policies and procedures that help ensure management directives are carried out, Norvee (2004). Control activities are the actions supported by policies and procedures that help assure management directives to address risks are carried out properly and timely. According to COSO (1994) control activities include range of tasks such as approvals, authorizations, verifications, reconciliation, and review of operating performance, security of assets and segregation of duties. Beasley (2007) has categorized control activities as adequate separation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records and independent checks on performances. As stated in Munene (2013) claim control activities in an organization consist physical controls, segregation of duties, information processing and performance reviews.

2.7 Risk assessment

Ofori (2011) defines risk assessment as procedures organizations goes through to identify and analyze the relevant risks which may affect the organizations ability to achieve its major objectives. Risk assessment is an important exercise for all size companies since every organization faces different kind of risks from external or internal sources that must be asses. Similarly Njeri (2014) claims risk assessment is a careful assessment of factors that affect the possibility of objectives of the organization not being achieved. The process refers the identification and analysis of relevant risks associated with achieving the objective of the organization. Risk assessment requires identifying clear objectives of organization, Tsegahiwot and Zelalem (2009). They also claim management needs to effectively balance risks and control. In situations where risks and control are well balanced a reasonable assurance can be reached. According to COSO (1992) uncontrolled risk taking can bring operations of organization put in danger and its objectives remained unattained. Therefore management must asses all risks to determine what the risks are, what controls are needed and how they should be managed. COSO (1992) further states after risks have been identified, risk analysis is performed to priorities those risks.

2.9 Monitoring

Many incidents can be the cause for the change for internal control system and application of control. Management needs to determine and observe whether the internal control system continues to be relevant and effective in the entity as intended which is monitoring of INCS, Norvee (2006).

Monitoring defined in Management responsibility for internal controls (published by Office of New York State comptroller) is a process that asses the quality of system's performance over time. The process of evaluating the quality of systems performance time is also referred as monitoring, Jones (2008).Monitoring involves the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objective. Coffin (2003).The activities in monitoring may be ongoing or may be separate assessment and it is significant in the complex and dynamic environments faced by many organizations. Monitoring seeks to ensure that the systems are performing as planned and this is accomplished through ongoing monitoring activities, periodic evaluation or a combination of the two, COSO (2004) and COSO, (2005) has summarized the principles of monitoring as ongoing monitoring which enables management to determine whether internal control is present and functioning, separate evaluation and reporting which also enables management to determine the effectiveness of internal control over financial reporting and reporting deficiencies which helps to detect the deficiencies in the internal control system and to make corrective actions.

2.10 Information and communication

Relevant information must be identified, gathered, and communicated in a form and time frame that enables people to carry out their responsibilities. Effective communication also must occur in a broader sense, flowing down, across, and up the organizational structure. All personnel must have a means of communicating significant information upstream. Sharon (2013). Britnell (2001), also states Information and communication as the systems put in place by an organization to identify, capture, process and report relevant and reliable information in a timely manner so that people can carry out their responsibilities effectively. In addition, these systems deal with both internally and externally generated/required data and flows both vertically and horizontally in the organization. As cited in Noorvee (2006) benefits of relevant, timely and effective internal and external communication are listed out by various authors as enhancing decision making, improved communication about expectation, responsibilities and objectives of an organization and reduced depending on individual employees who assist in the prevention and detection of fraud.

2.11 Limitations of Internal control systems

According to Institute of Chartered Accountants of Pakistan (2015),no matter how well designed and operated, INCS can only provide reasonable assurance of achieving organizations control objective. Inherent limitation of INCS can affect the likelihood of achievement of objective .Some of the limitations include;

- ✓ Human made error
- ✓ Circumvention of controls by the collusion of two or more employees
- ✓ Judgments made by management in evaluating the cost and benefit relationship of INCS as the cost of implementing controls should not exceed the benefit of controls
- ✓ Controls may be in place, but they may be ignored by employee or management.
- ✓ In order to get reasonable assurance management need to effectively balance risks and controls by developing control procedures that decreases risk to a level where management can accept the exposure to that risk. Internal controls should be proactive, value added and cost effective and address exposure to risk.

2.12 Comparison of Control Concepts

In addition to the world-famous COSO framework (1992) several other internal control frameworks with slightly different emphases on internal control have been developed in the US over the past decades. CoBIT (1996) is an internal control framework that provides tools for business process owners to efficiently and effectively discharge their information system control responsibilities. SAC (1991, revised 1994) offers support for internal auditors regarding audit and controls of information systems whereas SASs 55 (1988b) and 78 (1995) focus on providing guidance to external auditors with respect to the impact of internal control on planning and performing an audit of an organization's financial statements. (Colbert et al., 2001).A comparison table from Colbert et.al (2001) is shown below.

Table 2.1 Comparisons of Internal control frame works

	COBIT	SAC	COSO	SASs 55/78
Primary Audience	Management, users, information system auditors	Internal Auditors	Management	External Auditors
IC viewed as a	Set of processes including policies, procedures, practices, and organizational structures	Set of processes, subsystems, and people	Process	Process
IC Objectives organizational	Effective &efficient operations Confidentiality, Integrity and availability of information Reliable financial reporting Compliance with laws &regulations	Components: Control Environment Manual &Automated Systems Control Procedures	Components: Control Environment Risk Management Control Activities Information &Communication Monitoring	Components: Control Environment Risk Assessment Control Activities Information &Communication Monitoring
Focus	Information Technology	Information Technology	Overall Entity	Financial Statement
IC Effectiveness Evaluated	For a period of time	For a period of time	At a point in time	For a period of time

2.13 Firm performance

Firm performance can be defined as an analysis of company's performance as compared to goals and objectives. Richard et al (2014) pointed out organizational performance encompasses three specific areas of firm outcomes. Financial performance (profit, ROA, ROI etc.), product market performance (sales, market share etc.) and market value. Although firm performance has been recently proposed as a multidimensional construct that consists different aspects such as operational effectiveness, corporate reputation and organizational survival Richard et al (2009), one of the most extensively studied area is the financial component which is the fulfillment of economic goals of the firm , Venkatraman and Ramanuj (1986)

Financial performance is a measure of organization policies and operational results in monetary terms. It is a general measure of overall organization's financial health over a given period of time. Mishkin (2007) identifies the many different ways to Measure Company's financial performance such as ROA, ROI, Value added etc. Jensen (2003) acknowledges role of INCS and IA is primarily to increase the reliability of financial performance either directly or indirectly by increasing accountability among information providers in a company.

2.14 Internal Controls and Financial Performance

Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Fadzil, Haron and Jantan (2005) asserted that an effective internal control system unequivocally correlates with organizational success in meeting its revenue target level. Effective internal control involves; regular review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives (Ittner, Larcker & Randall, 2003).

There are three major classifications of internal controls; preventive, detective, and corrective. Preventive controls predict potential problems before they occur, make adjustments, and prevent an error, omission or malicious act from occurring. The detective controls are used to detect and report the occurrence of an omission, an error or a malicious act. Finally, the corrective controls help in ensuring that the impact of a threat is minimized, identify the cause of a problem as well as the correct errors arising from the problem. Corrective controls correct problems discovered by detective controls and modify the processing system to minimize future occurrence of the problem (Singleton, Bologna, Lindquist & Singleton, 2006).

Control environment of an entity where operation of the business carried out that that generate financial performance. It is this environment that keeps anyone in the entity from doing wrong and fraud. According to Whittington and Pany (2001) control environment sets the tone at the top in the organization by influencing the consciousness of people. They claimed control environment is viewed as the foundation of all other components on internal control system. Control environment includes integrity and ethical values of personnel responsible for creating, administering, and monitoring controls, commitment and competence of personnel performing assigned duties.

Woolf (1997) claims control activities are put in place by management to make financial information authentic and reliable. He further defines control activities are policies, procedures and mechanisms put in place to ensure directives of management are properly carried out. Ray and Pany further claims control activity as another element of internal control. They pointed that control activities are policies and procedures that help ensure that management directives are carried out. They further stated that it fundamentally consist performance reviews, information processing, physical controls and segregation of duties.

COSO (2004) developed Enterprise Risk Management to address management issues related to an organization. The frame consists all components of internal control frame work and also added objective setting element, event identification and risk response. It also emphasizes the importance of objective setting in the entity and relate it to risk assessment as a precondition. Khan and Ahmed (2001) have claimed the survival and success of a financial organization depends critically on the efficiency of managing these risks.

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

As defined by Gamage,Lock and Fernando (2014) monitoring is the assessment of organization's event and transactions to measure the quality of performance throughout the period and to decide whether controls are effective .Boyel,Cooper,Geiger (2004) also claimed monitoring incorporates all management oversights of organization's system of controls. Mwachiro (2013) asserts monitoring can be used to evaluate the quality of organizations internal control performance by tracking and monitoring internal control elements and operational status and taking necessary measures to ensure that internal control operates effectively.

Chamber (1995) states reliable and relevant information flow both internal and external source must be identified, captured, processed and communicated to people who need in form and time frame that is useful. Guy et.al (1999) asserts effective information technology management is very critical to achieving useful reliable and continuous recording and communication of information. In addition to this the system should communicated to all in the organization.

2.14 Empirical reviews

A research was made by Chnnar et al. (2015) to make comparative assessment on internal control effectiveness and its impact on financial performance which is measured in terms of ROA, ROE and profit to expense ratios among private, public and Islamic banks. The researchers had examined the components of internal control system in the banks in relation to their effectiveness.

The results from the assessment shows that the effectiveness of the elements of the internal control system vary between banks in the same sector the general result reveals there is no significant variation about effectiveness of the elements of internal control system among different sector of banks.

The second assessment result about comparing the financial performance between groups and within groups concluded even though still there is variation of performances within groups, the total result shows banks engaged in different sectors do not have significant variation in their ROA,ROE and profit to expense measures.

Another study was conducted by Muraleetharan p (unpublished article) to investigate whether internal control system lead to enhance financial performance of organization in which internal control system is measured by control environment, risk assessment and control activities whereas financial performance is measured in terms of profit, efficiency and liquidity. Result of the study show that there is a positive relationship between internal control and financial performance in measured elements of internal control. However, statistically insignificant relationship with control environment, information and communication. The implication is demand of providing more training to staffs and implementing efficient management information system.

A 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

Researchers Ong and Odhiambo (2014) made a study with the objective of investigating the effect of internal control systems on financial performance among small and medium enterprise in kisimu city, Kenya. The specific objective was to assess the relationship between internal control system and return on investment and establishing the level of business knowledge of an enterprise in internal control system and effect on financial performance. The researchers have recommended organizing the internal audit department with competent staff can enhance the effectiveness of internal control systems among SME. Moreover it will open to provide a regular audit report and also can create a convenient environment to review the functionality of internal control systems to cope up with the current business opportunities. The other recommendation provided the importance of raising awareness about the knowledge of internal control systems for proprietors

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

Nartey et al. (2014) had made a research to evaluate effectiveness of internal control systems in terms of control environment and monitoring activities in Ghanaian banks using COSO 1992 principles. They provided questionnaires to gather the necessary data to managers for all banks in Ghana. They targeted managers because they have a better understanding of internal control systems of banks. The reason was choosing only the two elements of internal control systems was to manage the scope the research and they deemed the selected components can provide the general effectiveness of the whole system. In this research two questions were formulated in relation to the selected components to investigate their effectiveness in banking industry of Ghana. The study results revealed that strong control exists in the control environment and monitoring activities indicating the Board of directors' commitment to integrity and ethical values.

The research paper by Chebungwen and Kawira (2014) on the topic an assessment of internal control system on financial performance in tertiary training institute in Kenya made to investigate the cause of poor financial performance of the institutions from the perspective of internal control system which has led the closure of many of them. The study has a general objective to establish relationship between internal control system and financial performance with a specific objective to analyze effectiveness of internal audit of African institute of research and development uses in the internal control initiatives. The conceptual frame work developed for this case study is taking internal audit as independent variable, financial performance as dependent variable and policies and regulations as intervening variable. The findings show that there is a relationship between internal control and financial management. The result also depicts even though there is existence of internal audit department most of them are understaffed and highly influences by management interference. In addition the delivery of regular audit report can address the weakness in the internal control system and at the same time would enhance the financial performance.

A research was carried out by Abdi (2013) with the objective of determining the role of internal auditing and to identify the internal control system in selected remittance companies in Somalia. The target populations were accountants, finance directors, chief cashiers, and chief executive officers in remittance firms. The reason of conducting this research was the wastage of remittances due to lack of good quality control system and absence of effective and independent auditors in the firms. The findings of the study show that the remittance companies in Somalia have established strong internal auditing which is reviewing and controlling their activities. There is also a positive moderate correlation between internal auditing practices and internal control system. Overall it is very clear to see that the internal audit of the remittance firms in Somalia have a significant influence on the internal control. A suggestion was provided by the researcher for the remittance companies to sustain the control system if the firms are seeking to survive and to be productive.

A research proposed by Abdellatif (2014) to develop a multi perspective representation of internal controls in business process to address the information need of various stakeholders as there is no methodology that helps the implementation of internal controls that consider more than one perspective in a business process. Even the best practice internal control frameworks mainly address specific perspective (IT, finance or Auditing). Computer program was used to develop the prototype interface for the proposed multi perspective representation of internal controls. The proposal has brought an encouraging result by shifting the user from global view of control objectives to a very detailed view enabling the user to observe when and where the internal control was implemented by providing a multi perspective view of control objectives. In addition it allows various stalk holders to share the same business process management, vision and understanding of controls implemented though it still needs further development.

A study was conducted by J.Leng and Y.Ding (2011) to investigate the influence of governance structure on internal control disclosure in a sample of 1309 Chinese listed non-financial companies. The motivation for this research is the significant differences among the qualities of internal control disclosures as a result of influential corporate governance indicators. The findings depict there is a significant quality of internal control disclosures among companies as a result of lack of rules and regulations of specific contents and uniform format on internal control disclosure. The researchers also discovered there is a positive relationship between internal control disclosures and director's remuneration, education level of supervisors, two part time posts of chairman and manger. A negative relationship is uncovered between degree of ownership concentration, board size, the proportion of independent directors and size of board supervisors. All these independent variables are the corporate governance indicators.

A research was done by Kinyua et al (2015) to investigate the effect of internal control environment, internal audit function and corporate governance on financial performance of companies quoted in Nairobi security exchange. The motive of this research was the declining financial performance of quoted companies in Kenya as a result of poor internal control systems which in turn affects the economic growth of the sector. Primary and secondary data were collected and analyzed. The results revealed that the association between internal control environment and financial performance is significant. The researchers recommended that the control environment should be strengthened to further improve the financial performance of companies listed in NSE.

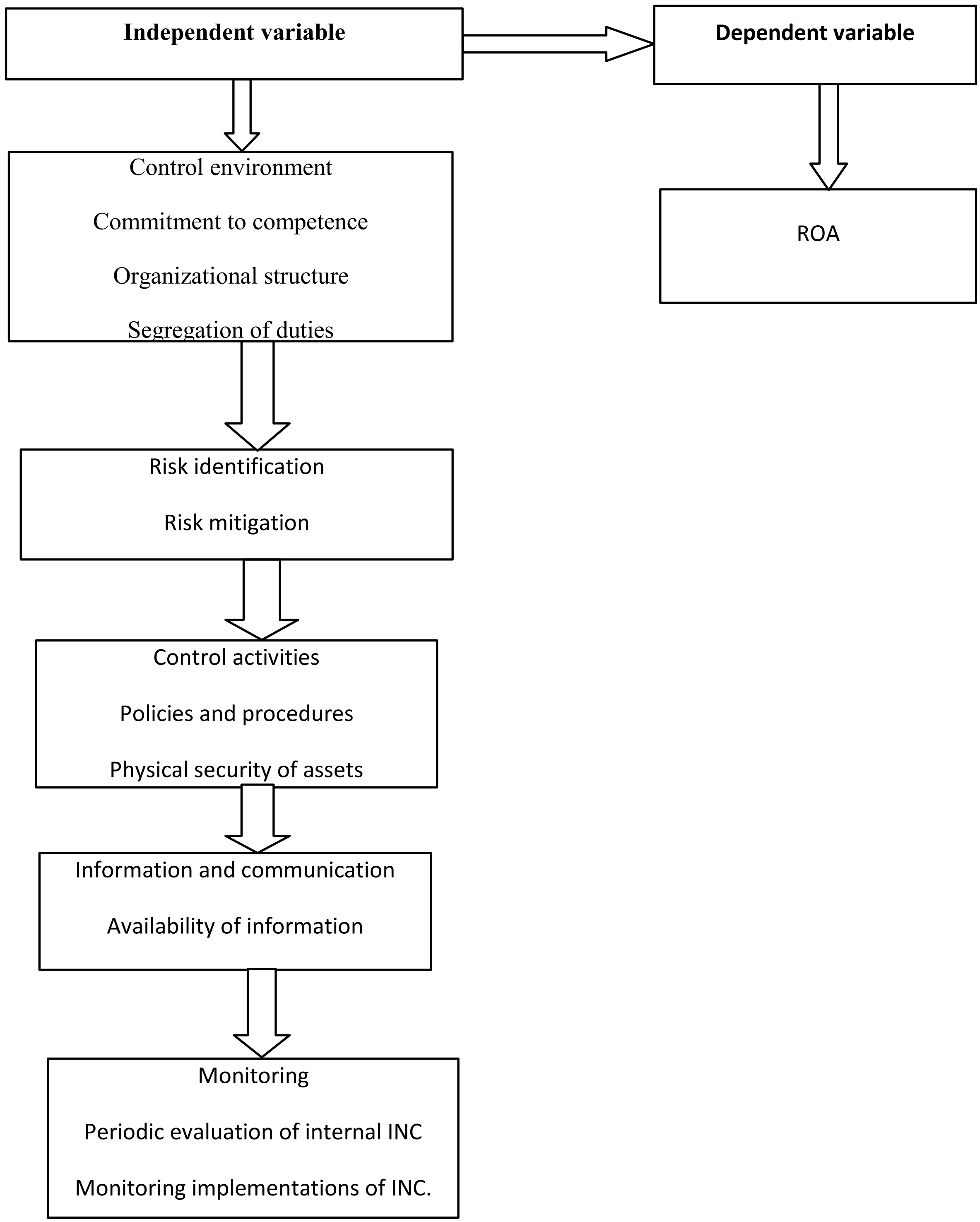
2.15 Research Gap

According to the above empirical literatures, it is indicated that large numbers of researches on various business activities have been done to assess the effectiveness and impact of INCS. However there is no published journal article which indicates the same research has been done to investigate impact of internal control system in the shipping and logistics sector that involves both local and foreign transactions, ship and port operations, customs and suppliers.

2.16 Conceptual frame work

Conceptual frame work is researcher's map that explains graphically or in narrative form the main areas to be studied (the key factors or variables) by establishing relationship among them. Miles and Huberman (1984). In this study the relationship between dependent and independent variables demonstrated conceptually in the below diagram**.**

Conceptual frame work



Chapter Three

3.1 Research Methodology

This chapter portrays the research methodology of the study that was used to achieve the objective of the study. As implied both in the empirical and the theoretical part of this paper many concepts and several studies were made to evaluate effectiveness and role of internal controls by adopting various methodologies of study. Research methodologies can be defined as the procedural plan that is implemented by the researcher to validly, objectively, economically and accurately answer the research question, Njeri 014). Various procedures and techniques were used during collecting, processing and analyzing data. Therefore this chapter is outlined as research design, research methods, survey instrument, target population, census design, nature of data and method of data collection, data analysis, result and discussion, measurement of variables and model specification,.

3.2 Research design

According to Mugenda (2003) a research design is a frame work that guides a researcher in studying a research problem. It gives direction for the researcher to know what to do in the whole research process In this study explanatory research design used. Explanatory research is used. As cited in Magu and Kbati (2016) explanatory research is conducted to explain any behavior in the market. This research design is selected after considering the type of population and its nature, objective of the study and the design standard of accuracy. The research is expected to investigate the impact of internal control system on firm financial performance as a case study on ESLSE.

The study collected information relating to 32 constructs of internal control systems and secondary data from financial statements for financial performance in ESLSE. The variables that were examined includes: control environment, control activities, risk assessment, monitoring and information and communication. ROA was used as a measure of profitability. This study adopted a survey design because it was easy and convenient to be conducted through interviews or questionnaire instruments, or both.

3.3 Research method adopted.

The two methods quantitative and qualitative approaches are used to carry out the study which is named as mixed method research. As already mentioned in Creswell, (2014) mixed method research is a methodology for conducting research that involves collecting, analysing and integrating quantitative (experiment or surveys) and qualitative (example focus groups, interviews) research. This approach to research is advantageous when this integration provides a better understanding of the research problem than either of each alone. In this study the researcher used the survey design to provide a quantitative opinion or attitude of a population by studying a sample of that population. Unstructured interviews and open end questions were used to gather qualitative information from key informants and employees. The reply from respondents analysed simultaneously with the quantitative approach either to oppose or support the quantitative approach

3.4 Survey instrument

Surveys can be categorized in to two according to the instrumentation and span of time involved. Survey instrumentation consists of questionnaires and interviews (structured or unstructured). The questionnaires can be both closed and open end questions. Longitudinal or cross-sectional surveys are classification of the method according to time. In this study cross-sectional survey method was used together with both close and open end questions as an instrument for data collection. The closed end questions have two parts as the first part to gather personal, academic back ground and year of experience of respondents. The second part of the questionnaire was prepared to evaluate or asses the existing internal control practice in ESLSE as per COSO (2013) frameworks and from pre- existing scales found in literatures. Questionnaire method of data collection was selected because the required information is only obtainable from the professionals working in the company. In other words the information is not available outside the company under consideration. Secondary data was collected from company's financial statements and publication.

3.5 Target population

A target population is one that the researcher wants to generalize the result of the study. The population chosen for this study is employees in the finance department of Ethiopian shipping and logistics services enterprise. The organization has a total of 40 employees in the finance department. The reason of choosing only in the finance department is to provide management recommendations for the practice of the weak internal control system in the finance department.

3.6 Census design

The small number of 40 consisted in the target population discarded the reason of sampling. In this regard all members of the target population were included in the study. The census method can eliminate sampling biases and sampling error.

3.7 Nature of data and Method of data collection

The study has adopted the questionnaire as a tool of collecting primary data. The questionnaires will be easy to administer and save time, and prepared based on Likert scale. They are prepared based on research objectives in order to capture information from the target population. Secondary data was collected from organization's financial statements (9 consecutive years financial statements are analyzed. The financial statements are statements after merging) and company's publications

3.8 Data Analysis, Result and Discussion.

The quantitative approach establishes the relationship between effectiveness of internal control and the elements of internal control. Effective internal control should be measured in terms of achieving organizational objectives one of is enhancing organizational financial performance. In 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 . However the analysis is based on how the mean response of the respondents is close to this expected value. Many researchers use this methodology, because it is relatively easy for respondents to use. For all questions resulting mean value greater than 3 suggests agreement with the statement and if it is below 3 it implies the disagreement by respondents. A mean response close to 3 indicates indifferences. A positive mean response of greater than 4 indicates the adequacy of the internal control element its contribution for the effectiveness of the internal control system. Other results that range between mean value 2.5 and 3 implies there are areas that need improvement in the internal control system.

Data analysis was done using SPSS version 20 program and descriptive statistics. The analysis uses instruments like descriptive statistics (means and Standard deviations) and inferential statistics (regression) .Reliability test was made using Cronbach's alpha as a measure of consistency.

3.9 Measurement of variables

Financial performance it is Ability to operate efficiently, profitably, survives, grow and react to environmental opportunities and threats. The measurement used in this study ROA which is Net income/Assets

Control environment - It is Presence of integrity and ethical values, commitment to competence, human resource practices and organization structure. It is measured by the level of integrity, ethical values, and competence of personnel tasked with creating, administering, and monitoring the controls

Risk assessment – It Entails risk identification, risk evaluation and risk response. This is measured by level of risk carefully to be accepted and maintained determined levels

Control activities -These are the policies, procedures and mechanisms put in place to ensure management directives are properly carried out. It will be measured by the number of effective policies, procedures and mechanisms put in place to ensure directives of the management are properly carried out

Information and communication- This involves good identification of and proper capturing of pertinent information. Also entails proper flow of information across and up within all the sections of the organization. It will be measured in terms of how information is identified, captured, and communicated in the appropriate form and within stipulated time frame.

Monitoring - This is the process of assessing the quality of the internal control structure over time .It Will be measured by how frequent the quality and effectiveness of internal controls are assessed and reviewed over time.

3.10 Model Specification.

In order to test the hypothesized relationships set in chapter one, the following model is formulated,

$$FP = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + e$$

Where,

FP – Financial Performance of Ethiopian shipping and logistics services enterprise

$\beta 0$ - Constant

X1 – Control Environment

X2 – Risk Assessment

X3 – Control Activities

X4 – Information and Communication

X5 –Monitoring

$\beta 1$ - $\beta 5$= Measure of sensitivity of variable X to changes in FP

Є= Error term

Chapter 4

4.1 Data analysis and presentation

As indicated in chapter 3, the main objective of this study is to investigate the impact of internal control system on firm performance which is measured in profitability indicator ROA. In addressing the specific objectives of the study which is evaluation of effectiveness of internal control system a survey instrument of questionnaires were distributed to target respondents to scale the degree of their agreement about the full practice of elements of INCS in the company under consideration.

Accordingly, in this chapter the analysis and discussion of research findings obtained from questionnaires will be presented. The discussion begins with the questionnaires response rate followed by the descriptive statistics of respondents profile questions. Secondly the result of reliability analysis, the regression assumption tests, and the result of hypothesis testing will be presented.

4.2 Descriptive statistics

Official at various positions ranging from division managers up to junior officers from the three sectors were participated in responding the questionnaires. According to the number of the selected samples 40 questionnaires were distributed and from which 36 questionnaires were collected having response rate of 90% resulting 36 responses from sampled employees.

4.3 Respondents Profile

A summary table processed by SPSS is provided to show the demographic profile of respondents to validate the reliability of data gathered.

4.4 Gender distribution of respondents.

As it is shown on the table below the gender proportion of female respondents is 33.33 % and the male respondents were 66.67%. This indicates the share of men is higher than women. However there was no biased in the survey instrument related to gender of respondent. The implication is showing the composition of gender in the department.

Table 4.1 SPSS (2016) output for gender distribution

Your gender				
		Frequency	Percent	Valid Percent
Valid	male	24	66.7	66.7
	female	12	33.3	33.3
	Total	36	100.0	100.0

4.5 Age of respondents

The majority age of respondents of the employees fall under the age of (25-34) which comprises 69.4%, 8.3% for the ranges 25 ,(35-44) and (45-50) years old. The remaining fall in the range of above 51 which is 5.6%.

Table 4.2 SPSS (2016) output for age distribution

		Frequency	Percent	Valid Percent
Valid	< 25	3	8.3	8.3
	25-34	25	69.4	69.4
	35-44	3	8.3	8.3
	45-50	3	8.3	8.3
	above 51	2	5.6	5.6
	Total	36	100.0	100.0

4.6 Field of Qualification

In the case of field of study 94.4% of the respondents are graduates of Accounting. The remaining are qualified in the field of management and other discipline each 2.8% out of the total sample. Respondents with knowledge of management and accounting have a better understanding concept of internal control systems than others, Hannah (2013)

Table 4.3 SPSS (2016) Field of qualification of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting	34	94.4	94.4	94.4
	Management	1	2.8	2.8	97.2
	other	1	2.8	2.8	100.0
	Total	36	100.0	100.0	

4.7 Experience of Respondents

Experience is one of the fundamental capacities to understand INCS in an organization. As it is stated in the control environment of COSO 2013 principles demonstrating commitment to competence is the key for the effective implementation of INCS. The experienced and competent employees are the more they understand about internal controls they are exercising. Accordingly the survey result revealed 55% of respondents have experience in the range of 1-5 years, 22% each the respondents are in the experience range of 6-10 and above 10 years. The implication is the more the employees have experience in their profession the more they have knowledge to apply specific internal control procedures in in their duty

Table 4.4 SPSS (2016) Job experience of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	20	55.6	55.6	55.6
	6-10	8	22.2	22.2	77.8
	above 10	8	22.2	22.2	100.0
	Total	36	100.0	100.0	

4.8 Reliability Test of Instrument

One of the most widely used 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 Reliability test

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

Cronbach alpha for data collected 36 constructs of INCS is 0.876.Its implication is the data is reliable.

Reliability Statistics	
Cronbach's Alpha	N of Items
.876	5

4.9 Assessment of ordinary least square assumptions

Assessment of Normality

In order to asses Normality of data Shapiro-Wilk test of Normality is appropriate as the sample size is less than 2000. The criterion is rejecting the null hypothesis if the test result is less than P-value. Accordingly the result shown in the table confirms all variables were found to be normal and existence of normality accepted at P>0.05

Table4.6 : Survey data, 2016 SPSS output

Tests of Normality for all variables

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CE	.108	36	.200*	.957	36	.173
RA	.119	36	.200*	.956	36	.162
CA	.116	36	.200*	.983	36	.828
INF	.138	36	.082	.947	36	.086
MON	.127	36	.150	.965	36	.314
ROA	.170	36	.010	.961	36	.235

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Assessment of auto correlation

Durbin Watson test has been conducted to test presence of auto correlation among variables. According to Durbin Watson significant table ranges in value 0 to 4. A value near 2 indicates non-auto collinearity. A value towards 0 indicates positive auto correlation; a value towards 4 indicates negative auto correlation. Therefore the table foe assessment of auto correlation indicates a value of 2 that suggests there is no auto correlation problem.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.861[a]	.741	.310	1.38425	.741	1.719	5	3	.011	2.162

a. Predictors: (Constant), MON, RA, INF, CA, CE

b. Dependent Variable: ROA

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 (Myers, 1990, Field 2009). The collinearity statics table confirms the mentioned criteria are met where the Pearson correlation result shows the results among variables are less than 0.8.

Table:4.8 Assessment of Collinearity table

Model		Collinearity Statistics	
		Tolerance	VIF
1	CE	.314	3.182
	RA	.436	2.294
	CA	.328	3.050
	INF	.509	1.967
	MON	.501	1.998

a. Dependent Variable: FP

b. Weighted Least Squares Regression - Weighted by ESLSE has an accounting and financial management system

Assessment of Heteroscedasticity / presence of Homoscedasticity among variables

Leven stastics test for Homogeneity was conducted and P-value >0.05 is acceptable. The result shows in the table with critical value greater than 0.05.

Table 4.10 SPSS (2016) output Leven Stastics table

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
CE	1.281	8	23	.301
RA	1.597	8	23	.180
CA	1.360	8	23	.265
INFO	1.365	8	23	.263
Mon	1.136	8	23	.377

4.10 Functionality of internal control elements in ESLSE

The research has attempted to determine the level to which the functionality of elements of the functionality of the elements of INCS of the company influences the organizational performance which is measured in profitability indicator. Respondents were asked to show the degree of agreements about the functionality of elements of INCS in a five point Likert scale. The scale of responses summarized in tabular format after calculating the mean and standards deviations of the descriptive statics in SPSS.

4.10.1 Control Environment.

According to the definition and explanation given by a reference guide for managing university practice, control environment is the total consciousness of an organization. It is the condition in which employees of an organization conduct their activities and carry out their responsibilities. Similarly COSO, 2013 stated control environment is a tone at the top in internal control system. It is the base for all other components of INCS providing discipline and structure.

The survey instrument is based on the factor of control environment and the outcome is scaled as shown on (descriptive statics table to). **Appendix I**.

As it is implied in the descriptive statics table for CI the mean value of responses computed based on Liker scale. The findings show that ESLSE has control though still on some of the components with lower mean value are indicators for a need to make an improvements.

- The study found that there is an agreement of respondents with mean value of 3.58 about the existence of an accounting and financial management system in the company. However the standard deviation result shows there is a clear variation in responses among respondents.
- The low mean result 2.94 which is below the average mean value about the application of clear separation of roles and responsibilities in the company shows the disagreement of respondents to the statement. The greater SD result confirms the degree of variations in

responses not only about the applications but also the disagreement with the type of policies and procedures provided by the management.

- The analysis results with mean value 3.11 about all employees in charge perform their responsibilities as per guide lines and regulation is slightly above the average result. However still there is large degree of variation SD 1.063 in responses among respondents.
- The least mean result 2.94 for the follow up of management about the implementation of INCS depicts the great disagreement of respondents with the statement. The variation also reflected in the SD 0.893 which shows lack of follow up by management about implementation of INCS in the company.
- The study has confirmed there is clear organizational structure in the company with mean value of 3.75. however still there is a great degree of variations in responses revealed in SD 1.025
- Respondents show their degree of agreement about segregation of duties in the company can lead achievement of organizational objective with mean result of 3.47. however the great degree of variation in responses shown SD 1.341 confirms their disagreement of the availability of segregation of duties in the company
- Respondents agreed with higher mean result 3.72 about the documentation of policies and procedures in the company. However a significant SD 1.059 shows their disagreements with the statement and applicability of those documented policies and procedures.
- A very low mean result of 2.56 obtained for the provision of education and training opportunities to retain and attract sufficient and competent employees by the company. This shows the less commitment of the company in providing those facilities which is also confirmed by significant SD 1.182 result variation in response.

4.10.2 Risk Assessment

According to ICAEW (1999) risk is the identification of real or potential events which can reduce the likely hood of achieving business objectives. The management is responsible to identify and asses control risk caused by failure of INC. Strategies must exist to identify risk, system to respond to risk and reduce risk. The survey result for risk assessment in ESLSE shown in **Appendix II** and descriptive results elaborated

- The higher mean result 3.61 about the definition of appropriate objectives by the management shows the respondents are in agreement with the statement .However there is strong variation in response manifested in SD 0.903 which implies lack of clarity among respondents about the company's objectives
- Employees have responded their disagreements or indifferences about management's identification of risks that affect achievement of objectives with mean value 2.83 and design of system by management to offer appropriate response risk in lower mean 2.81.
- The moderate mean result 3.06 for consideration of both internal and external factors in identification of risks that impact the achievements of objective shows the slight agreement of respondent with the statement but still there is a variation in response about the action of management in doing so.

4.10.3 Control activities

As already indicated in the literature review CA includes authorization, approvals, comparisons, physical counts, reconciliation and supervisory controls and others. The study had examined effectiveness of control activities in the company and came up with the tabular results shown in **Appendix III**

- The kind of control activities exercised in the company such as authorization approvals, comparisons, physical counts, reconciliation and other supervisory control received a higher mean result of 3.72 which shows respondents are in agreement with the statement however degree of variation in response in the standard deviation shows failure to perform the control activities on time.
- The failure to perform periodic review of policies and procedures by management has received a very low mean value of 2.94 which is below the average result. The implication of the result is the disagreement of the respondents with the statement. More over the variation in response confirms how ineffective is the management in maintaining relevant policies and procedures and refreshing of them when necessary.

- The company's effectiveness in compliance with laws and regulation up on recording and accounting of transaction revealed by a high mean value of 3.64. However the variation result SD 0.867 shows respondents indifference with the statement.
- As per the survey result the respondents agree about the segregation of accounting procedures shown by mean result of 3.22.However,a significant standard deviation 1.017 is a clear indicator of varied responses from respondents as far as clear segregation of accounting procedures concerned.
- The respondents are almost indifferent shown with a very low mean value 2.67 as whether staffs get training to implement accounting and financial management procedures. The variation in response shown by SD result 1.171 confirms there is no training opportunity to implement the accounting and financial management procedures.
- The higher mean result 3.61for having a well-developed chart of accounts shows the agreement of respondents with the statement. However, there is a high standard deviation result which shows the variation of responses about the presence of well-developed chart of accounts.
- A higher mean result closer to 5 has been obtained from respondents showing their agreement about the presence of appropriate supporting documents in effecting payments. However still there is variation in responses shown by SD 0.624
- The respondents have shown their disagreement with a very low mean value of 2.92 about the presence of an up-to-date asset register in the company. This result also confirmed by the degree of variation in responses shown by the SD result 1.025
- The respondents agree that there is a good security system in identifying and safeguarding of assets of the organization which is revealed by above average mean result 3.33.However still there is differences in responses shown by SD result 0.956.

4.10.4 Information and Communication

Information and communication are very essential to effecting controls, information about organization plans, control environment, risks, control activities and performance must be communicated up, down and across organization. Findings of the survey result presented in the descriptive statistics table shown on **Appendix IV**

- Responses provided by employees show that there is low (mean value 2.53) understanding of concept and importance of internal control systems. Variation in response is shown with SD value of 0.81.
- There is great disagreement in response about the timely recording and classification of transaction with mean value below average 2.14 and respondents varied in their response with SD value 0.798.
- Respondents show their agreement on the importance of communication in evaluating how well guide lines and policies of organization are working and implemented with higher mean value of 3.56. However still there is variation in response with SD value 0.809. Also respondents have agreed the importance of the information system in facilitating the necessary information for management for decision making with mean value 3.25 and SD result 0.967.
- Respondents expressed their degree of disagreement on how inefficient is management in communicating employees duties with low mean value 2.64 and strong variation in response SD 1.099. Similarly, there is disagreement in response of mean value of 2.83 regarding the availability of information for the right people with sufficient detail in the company.

4.10.5 Monitoring

From the table of analysis shown in **Appendix IIV** it is found that management has assigned responsibility for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports (M=3.39,Sd=0.87). Monitoring covers the assessment of effectiveness of internal controls in achieving set objectives (M=3.39,SD=0.728) and management of the company review account reconciliation (M=3.25,SD=1.079). However majority of respondents had shown their degree of disagreement with lower mean value for items listed to assess effectiveness of monitoring for the conduct of periodical reviews of implementation of INCS, practice of management in monitoring procedures to ensure the timely recording of transactions .In addition review of long outstanding items by management and the conduct of periodic internal review of implementation of internal control in departments had received lower mean values. This shows monitoring of INCs in the company is not functioning properly in the mentioned tasks

4.11 Regression Results

Inferential analysis makes inferences about population using data drawn from population. 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. As previously mentioned the study has evaluated both variables using questionnaires and the result of the analysis provided below.

4.11.1 Model summary

The coefficient of determination obtained from the model summary table shows the independent variables (control environment, risk assessment, information and communication and monitoring) have contributed 86.1% of the variation in the financial performance as explained by adjusted R2 of 0.31% .Even though R square has low value with significant P value, its implication is it has real relationship with the significant predictors and the response variable.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.861[a]	.741	.310	1.38425	.741	1.719	5	3	.011	2.162

a. Predictors: (Constant), MON, RA, INF, CA, CE

b. Dependent Variable: ROA

4.11.2 Analysis of Variance (ANOVA)

The study has performed analysis of variance, to test the impact of the relationship between internal controls and financial performance of ESLSE. The findings show the level of significance was 0.011.This shows the regression model is significant in predicting the relationship between internal controls and financial performance.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.276	5	4.904	25.020	.011[b]
	Residual	2.748	3	0.196		
	Total	20.024	8			

a. Dependent Variable: ROA

b. Predictors: (Constant), MON, RA, INF, CA, CE

4.11.3 Test of coefficients

The table below shows the level of significance on the variables. It is also possible to see the standardized and unstandardized coefficients.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	10.999	.789		3.454	.002		
	CE	.011	.121	.025	.088	.030	.343	2.919
	RA	-.109	.214	-.131	-.511	.013	.420	2.382
	CA	.339	.168	.601	2.015	.053	.308	3.249
	INFO	-.076	.180	-.103	-.425	.674	.468	2.136
	MON	-.100	.159	-.145	-.628	.035	.516	1.938

a. Dependent Variable: ROA

The regression analysis was performed at 5% significant level. The criteria for making comparison whether the predictor variables were significant in the model was through comparing the respective probability value obtained and alpha is equal to 0.05. Accordingly if probability was less than alpha the predictor value was significant. The result from the table shows the three variables were significant since their corresponding predictor were below 0.05. The rest variables were insignificant because their p-value is greater than alpha.

$$FP=0.789+0.25X1-0.131X2+0.601X3-0.103X4-0.145x5$$

4.11.4 Regression analysis findings

The constant has a positive coefficient of value of 0.789 and p-value 0.002 which is significant. The interpretation is holding all other variables constant the financial performance will increase by 78.9%.

Control environment Control environment has positive sign and significant relationship with financial performance (ROA). The probability value of CE is 0.03 which is below 5% level of significance. The coefficient of CE is positive with a value of 0.025. The interpretation is holding all other variables constant CE can contribute 25% variation in FP. This result is consistent with the finding by Njeri (2014) and Kinyua (2016) who have got positive and significant relationship of CE with FP.

Risk assessment (RA) Probability value of t-statistics of RA is 0.013 which is significant. Even though this component has statistically significant relationship it has a negative relationship with the ROA and in contrast with findings of Njeri (2014).

Information and Communication (INFO & COM)

Information and communication has negative sign and insignificant relationship with ROA. The probability value of t-statistics for INFO & COM is 0.674 which is above the 5% level of significance. The respective sign is negative coefficient value of (-0.103). This shows the inverse relationship of the Information and communication with ROA.

Control Activity the probability value of control activity is slightly above the p-value which shows insignificant relationship with ROA .However holding all other variables constant it contributes 60.1% of variation in ROA.

Monitoring has significant and positive relationship with ROA 0.035 and 0.145 respectively. Its implication is holding all other variables constant monitoring can contribute 14.5% variation in ROA.

4.12 Hypothesis testing

Methods of analysis were implemented to test hypothesis. These are correlation and regression. The hypothesis determined to test for a significance difference of the independent variables which are elements of internal control systems and dependent variables financial performance. A trial was made to find out the relationship between internal control elements and financial performance with below hypothesis.

H1) Internal controls have significant and positive relationship with financial performance

H0) Internal controls don't have significant and positive relationship with financial performance

To test the above hypothesis the researcher used regression coefficient beta with test criteria set that the study should reject the null hypothesis if beta is different from zero and p –values less than alpha otherwise to reject the null hypothesis.

The regression result shows not all elements of INCS are positively related and have significant relationship with FP. Therefore fail to reject the null hypothesis.

H1) Internal controls adopted by ESLSE enhance its financial performance.

H0) Internal controls adopted by ESLSE doesn't enhance its financial performance

To test the second hypothesis the result from goodness of fit test used. As it is shown on the model summary the elements of internal control has contributed only 31% variation in financial performance. Its implication is there are other factors beyond this study that contributed for the achievement of financial performance objective. So again fail to reject the null hypothesis.

The findings for the hypothesis testing are in contrast with research done by Shokooli et.al (2015) resulted significant and positive relationship of INCS and FP.

4.13 Summary and interpretation of findings

It is found from the demographic data 91.7% the employees are degree holders and the remaining are MSC holders in the field of accounting and finance. In order to find whether they were in position to provide accurate and reliable information pertaining to INCS and FP in the company the respondents were asked to provide their work experience in the company. The findings show that about 45%-75% of the employees were stayed in the company for 6-10 years and above. So it is a good implication that most of the employees had adequate experience and educational background to understand the functionality of internal controls and its role on financial performance of ESLSE.

In analyzing the functionality of internal controls of ESLSE the results contain variation in responses ranging from high mean values to low mean values. From the constructs of the CE higher mean results obtained M=3.75 for ESLSE has clear organizational structure=3.72 documentation of policies and procedures and M=3.58 for availability of financial and accounting system. Similarly high mean values 3.61obtained for risk assessment construct which says management has defined appropriate objectives; also request for payment backed by appropriate supporting document has got high mean value 4.19. Additionally, from monitoring variable two constructs have received moderate mean value3.39 for management has assigned responsibilities for timely review of audit reports and resolution of non-compliance. Other constructs in each variable have got low mean values which are indicators for substantial consideration to make improvements. In addition to this the statistical result from regression shows that not all elements are positively related and statistically significant. This finding is in contrast with study made by Kiyua (2016).

4.14 Analysis

The objective of this study was investigating effectiveness of INCS in ESLSE and to find out the areas of weakness in the system. Accordingly the general objective is decomposed in to specific research questions presented as shown in the methodology section. In answering these research questions the survey method and interview were conducted. The descriptive results for the closed ended question were presented in the above paragraphs. In this section the research's specific questions will be answered from the survey result and interviews conducted from key informants.

RQ1 Do all elements of INCS are effective in ESLSE? What are areas of deficiencies in Internal Control System of the ESLSE?

The answer for this question is provided by explaining the level of effectiveness and deficiencies for each element

Control Environment

The survey result in the table implied that there are areas of shortcomings in CE with mean values less than 3, not all employees understand their clear separation of roles and responsibilities, and the less close follow up of management implementation of INCS received mean value of 2.94. The other weak area identified the lack of providing education and training opportunities to retain and attract sufficient and competent employees received mean value of 2.56. These areas of weaknesses are also confirmed from the interview results and the free response provided by employees. It is understood from respondents' reply there is even no job description provided so that employees can understand their clear role and responsibilities. Jobs are assigned arbitrarily and based on urgency. Interview results also confirming the company is not working in retaining employees who were serving the company for long time.. Instead of granting promotion and high rank for existing employees it fills vacant positions for higher positions from external sources as confirmed from interview. This results dissatisfaction among employees and there is high turnover in the company. Generally speaking the control environment of ESLSE needs more work to strengthen it.

Control Activities

As presented in the descriptive statistics table significant deficiencies noted for lack of up-to-date asset register and absence of management performing periodic reviews of policies and procedures to enhance or dismiss them if they are irrelevant for the period have received mean value of 2.92 and 2.94 respectively. Effective control environment should have appropriate procedures to maintain an up-to-date asset register. The interview result matches with the findings, the respondents have remarked how important is maintaining an up-to-date asset register in preventing loss of an asset of the company, how it helps to keep things organized (provision of safeguard),also helps to ensure compliant (provision of inspection and maintenance service) and also save cost like audit fee cost. Once there is an up-to-date asset register the auditor can provide opinion on the credibility of financial statements. The other component of CA that received lower mean values states staffs are not trained to implement accounting and financial management system and lack of segregation of accounting procedures in the company with mean result 2.67 and 3.22.As per interview not only the staffs are suffering from lack of trainings but also when a new employee joins in the organization there is no on job training or job orientation facilities provided. Regarding segregation of accounting procedures much has to be done. As per the interview the one who prepared journal voucher is responsible to approve it for posting and reconciliations.

Risk Assessment

As it is clearly indicated in the literature section management is responsible to identify and control risks caused by failures of INCS. There must be policies and strategies to identify risk system to respond to risk and reduce risk. As indicated in the survey result below average mean values observed for lack of management in identifying risks that affect achievement of objective and shortage of designed system to offer appropriate respond to risk with mean scores 2.83 and 2.81 respectively. This result is also supported by interviews response that there is no risk assessment in the company.

Information and Communication

Reviewed literatures support how important is information and communication in INCS. Information and communication is very critical to the proper functioning of all other elements of INCS in an organization. According to COSO, 1992 information system produces reports consisting of operational, financial and compliance related information that makes it possible to run and control organization. The survey result shows transactions are not timely recorded and classified to provide reliable information with low mean result 2.14. The interview result confirms there is no timely recording and classifying of transaction as a result the company had closed its accounts only up to year 2013/14.The component questions the understanding of the concept of INCS by employee's received low mean value 2.53. Even though the basic concepts are expected from academics, there is a need to refresh their knowledge by the company through information and communication. Other inefficient components of information and communication noted lack of management to communicate duties of employees in an effective manner and the inability of the information and communication system to provide information to the right people and detail with mean values 2.64 and 2.83 respectively. Generally, the information and communication system needs significant concern in order to achieve organizational objectives successfully.

Monitoring

Monitoring is a process whereby the effectiveness of internal control assessed by activities that are generally built in to the daily operational activities of service organization,(SSAE 16). The survey result discloses there are major weaknesses in implementing monitoring of the functionality of elements of INCS. These are lack of periodical review of implementation of internal control systems (2.94), lack of review of implementation of internal control system in department wise (2.97), weakness in reviewing long outstanding items in financial statements (2.89) and the lack of procedure in ensuring the proper period recoding of transactions. Generally speaking the mean result show monitoring activities is not exercised effectively. The interview results support the same fact

RQ1 *Are the existing controls of ESLSE enhancing firm performance of ESLSC in terms of achieving financial objectives?*

The study result shows the existing INC don’t contribute much for the enhancement of financial performance objective. The regression results have manifested inverse and insignificant relationship of elements of internal controls with financial performance

Chapter five

5.1Conclusion and Recommendations

According to the regression output more predictors were negatively contributed for the enhancement of financial performance. Therefore the organisation should give much emphasis in strengthening the effectiveness of INCS to achieve organisational objectives. The study finds that a coefficient of determination value of R square 31. % for the contribution of INC elements for the achievement of financial performance objectives. This means the remaining 69. % was other variables that are not included in the study.

5.2Conclusion

Due to the important role it plays, INCS is the major mechanism to achieve organisational objectives in terms of reliability of financial reporting, effectiveness and efficiency of operation and compliance with applicable laws and regulation. Taking these pillar points in to consideration and making analysis through testing proposed hypothesis to show relationship of DV and IDV the following conclusion were drawn from the findings.

Effectiveness and achieving objectives of INCS can be enhanced, whenever all elements are fully practiced. The model summary shows that the elements of INC explained 31%for the achievement of financial performance. Despite the fact that the concepts of internal control advocates the effectiveness of INCs is highly related to its components the result of the study shows the components of INCS are not adequately practiced, as confirmed from the regression table where three components are negatively related. The same is true from the descriptive analysis.

5.3 Recommendations

Inherent limitations are characteristics of INCS. Due to this there is no absolute guarantee from system of INC that organizational objective will be achieved. However it is possible to improve INCS effectiveness through continuous monitoring. From the findings of the study it is possible to conclude that there is no adequate practice of INC in ESLSE. Responses from the survey and interview claim that the system is not at its best position to achieve organization's objective at high level. Based on the findings there are specific areas that need due attention to improve INCS in ESLSE.

The management of ESLSE should exert extensive effort in identifying the suitable INCS that matches company's need. They must also ensure that their organization has strong control environment where internal control activities inform policies and procedures are adequate. There is a need of regular evaluation of the INCS so that possible to identify areas of weakness that need improvement. More over the organization's internal audit unit can contribute much to assure the effectiveness of INCS through making periodic evaluation.

5.4 Policy recommendations

It is becoming mandatory for all organisations to prepare their financial reporting in accordance with IFRS by 2018. Therefore the company must come to timely preparation of financial reports as it is lagged by two years. Moreover the company must establish a training program about IFRS so that all the employees will be aware of the concepts and to keep them updated on the contemporary issues.

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APPENDEX I

SPSS (2016) ,descriptive statistics table for control environment

Descriptive Statistics				
	N	Minimum	Maximum	Mean
ESLSE has an accounting and financial management system	36	1	5	3.58
There is clear separation of roles and responsibilities in ESLSE	36	1	5	2.94
All employees in charge perform their responsibilities as per guide lines and regulations	36	1	5	3.11
Management closely follow implementation of internal control system in ESLSE	36	2	5	2.94
ESLSE has clear organizational structure	36	1	5	3.75
Segregation of duties can lead to attainment of organizational objective	36	1	5	3.47
The policies, procedures and guide lines in ESLSE are documented	36	1	5	3.72
ESLSE continuously provides education and training opportunities needed to develop, attract and retain sufficient and competent employees.	36	1	5	2.56
Valid N (listwise)	36			

Appendix II

SPSS (2016), Descriptive statistics for Risk Assessment

	N	Minimum	Maximum	Mean	Std. Deviation
Management has defined appropriate objectives for the ESLSE	36	1	5	3.61	0.903
ESLSE management identifies risks that affect the achievement of objectives	36	1	4	2.83	0.91
Management designed system to offer appropriate response to risks.	36	1	5	2.81	0.98
Management ensures that risk identification considers both internal and external factors and their impact on the achievement of objectives	36	1	4	3.06	0.893
Valid N (listwise)	36				

Appendix III SPSS (2016) Descriptive Statistics for control activities

	N	Minimum	Maximum	Mean
Controls by ESLSE include authorization, approvals, comparisons, physical counts, timely reconciliation and supervisory controls.	36	2	5	3.72
Management of ESLSE performs periodic review of policies and procedures to determine their continued relevance and refreshes them when necessary	36	1	5	2.94
ESLSE maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws and regulations	36	1	5	3.64
Accounting procedures in ESLSE are clearly segregated	36	1	5	3.22
Staffs are trained to implement the accounting and financial management system	36	1	5	2.67
ESLSE has a well-developed chart of accounts	36	1	5	3.61
Requests for payments are backed by appropriate supporting documents	36	2	5	4.19
There is an up-to-date asset register	36	1	5	2.92
The security system of the ESLSE identifies and safeguard the assets of the organization	36	1	5	3.33
Valid N (listwise)	36			

Appendix IV

2016 SPSS ,Descriptive Statistics for Information and communication

	N	Minimum	Maximum	Mean
All employees of ESLSE understand the concept and importance of internal controls	36	1	5	2.53
In ESLSE Transactions are timely recorded and classified to provide reliable information	36	1	4	2.14
Communication helps to evaluate how well guide lines and policies of the organization are working and being implemented	36	2	5	3.56
The information system of ESLSE provide management with necessary reports for decision	36	2	5	3.25
Management of ESLSE communicate employee's duties in an effective manner	36	1	5	2.64
In ESLSE information is provided to the right people in sufficient detail and on time	36	1	5	2.83
Valid N (listwise)	36			

SPSS output 2016 Descriptive statics for Monitoring

Descriptive Statistics				
	N	Minimum	Maximum	Mean
Internal reviews of implementation of internal controls are conducted periodically	36	2	4	2.94
Management has assigned responsibility for the timely review of audit reports and resolution of any noncompliance items noted in those audit reports	36	2	5	3.39
Monitoring covers the assessment of the effectiveness of internal control in achieving set objectives	36	2	4	3.39
Management of ESLSE monitor procedures to ensure that transactions are recorded in the proper period	36	1	5	2.81
Management of ESLSE review account reconciliation	36	2	5	3.25
Management of ESLSE reviews long outstanding items in financial statements	36	1	4	2.89
Internal reviews of implementation of internal controls in departments are conducted periodically	36	1	5	2.97
Valid N (listwise)	36			

Table 4.15 descriptive stastics for Monitoring

Correlation table for variables

Correlations							
		ROA1	**CCE**	**CRA**	**CCA**	**CINF**	**CMON**
ROA	**Pearson Correlation**	1	.354	.505	.420	.498	.354
	Sig. (2-tailed)		.349	.165	.029	.172	.350
	N	9	9	9	9	9	9
CE	**Pearson Correlation**	.354	1	.492**	.448**	.601**	.415**
	Sig. (2-tailed)	.349		.000	.000	.000	.000
	N	9	36	36	36	36	36
RA	**Pearson Correlation**	.505	.492**	1	.528**	.497**	.453**
	Sig. (2-tailed)	.165	.000		.000	.002	.005
	N	9	36	36	36	36	36
CA	**Pearson Correlation**	.420	.448**	.528**	1	.555**	.560**
	Sig. (2-tailed)	.029	.000	.000		.000	.000
	N	9	36	36	36	36	36
INF	**Pearson Correlation**	.498	.601**	.497**	.555**	1	.528**
	Sig. (2-tailed)	.172	.000	.002	.000		.000
	N	9	36	36	36	36	36
MON	**Pearson Correlation**	.354	.415**	.453**	.560**	.528**	1
	Sig. (2-tailed)	.350	.000	.005	.000	.000	
	N	9	36	36	36	36	36
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							