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DISSERTATION

FOR THE AWARD OF A MASTER'S DEGREE IN ACCOUNTING, CONTROL AND AUDIT

THEME:

CONTRIBUTION OF INTERNAL CONNTROL SYSTEM TO THE FINANCIAL PERFORMANCE OF AN ORGANIZATION

CASE STUDY: MTA, LLC (BEJAIA)

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS/ACCRONYMS

ACCA: Association of Chartered Certified Accountants

COSO: Committee of Sponsoring Organization

FP: Financial Performance

IC: Internal Controls

ICS: Internal Control Systems

IIA: Institute of Internal Auditors

ISA: International Standard on Auditing

ISO: International for Standardization Organization

LLC: Limited Liability Company

M: Mean

MTA : Maghrébine de Transport et Auxiliaire.

SAP: Standard Auditing Practices

SAS: Statement of Accounting Standards

SPSS: Statistical Package for Social Sciences

Std: Standard deviation

USA: United States of America

ABSTRACT

The study that aimed to assess the contribution of internal control systems to the financial performance revealed a strong, positive, and statistically significant correlation between control activities and financial performance of MTA ($r = 0.715$, $p < 0.05$). Conversely, the findings indicated a weak correlation with no significant relationship between control environment and internal audit on the financial performance of MTA ($r = 0.175$, $p > 0.05$; $r = 0.195$, $p > 0.05$, respectively).

KEY WORDS: Internal control, financial performance, questionnaire, SPSS

CHAPTER ZERO

INTRODUCTION PART

Introduction

Internal controls refer to the measures instituted by an organization to ensure the attainment of the entity's objectives, goals, and missions. They constitute a set of policies and procedures adopted by an entity to ensure that organizational transactions are processed appropriately, mitigating the risks of waste, theft, and misuse of organizational resources. Internal control are processes designed and implemented by those charged with governance, management, and other personnel to provide reasonable assurance regarding the achievement of an entity's objectives in terms of the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. It is important to note that internal controls offer reasonable, but not absolute, assurance to an entity's management and board of directors that organizational objectives will be achieved.

Organizations establish internal control system to facilitate the achievement of performance and organizational goals, prevent the loss of resources, enable the production of reliable reports, and ensure compliance with laws and regulations.

Background of the study

The background of the study is presented in three perspectives namely, historical, theoretical, and conceptual perspective.

Historical perspective

By the late 1920s, internal controls were typically implemented by organizations to work towards profitability goals, achieve their mission, and minimize surprises along the way. They enabled management to cope with the rapidly changing economic and competitive environment, shifting customer demands and priorities, and restructuring for future growth. Internal controls also promoted efficiency, reduced the risks of asset loss, and helped ensure the reliability of financial statements and compliance with laws and regulations (Billings and Hodder, 2008).

Internal control profession evolved steadily with the progress of management, especially at the end of World War II. Conceptually like financial auditing by public accounting firms, quality assurance, and banking compliance activities, much of the theory underlying the ICS is derived from management consulting and the public accounting professions. The implementation of the Sarbanes-Oxley Act (2002) in the U.S further accelerated the profession's growth. Many internal auditors acquired the skills required to help companies and public institutions meet the requirements of standards such as (SAS 300). According to Auditing Standard Board, internal control is a measure of checks and balances, a method and procedure instituted by an organization to conduct a systematic approach that management can rely on to achieve its intended goals. It's noteworthy that this was primarily in the U.S and for private entities, and the applicability to public entities may vary, considering that not all internal auditors may possess the required skills to help these entities meet their objectives.

The concept of internal control system and financial performance took a significant leap in the twenty-first century. Originally developing in Britain when a powerful, administratively strong, centralized state emerged, it was arguably the most sophisticated state since the Romans (Warren-Hollister, 2009). The Tread way Commission Reports (1987) in the U.S confirmed that the absence of or weak IC and poor financial performance is primarily the cause of many cases of fraudulent acts, compromising the standard of work and leading to subpar results in business organizations. Global corporate and institutional scandals, such as Enron, WorldCom, Xerox, Lehman Brothers, Parmalat, and Chuoaoyama, further emphasized the importance of robust internal controls (Higson, 2012).

In Africa, by the early 1990s, successful organizations ensured continued survival in a competitive environment (Drucker, 1999). They set performance measures that focused attention on identifying and communicating success, supporting learning, and providing a basis for assessment and reward (Butici, 2018). Organizational performance was measured in terms of customer satisfaction, often through reduced customer complaints (Brown, 1996).

Organizations critically examined how they satisfied the needs of customers and all stakeholders in business. Kloot (2020) added that organizations continuously improved their services through asset accumulation, creating value, and improving quality services. COSO (2004) adds that appropriate performance measures enable organizations to direct their actions towards achieving strategic objectives. According to him, a firm's performance is central to the future well-being and prosperity of any enterprise.

A sound internal control system helps an organization prevent fraud, errors, and minimize wastage. Custody of assets is strengthened; it provides assurance to management regarding the dependability of accounting data, eliminates unnecessary suspicion, and aids in maintaining adequate and reliable accounting records. This study seeks to establish the effectiveness of internal control in an enterprise. Without such controls, it would be extremely difficult for most organizations to prepare timely and reliable financial reports for management, investors, lenders, and other users. While no practical control systems can absolutely assure that financial reports will never contain material errors or misstatements, an effective ICS over financial reporting can substantially reduce the risk of such misstatements and inaccuracies in an organization's financial statements (Kaplan, 2018; Cunningham, 2004; Internal Organization of Supreme Audit, 2014).

Internal controls are applicable to an organization in relation to key risks and are embedded within operations, treated as a separate exercise. Internal controls should be able to respond to changing risks within and outside the organization. They are means to an end, not an end. Cunningham (2014) further states that IC are affected by people, not merely policy manuals and forms, but people functioning at every level of the institution. Internal controls can only provide reasonable assurance to the firm's leaders regarding the achievement of operational, financial reporting, and compliance objectives, promoting orderly, economical, efficient, and effective operations, safeguarding resources against loss due to waste, abuse, mismanagement, errors, and fraud.

Theoretical perspective

There is a takeaway that in organizations and institutions, enforcement of proper internal controls will always lead to improved performance. It is commonly believed that properly instituted internal control system improve the reporting process and result in producing reliable reports, enhancing accountability in the management of the organization (Mawanda, 2008).
This study was guided by both “The Agency theory” as was initially put across by Jensen and Mecking (1976) and later expounded upon by Gerrit Sarens and Mohammad J. Abdolmohammadi (2010) and the Contingency theory by Fred Fiedler (1960).

a) The Principal Agency Theory by Jensen and Mecking (1976)

The study is guided by the principal Agency theory, as proposed by Jensen and Mecking (1976), which consists of a connection of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources (Jensen and Meckling, 1976). Agency theory posits that agents have more information than principals and that this information symmetry adversely affects the principal’s ability to monitor whether their interests are being properly served by agents. The theory also assumes that principals and agents act rationally and use contracting to maximize their wealth, which may lead to moral hazard problem indicating that an effort to make their own wealth may face a dilemma of acting against the interests of their principals.

b) Contingency theory by Fred Fiedler (1960)

Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors, such as technology, culture, and the external environment, influence the design and function of organizations.
The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations. Instead, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system.

Conceptual perspective

The relationship between internal control system and good financial performance is that internal control system is a tool to achieve good financial performance, and good financial performance is the ideal output of internal control system. Internal control system in the study is measured using factors such as control environment, internal audit, and control activities. Good financial performance is measured by timely accountability, reliable reporting, and liquidity. The internal control system in the study was the independent variable and financial performance the dependent variable.

According to J. Boyle, Cooper, and A. Geiger (2004), “internal control” is a process designed to provide reasonable assurance regarding the achievement of objectives for reliable financial statement, effective and efficient operations and compliance with applicable laws and regulations.

Financial performance was considered in terms of measures like reporting (in terms of financial reporting and compliance with rules and regulations), liquidity (using liquidly ratio like current ratios, acid test ratios, the ease with which the entity settles its financial obligations), and accountability (in terms of financial accountability) (ACCA- Managerial Finance paper 8, 1998).

According to financial analysis conceptual framework, “financial performance” is the process of measuring the result of a firm’s policies and operations in monetary terms. To evaluate financial condition and performance of a firm, the financial analyst needs certain tools to be applied on various financial aspects. One of the widely used and powerful tools for measuring financial performance is ratios or indexes. Ratios can be classified into four broad groups based on the items used: liquidity ratio, capital structure/leverage ratio, profitability ratio and activity ratio, but these are in private settings.

Internal control system is conceptualized in terms of control activities, control environment and internal auditing, whereas financial performance is conceptualized in terms of reliable accountability, timely reporting, and liquidity.

Problem statement

Internal controls have been put in place to ensure safe custody, avoid misuse or misappropriation of organizational assets, and detect and safeguard against probable frauds. Control itself exists to keep performance of an organization within what is expected by the organization. Control built within a process is internal in nature and takes place with a combination of interrelated components, such as the social environment affecting behavior of employees, information necessary in control, and policies and procedures (COSO, 2001).
Other literature expressed that internal control system could help an organization achieve its desired performance and profitability targets, service delivery, prevent loss of resources and ensure reliable financial reporting.

However, despite the internal controls that exist in the organization, financial performance (statements) are still poor. This may be because the internal controls that are in the organization are weak or undermined by the management. (Musoke, 1999).
Further studies suggest that the internal control will influence the organizational performance by setting objectives; management can then identify risks to the achievement of those objectives. To address these risks, the management of an organization may implement specific internal controls (Douglas, 2011).

Notwithstanding, internal controls only provide a reasonable assurance, and not absolute assurance. This is because it is the people who operate the internal controls, breakdowns can occur, the use of sampling testing, human error, management override, and collusion among people who are supposed to act independently can cause failure of internal control to achieve corporate objectives and performance in general.

According to Procasur Africa Report (2012), Poor internal control system affect performance of an organization, and MTA has not been exception. Poor internal control system have led to huge investments lost through fraud and misuse of assets that are used to generate revenues and forced institutions to suffer big losses. Therefore, the central research question for this study is:

"Does the effectiveness of internal controls influence the financial performance of an organization?"

To explore this central research question, the research seeks to answer the following questions concentrating on the literature review chapter and chapter three.

a) Is there a relationship between control activities and financial performance?
b) Does control environment impact financial performance?
c) Is there a relationship between internal auditing and financial performance?

The main purpose of the study is to assess the contribution of internal control system towards enhancement of financial performance in an organization. The study is guided by specific objectives below.

a) To explore the relationship between control activities and financial performance of MTA.
b) To find out how control environment impact financial performance of MTA.
c) To examine the relationship between internal auditing and financial performance of MTA.

This research is also guided by the following research hypothesis concentrating on the literature review chapter and chapter three:

H_1: There is a relationship between control activities and financial performance of MTA.

H_2: There is a relationship between control environment and financial performance of MTA.

H_3: There is a relationship between internal auditing and financial performance of MTA.

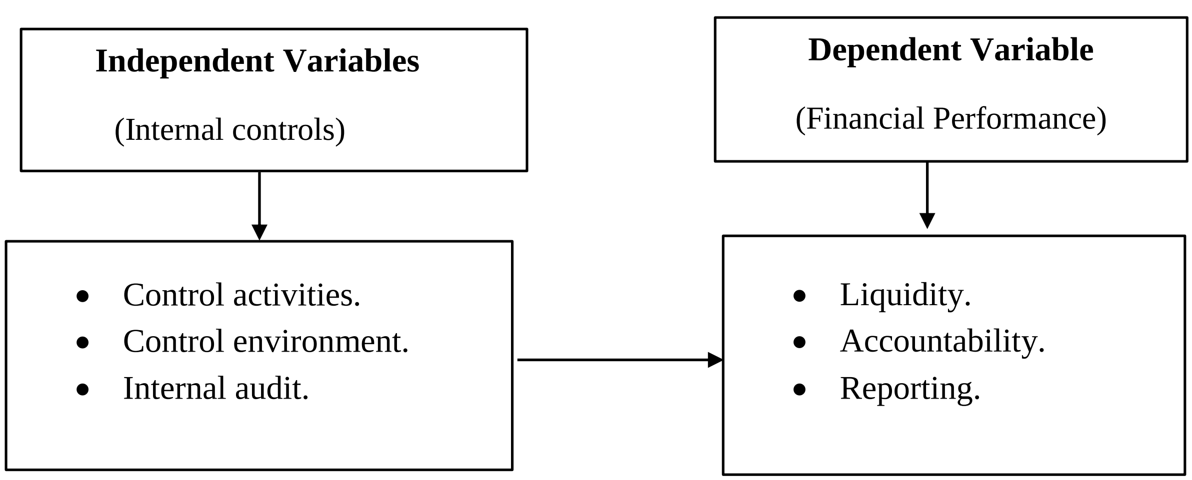
Scope, Justification, Significance, and conceptual framework of the study

This study is concerned with the contribution of internal control system to the financial performance of MTA. It focuses on three key dimensions: internal control system, determinants of financial performance and the relationship between internal control system and financial performance of MTA. The geography scope of the study is Béjaïa province, Bejaia town where MTA, Bejaia unit offices are located.

The study justifies that financial performance is one area that receives significant attention worldwide, and extensive research has been conducted on it. A considerable amount of literature has been written, and external auditors typically emphasize internal control as a measure to ensure sustainable and improved financial performance. However, the researcher perceives that there are still gaps in the research conducted thus far. Therefore, this study aims to establish the linkage between internal controls and improved financial performance, measured by liquidity, accountability, and financial reporting.

The study signifies that this research finding will offer a conceptual framework and standards against which corporations could assess their internal control system and its effectiveness. Additionally, the results of the study will contribute to identifying gaps within the ICS of organizations. It is also believed that invaluable benefits to management and those charged with governance in organizations will be established on how the internal control system can improve financial performance and ultimately ensure attainment of corporate objectives. For researchers interested in the same idea, it will provide the proper path, considering its limitations. The results of this research work will also help the organization to adhere to control measures in their day-to-day management.
The conceptual framework of the study is presented in the figure below.

Figure 1: conceptual framework



Source: Developed by me from literature review.

In the provided conceptual framework, it is evident that internal control, as an independent variable (measured by the control environment, internal audit, and control activities) impact financial performance, a dependent variable.

These internal controls were considered because they provide the necessary mechanisms to enforce policies, ensure compliance, and maintain a culture of integrity, all of which have a more direct and immediate impact on financial performance, which is measured by liquidity, accountability, and reporting. These metrics provide a comprehensive picture of an organization’s financial health.

Chapter summary

The chapter begins with an introduction that puts the concept of internal control system into perspective. This is followed by the background of the study, where we highlight the general perception that the institution of internal control system will always lead to improved financial performance, resulting in enhanced reporting and accountability functions of management. The chapter then proceeds with the problem statement, aiming to establish the persistence of poor financial performance of MTA despite continued support from the founders, management with the highest qualification and dedication, the implementation of internal control, the employment of world class professionals, and the engagement of auditors of international repute. The chapter addresses the purpose of the study, which is to assess the contribution of internal control system to the enhancement of financial performance in an organization. The specific objectives of the study include exploring the relationship between control activities and financial performance, investigating how the control environment affects financial performance, and examining the relationship between internal auditing and financial performance, all within MTA. Research questions, derived from the research objectives, are then discussed, followed by the research hypothesis, which posits that there is a relationship between the control environment and financial performance, a relationship between internal audit and financial performance, and that there is a relationship between control activities and financial performance, all within MTA.

The scope of the study is determined to cover MTA, Béjaïa, which the results are assumed to be applicable to other units of MTA. The chapter addresses the justification and significance of the research, where the justification is to establish the linkage between internal control and improved financial performance, and the significance is to assist MTA and those charged with governance in determining the relationship between internal control and financial performance. Lastly, a diagrammatical representation linking internal controls, especially the control environment, internal audit, and control activities, to financial performance is provided.

The next chapter discusses the literature review of internal control system and financial performance.

CHAPTER ONE

LITERATURE REVIEW

1.0: Introduction

The research aimed to assess the contribution of internal control system to corporate organizational financial performance. The study sought to establish whether a positive correlation exists between the internal control system, considered as an independent variable, and financial performance considered as a dependent variable. The literature review concentrated on key components of internal controls, namely the control environment, internal audit, and control activities. It also delved into examination of financial performance, with a specific emphasis on liquidity, accountability, and reporting. The primary objective of this review was to investigate the relationship between internal control system and financial performance. The review examined the theoretical foundations surrounding internal control system and explored the methodologies employed by previous researchers in addressing the subject.

1.1: Overview of internal control system

This part discusses definitions, role and purpose, and types of internal controls.

As defined by (COSO, 2012), "Internal control" is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. In addition, "Control" is defined as an exercise performed in the present to achieve a plan drawn up for the future, and "System" is defined as a set of detailed methods, procedures and routines created to carry out a specific activity, perform a duty, or solve a problem.

Therefore, "internal control system" is a term generally used to describe how management ensures that an entity meets its financial objectives. Internal control system not only contribute to managerial effectiveness but also important duties of corporate boards of directors

(Verschoor, 1999). The board of directors has an oversight role of policy making and control of resources to improve financial performance.

1.1.1. Role and purposes of internal control

According to Walter and William (1982), the role and purpose of internal control system is merit able because internal control consists of the measures, record procedures and plan of an organization that deals mainly with safeguarding asset and ensuring financial records are accurate and reliable.

1.1.2. Types of internal controls

The guideline of internal control put forward eight (8) types of internal control system that should be obtainable in an organization and they are as follows.

a) Organizational control

An organization should have a plan for its activities, defining and allocating responsibilities. Each function should be monitored by a specific person, referred to as the "responsible officer." Adequate reporting that lines for all aspects of the organization's operations, including controls, should be clearly stated. The delegation of authority and responsibility should be explicitly specified (Amaka, 2012).

b) Segregation of duties

One of the prime means of control is the separation of duties. This reduces the risk of internal manipulation, accidental errors, and increases the element of checking. Functions that should be separated in an organization's financial management include initiation, execution and recording. System development and daily operations must be considered in shaping the ICS to be full proof against fraud (Amaka, 2012).

c) Physical control

This concerns the physical custody of assets and involves procedures and security measures designed to limit access to authorized personnel only. These include both direct and indirect access via documentation. These controls assume importance in the case of valuable, portable, exchangeable, or desirable assets. Physical control can also be achieved by electronic means in a computerized environment, for example, using electronic I.D, cards, passwords, etc., to restrict access to a particular file (Amaka, 2012).

d) Arithmetical and accounting control

These are the controls within the recording function that check that the transactions to be recorded and processed have been authorized and that they are correctly and accurately processed. Such controls include checking the arithmetical accuracy of the records, maintenance and checking of totals, reconciliation, control accounts, trial balances, and accounting for documents (Amaka, 2012).

e) Personnel control

There should be procedures to ensure that personnel have capabilities that commensurate with their responsibilities. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, selection, and training, as well as the personal characteristics of the personnel involved, are important features to be considered in setting up any control system, especially in financial management (Amaka, 2012).

f) Supervision control

Any internal control system should include the supervision by responsible officials of day-to-day transactions and the recording thereof. All activities performed in financial management by all levels of staff should be clearly laid down and communicated to the person supervising (Amaka, 2012).

g) Management control

These are the controls exercised by management outside the day-to-day routine of the system. They include the overall supervisory controls exercised by management, the review of management accounts, and comparison thereof with the budget, internal audit function, and other special review procedures. It is also the duty of the management to review the IC from time to time to accommodate changes in financial management operations (Amaka, 2012).

h) Authorization and approval

All transactions should require authorization by an appropriate responsible person. This is very important in the financial system of an organization where a large amount of money is handled. Therefore, it is appropriate for these funds, which are used for various transactions, to be authorized by a trusted and responsible person (Amaka, 2012).

1.2: Functionality of internal control systems

According to Hayes et al (2005), internal control comprises five components: control environment, entity's risk assessment process, information and communication systems, control activities, and monitoring of controls. Therefore, each of the five components of an internal control system is important. Here, we will focus on three components: control activities, internal audit, and the control environment. The other components of the internal control system will be held constant.

1.2.1. Control Activities (CA)

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties (University of California, Berkeley, 2012).

Control activities are the backbone of the company's efforts to address the risks it faces, such as fraud. The specific CA used by a company will vary, depending on management's assessment of the risks faced. This assessment is heavily influenced by the size and nature of the company (Weygandt, Kimmel, & Kieso, 2012).

According to Whittington & Panny (2001), control activities in an organization basically comprise performance reviews (comparing actual performance with budgets, forecasts, and prior period performance), information processing (necessary to check accuracy, completeness, and authorization of transactions), physical controls (necessary to provide security over both records and other assets), and segregation of duties (where no one person should handle all aspects of a transaction from the beginning to the end).

Control activities usually involve two elements: a policy establishing what should be done and procedures to affect the policy. All policies must be implemented thoughtfully, conscientiously, and consistently (Anduuru, 2005).

1.2.2. Internal Audit (IA)

The term audit comes from the Latin word "AUDIRE," meaning to hear; in other words, it means the official examination of accounts and records. Internal audit is performed as part of the monitoring activity of an organization. It involves investigating and appraising IC and the efficiency with which the various units of the organization are performing their assigned functions. An Internal Auditor is normally interested in determining whether a department has a clear understanding of its assignment, is adequately staffed, maintains good records, properly safeguards cash, inventory & other assets, and cooperates harmoniously with other departments. The internal auditor normally reports to the top management (Whittington & Pany, 2001).

Gupta (1999), on the other hand, asserts that “Internal audit” is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. According to Gupta, “the scope of internal audit is determined by management.” This may, however, impair the internal auditor’s objectivity and hamper his independence; it is quite hard to report negatively on someone who determines the scope of your work.

Although, the role of internal audit function in Organizations states that “Independence is established by organizational and reporting structure” and that “Objectivity is achieved by an appropriate mindset.” (Bamweyana, 2009)

Bamweyana (2009) also defines “Internal audit” as an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.” He further mentions the principles of IA to include integrity, objectivity, confidentiality, and competency. However, given that internal auditors are appointed by management, report to management, and are employees of an organization, their objectivity is usually highly compromised.

In accordance with the IIA (UK, 1997), independence is applicable to all categories of auditors. This means the opportunity granted to the auditors to report directly to the top authority. Woolf (1986) says, although an internal auditor is an employee of the enterprise and cannot, therefore, be independent of it, he should be able to plan and carry out his work as he wishes and have access to the highest level of management.

However, the most detailed definition of internal audit was given by Milli champ (2002), who said, and I quote, that internal audit is “the world system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.” Therefore, Milli champ (1993) says that effective IA should be carried out by independent personnel. Though they are employees appointed by management, for them to work efficiently, they should have the scope to arrange priorities and activities and have unrestricted access to records, assets, and personnel.

According to Bhatia (2003), “Internal audit” is the review of operations and records sometimes undertaken within the business by especially assigned staff. It is also an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency, and economy of management's control system (Subramanian, 2006). Its objective is to provide management with reassurance that their ICS are adequate for the needs of the organization and are operating satisfactorily (Reid & Ashelby, 2002). It is a component of the internal control system set up by the management of an enterprise to examine, evaluate, and report on the operations of accounting and other controls. The quality and effectiveness of internal audit procedures in practice are necessary since internal auditors cover a wide variety of assignments, not all of which will relate to accounting areas in which the external auditor is interested. For example, it is common these days for IA to undertake the extensive and continuous task of setting management goals and monitoring its performance (Woolf, 1992).

Emasu (2010) notes that “The effectiveness of the internal audit function partly depends on the legal and regulatory framework, placement of the function and its independence, existence of audit committees, resources allocated to the function, and professionalism of internal audit staff.” It is, however, a bitter reality that internal audit departments are rarely adequately facilitated.

Regarding the size and facilitation of the internal audit function, Gerrit and Mohammad (2010) found evidence in support of the monitoring role of the internal audit function. They specifically found evidence that management ownership is positively related to the relative size of the internal audit function, which is inconsistent with traditional agency theory arguments that predict a negative relationship but more in line with recent studies on earnings management. This finding suggests that increased management ownership may influence the board of directors to support larger internal audit functions to allow them to closely monitor managers’ performance. It is also plausible that management with higher share ownership is motivated to invest in a larger internal audit function for better monitoring of earnings and for signaling to the board of directors that, despite their high stake in earnings, they are convinced that appropriate use of resources must be assessed on a regular basis. He also believes that the proportion of independent board members has a negative effect on internal audit function size. This finding may indicate a substitution effect, suggesting that independent board members may be considered as an alternative monitoring mechanism to the internal audit function. They further assert that the control environment has a significant effect on the relative size of the internal audit function. Specifically, a supportive control environment characterized by formalized integrity and clear ethical values, a high level of risk and control awareness, the perception that risk management is important, and the fact that responsibilities with respect to risk management and IC are clearly defined and associated with a relatively larger internal audit function.

Using a US sample, Wallace & Kreutzfeldt (1991) found that companies with internal audit departments are observed to be significantly larger, more highly regulated, more competitive, more profitable, more liquid, more conservative in their accounting policies, more competent in their management and accounting personnel, and subject to better management controls.

Carey et al (2000) found that agency variables do not explain the voluntary use of internal audit by Australian family firms. More recently, a study by Goodwin-Stewart & Kent (2006), using a sample of Australian listed companies, shows that the existence of an internal audit function is positively associated with firm size and commitment to risk management.

Sarens & De Beelde (2006) also show that risk and control awareness have an influence on the scope of the internal audit function. These results suggest that when management is aware of risks and control activities, they are more likely to understand the role of the internal audit function in monitoring risk and control activities; thus, it is more likely that they will support a relatively larger internal audit function.

Meigs et al (1988) hold that there must be a strong internal control system, and the internal auditor must verify the operations of the system in much the same way as the external auditor. It involves the investigation, recording, identification, and review of compliance tests of control. They also argue that effective IA procedures provide sufficient relevant and reliable evidence to detect and prevent fraud.

Kochan (1993) considers auditing procedures in one company and describes steps taken in implementing a quality assurance system. She discusses the use of IA as an essential part of the ISO 9000 certification process.

Boakye-Bonsu (1997) asserts that internal audit procedures are seen as ends in themselves rather than a means towards a specific objective. With such an approach, our rambler would undoubtedly get lost.

Internal audit procedure is a form and content manual that includes audit notes and responsibilities, documentation standards, local reporting standards and targets, training requirements and expectations, and performance measures and indicators (Watts. H, 1999).

Effectiveness is the achievement of goals and objectives using factor measures provided for in determining such achievement. However, it has been traditional that the determination of internal audit effectiveness can be accomplished by evaluating the quality and effectiveness of internal audit procedures that result in the determination by the internal auditors of the character and the quality of effectiveness of the auditee's control operations. If the auditing procedures are effectively carried out, then the evaluative results are positive (Dittenhofer, 2001).

Maitin.T (1994) says efficiency and effectiveness of internal audit procedures are not a simple task; successful operation is governed by the extent to which the elements of IA procedures receive attention, which include expertise, independence, objectivity, and totality. Effectiveness of IA procedures is a measure of the ability of the program to produce a desired effect or a result that can be qualitatively measured.

Rezaee, Z (2001) argues that there should be effective IA procedures to ensure the reliability of financial statements, operational reports, safeguarding corporate assets, and effective organizational controls. Benston (2003) further supplements that perception and ownership, organization and governance framework, legislation, improved professionalism, and resources were identified as functions in the public sector derived from the effectiveness of internal audit procedures.

How far internal audit procedures succeed in their effort of effectiveness is mainly judged by three factors that include the frequency of irregularities committed by the staff in the organization in the form of errors or fraud, the promptness with which such irregularities are detected by the authorities, and the planning which makes the repetition of such irregularities in the future more difficult (Reid & Ashelby, 2002).

According to Earnest and Young (1995), the work of the internal auditor should appear to be properly planned, controlled, recorded, and reviewed. Examples of the due professional care by the internal auditor include the existence of an adequate audit manual, general internal audit plans, procedures for controlling individual assignments, and satisfactory arrangements for reporting and following up.

Internal audit makes a large contribution to the achievement of company goals and the implementation of strategies for their achievement (Ljubisavljević & Jovanović, 2011). In addition, internal audit function is responsible for reinforcing management and the audit committee (Hutchinson & Zain, 2009).

Likewise, internal audit determines the reliability, reality, and integrity of financial and operational information that comes from different organizational units, on which appropriate business decisions at all levels of management are based. Successful implementation of internal audit tasks means that it must be independent, i.e., company management should in no way be influenced by its work, information, conclusions, and evaluations. In this way, the internal audit report becomes a means of communication between internal audit and management, and an important guideline for the successful management of the company (Ljubisavljević & Jovanović, 2011).

Furthermore, the internal audit function facilitates the operation and effective working of the audit committee as the audit function goals are consistent with the former's financial reporting oversight responsibilities (Goodwin & Yeo, 2001; Goodwin, 2003; Scarbrough. Rama. & Raghunandan, 1998). The creation of an internal audit function is supported by governance reports as a mechanism to enhance internal governance processes (Collier & Gregory, 1996; Goodwin & Kent, 2003).

1.2.3. Control Environment (CE)

Control environment is the philosophy, style, and supportive attitude, as well as the competence, ethical values, integrity, and morale of the people within the organization (DiNapoli, 2007). It sets the tone for an organization, influencing the control consciousness of its people, and serves as the foundation for all other components of control environment, providing discipline and structure. Factors influencing the CE include the integrity, ethical values, and competence of the entity's personnel responsible for creating, administering, and monitoring the controls, commitment and competence of persons performing assigned duties, board of directors or audit committees (especially the extent of their independence from management, experience & stature); management's philosophy and operating style (the way management assigns authority and responsibility and organizes and develops its people, and the attention and direction provided by the board of directors) (University of California, Berkeley, 2012).

Control environment refers to all factors that effectively determine, increase, or decrease the effectiveness of policies, procedures, and methods specific to a process. The control environment stands out with the basic understanding adopted by senior management of the corporation to control the organization, its attitude toward problems, and its approach to solving problems, as well as its perspective on the importance of moral values. Strictly speaking, the CE can be perceived as the consciousness of the senior management of a corporation to control the organization and its employees (Kaval, 2005).

Control environment encompasses several factors. However, for the purposes of this research, the review will focus on management philosophy and operating style, the integrity, and ethical values of personnel responsible for creating and administering controls, and audit committees and the board of directors. Whittington and Pany (2001), believes that these factors set a basis upon which the other IC components can be built. They provide a framework within which the other components operate. However, these assertions have not always held true, as management in organizations has often overridden these controls, and the lack of mentoring has led to the collapse of controls. The independence of audit committees has largely been theoretical in most organizations.

Boards of directors have, on several occasions, had very little time for company affairs, implying that their supervisory role has always been lacking. It is equally worth noting that the selection of most board members is largely political and reflects political allegiance. In most cases, they lack the experience and exposure to determine the strategic direction of the organization. The board of directors ought to supervise the management of an entity, but it has always turned out that board members merely implement recommendations of the management committee of an organization. The audit committee, as a subcommittee of the board of directors, plays a role in protecting the owners' interests by monitoring management's actions in terms of financial reporting, risk management, and internal control (Mawanda, 2008).

On the other hand, an active audit committee could consider the internal audit function as a necessary source of information to execute its monitoring responsibilities (Raghunandan *et al*, 2001; Sarens *et al*, 2009; Scarborough *et al*, 1998), thus the audit committee may push for better staffed internal audit functions.

The study by Wallace & Kreutzfeldt (1991) was among the first to demonstrate the importance of the CE in explaining the existence of an internal audit function. More recently, Goodwin-Stewart & Kent (2006) provided evidence that the existence of an internal audit function is related to the level of commitment to risk management. Recent case studies on internal audit in Belgium illustrate the importance of the CE when studying internal audit practices. Sarens & De Beelde (2006) found that certain CE characteristics (e.g., tone-at-the-top, level of risk and control awareness, extent to which responsibilities related to risk management and IC are clearly defined and communicated) are significantly related to the role of the internal audit function within an organization. The tone-at-the-top refers to a company's ethical values, management's philosophy, and operating style (Cohen *et al*, 2002) which are reflected by the company's code of conduct or code of ethics.

We assume that when the company pursues integrity and clear ethical values reflected in a formal code of conduct/ethics, the internal audit function will take on greater importance. This is because the internal audit function is often seen as a way of translating and communicating the tone-at-the-top throughout the company (Sarens *et al,* 2009). Therefore, management is more likely to invest in a relatively larger internal audit function. The American Bar Association (ABA) directors' guidebook states that "an important aspect of the board's responsibility, often referred to the audit committee, is oversight of the corporation's policies and procedures regarding compliance with law and significant corporate policies." (Sarens & De Beelde, 2006).

Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors. Accounting literature likewise emphasizes the importance of an organization's integrity and ethical values in maintaining an effective control system (Verschoor, 1999). A focus on integrity and ethical values was the principal contribution of *Internal Control— Integrated Framework* published by the Committee of Sponsoring Organizations of the Tread way Commission (on fraudulent financial reporting). To trigger independence of auditors, the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board issued Statement on Auditing Standards (SAS) No. 78. This statement requires auditors to perform procedures on every audit to enable them to understand their client's CE including integrity and ethical values. In other words, auditors are specifically required to determine whether their clients' ethical controls are operating. SAS No. 78 points out those ethical values and other elements of the CE permeate the culture of an organization and affect the strength of all other controls.

1.3: Financial Performance (FP)

This part discusses definitions and measures of financial performance.

1.3.1. Definitions

Firstly, the word "performance" refers to the accomplishment of a given task measured against present standards of accuracy, completeness, cost, and speed (Financial performance Analysis conceptual framework, 2012).

Secondly, "financial performance" refers to the evaluation of a company's profitability, efficiency, and overall health based on its financial statements and other relevant financial indicators. ("Financial Statement Analysis and Security Valuation" Stephen H. Penman, 2003).

1.3.2. Measures of financial performance

According to Dixon et al (1990), appropriate performance measures are those that enable organizations to direct their actions toward achieving their strategic objectives. Kotey & Meredith (1997), contend that performance is measured by either subjective or objective criteria. Arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with the reliability of such data arising from differences in accounting methods used by firms.

Kent (1994) found that objective performance measures include indicators such as profit growth, revenue growth, and return on capital employed. Financial consultants Stern Stewart & Co. created Market Value Added (MVA), as a measure of the excess value a company has provided to its shareholders over the total amount of their investments. This ranking is based on eight more traditional aspects of FP, including total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity.

Verschoor, however, mentions other financial measures such as the value of long-term investment, financial soundness, and the use of corporate assets. He also discusses non-financial performance measures, including innovation, the ability to attract, develop, and retain talented people, the quality of management, the quality of products or services, and community and environmental responsibility.

Hitt et al (1996), mention accounting-based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure is calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

a) Liquidity

It measures the ability of an organization to cover their short-term obligation. Hitt, et al (1996), mention current ratio (current assets/current liabilities) as a standard measure of liquidity in organizations. Bay singer (1989) also emphasized the importance of current ratio as a measure of an organization's liquidity. Liquidity ratios are the ratios that measure the ability of company to meet its short-term debt obligations. These ratios measure the ability of a company to pay off its short- term liabilities when they fall due. The liquidity ratios are a result of dividing cash and other liquid assets by the short-term borrowings and current liabilities. They show the number of times the short-term debt obligations are covered by the cash and liquid assets.

A company must possess the ability to release cash from cash cycle to meet its financial obligations when the creditors seek payment. In other words, a company should possess the ability to translate its short-term assets into cash. The liquidity ratios attempt to measure this ability of a company.

b) Accountability

According to Hayes, et al (2005), managers need regular financial reports to make informed decision. Reporting (particularly, financial reports) is one way through which managers make accountability for the resource entrusted to them.

As the primary users of financial reports, members of the public may be less financially sophisticated than users of other types of financial reports. They likely have less access to intermediaries, such as investment analysts, who can interpret the financial reports for them. Therefore, financial reports must place great emphasis on the understandability of the information reported in them. The financial reports cannot exclude complex transactions nor simplify complex transactions such that their substance is misleading but the emphasis on understandability would need to be considered in determining the reporting of items in financial reports. Preparers of financial reports should assume that users have a reasonable understanding of economic activities and accounting, together with a willingness to study the information with reasonable diligence.

General purpose financial reports prepared to respond to the needs of the public for accountability purposes may also provide information useful to other users and for other purposes. For example, government statisticians, analysts, the media, financial advisors, public interest and lobby groups and others may find the information provided by the financial reports useful for their own purposes.

Some users have the authority to require the preparation of financial reports tailored to meet their own specific information needs but may also use the information provided by general purpose financial reports for their own purposes (for example, regulatory and oversight bodies, subcommittees of the legislature or other governing body, central agencies and budget controllers, entity management and, in some cases, lending institutions and providers of development and other assistance). While these other users may find the information provided in general purpose financial reports useful, the reports would not be prepared to specifically respond to their information needs.

Reporting on accountability for governance, non-financial performance and sustainability is beyond the scope of financial statements, which largely portray the financial effects of past transactions and events. Only some of the accountability of an entity for its FP can be illustrated in financial statements. Some of the accountability of an entity for stewardship is represented by reporting on its financial condition but financial condition reporting is also beyond the scope of financial statements (conceptual framework consultation paper 2, 2012).

c) Reporting

Whittington & Pany (2001) discuss the comprehensiveness of internal control in addressing the achievement of objectives in the areas of financial reporting, operations, and compliance with laws and regulations. They further note that " internal control also includes the program for preparing, verifying, and distributing to the various levels of management those current reports and analyses that enable executives to maintain control over the variety of activities and functions performed in a large organization." They mention IC devices such as the use of budgetary techniques, production standards, inspection laboratories, employee training, and time & motion studies, among others.

According to Bakibinga (2001), corporate law necessitates a separation between ownership and management of an entity. Owners typically delegate their resources to managers. Managers are obligated to utilize the resources entrusted to them in pursuit of the entity's objectives. Managers typically report to the owners regarding the outcomes of their stewardship for the entrusted resources through a medium known as financial statements. It is through these financial statements that the FP of an entity is disclosed.

John J. Morris (2011) believes that the enterprise resource planning system provide a mechanism to deliver fast, accurate financial with built- in controls that are designed to ensure the accuracy and reliability of the financial information being reported to shareholders.

1.4: Relationship between internal control systems and financial performance

The statement of Standard Auditing Practices No.6 (SAP 6) defines "Internal control" as "the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives, ensuring, as far as practicable, the orderly and efficient conduct of its business. This includes adherence to management policies, the safeguarding of assets, prevention and detection of fraud and errors, and the accuracy and completeness of accounting records, as well as the timely preparation of reliable financial information."

It is, therefore, worth noting from the above that properly instituted IC will ensure the completeness of all transactions undertaken by an entity. It ensures that the entity's assets are safeguarded from theft and misuse, transactions in the financial statement are stated at the appropriate amount, all assets in the financial statement do exist, all assets in the financial statement of the company are revalued regularly, recoverable amounts are stated, and transactions are presented according to Generally Accepted Accounting Principles (GAAP).

Internal control refers to measures instituted by an organization to ensure the attainment of the organization's objectives, goals, and mission (Ejoh and Ejom, 2014).

On the other hand, financial controls entail objective criteria such as return on investment in the evaluation of business-level managers' performance. They are like what Eisenhardt (1998) referred to as outcome controls. Thus, top-level managers establish financial targets for each business and measure the business-level manager's performance against these targets. Such an approach can be problematic when the degree of interdependence among business units is high.

Hayes (2005) notes that "The three major categories of management objectives comprise effective operations, financial reporting, and compliance." Effective operations mean safeguarding the assets of the organization; the physical assets, cash, and non-physical assets like receivables; important documents; and confidential records of the entity must not be misused or accidentally destroyed. The goal of financial records requires accurate information for internal decisions because management has a legal and professional responsibility to ensure that information is prepared fairly in accordance with applicable accounting standards.

Organizations are equally required to comply with many laws, tax laws, and environmental protection laws.

According to Verschoor (1999), approximately three-quarters of the 500 largest publicly held U.S corporations voluntarily make a public assertion of management’s responsibilities for properly reporting financial results and maintaining an effective system of internal control. He asserts that virtually all these companies report using the same strategies to execute management's IC responsibilities. These include references to segregation of functions, programs of selection and training of personnel, the result of an internal audit function, oversight from the audit committee of the board of directors, and the work of the external auditors.

Mawanda (2008), states that performance refers to the ability to operate efficiently, profitably, survive, grow, and react to environmental opportunities and threats. They assert that performance is measured by how efficiently the enterprise uses resources to achieve its objectives. It is the measure of attainment achieved by an individual, team, organization, or process.

Hitt, et al (1996), believes that many firms’ low performance is the result of poorly performing assets. Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire assets with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason for such errors is managerial hubris or overvaluation of managerial capability in the acquisition process.

1.5: Conclusion

The literature review has shown several historical sources describing internal control system and financial performance in different cases. The review integrates perspectives on the relationship between internal control system and financial performance, asserting that properly instituted ICS contribute to the completeness and accuracy of transactions, safeguarding of assets, and compliance with accounting standards. Additionally, it examines how financial controls, including outcome controls, impact managerial performance and organizational objectives. The conclusion drawn from this literature review is that there exists a significant relationship between control activities, control environment, internal auditing, and financial performance. The literature available has helped me to know that there is a relationship between internal control system and financial performance of an organization, though it does not show in statistical terms the extent to FP is affected by internal control system. Therefore, it is assumed that lack of proper ICS adversely affects financial performance of organizations. Limited control environment leads to low productivity among personnel, and absence of policies affects the quality of services offered. Internal audit prevents fraud and errors as it becomes difficult to defraud the system since there are periodic checks on the process. Physical controls ensure assets and organization's valuables are protected. These conclusions will however be confirmed or dispelled and expressed statistically to aid future decision making in the organization after empirical evidence has been obtained from the research.

The next chapter discusses the research methodology of the study.

CHAPTER TWO

METHODOLOGY

2.0: Introduction

This chapter presents and justifies the methods and procedures that were used in conducting the study. It explains the research design, sample size, sampling methods, data sources and collection instruments, validity and reliability of data, data analysis, measurement of variables, ethical considerations, and limitations of the study.

2.1: Research design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). Also, Research design refers to the many ways in which research can be conducted to answer the questions being asked (Marczyk, DE Matteo, & Festinger, 2005).

This study adopted a cross-sectional survey design, together with a case study design where both qualitative and quantitative paradigms were considered. A survey is an information-collecting method used to describe, compare, or explain individual and societal knowledge, feelings, values, preferences, and behavior (Fink, 2009). It's also noted that "case study" is an intensive descriptive and holistic analysis of a single entity or a bounded case".

Cross-sectional design was used because it allows collecting data at one point in time hence minimizing costs and time, putting into consideration the limited time and resources available (Saunders, 2009). A case study was used because it allowed for intensive investigation and focuses on a case or a few cases of a phenomenon. The study took both quantitative and qualitative approaches because quantitative approach helps to describe nature of relationships between the study variables, while qualitative approach is an ideal method when a holistic and in-depth investigation is needed.

2.2: Sample size and sampling methods

Sample size is the process of collecting reprehensive sample of people, document, forms, and records McMillan & Schumacher (2006). The researcher selected all MTA staff members at the bejaia unit. The sample size comprises 20 respondents.

Mugenda and Mugenda (2003), defines sampling as a formulation of a procedure of selecting the subjects or cases to be included in the sample. This study used census sampling and purposive sampling techniques to select subjects. These techniques target knowledgeable and experienced subjects as far as the study is concerned.

2.3: Data sources and collection instruments

Data was collected using both primary and secondary sources. Primary data collected by the researcher reflected the individual viewpoints of the participants by administering questionnaires. By definition, a questionnaire is a set of questions to which respondents recorded their answers as administered. This method was appropriate for the research because the filled questionnaires can be used for future reference. A closed ended questionnaire was considered for the interviewees in implementing internal controls and financial performance of MTA. While secondary data was collected using information that had already been produced by other authors to analyze and interpret the findings to form new research ideas through review of secondary data. Documents relevant to the research were reviewed to capture information on internal control system and financial performance. Documents reviewed include relevant publications, articles from internet and reports from various stakeholders on internal control system.

According to Kothari (2004), data collection instruments as the tools to be used to gather data. To collect data about internal control system and financial performance of MTA, a self – administered closed questionnaire which comprised of written questions prepared by the researcher about the problems under investigation based on the research objectives of the study and reviewing of various documents with information related to the area of study such as publications, journals, textbooks, and internet information were used as data collection instruments.

2.4: Reliability and validity

“Reliability is used to measure degree to which a research instrument yields consistent results or data after repeated trial (Mugenda, 1999).” The survey used internal consistency method to determine the reliability of instruments.” “The cut-off points according to Fujun *et al* (2007), which is accepted on Cronbach’s Coefficient alpha, is 0.70. The Cronbach’s Alpha was determined using SPSS software as shown in the table below.

Table 1: Reliability results

Variables	Cronbach’s Alpha	No. of Items
Control activities	0.874	20
Control environment	0.720	7
Internal audit	0.955	10
Financial performance	0.784	4

Source: Primary data, 2024

Results in table 1 show that, the survey instrument demonstrates good internal consistency. This indicates that the survey questions are internally consistent, meaning they are measuring the same underlying construct. Three out of the four variables have Cronbach's alpha far above the recommended threshold of 0.70, indicating good internal consistency. One variable, control environment, has a Cronbach's alpha of 0.720, which is too close the recommended threshold. This suggests that the items measuring control environment may not be entirely consistent. It might be beneficial to further investigate this variable to improve the instrument's reliability. Overall, the survey instrument demonstrates good internal consistency therefore, the data for the study was appropriate and reliable.

The validity of the data collection instruments was done with the help of an Expert (the Researcher's Supervisor) to edit the questionnaire. The Researcher forwarded a closed questionnaire to Supervisor who is an expert in the area covered by the research for editing and reviewing.

2.5: Data analysis and measurement of variables

A few closely related operations were performed with the purpose of summarizing the collected data and organizing it in such a manner that they answer researcher's questions, (Saunders, 2007). Data was analyzed using both qualitative and quantitative techniques.

Qualitative data analysis included checking, editing, coding, classification, and tabulation of collected data so that they could be analyzed into information. Analysis of data involves using descriptive statistics to enable the researcher to derive meaningful description and distribution of scores. Measures of central tendency were used to get the average scores (mean), to determine the average number of respondents per item on the questionnaire. Standard deviation was used to measure the validity of scores from the mean in the distribution. Pearson correlation coefficient was used to measure the degree and direction of relations between the dependent variables and independent variable. Values of correlation (r) between +1.0 and -1.0 reflect positive and negative relations respectively. And r = 0 reflects no relationship.

The quantitative data analysis consisted of numerical values from which descriptions such as means, standard deviations and correlations were made. In analyzing the quantitative data, the researcher took time to understand the data, checked it to ensure accuracy. The collected data was edited, coded, and classified under different themes and sub-themes then analysis using the Statistical Package for Social Sciences (SPSS) program was used. Summary statistics in form of frequencies and percentages were run and interpretations made. SPSS was used because of its simplicity and comprehensiveness in analyzing quantitative data.

To operationalize the relationship between internal control and financial performance, nominal and ordinal scale was used in measuring the data." "Nominal scale was used for capturing the level of education, current position, and duration of service. Ordinal scale was used in ranking the data of key variables (control activities, control environment, internal audit, and financial performance) and the Likert scale rate system was used to rate the opinions of the respondents because it measured people's attitudes, beliefs, emotions, feelings, and other psychological constructs (Spector, et al, 2012)." "A five-point Likert scale was represented as follows: 1- Strongly Disagree, 2- Disagree, 3- Not sure, 4 - Agree, and 5- Strongly Agree.

2.6: Diagnostic tests

Diagnostic tests were conducted to ensure that the assumptions of linear correlation and regression are not violated. Normality and autocorrelation tests were conducted.

2.6.1. Normality test

In the study, normality tests were carried out to test the normal distribution of the data before analysis. The Shapiro -Wilk Test was formed to test for normality in the study. The table below shows the results corresponding to the Shapiro-Wilk test for normality for the different variables used in the study. This test is deemed appropriate for samples that fall between 7 and 2,000, Shapiro, & Wilk, M. B (2015).

Table 2: Tests of normality for financial performance, control activities, control environment and internal audit

Tests of normality

Shapiro-Wilk				
Variables	**Statistic**	**Df**	**Sig**	
Financial performance	0.949	20	0.355	
Control activities	0.953	20	0.418	
Control environment	0.953	20	0.418	
Internal audit	0.929	20	0.147	

Source: primary data, 2024

The results show that the Shapiro-wilk significance value (p-value) for all variables is greater than 0.05 ($p>0.05$). This implies that the data is approximately normally distributed.

2.6.2. Autocorrelation

Autocorrelation makes the standard errors of coefficients appear to be less in linear panel models, resulting in higher R squared and erroneous hypothesis testing. Autocorrelation was tested using Durbin-Watson test. Error terms in regression variables are uncorrelated if Durbin-Watson test is 2 (that is between 1 and 3). The closer the value is to 2 the better. The results are shown in the table below.

Table 3: Autocorrelation test for control activities, control environment and internal audit

Durbin-Watson statistics
2.078

Source: primary data, 2024

The results show that the Durbin-Watson statistic was 2.078. This implies that the error terms of regression variables are uncorrelated because the Durbin-Watson statistic is close to 2.

2.7: Ethical values and limitations of the study

The researcher strictly adhered to professional ethical conduct in their research. The researcher sought permission from MTA to conduct the study and obtained a letter of introduction from the University research coordinator. The researcher explained the study's objectives to the respondents and conducted it with dignity, ensuring that respondents' names did not appear on questionnaires and that findings were kept confidential to protect the enterprise's information and health. The study was conducted with integrity and objectivity, with the researcher asking honest and truthful questions and considering all feedback to avoid bias in information acquisition. Honesty was maintained throughout the study, ensuring that data collected, presented, analyzed, and interpreted was strictly based on the findings.

The shortcomings experienced during the research are as follows.

Limited geographical scope: while the research was meticulously planned, it could not be extended beyond the MTA unit in Bejaia due to high operational costs. This limitation prevented the study from including other MTA units.

Slow response rate from participants: some participants cited being busy or lacking time as reasons for their slow response to the questionnaires. Despite a friendly approach, frequent reminders, and a two-week response window, obtaining responses proved challenging.

Participant sensitivity regarding information: The sensitivity of the information required for the study initially caused some participants to be uncooperative. This issue was addressed by assuring participants that all information would be kept confidential and used solely for academic purposes.

The next chapter discusses data presentation, analysis, and interpretation of findings.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

3.0: Introduction

This chapter presents the analysis, interpretation and findings of the study arising from the data collected from the field using questionnaires. It also presents the response rate, structure of MTA, background information on the respondents, descriptive analysis, and verification of research hypotheses as well as the research questions. The findings are presented basing on the research objectives that sought to investigate the relationship between internal control and financial performance of MTA, Bejaia as a case study.

3.1: Response rate of the questionnaire

"Response rate, also referred to as return rate or completion rate", refers to the number of people who responded to the survey divided by the number of people in the sample, and is normally presented in form of percentages.

Table 4: Findings on response rate

	Frequency	**Percentage (%)**
Returned	**20**	**80**
Not returned	**5**	**20**
Total	**25**	**100**

Source; primary data, 2024

The Sample size of 25 respondents was targeted by the study from which 20 filled in and returned the questionnaires leading to a response rate of 80%. In making conclusions for the study this response rate was satisfactory as per Mugenda and Mugenda (1999). The response rate was representative, a 50% response rate is adequate for analysis and reporting; a rate of 60% is good and a 70% and over response rate of is excellent. The response rate was excellent, based on the assertion. The results were presented in table above.

3.2: Presentation of MTA, LLC

This section discusses the history, mission, objectives, vision, strength, geographical location, and structure of MTA.

3.2.1. History of MTA, LLC

Maghrébine de Transport et Auxiliaries (MTA) is a limited liability company (LLC) resulting from the privatization, the transformation of the corporate purpose, and the renaming of the National Warehousing Company (SONATMAG) created in 1970.

In accordance with its statutory missions, MTA carries out and develops its activities in the following areas:

- National and international transportation
- Import and export transit
- Warehousing in all its forms
- Warehousing receipts
- Grading
- Ship consignment
- Freight recruitment
- Provisioning
- Consolidation and deconsolidation
- Land and maritime brokerage
- Port handling.

3.2.2. Mission, objectives, and vision of MTA

The company's main mission is to meet the needs of its customers and offer them a better ratio of deadlines, prices, and quality of services. It also carries out the following missions: transit, national and international transport, ship consignment, handling, and approval, while trying to establish good coordination between the different activities and a better organization of the company to achieve the following objectives:

- Offer customers the best quality-price ratio.
- Give a better image to the company.
- Convince customers to use the company's services.
- Increase the company's profitability.

It visualizes to be the essential link in the logistics chain.

3.2.3. The strengths of MTA

- Qualified personnel.
- A national network composed of maritime agencies and transit services in all commercial ports of the country and airports.
- An international network constituted by foreign correspondents in multimodal transport, transit, and grading.
- An infrastructure for storage (free, under customs) covering an area of 26,351m² and uncovered of 30,544m².
- A fleet of land transport organized into:
  - Conventional transport
  - Specific transport
  - A fleet of trailer units equipped according to international transport standards
  - A fleet of lifting equipment (6T, 12T, 18T, and 28T)
  - Cranes for handling heavy parcels

3.2.4. Geographical location

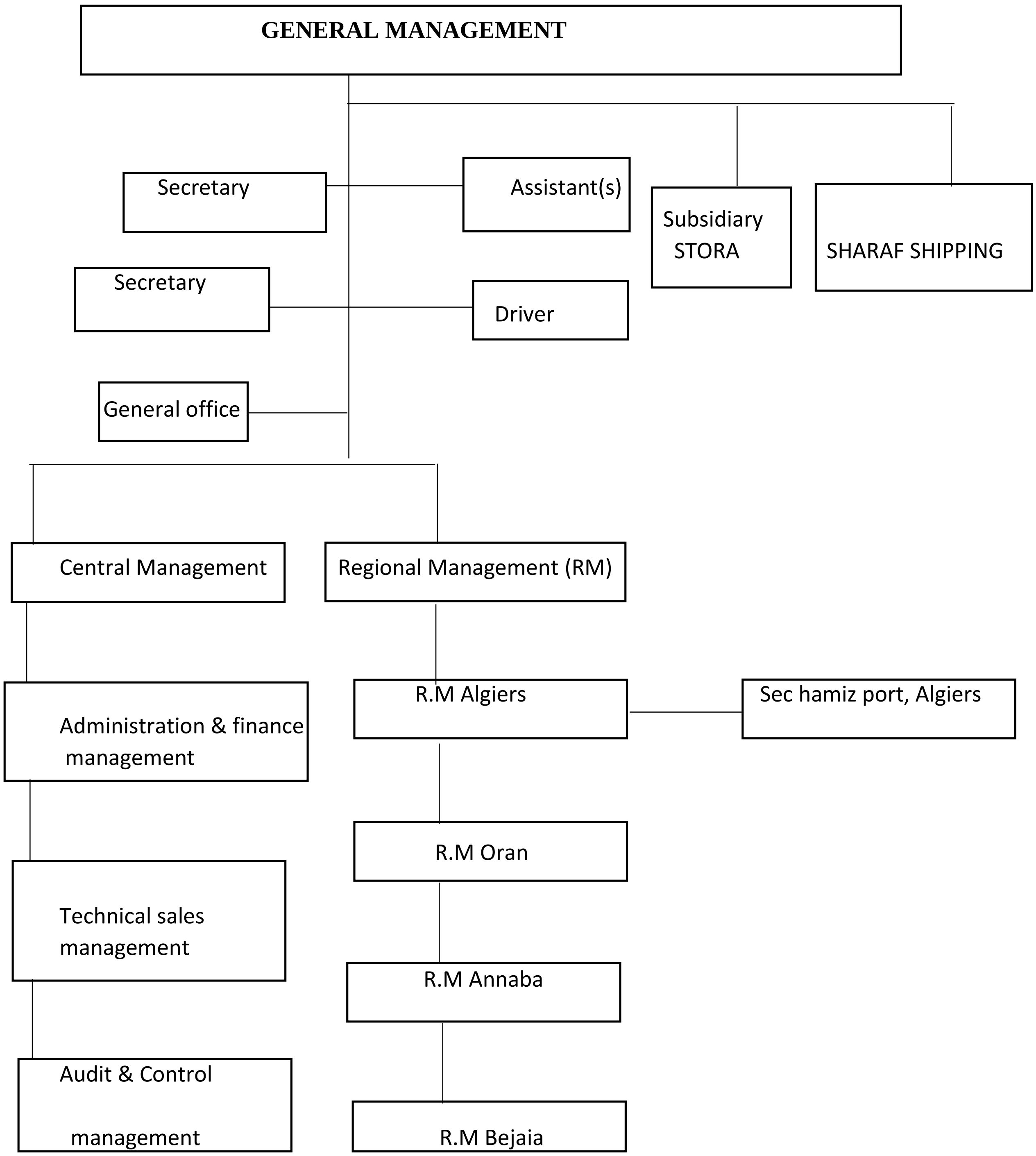
MTA is a national company whose activities are mainly located at Algerian ports (Bejaia, Algiers, Oran, Annaba, Skikda, Mostaganem, and Jijel). It also has dry ports located in Es-Seina in the Oran province and in El-Hamiz in the Algiers province. Additionally, MTA has equipment parks generally situated away from port areas.

MTA - Bejaia unit has two (2) agencies; a shipping agency (consignment of containers) located at central Quai of bejaia port, the other one of transit and transport is located at frères Amrane Street. Regional management office of Bejaia is at SOMACOB Block, 3rd floor, Iheddaden/Bejaia.

3.2.5. The structure of MTA

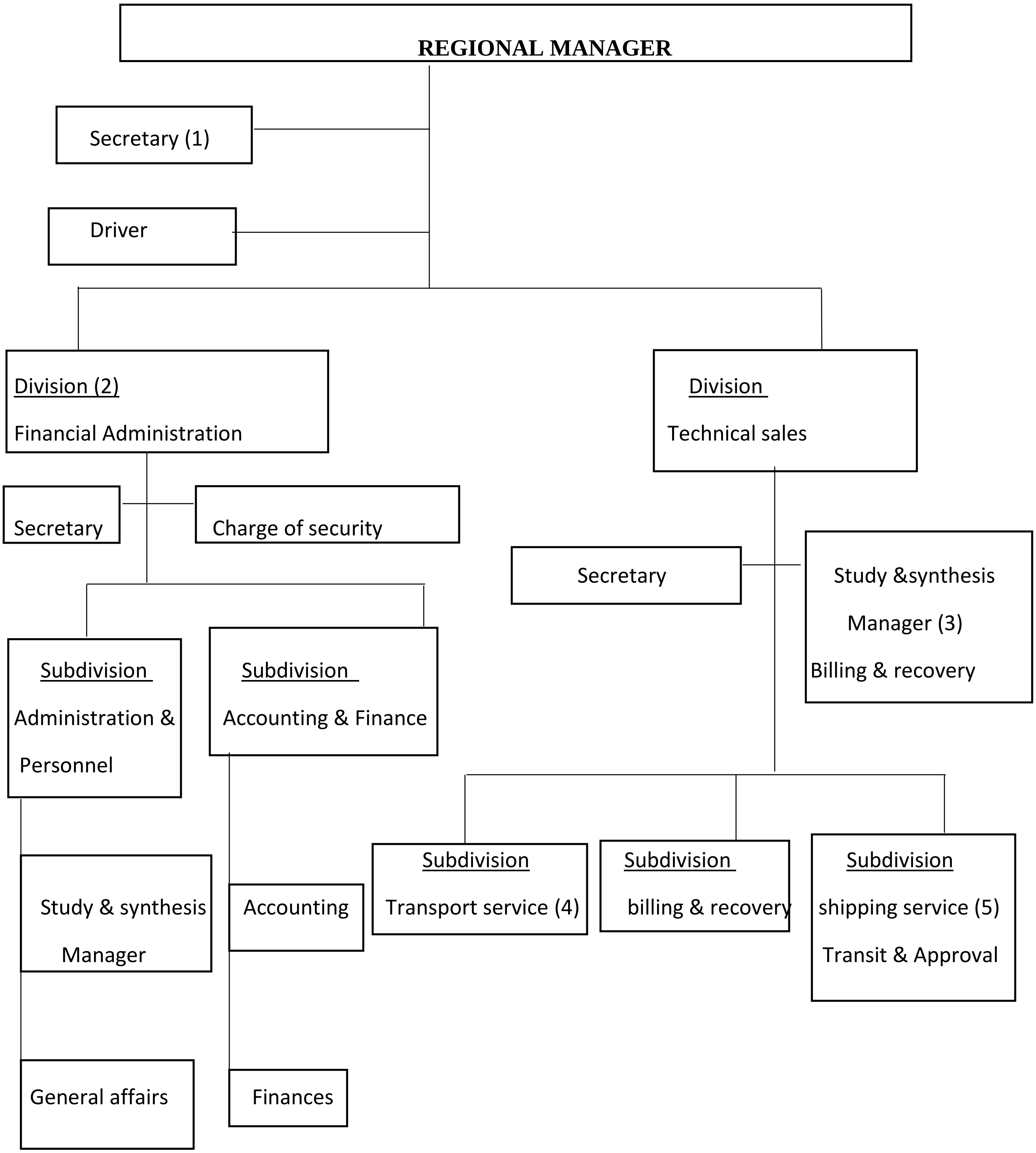
The figures below represent the general, regional and subdivision structures of MTA, LLC

Figure 2: General structure of MTA, LLC



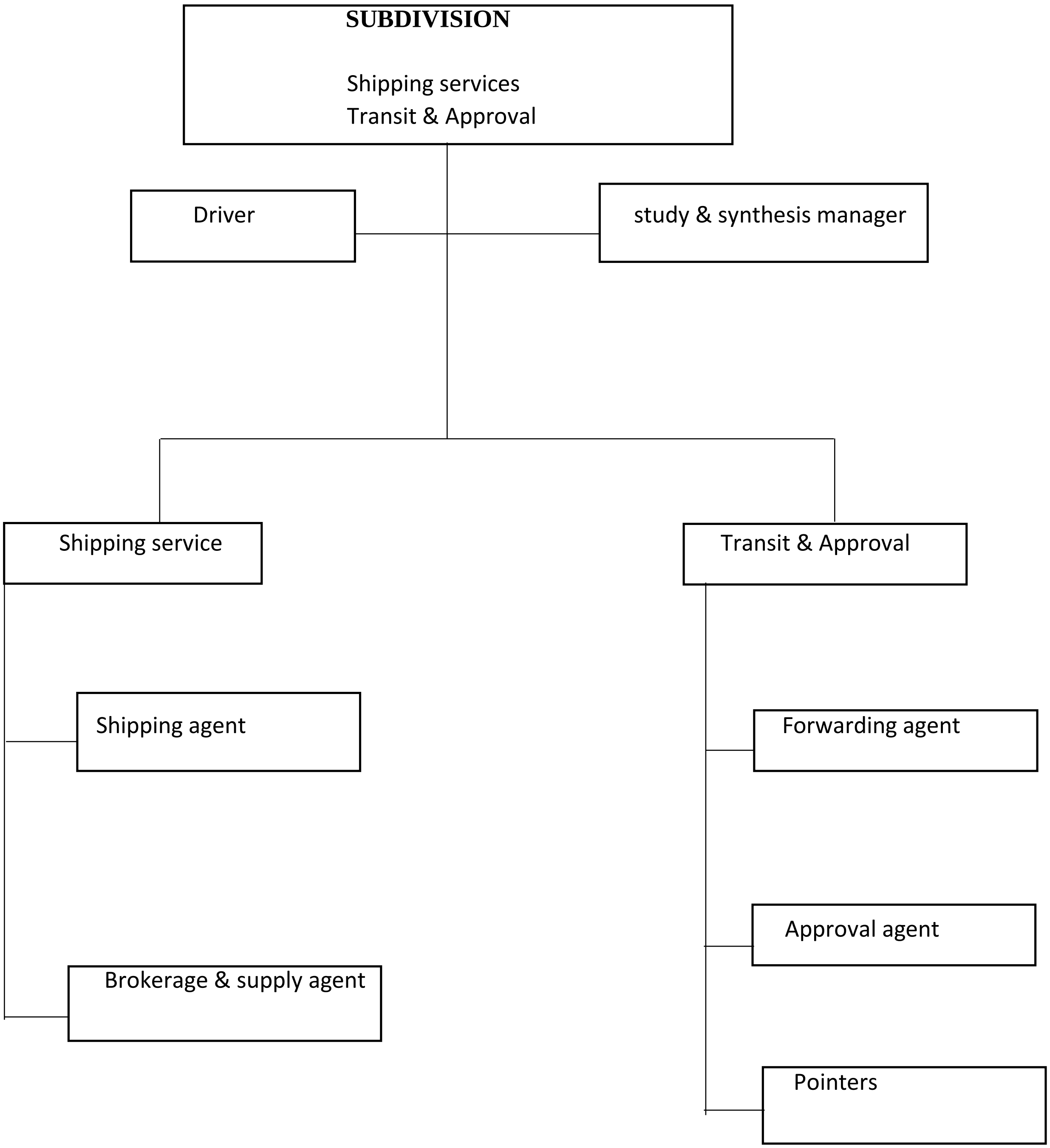
Source: Developed by me from internal documents of MTA

Figure 3: Regional structure of MTA, LLC



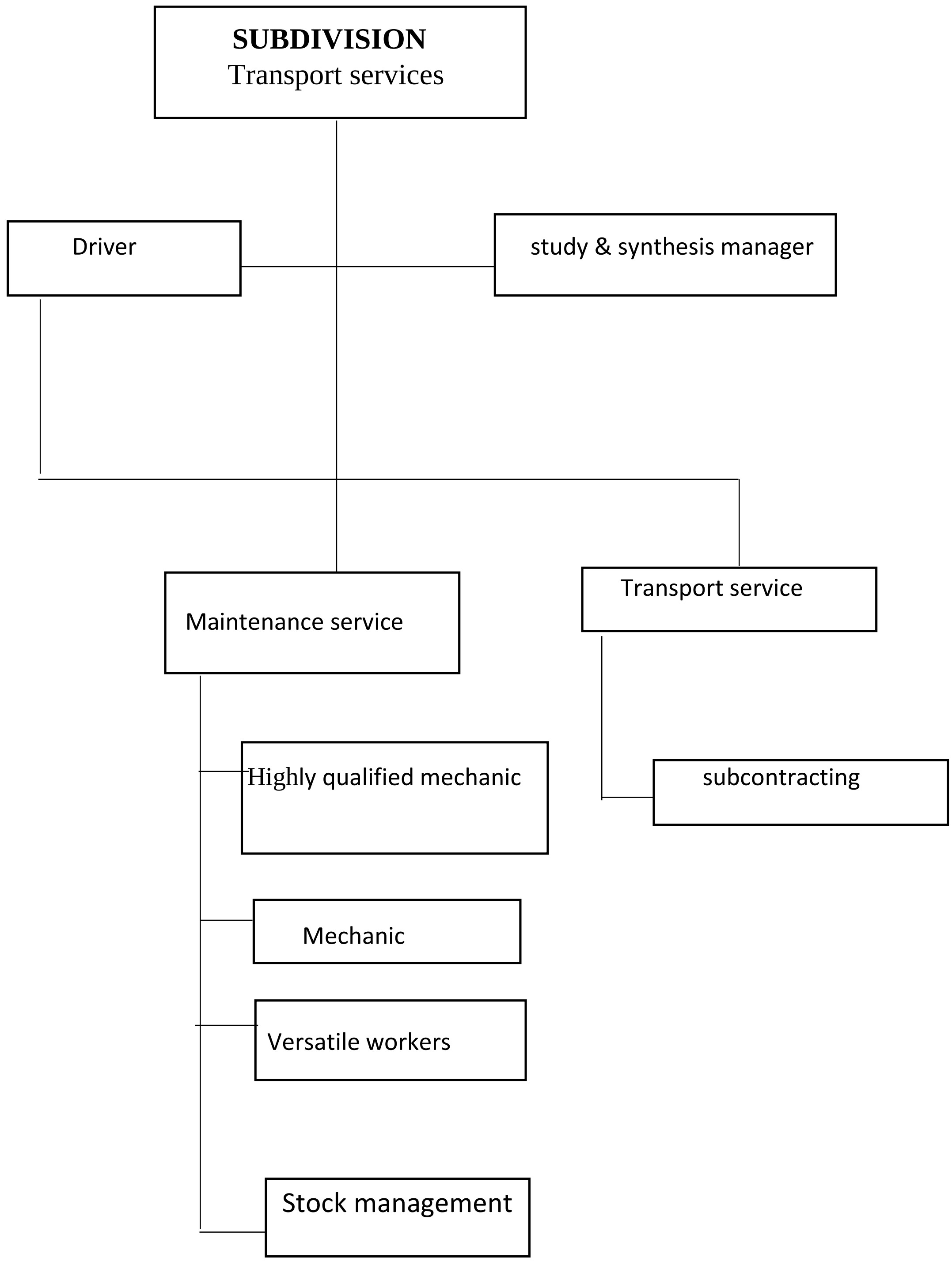
Source: Developed by me from internal documents of MTA

Figure 4: Subdivision shipping services structure of MTA, LLC



Source: Developed by me from internal documents of MTA

Figure 5: Subdivision transport services structure of MTA, LLC



Source: Developed by me from internal documents of MTA

This unit is headed by the director, followed by his secretary, and finally followed by different services. This organizational chart is hierarchical that is, information flows from the top to the bottom. The Director sets the overall direction and goals of the unit. Each subsequent level is responsible for implementing and managing specific aspects of the unit's operations.

This hierarchical organization chart helped me visualize how internal controls are implemented at different levels in MTA. The director sets the overall tone for internal controls, while each department designs and enforces specific controls relevant to their tasks. By analyzing how information flows and tasks are divided across this structure, I was able to explore how a well-designed internal control system permeates every level and contribute to the organization's financial performance.

Below are tasks performed at different levels.

(1.) Handles the following tasks:

- Mail
- Organization of professional agendas
- Different general tasks (fax, telephone, register)

(2.) Handles the following tasks:

- Maintenance management
- Accounting
- Investment management
- Human resource

(3.) Handles the following tasks:

- Invoice issuance/ Billing.
- Payment collection
- Debt monitoring

(4.) Unit responsible for transportation management:

- Programming (drivers, trucks)
- Allocation (drivers, trucks)
- Rotation (departure, destination, timekeeping)

(5.) Handles the following tasks:

- Customs transit of goods.
- Products approval for import and export.
- Vessel and cargo consignment.
- Vessel supplies.
- Brokerage
- Management of foreign clients

3.3: Background information of the respondents

The background information of respondents was deemed necessary because the ability of the respondents to give satisfactory information on the study variables greatly depends on their background. The background information of respondents solicited data on the samples, and this has been presented below categorized into; education levels, position held, and length of service in the organization.

3.3.1. Respondents' level of education

Under this, the researcher was interested in establishing the highest level of education among the respondents. The details of this from analysis were as shown in the table below.

Table 5: Findings on respondents' level of education

Level of education	Frequency	Percentage (%)
High school	1	5
Certificate	0	0
Diploma	5	25
Degree	6	30
Masters	5	25
Others	3	15
Total	**20**	**100**

Source; primary data, 2024

The findings in Table 5 show that, 5% of the respondents achieved a high school level, while 25% attained a diploma level. On the other hand, 30% achieved a degree level, 25% achieved a master's degree, and finally, 15% completed other short courses. The level of education possessed by respondents enabled the researcher to obtain reliable data concerning the functionality and efficiency of IC within the entity. Individuals with this level of education have a good understanding and reasoning ability, making their information about the efficiency and effectiveness of IC and their contribution to organizational financial performance more reliable.

3.3.2. Current position of respondents

The study sought and obtained details about the positions held by the respondents in MTA for purposes of understanding their role in the variables of study. Details of the respondents and their positions are shown in table below.

Table 6: Findings on current position of respondents

Position	Frequency	Percentage (%)
Director	1	5
Accounting and Finance	4	20
Marketing	2	10
Transport	6	30
Customs Agents	4	20
Others	3	15
Total	**20**	**100**

Source; primary data, 2024

The results in table 6 show that, 30% of the respondents were transport agents, 20% were Accounts and Finance staff, another 20% were customs agents, 10% were marketing staff, 15% were others (IT officer, operation officer, safety officer) and 5% represented the unit's head.

From the above description, it can be revealed that most of the respondents in this study are those directly responsible for or directly involved in the implementation of the ICS in MTA. Therefore, their responses are deemed to reflect what takes place in MTA.

3.3.3. Duration of service

The study investigated the duration of service in years by the respondents in MTA and the findings are presented in the table below.

Table 7: Findings on respondent's duration of service

Duration of service	Frequency	Percentage (%)
Less than 5 years	9	45
5 years and above	11	55
Total	**20**	**100**

Source; primary data, 2024

From Table 7 above, most respondents, 55%, stated that they had been working with MTA for 5 years and above. Additionally, 45% of the respondents indicated that they had been in operation for less than 5 years. This indicates that most respondents have served for more than 5 years, reflecting extensive knowledge that can be relied upon for assessing the contribution of IC to financial performance of MTA.

3.4: Assessing the functionality of internal control systems on financial performance in MTA

These outputs below provide descriptive statistics for all the independent variables and the dependent variable. Variables are listed down the left column of the outputs and the requested descriptive statistics are listed across the top row. The descriptive statistics included in the output are, the responses in a 5 five- point Likert scale format, mean, standard deviation and interpretation.

3.4.1. Descriptive statistics on control activities and financial performance in MTA

This first objective examined the influence of control activities on financial performance of MTA. "Questionnaires were administered to respondents to establish the extent to which they agreed with them." "The responses were rated on a five-point Likert scale ranging from (1=

Strongly Disagree, 2= Disagree, 3= Not Sure, 4= Agree, 5= Strongly Agreed).” The results are summarized in the tables below.

Mean: In the study shows the average of response.

Standard Deviation: In the study shows how spread the responses are to or from the mean value.

In this study, the interpretation was made using the perceptions of the respondents, thus, to do this, the weighted average value was used because it allows the consideration of the importance of each response category, and in other words, it takes into action the varying degrees of agreement and disagreement expressed by respondents. It’s calculated by simply a sum up of the mean values for the items, then divide by the total number of items.

To analyze the findings, respondents that strongly agreed and those who agreed were combined in one category of those who concurred with the items. Secondly, respondents who strongly disagreed and those who disagreed were combined in one category of those who opposed the items. In addition, another category of respondents was those who neither agreed nor disagreed (not sure) with the items. Thus, the three categories of respondents were compared. Interpretation was then drawn from the comparison of the three categories as shown in different tables below.

3.4.1.1. Authorization and approval

The table below presents participant’s responses on how authorization and approval influence financial performance in MTA.

Table 8: Descriptive statistics on how authorization and approval influence FP in MTA

Items	SD 1	D 2	N 3	A 4	SA 5	M	Std	Interpretation
Authorization and approval								
There exists appropriate approval and authorization mechanism in place in MTA.	0 (0%)	0 (0%)	3 (15%)	9 (45%)	8 (40%)	**4.25**	**.716**	High Perception
Appropriate disciplinary action is taken for breach of approval and authorization systems in place.	0 (0%)	0 (0%)	2 (10%)	8 (40%)	10 (50%)	**4.40**	**.681**	High Perception
Those in authority are aware of their power to approve and authorize transactions.	0 (0%)	1 (5%)	2 (10%)	10 (50%)	7 (35%)	**4.15**	**.813**	High Perception
Approval & authorization are properly documented and referred to.	0 (0%)	0 (0%)	3 (15%)	10 (50%)	7 (35%)	**4.20**	**.696**	High Perception
There is strict adherence to approval and authorization systems in place.	0 (0%)	0 (0%)	3 (15%)	13 (65%)	4 (20%)	**4.05**	**.605**	Low Perception
Unauthorized transactions are not processed.	0 (0%)	1 (5%)	5 (25%)	8 (40%)	6 (30%)	**3.95**	**.887**	Low Perception
Delegated staffs have power to authorize.	1 (5%)	1 (5%)	5 (25%)	9 (45%)	4 (20%)	**3.70**	**1.031**	Low Perception
There is respect for each other's role and duties in service delivery.	2 (10%)	0 (0%)	2 (10%)	10 (50%)	6 (30%)	**3.90**	**1.165**	Low Perception
Controls are in place to avoid overspending.	0 (0%)	0 (0%)	3 (15%)	9 (45%)	8 (40%)	**4.25**	**.716**	High Perception
Weighted average						**4.09**	**0.810**	

Source; primary data from the field, 2024

Key for interpreting mean 1.00-2.99 = Disagreed, 3.00-4.08 = Not sure, 4.09-5.00 = Agreed

M< weighted average = Low perception, M > weighted average = High perception

The study findings in Table 8 show that, authorization and approval influence FP and it's confirmed by a weighted average of (4.09), and a widely spread standard deviation at (0.810).

Comparison of these items shows that, the percentage of those who agreed ranged from 20% to 65%, while those who were not sure ranged from 10% to 25% and those who opposed ranged from 0% to 10%. From those comparisons the percentage range of those who agreed is higher than those that opposed and those that were not sure. The following is the interpretation.

Findings in table 8 show that, respondents have a high perception and agreed that; there exists an appropriate approval and authorization mechanism in place indicated by (mean= 4.25) and (Std = 0.716) meaning that approval and authorization works in MTA, appropriate disciplinary action is taken for breach of approval and authorization indicated by (mean =4.40) and (Std = 0.681) implying that breach of approval and authorization is punishable. The respondents also agreed that; those in authority are aware of their power to approve and authorize transactions indicated by (mean = 4.15) and (Std =0.813), approval and authorization are properly documented and referred to indicated by (mean = 4.20) and (Std =.696) and controls are in place to avoid overspending indicated by (mean =4.25) and (Std =0.716).

On the other hand, results in Table 8 show that, the respondents have a low perception and "not sure'' that; there is strict adherence to approval and authorization indicated by (mean=4.05) and (Std =0.605), unauthorized transactions are not processed indicated by (mean =3.97) and (Std =0.887), delegated staffs have power to authorize indicated by (mean =3.70) and (Std =1.031), and there is respect for others' roles and duties indicated by (mean=3.90) and (Std =1.165).

3.4.1.2. Separation of duties

The table below shows how participants responded on how separation of duties influences financial performance in MTA.

Table 9: Descriptive statistics on how separation of duties influences financial performance in MTA

Items	SD 1	D 2	N 3	A 4	SA 5	M	Std	Interpretation
Separation of duties								
Our entity has clear segregation of duties.	2 (10%)	4 (20%)	5 (25%)	7 (35%)	2 (10%)	**3.15**	**1.182**	Low Perception
Every employee works and checks on others.	2 (10%)	4 (20%)	5 (25%)	8 (40%)	1 (5%)	**3.10**	**1.119**	Low Perception
There is supervision of junior staff by senior staff.	0 (0%)	1 (5%)	7 (35%)	9 (45%)	3 (15%)	**3.70**	**.801**	High Perception
It is impossible for one staff to have access to valuable information without consent of a senior staff	1 (5%)	0 (0%)	3 (15%)	9 (45%)	7 (35%)	**4.05**	**.999**	High Perception
Staffs are in place to allow proper segregation of duty.	1 (5%)	2 (10%)	6 (30%)	8 (40%)	3 (15%)	**3.50**	**1.051**	High Perception
Duties and roles in MTA are properly segregated.	4 (20%)	1 (5%)	8 (40%)	4 (20%)	3 (15%)	**3.05**	**1.317**	Low Perception
Weighted average						**3.43**	**1.09**	

Source; primary data from the field, 2024

Key for interpreting mean 1.00-2.99 = Disagreed, 3.00-3.42 = Not sure, 3.43-5.00 = Agreed

M< weighted average = Low perception, M > weighted average = High perception

The study findings in Table 9 show that, separation of duties influence financial performance and it's confirmed by a weighted average of (3.43), and a widely spread standard deviation at (1.09).

Comparison of these items shows that, the percentage of those who agreed ranged from 5% to 45%, while those who were not sure ranged from 15% to 40% and those who opposed ranged from 0% to 20%. From those comparisons the range of percentages of those who agreed is higher than those that opposed and those that were not sure. The following is the interpretation.

Findings in table 9 show that, respondents have a high perception and concurred that; there is supervision of junior staff by senior staff indicated by (mean =3.70) and (Std =0.801). The lack of supervision by senior staff is an indication of deficiencies in strategic controls (Hitt, Hoskisson, Johnson, and Moesel, 1996) which if not addressed may lead to material internal control weaknesses. Action being taken to address weaknesses in the systems is an indication of the commitment to systems (Whittington and Pany, 2001). The respondents also agreed that no staff has access to valuable information without consent of a senior staff indicated by (mean =4.05) and (Std =0.999), and Staffs are in place to allow proper segregation of duty indicated by (mean =3.50) and (Std =1.051).

On the other hand, results in table 9 show that, respondents have a low perception and "not sure" that; their entity has clear segregation of duties indicated by (mean = 3.15) and (Std = 1.182), every employee works and checks on the other (mean =3.10) and (Std =1.119), and duties and roles are properly segregated MTA indicated by (mean = 3.05) and (std = 1.317).

3.4.1.3. Supervision

The table below presents how participants responded on how supervision influence financial performance in MTA.

Table 10: Descriptive statistics on how supervision influence financial performance in MTA

Items	SD 1	D 2	N 3	A 4	SA 5	M	Std	Interpretation
Supervision.								
There is routine monitoring of reports in MTA.	0 (0%)	0 (0%)	4 (20%)	13 (65%)	3 (15%)	**3.95**	**.605**	High Perception
Monitoring is done even if there is no allowance.	1 (5%)	3 (15%)	8 (40%)	7 (35%)	1 (5%)	**3.20**	**.951**	Low Perception
There is respect for supervisors in place of work in MTA.	0 (0%)	2 (10%)	2 (10%)	10 (50%)	6 (30%)	**4.00**	**.918**	High Perception
Supervisors are aware of their roles in MTA.	0 (0%)	0 (0%)	9 (45%)	5 (25%)	6 (30%)	**3.85**	**.875**	High Perception
Executives are always in office supervising MTA activities.	0 (0%)	1 (5%)	4 (20%)	12 (60%)	3 (15%)	**3.85**	**.745**	High Perception
Weighted average						**3.77**	**.819**	

Source; primary data from the field, 2024

Key for interpreting mean 1.00-2.99 = Disagreed, 3.00-3.76 = Not sure, 3.77-5.00 = Agreed

M< weighted average = Low perception, M > weighted average = High perception

The study findings in Table 10 show that, supervision influence financial performance and it's confirmed by a weighted average of (3.77), and a widely spread standard deviation at (0.819).

Comparison of these items shows that, the percentage of those who agreed ranged from 5% to

65%, while those who were not sure ranged from 10% to 45% and those who opposed ranged from 0% to 15%. From those comparisons the range of percentages of those who agreed is higher than those that opposed and those that were not sure. The following is the interpretation.

Findings in table 10 show that, majority of the respondents have a high perception and agreed that; there is a routine monitoring report in MTA indicated by (mean = 3.95) and (Std =0.605). This means that employees are doing their oversight roles to ensure that diversion is detected early enough to improve financial performance. The respondents also agreed that there is respect of supervisors in place of work in MTA indicated by (mean =4.00) and (Std =0.918), supervisors are also aware of their roles indicated by (mean =3.85) and (Std =0.875) and executives are always in office supervising MTA activities indicated by (mean = 3.85) and (Std =0.745). This means that there is coordination between the technocrats and policy makers since they are always in office which leads to improved financial performance in MTA.

On the other hand, results in table 10 show that, minority of the respondents have a low perception and “not sure” whether monitoring is done even if there is no allowance. This is indicated by (mean =3.20) and (Std =0.951).

3.4.1.4. Testing the relationship between control activities and financial performance in MTA

To determine the relationship between control activities and financial performance of MTA, correlation and regression analyses were conducted. Pearson correlation coefficient (r) was used to determine the strength of the relationship between the two variables.
The coefficient of determination was used to determine the effects of ICS on financial performance. The significance of the coefficient (p) was used to test the objective by comparing (p) to the critical significance level at 0.05 and this procedure was used to test all the other objectives.

H_0: no relationship between the two variables

H_1: there is a relationship between the two variables.

Table 11: Relationship between control activities and financial performance in MTA

Correlations			
		Control activities	**Financial performance**
Control activities	Pearson Correlation	1	.715**
	Sig. (2-tailed)		.000
	N	20	20
Financial performance	Pearson Correlation	.715**	1
	Sig. (2-tailed)	.000	
	N	20	20

**. Correlation is significant at the 0.05 level (2-tailed).

Source: primary data, 2024

Findings in table 11 shows that, there is a strong positive correlation at (r= 0.715**) between control activities and financial performance of MTA. The significance value being less than the significance level ($p<0.05$), implies that there is a relationship between the two variables and they both move in the same direction. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This implies that control activities have positive effects on financial performance in MTA.

To determine the extent to which control activities influence financial performance, the regression analysis was conducted. The results are summarized below.

Table 12: Regression analysis on control activities and financial performance in MTA

Summary Model

Model	**R**	**R Square**	**Adjust R Square**	**Standard Estimation Error**
1	0.715	0.681	0.653	0.4757

Source: Primary Data, 2024

Coefficients

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig**
	B	Std. Error	Beta		
1 (constant)	0.318	0.845		0.377	0.711
Control Activities	0.953	0.220	0.715	4.334	0.000

Source: Primary Data, 2024

From the results of the analysis (summary model) above, the findings show that, the coefficient of determination R square (R^2) for the model is 0.681. This implies that 68.1% (0.681*100) of variation in FP is accounted for by control activities in MTA. Therefore, the model is good.

$$y = C + f(x) + \varepsilon$$

$$y = C + \beta x + \varepsilon$$

$$with\ C = 0, y = \beta x + \varepsilon$$

$$Therefore, y = 0.953x + \varepsilon$$

$$where\ \varepsilon\ is\ radom\ error\ component$$

The results of the analysis (coefficients) above show that, the constant (C) is not statistically significant because $p>0.05$. This implies that it has no impact on the financial performance. The findings also show that the value for β is 0.953 ($\beta = 0.953$) and statistically significant because $p<0.05$.

The equation above expresses the extent to which control activities influence financial performance. Therefore, one unit change in control activities (x) would result in 0.953 units increase in financial performance (y).

3.4.2. Descriptive statistics on control environment and FP in MTA

The second objective examined the influence of control environment on financial performance of MTA. “Questionnaires were administered to respondents to establish the extent to which they agreed with them.” “The responses were rated on a five-point Likert scale ranging from (1= Strongly Disagree, 2= Disagree, 3= Not Sure, 4= Agree, 5= Strongly Agreed).” The results are summarized in the table below.

Mean: In the study shows the average of response.

Standard Deviation: In the study shows how spread the responses are to or from the mean value.

Table 13: Descriptive statistics on how Control environment affect FP in MTA

Items	**SD 1**	**D 2**	**N 3**	**A 4**	**SA 5**	**M**	**Std**	**Interpretation**
Control environment								
Our entity has accounting and financial management system.	0 (0%)	0 (0%)	3 (15%)	9 (45%)	8 (40%)	**4.25**	**0.716**	High Perception
Management is committed to the operation of the system.	0 (0%)	0 (0%)	5 (25%)	7 (35%)	8 (40%)	**4.15**	**0.813**	High Perception
Appropriate means are taken to correct mistakes in operation of our accounting and financial management system.	0 (0%)	0 (0%)	5 (25%)	9 (45%)	6 (30%)	**4.05**	**0.759**	High Perception
Ethical values are upheld in all management decisions.	0 (0%)	3 (15%)	4 (20%)	8 (40%)	5 (25%)	**3.75**	**1.020**	High Perception
Our entity has an objective, independent and active public accounts committee.	5 (25%)	4 (20%)	4 (20%)	5 (25%)	2 (10%)	**2.75**	**1.372**	Low Perception
Management provides feedback to the junior staff about the operation of the system.	1 (5%)	2 (10%)	5 (25%)	6 (30%)	6 (30%)	**3.70**	**1.174**	Low Perception
Management closely monitors the implementation of internal control system	2 (10%)	2 (10%)	4 (20%)	7 (35%)	5 (25%)	**3.55**	**1.276**	Low Perception
Weighted average						**3.74**	**1.019**	

Source; primary data from the field, 2024

Key for interpreting mean 1.00-2.99 = Disagreed, 3.00-3.73 = Not sure, 3.74-5.00 = Agreed

M< weighted average = Low perception, M > weighted average = High perception

The study findings in Table 13 show that, control environment affects FP in MTA and it's confirmed by a weighted average of (3.74), and a widely spread standard deviation at (1.019). Comparison of these items shows that, the percentage of those who agreed ranged from 10% to 45%, while those who were not sure ranged from 15% to 25% and those who opposed ranged from 0% to 25%. From those comparisons the range of percentages of those who agreed is higher than those that opposed and those that were not sure. The following is the interpretation.

Findings in table 13 show that, majority of the respondents have a high perception and agreed that; MTA has an accounting and financial management system indicated by (mean =4.25) and (Std =0.716), management is committed to the operation of the system indicated by (mean =4.15) and (Std =0.813). This means the environment in which ICS is implemented is conducive to improve FP. The respondents also agreed that appropriate means are taken to correct mistakes in operation of our accounting and financial management system indicated by (mean =4.05) and (Std =0.759). This means that corrections can be made where the staff gets it wrong which can improve FP in MTA. The respondents also agreed that ethical values are upheld in all management decisions indicated by (mean =0.375) and (Std =1.020).

On the other hand, results in table 13 show that, minority respondents have a low perception and "not sure" whether; Management closely monitors the implementation of ICS and provides feedback to the junior staff about the operation of the system. This is indicated by (mean =3.55) and (Std =1.276) and (mean =3.70) and (Std =1.174), respectively. The respondents disagreed that MTA has an objective, independent and active public accounts committee indicated by (mean =2.75) and (Std =1.372).

3.4.2.1. Testing the relationship between control environment on financial performance in MTA

To determine the relationship between control environment and financial performance of MTA, correlation and regression analyses were conducted. Pearson correlation coefficient (r) was used to determine the strength of the relationship between the two variables. The results are summarized in the table below.

H_0: no relationship between the two variables

H_2: there is a relationship between the two variables.

Table 14: Relationship between control environment and FP in MTA

Correlations			
		Control environment	**Financial performance**
Control environment	Pearson Correlation	1	.195
	Sig. (2-tailed)		.410
	N	20	20
Financial performance	Pearson Correlation	.195*	1
	Sig. (2-tailed)	.410	
	N	20	20

*Correlation is not significant at the 0.05 level (2-tailed).

Source: primary data, 2024

Findings in table 14 show that, there is a minimal positive correlation between control activities and financial performance. The significance value being greater than the significance level ($p>0.05$), implies that the correlation between the two variables is not statistically significant. Therefore, the null hypothesis (H_0) is accepted, thus there isn't sufficient evidence that the alternative hypothesis (H_2) is true. This implies that control environment does not impact financial performance in MTA. Therefore, the regression analysis cannot be used to model the relationship between the two variables.

3.4.3. Descriptive statistics on internal audit and financial performance in MTA

The third objective assessed the impact of internal audit on financial performance of MTA. "Questionnaires were administered to respondents to establish the extent to which they agreed with them." "The responses were rated on a five-point Likert scale ranging from (1= Strongly Disagree, 2= Disagree, 3= Not Sure, 4= Agree, 5= Strongly Agreed)." The results are summarized in the table below.

Mean: In the study shows the average of response.

Standard Deviation: In the study shows how spread the responses are to or from the mean value.

Table 15: Descriptive statistics on how internal audit influence FP in MTA

Items	SD	D	N	A	SA	M	Std	Interpretation
Internal audit								
Our entity has an internal audit department.	1 (5%)	1 (5%)	5 (25%)	7 (35%)	6 (30%)	**3.80**	**1.105**	High Perception
Our internal audit department is sufficiently staffed.	1 (5%)	3 (15%)	6 (30%)	5 (25%)	5 (25%)	**3.50**	**1.192**	Low Perception
Internal audit reports are produced regularly.	1 (5%)	1 (5%)	5 (25%)	6 (30%)	7 (35%)	**3.85**	**1.137**	High Perception
Internal audit reports address weaknesses in our internal control system.	1 (5%)	1 (5%)	6 (30%)	5 (25%)	7 (35%)	**3.80**	**1.152**	High Perception
Internal audit conducts regular audit activities in our entity.	1 (5%)	1 (5%)	5 (25%)	6 (30%)	7 (35%)	**3.85**	**1.137**	High Perception
Internal audit makes appropriate recommendations for management to improve.	1 (5%)	1 (5%)	5 (25%)	7 (35%)	6 (30%)	**3.80**	**1.105**	High Perception
Our internal audit has qualified accountants.	1 (5%)	1 (5%)	5 (25%)	7 (35%)	6 (30%)	**3.80**	**1.105**	High Perception
Staffs are aware of internal audit function and its implications.	1 (5%)	1 (5%)	5 (25%)	6 (30%)	7 (35%)	**3.85**	**1.137**	High Perception
Internal control system in place ensures that MTA achieves its desired performance level.	1 (5%)	1 (5%)	5 (25%)	6 (30%)	7 (35%)	**3.85**	**1.137**	High Perception
Staffs have the necessary skills to enable them to achieve the targets set.	0 (0%)	1 (5%)	6 (30%)	6 (30%)	7 (35%)	**3.90**	**0.912**	High Perception
Weighted Average						**3.80**	**1.112**	

Source; primary data from the field, 2024

Key for interpreting mean 1.00-2.99 = Disagreed, 3.00-3.79 = Not sure, 3.80-5.00 = Agreed

M< weighted average = Low perception, M > weighted average = High perception

The study findings in Table 15 show that, internal audit impacts financial performance in MTA and it's confirmed by a weighted average of (3.80), and a widely spread standard deviation at (1.112).
Comparison of these items shows that, the percentage of those who agreed ranged from 25% to 35%, while those who were not sure ranged from 25% to 30% and those who opposed ranged from 0% to 15%. From those comparisons, the range of percentages of those who agreed is higher than those that disagreed and those who were not sure. The following is the interpretation.

Findings in table 15 show that, majority of the respondents have a high perception and agreed that; MTA has an internal audit department indicated by (mean =3.80) and (Std =1.105), internal audit reports are produced regularly indicated by (mean =3.85) and (Std =1.137), internal audit reports address weaknesses in our ICS indicated by (mean =3.80) and (Std =1.152), internal audit conducts regular audit activities in MTA indicated by (mean =3.85) and (Std =1.137). This means timely reporting and accountability can be achieved. The respondents also agreed that internal audit makes appropriate recommendations for management to improve indicated by (mean =3.80) and (Std =1.105), internal audit has qualified accountants indicated by (mean =3.80) and (Std =1.105), Staffs are aware of internal audit function and its implications indicated by (mean =3.85) and (Std =1.137), ICS in place ensures that MTA achieves its desired performance level indicated by (mean =3.85) and (Std =1.137), and Staffs have the necessary skills to enable them to achieve the targets set indicated by (mean =3.90) and (Std =0.912). This means that internal audit department is in place to ensure that ICS are in place and errors made are corrected in time to improve financial performance.

On the other hand, results in table 15 show that, minority of the respondents have a low perception and "not sure" whether; MTA's internal audit department is sufficiently staffed, this is indicated by (mean =3.50) and (Std =1.192).

3.4.3.1. Testing the relationship of internal audit on financial performance in MTA

To determine the relationship between internal audit and financial performance of MTA, correlation and regression analyses were conducted. Pearson correlation coefficient (r) was used to determine the strength of the relationship between the two variables. The results are summarized in the table below.

H_0: no relationship between the two variables

H_3: there is a relationship between the two variables.

Table 16: Relationship between internal audit and financial performance in MTA

Correlations			
		Internal audit	**Financial performance**
Internal audit	Pearson Correlation	1	.175*
	Sig. (2-tailed)		.461
	N	20	20
Financial performance	Pearson Correlation	.175*	1
	Sig. (2-tailed)	.461	
	N	20	20

*Correlation is not significant at the 0.05 level (2-tailed).

Source: primary data, 2024

Findings in table 16 show that, there is a minimal positive correlation (r =0.175) between internal audit and financial performance. The significance value being greater than the significance level ($p>0.05$), implies that the correlation between the two variables is not statistically significant. Therefore, the null hypothesis (H_0) is accepted, thus there isn't sufficient evidence that the alternative hypothesis (H_3) is true. This implies that internal audit does not impact financial performance in MTA. Therefore, the regression analysis cannot be used to model the relationship between the two variables.

3.4.4. Descriptive statistics on financial performance in MTA

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of FP in MTA. The responses were rated on a five-point Likert scale ranging from (1= Strongly Disagree, 2= Disagree, 3= Not Sure, 4= Agree, 5= Strongly Agreed)." The results are summarized in the table below.

Mean: In the study shows the average of response.

Standard Deviation: In the study shows how spread the responses are to or from the mean value.

Table 17: Descriptive statistics of financial performance in MTA

Items	**SD** **1**	**D** **2**	**N** **3**	**A** **4**	**SA** **5**	**M**	**Std**	**Interpretation**
Financial performance								
Our entity's accounting system adequately identifies the receipt and expenditure of funds.	0 (0%)	0 (0%)	2 (10%)	12 (60%)	6 (30%)	**4.20**	**0.616**	High Perception
There is timely submission of activity reports in MTA.	0 (0%)	0 (0%)	4 (20%)	11 (55%)	5 (25%)	**4.05**	**0.686**	High Perception
Our entity complies with all the financial rules and regulations.	0 (0%)	1 (5%)	4 (20%)	7 (35%)	8 (40%)	**4.10**	**0.912**	High Perception
Our entity's assets are revalued frequently.	1 (5%)	2 (10%)	8 (40%)	5 (25%)	4 (20%)	**3.45**	**1.099**	Low Perception
Weighted average						**3.95**	**0.828**	

Source; primary data from the field, 2024

Key for interpreting mean 1.00-2.99 = Disagreed, 3.00-3.94 = Not sure, 3.95-5.00 = Agreed

M< weighted average = Low perception, M > weighted average = High perception

From the results in table 17, it’s revealed that, the level of financial performance of MTA is ordinarily very good, and this is indicated by a weighted average of 3.95 and a widely spread std of 0.828.

Comparison of these items shows that, the percentage of those who agreed ranged from 20% to 60%, while those who were not sure ranged from 10% to 40% and those who opposed ranged from 0% to 10%. From those comparisons, the range of percentages of those who agreed is higher than those that disagreed and those who were not sure. The following is the interpretation.

Findings in table 17 show that, majority of the respondents have a high perception and agreed that; MTA’s accounting system adequately identifies the receipt and expenditure of funds, there is timely submission of activity reports in MTA, and MTA complies with all the financial rules and regulations. This is indicated by (mean =4.20) and (Std =0.616), (mean =4.05) and (Std =0.686), and (mean =4.10) and (Std =0.912) respectively. This implies that MTA’s FP is good.

On the other hand, results in table 17 show that, minority of the respondents have a low perception and “not sure” whether MTA’s assets are revalued frequently. This is indicated by (mean =3.45) and (Std =1.099).

3.5: Conclusion

In conclusion of this chapter, I analyzed the data collected through questionnaires to investigate the relationship between internal controls and financial performance of MTA. As outlined in chapter one, the research plan involved surveying MTA employees and leadership to gather data on internal control systems and financial performance metrics. I also presented an overview of MTA, including its history, mission, vision, strengths, geographical locations, and organizational structure. This helped me to understand the company's operations and the potential impact of internal controls on its financial health.

The analysis of the questionnaire responses revealed a strong positive correlation between control activities and financial performance. This suggests that effective implementation of control activities, such as segregation of duties, authorization and approval, and supervision contributes to improve financial performance at MTA. However, the data did not show statistically significant correlations between control environment and internal audit with financial performance. While these areas may contribute to overall internal control effectiveness, further investigation may be needed to determine their specific impact on financial performance at MTA.

The findings support the initial research objective of identifying a relationship between internal controls and financial performance at MTA. Specifically, control activities emerged as a key factor influencing financial health. The results from this chapter can be used to inform future efforts to strengthen internal controls and optimize financial performance at MTA.

The next chapter discusses summary findings, discussion, conclusions, and recommendations.

CHAPTER FOUR

SUMMARY FINDINGS, DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

The study examined the internal control system that affect financial performance of MTA. “This chapter summarizes, discusses, and draws conclusions and recommendations basing on the findings from the data collected from the field using questionnaires.

4.1: Summary of findings

This part presents research findings following each of the objectives that guided the study.

The first objective explores the relationship between control activities and financial performance of MTA. The corresponding hypothesis of the study was tested, and it revealed that a strong positive correlation exists between control activities and financial performance of MTA. This implies that improvement and strengthening of control activities in MTA improves financial performance. Similarly, a decline in adherence or weak control activities can lead or translates into a decline in the financial performance.

The second objective examines the impact of control environment on financial performance of MTA. The corresponding hypothesis of the study was tested, and it revealed that a minimal positive correlation exists between control environment and financial performance, though there is no sufficient evidence that the hypothesis is true because the correlation is not statistically significant. Therefore, the null hypothesis is accepted.

The third objective explores the relationship between internal audit and financial performance of MTA. The corresponding hypothesis of the study was tested, and the results showed that there is a small positive correlation between internal audit and financial performance of MTA, though there is no sufficient evidence that the hypothesis is true because the correlation is not statistically significant. Hence, the study therefore accepts the null hypotheses.

4.2: Discussions of findings

This part explains the findings on the relationship between control activities, control environment and internal audit and financial performance of MTA.

The study findings indicated a strong positive correlation between control activities as a component of ICS and the financial performance of MTA. This finding aligns with Ray and Pany (2001)'s belief that "control activities are policies and procedures that help ensure that management directives are carried out." Control activities encompass a diverse range of actions such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, asset security, and segregation of duties. These activities ensure that management's response to reducing identified risks during the risk assessment process is executed. In other words, control activities operations are actions taken to minimize an organization's risks. Consequently, control activities operations ensure that management has accurate, timely, and complete information, including accounting records, to plan, monitor, and report business operations. Therefore, lower risk exposure leads to a more stable financial position and better performance over time.

The study findings also demonstrated that segregation of duties influences financial performance, which is supported by the weighted average and a widely spread standard deviation. This implies that authorization and approval are control activities that mitigate the risk of inappropriate transactions. They serve as fraud deterrents and enforce segregation of duties. Thus, the authorizer and the approver should generally be two separate people. Authorization is the power granted to an employee to perform a task. Therefore, well-designed and implemented control activities help streamline operations, reduce wastage, and optimize resource utilization. This efficiency directly translates into improved financial performance as the organization can achieve more with fewer resources.

Secondly, the findings reveal that there is a small positive correlation between control environment and FP though it’s not statistically significant. This correlation aligns with Boyle, Cooper, and Geiger’s (2004) SAS N_0.78 statement that while control environment attributes were considered relevant to the quality of clients, slightly over fifty per cent of auditors indicated that no alterations would be made to the audit plan because of unfavorable control environment conditions.

In addition, Whiting and Panny (2001) noted that the control environment sets the tone of the organization by influencing the control consciousness of people to effectively achieve the control measures put in place. Factors which were reviewed included the integrity, honesty, fairness, and ethical values of personnel responsible for creating, administering, and monitoring the control. The commitment and competence of persons performing assigned duties, and the extent of their independence from management creates a conducive environment to improve financial performance. Therefore, the absence of sufficient evidence that the correlation exists between the two variables should not disregard the importance of ethical values, competence, and integrity in shaping the organizational culture and risk management practices.

Lastly, the findings show that there is a small positive correlation between internal audit and financial performance but it's not statistically significant. The relationship is in line with Bamweyana (2009), where he notes that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes. This also agrees with Whittington and Pany (2001) assertion that "internal auditing is performed as part of the monitoring activity of an organization". The correlation aligns with IIA that internal audit plays a crucial role in ensuring accurate financial reporting, identifying inefficiencies, and mitigating risks. These factors can indirectly contribute to improve financial performance. Therefore, the lack of statistically significant correlation doesn't negate the potential value of internal audit towards financial performance of MTA.

4.3: Conclusion on findings and discussions

This part gives conclusions on the findings and discussions of control activities, control environment and internal audit on the financial performance of MTA.

From the findings and discussions, we conclude that, there exists a strong positive relationship between control activities and financial performance of MTA. This means that nevertheless, control activities such as segregation of duties, authorization, and approval processes, are instrumental in mitigating risks, preventing fraud, and ensuring compliance with regulations as they provide feedback on the effectiveness of policies, programs, and services for management decision-making and better planning, all of which contribute to improve financial performance of MTA. They also allow MTA to identify successes and areas for improvement, enabling them to adjust their strategies and ensure that resources are used in the most effective way, hence enhancing financial performance.

Secondly, the absence of a statistically significant correlation between control environment and financial performance of MTA, doesn't diminish the importance of a strong control environment. As highlighted by prior research, a control environment that emphasizes ethical behavior, competence, and integrity fosters a culture that effectively implements control measures and mitigates risk. This, in turn, can contribute to improve financial performance even if a direct causal link is yet to be definitively proven. The proof might require a larger sample size or a more refined approach to capture the influence. Therefore, MTA should continue to prioritize establishing a strong control environment as a foundation for sound financial practices.

Lastly, the study concludes that there is a small positive correlation between internal audit and financial performance within the context of MTA. While this correlation is not statistically significant, it is consistent with established literature and industry perspectives on the role of internal auditing.

Despite the lack of statistically significant correlation, the positive trend suggests that a well-functioning internal audit department could be beneficial for MTA by playing a meaningful role in driving organizational effectiveness and contributing to financial success. Therefore, further research with a more focused approach, such as analyzing specific internal audit activities or conducting a longitudinal study, could provide clearer evidence of the impact of internal audit on financial performance.

4.4: Recommendations

This part presents the action points on the relationship between internal controls and the financial performance of MTA that its management could adopt. Zeroing on the results, below are remedies proposed for improving the internal controls in MTA.

Firstly, the positive correlation between control activities and financial performance of MTA highlights their effectiveness. To further strengthen this relationship, MTA should continuously improve its control activities through; regular review and updates by implementing a process for regular reviewing and updating of control activities to ensure they remain relevant and effective in the face of changing circumstances or new risks, communication and training by promoting awareness and understanding of control activities throughout the organization and also provide ongoing training for employees on their roles and responsibilities within the control framework, technology integration by exploring opportunities to leverage technology to automate and streamline control activities. This can improve efficiency and effectiveness while reducing human error. MTA should also measure performance establishing metrics to measure the performance of control activities. This will allow management to assess their effectiveness in mitigating risks and preventing financial losses. By implementing these recommendations, MTA can further strengthen their control activities and maximize their positive impact on financial performance. This will lead to a more robust and efficient organization with a better position to achieve its financial goals.

Secondly, while the study didn't establish a statistically significant correlation between control environment and financial performance in MTA, dismissing the control environment's importance would be unwise. Therefore, MTA should; maintain and strengthen existing controls by continuing to uphold and refine existing control measures within the established environment, promote ethical culture by actively promoting a culture of ethical behavior, transparency, and accountability throughout the organization and invest in training and development by providing ongoing training and development opportunities for employees to enhance their competence and understanding of ethical financial practices.

By prioritizing these actions, MTA can build a robust control environment that fosters a culture of integrity and risk awareness. This will lay the foundation for sound financial practices, even if a statistically significant correlation with FP remains elusive. In the long run, this approach can contribute to improved financial health and stability for MTA.

Lastly, while a positive correlation exists between internal audit and financial performance of MTA, it lacks statistical significance. However, this doesn't negate the potential value of internal audit. Therefore, to leverage internal audit for financial performance improvement, MTA should enhance internal audit effectiveness by focusing on high-risk areas through prioritizing internal audit activities that target areas with the most significant financial risks. This ensures internal audit efforts directly address potential issues impacting financial performance; evaluate internal audit practices by conduct a self-assessment or engage external auditors to evaluate the effectiveness of MTA's internal audit function. This can identify areas for improvement in methodology, resource allocation, or reporting practices; invest in technology by considering utilizing technology-assisted auditing tools to streamline data analysis and enhance internal audit efficiency. This can allow for more comprehensive reviews and potentially uncover hidden financial risks.

By implementing these recommendations, MTA can strengthen its internal audit function and ensure it effectively addresses risks and contributes to improved financial health. Even though a statistically significant correlation wasn't established, a well-functioning internal audit can still play a vital role in identifying and mitigating risks, ultimately contributing to better financial outcomes.

4.5: Areas for further studies

This study assesses the contribution of internal control system on the financial performance of MTA.

Further research should be conducted to examine the;

- Contribution of other internal controls left out in the study such as risk assessment, information and communication and monitoring on the financial performance of an organization.
- Impact of Information and Communication Technology (ICT) on the effectiveness of internal control system.
- Effect of external factors such as culture, behavior, and government policies on the financial performance of an organization.

In conclusion, this conclusion chapter emphasizes the multidimensional nature of internal control system and its impact on financial performance. While control activities have a more direct and statistically significant effect, a strong control environment and a well-functioning internal audit department are crucial for long-term financial well-being. By implementing the recommendations outlined in this chapter, MTA can strengthen its internal control system and create a foundation for sustainable financial performance.

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APPENDICES

APPENDIX I: Self - administered questionnaire

Dear Respondent, my name is **ARON Tendo.** I am currently carrying out a study for the purpose of writing a dissertation as a requirement for the award of Master of Accounting Control and Audit of Abderrahmane Mira University. The purpose of this study is to assess the relationship between internal control systems and financial performance. Your valuable insight towards this research is vital and will much be appreciated. I therefore request you to spare sometime and respond to this questionnaire. This is purely academic research, and your response will be held in strict confidence.

SECTION A: General information

Please circle the appropriate alternative.

1. What is your highest level of education?
    a) High school
    b) Certificate
    c) Diploma
    d) Degree
    e) Masters
    f) Other (specify)…………………………………………………………

2. What is your current position?

……………………………………………………………………………………………

3. For how long have you worked for MTA?

   a) Less than 5 years

   b) 5 years and above

SECTION B: Internal control system in MTA, LLC

The questions below enquires about the existence, conformance, and performance of internal control systems in MTA, LLC.
Please Read the following statements and tick the box that best reflects your opinion of the statement on the left-hand side using the scale below.

1	2	3	4	5
Strongly disagree.	Disagree	Not sure	Agree	Strongly agree.

Your perception on internal control systems.

	Items	1	**2**	**3**	**4**	**5**
	1. Control activities ***Approval and authorization***					
4	There exists appropriate approval and authorization mechanism in place in MTA.					
5	Appropriate disciplinary action is taken for breach of approval and authorization systems in place.					

6	Those in authority are aware of their power to approve and authorize transactions.					
7	Approval and authorization are properly documented and referred to.					
8	There is strict adherence to approval and authorization systems in place.					
9	Unauthorized transactions are not processed.					
10	Delegated staffs have power to authorize.					
11	There is respect for each other's role and duties in service delivery.					
12	Controls are in place to avoid overspending.					
	Segregation of duties	**1**	**2**	**3**	**4**	**5**
13	Our entity has clear segregation of duties.					
14	Every employee works and checks on others.					
15	There is supervision of junior staff by senior staff.					
16	It is impossible for one staff to have access to valuable information without consent of a senior staff					
17	Staffs are in place to allow proper segregation of duty.					
18	Duties and roles in MTA are properly segregated.					
	Supervision	**1**	**2**	**3**	**4**	**5**
19	There is routine monitoring of reports in MTA.					
20	Monitoring is done even if there is no allowance.					
21	There is respect for supervisors in place of work in MTA					

22	Supervisors are aware of their roles in MTA.					
23	Executives are always in office supervising MTA activities.					
	2. <u>Control environment</u>	**1**	**2**	**3**	**4**	**5**
24	Our entity has accounting and financial management system.					
25	Management is committed to the operation of the system.					
26	Appropriate means are taken to correct mistakes in operation of our accounting and financial management system.					
27	Ethical values are upheld in all management decisions.					
28	Our entity has an objective, independent and active public accounts committee.					
29	Management provides feedback to the junior staff about the operation of the system.					
30	Management closely monitors the implementation of internal control system					
	3. <u>Internal audit</u>	**1**	**2**	**3**	**4**	**5**
31	Our entity has an internal audit department.					
32	Our internal audit department is sufficiently staffed.					
33	Internal audit reports are produced regularly.					
34	Internal audit reports address weaknesses in our internal control system.					
35	Internal audit conducts regular audit activities in our entity.					
36	Internal audit makes appropriate recommendations for management to improve.					
37	Our internal audit has qualified accountants.					

38	Staffs are aware of internal audit function and its implications.					
39	Internal control system in place ensures that MTA achieves its desired performance level.					
40	Staffs have the necessary skills to enable them achieve the targets set.					
	4. <u>Financial performance</u>	**1**	**2**	**3**	**4**	**5**
41	Our entity's accounting system adequately identifies. the receipt and expenditure of funds					
42	There is timely submission of activity reports in MTA.					
43	Our entity complies with all the rules and regulations.					
44	Our entity's assets are revalued frequently.					