



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF INTERNAL CONTROL PRACTICE
IN UNITED ALPHA COMMERCIAL PLC
ADDIS ABABA, ETHIOPIA**

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ASSESSMENT OF INTERNAL CONTROL PRACTICE
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Declaration

I the undersigned, declared that the thesis entitled “ASSESSMENT OF INTERNAL CONTROL PRACTICE IN UNITED ALPHA COMMERCIAL PLC ADDIS ABABA, ETHIOPIA” is my original work, prepared under the guidance of Misrak Tesfaye (Asst. Prof.). All the sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Advisor’s Approval

This Research paper has been submitted for examination with my approval as a university advisor.

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MAY, 2021

ADDIS ABABA

Dedication

I dedicate this thesis to my mother Senbetu G/Selassie (Adeway) for nursing me with affection and love and her dedicated partnership for success in my life.

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List of Acronyms

CA	Control Activity
CE	Control Environment
COSO:	Committee and Sponsoring Organizations
IC	Information and communication
INTOSAI	International Organization of Supreme Audit Institutions
MA	Monitoring Activity
RA	Risk Assessment
SPSS	Statistical Package for the Social Sciences

Abstract

Internal control system is a processes aimed at ensuring the achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies. The main purpose of the study was to assess the internal control system practice in United Alpha Commercial Private Limited Company. The study adopted a descriptive research design which allowed the collection of primary and secondary data through structured questionnaires and document review respectively. The collected data was analyzed with the aid of the Statistical Package for Social Sciences (SPSS) Version 21. The data was analyzed using descriptive statistics like mean and standard deviation. Generally, the researcher found that the company's internal control is not effective. This conclusion is confirmed throughout the specific findings for all the assessed components of internal control. To cite some: the company under study has not a standard code of conduct; lines of authority are not clearly understood by employees; key information about the organization's operations are not identified and regularly reported; management did not take adequate and timely action to correct deficiency reported by the internal audit function. Finally, the researcher recommends that almost all specific aspects of internal control in the company be improved, upgraded and enhanced. For instance, management should assess whether controls are present and functioning as intended; the company should periodically evaluate business processes.

Key Words: Internal Control, Control Environment, Risk Assessments, Control Activity

CHAPTER ONE

1. INTRODUCTIONS

This chapter represents the background of the study which focuses on the importance of internal control system for an organization. In addition to that the chapter includes statement of the problem, research question, and objective of the study, significance of the study, scope of the study, limitation of the study and organization of the paper.

1.1. Background of the study

An internal control system is defined as the policies and procedures put in place to ensure the protection of an organization's assets and the reliability of financial reporting. Internal control can provide only reasonable assurance not absolute assurance regarding the achievement of an organization's objectives. Implementing a proper system will help the organization's operations become more effective and efficient. The issue with internal control of organizations is ensuring the efficiency and effectiveness of activities, reliability of information, compliance with applicable laws, and timeliness of financial reports. A proper internal control system ensures that the organization's managers would utilize the financial resources in a way that will safeguard the interests of the donors and/or contributors (Sanusiet al, 2015).

The internal control system is the major part in any organization. "Internal control is the process designed and affected by those charged with governance, management and other personnel to provide reasonable assurance about achievement of entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. It follows that internal control is designed and implemented to address identified business risks that threaten the achievement of any of these objectives." The Institute of Chartered Accountants of England and Wales (ICAEW), "internal Control system is the whole system of controls, financial or otherwise, established by the management in order to carry on the business of the enterprise in orderly and efficient manner, ensure adherence to management policies, safe guard assets and secure as far as possible the completeness and accuracy of records" (Gamage et al, 2014).

Internal control is a broad term with a wide coverage. It covers the control of the whole management system in order to carry on the business of the enterprise in an orderly and efficient way by having an automatic check and balance overall the transaction. The control may be financial and or non-financial. It has become one of the basic and essential factors for efficient and effective management. A properly designed and consistently enforced system of operational and financial internal control helps a companies' board of directors and management to safeguard the organization's resources, produces reliable financial reports, and complies with laws and regulations. Effective internal controls also reduce the possibility of significant errors and irregularities and assist in their timely detection frauds and error. The internal control system is equally important to the management and the auditor concerned. It helps to the organization to meet its own goals more effectively (Kumuthinidevi, 2016).

The objective of this research work is, therefore, to assess the internal control system of United Alpha Commercial PLC.

1.2. Background of the organization

United Alpha Commercial PLC is one of the private sectors in Ethiopia which is engaged in importing, supplying construction materials & manufacturing Gabion Box. It has a wide range of trade relation with foreign and local suppliers to obtain its merchandising items. It also creates relation with all kinds of construction contractors, retailers and individual users in the industry. The company was established as profit seeking organization. Its operations have been designed in such a manner that enables the company to generate profit with no social and environmental costs. Besides its profit oriented target, it also aims to create job opportunities. In this regard, it creates both permanent and temporary job opportunities. And the aim under Nile Gabion Factory by producing gabion boxes and mattresses that contribute to the prevention of environmental problems in the country such as soil erosion.

1.3. Statement of the problem

Internal control system is a process designed and affected by board of directors, administration and staff of an organization to effectively and efficiently achieve operational financial and compliance objectives. Effective internal control system involves regular review of quality of financial and operating information, review of policies regarding the control of assets, employee's assessment and compliance with organizational policies, procedures, laws and regulations (Kumuthinidevi, 2016).

Internal control system and application of controls change overtime. This can be due to the arrival of new personnel, varying effectiveness of implementing the procedures or supervision, time and resource constraints or changes in the circumstances for which the internal control system originally was designed. Thus the management needs to determine and observe whether the internal control system continues to be relevant and effective in the entity as intended (Gamage et al, 2014). If internal control system is weak, a significant deficiency or significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected (Doyle & Mcvay, 2007).

Internal control is adequately designed and properly executed if all five internal control components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) are present and functioning as designed. It is important to monitor internal control to determine whether it is operating as intended and whether any modifications are necessary. All employees need to understand the organization's mission, objectives, and responsibilities and risk tolerance levels for monitoring to be most effective. (Gamage et al, 2014).

It is hereby attempted to review some pertinent literature that deals with a wide range of target group. In this respect, 'Assessment of Internal Control System in Selected Micro Finance Institution in Addis Ababa'(Ashenafi, 2017), 'Assessment of Internal Control System in Case of Development Bank of Ethiopia'(Alemayehu, 2016), 'The Effectiveness of Internal Control Systems of Banks: The Case of Ghanaian Banks' (Ayagre, et al., 2014), 'Assessing the Effectiveness of the Internal Control System in the Commercial Banks of Ethiopia: A Case of Hawassa City' (Tekalegn, 2019), 'Internal Control Systems and Financial Accountability in Uganda: A Case of Selected Districts in Western Uganda' (Eton et al.,2018) were tried to be reviewed thoroughly. Most of the studies focused on

governmental organizations, public sectors, and banks. Unlike the above mentioned works, this paper particularly focuses on assessment of internal control practice in United Alpha Commercial Private Limited Company. It is thus required to assess whether or not the established internal control systems and elements do practically exist and are being effectively practiced in the aforementioned target organization.

1.4. Research Questions

The study addresses the following research questions.

1. Do control environment exist in the company's internal control system?
2. Does risk assessment exist in the company's internal control system?
3. Do information and communication exist in the company's internal control system?
4. Do control activities exist in the company's internal control system?
5. Do monitoring activities apply in the company's internal control system?

1.5. Objective of the study

1.5.1. General objective of the study

The general objective of the study is to assess the internal control system practice in United Alpha Commercial Private Limited Company, Addis Ababa, Ethiopia.

1.5.2. Specific Objectives

The specific objectives of the study are:

- To assess the control environment that affects internal control system;
- To assess the risk assessment process of the company;
- To assess the information and communication system that affect internal control system;
- To assess the control activities that affects the internal control system; and
- To assess monitoring activities that affects the internal control system.

1.6. Significance of the study

Internal controls system includes a set of rules, policies, and procedures an organization implements to provide direction, increase efficiency and strengthen adherence to policies in order to achieve the objectives of the organization. The study is important to top level management and policy makers of United alpha commercial PLC in understanding of the

study finding and recommendation to improve their internal control system. In addition to these, the study serves as a source of reference and guideline for other researchers who make further studies in the area.

1.7. Scope of the study

The scope of this study is to assess internal control system practice in United Alpha Commercial Private Limited Company with respect to the established five basic components of internal control system - Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. In order to determine the nature of company's internal control system, it is imperative to see to it using these five elements as parameters.

Since internal control is a means by which the company's resources are directed, monitored, and measured, and since it plays a significant role in detecting and preventing swindle, fraud, and embezzlement of resources, this study is thus designed to assess how adequate the company's internal control is in such respects.

On the other hand, data collection is limited to the company's management, finance audit, purchase and store departments only; it doesn't cover other sections. Moreover, since internal audit is highly related but quite different aspect of the company, this study limits its boundary not to trespass into the audit functionalities.

1.8. Limitation of the study

It was expected in this study that certain aspects may come out to be limitations. The fact that data is collected from limited organs of the company may pose a problem of not showing all the necessary results. That other sections of the company are not involved may not give a thorough picture of the effectiveness of the existing internal control mechanisms.

1.9. Organization of the Paper

The study is organized in to five chapters. The first chapter of the study concerned with the background of study, statement of the problem, objectives, scope of the study and significance of the study. The second chapter focuses on presenting the literature review in related to the topic. The third chapter presents Design and Methodology. The fourth chapter

deals with the analysis, discussions and presentation of the research findings. The last chapter, chapter five presents the summary of findings, conclusions, and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

This chapter reviews both the theories and empirical studies on internal control system. It presents definition of internal control, objective and Role of internal control system, types of Internal Control Systems, component of internal control system, internal control system effectiveness and review of international & local empirical studies.

2.1. Theoretical Literature Review

2.1.1. Definition of Internal Control

The concept of internal control has developed along with audit practice. As demands have been made for greater accountability in corporate governance, the significance of internal control systems in companies has increased. Traditionally internal control has had a fairly direct relationship to financial reporting quality but wider approaches to internal control have expanded those boundaries much further. Stakeholders are increasingly concerned with the effectiveness of internal controls and, disclosure requirements are making firms to go public with regard to their internal control systems (COSO, 2004).

Internal control systems are processes aimed at assuring the achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies (Michelon et al., 2015). Internal control systems begin as internal processes with the positive goal of helping a corporation meet its set objectives. Indeed, internal control systems are an integral part of any organizations' financial and business policies and procedures (Mwakimasinde et al., 2014). This is because internal control systems consist of all the measures taken by the organization for the purpose of; protecting its resources against waste, fraud, and inefficiency; ensuring accuracy and reliability of accounting and operating data; ensuring compliance with the policies of the organization; evaluating the level of performance in all units of the organization (Kabuye et al., 2017). According to Nyakundi et al., (2014), internal control systems can reveal problems associated with lower revenues, and explore links between earnings management and disclosure of material weakness and fraud. Like others, Akani et al., (2015) suggests that an effective internal control system explicitly correlates with organizational success in meeting its revenue target level. Descriptively, effective internal control for revenue generation

involves; regular review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives. Having effective internal control system can strengthen the organization's process, structure and value in the increasing oversight, reducing and preventing misuse such as fraud and asset misuse (Zakaria et al., 2016)

2.1.2. Importance of Internal Control System

Good internal controls are essential to assuring the accomplishment of goals and objectives of the organization. They provide reliable financial reporting for management decisions. They ensure compliance with applicable laws and regulations to avoid the risk of public scandals. Good internal controls help ensure efficient and effective operations that accomplish the goals of the organization and still protect employees and assets (Tjiueza, 2018).

Implementation of an effective corporate internal control system can result in a number of benefits for an organization. Good internal control system ensures that the resources are utilized only for their intended purposes and help to overcome the risk associated with the misuse of organization's funds and other resources. Another important of internal control; that it prevents errors and irregularities by detecting them timeously, thereby promoting reliable and accurate accounting records. In addition, good internal control systems can quickly resolve issues arising as a result of reporting errors. Good internal control systems also protect the interests of employees by clearly specifying their duties and responsibilities and safeguarding them from being accused of irregularities or misappropriations (Wolfgang, 2011).

It is important to apply strong internal controls to all areas of financial management, risk management, staff management developments as well as asset control. The aforementioned author further states that by adopting these principles it will minimize the rot in our governments and agencies (Adepoju, 2011).

2.1.3. Objectives and Role of the Internal Control

In recent years, internal control and voluntary reporting on internal controls have been receiving considerable attention in the accounting literature and by the accounting profession and regulators. The main reason for the increased attention is to have a better financial reporting quality which will give more certainty to financial statement users. For this purpose, organizations, usually, disclose information on internal control to state management's responsibility towards internal control explicitly or to describe specific methods or instruments that support it. This exercise of disclosing on internal control helps multinational corporations reduce the information asymmetry between the insiders and outsiders. The disclosure on internal control, usually, includes the objectives of the company's internal control and a conclusion about the effectiveness of the internal control disclosure based on an assessment conducted by management (Mohammed, 2014).

The most important objectives of internal control includes first Protect assets and reduce the incidence of fraud and errors discovered, and the accuracy and completeness of the accounting records, second the effectiveness and efficiency of the operations carried out by the departments and employees and third Compliance with laws, regulations, and policies adopted by the administration to achieve the goals established (Al-Hawatmeh et al., 2016).

Other, corroborative studies have indicated that effective internal control systems help to assure the achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies (Michelon et al., 2015). Thus, an organization should at all times ensure a favorable control environment, appropriate information systems, effective risk assessment, strong control activities and management should continuously monitor the operating effectiveness of the internal control systems to enhance their financial performance.

Internal control systems are becoming an integral part of any multinational corporation. This necessity is the result of the complexity of the landscape that these organizations operate in globally. Internal control helps multinational corporations to monitor policies and procedures, to enforce them better as well as to help reduce errors and fraud (Doupnik & Perera, 2012). The role of internal control system can be explained by Accountability; good management practices & facilitates preparation of audits & fraud prevention (Mohammed, 2014).

2.1.4. Internal Control System

It is a process affected by management designed to provide reasonable assurance regarding the achievement of objectives in Reliability of financial reporting, effectiveness and efficiency of operations and Compliance with applicable laws and regulations (Rober et al., 1996).

Similarly, INTOSAI (2004) also defined internal control systems as integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, with general objectives of executing orderly, ethical, economical efficient and effective operation, fulfilling accountability obligation, complying with applicable laws and regulations and safeguarding resources against loss, misuse and damage. Furthermore INTOSAI (2004) explains that internal control needs commitment of management and employees at all levels to involve to address risks and to provide reasonable assurance of the achievement of entity's mission and general objectives as internal control is a dynamic and integral process that is continuously adapting to the changes an organization is facing.

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

2.1.5. Types of Internal Control Systems

Different writers have come with different types of internal control systems. Milichamp (2002) puts the types of internal controls as; Safeguarding assets, Separation of duties, supervision, Verification, Approval and authorization, Documentation, Safeguarding Assets, and Reporting. However, many other authors such as Galloway (1994), and Zabihollah (2002), the state university of New York and di Napoli (2005) have agreed that the types of internal controls includes directive controls, preventive controls, compensating controls, detective controls, and corrective actions. These types of internal controls are explained below.

2.1.5.1. Preventive Control

Controls can be either preventive or detective. The intent of these controls is different. Preventive controls attempt to deter or prevent undesirable events from occurring. They are proactive controls that help to prevent a loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over assets. (COSO, 2009).

Are controls that management puts in place to prevent problems from occurring. For example, a company might install a firewall to prevent unauthorized access to the company's network, thereby safeguarding the disclosure, alteration, or destruction of sensitive information from external hackers. Then, management must establish preventive controls to minimize the likelihood of each problem they identify (Milichamp, 2002).

2.1.5.2. Detective Controls

This type of control uncovers violators of internal controls structures within an organization after performing a random check to validate transactions and compliance practices. This forms the basis of the work of internal and external auditors who perform reviews to ascertain quality and reliability of accounting and financial events that have occurred within an accounting year (Lartey, 2020). Detective controls, from a practical point of view, refer to a control mechanism that is initiated to identify problems and keep management informed timely about deviations in any process or activity. Detective controls investigative in nature and their not meant to prevent unforeseen events. Any breach of internal control procedures such as fraudulent recording can only be discovered after it has occurred. It is based on this idea that many scholars prioritize preventive controls over detective (Jimmieson, Tucker, & Campbell, 2017). The most common detective controls are the reconciliation of the accounting ledgers and the bank statements to discover discrepancies. This action is closely related to the role of external and internal auditors' review of the entire accounting systems and operations. Traditionally, apart from identifying accounting errors and fraudulent reporting, the technique is also associated with daily compliance to standards and practically focused on daily goals and objectives (Chang et al., 2014).

2.1.5.3. Corrective Controls

Corrective control is procedures a company uses to solve or correct problem. An example of this type of corrective control procedure might be a change to the company's procedures for creating backup copies of important business files. Organizations can initiate corrective

action only if corrective controls are in place. A company establishes corrective controls to remedy problems it discovers by the detective controls. The corrective controls are put in place to address anything which is foreign every problem that has occurred in the system. Interrelationship of Preventive and Detective Controls management should not treat preventive control procedures and detective control procedures separately (Simmons, 1995).

2.1.6. Components of Internal Control

COSO integrated framework provides five integrated components of internal control. The five components of internal control must be effectively designed, implemented, and operating together in an integrated manner, for an internal control system to be effective. The five components of internal control are as follows:

2.1.6.1. Control Environment

The control environment sets the tone for the organization and influences how employees conduct their activities and carry out their control responsibilities. The control environment is the foundation for all other components and provides structure and discipline. An effective control must incorporate integrity and ethical values, commitment to competence, management philosophy and operating style, organizational culture, attention and oversight by directors or audit committee with the objective of good governance and adequate financial reporting. The control environment is the basis for a complete internal control system. This environment creates discipline and structure which influence the quality of internal control. The control environment highly influences the establishment of the strategies, objectives and structure of control activities (COSO, 1992).

Control environment: Is the major aspect of managing an organization this is because is a reflection of the attitude and the policies of management in regard with the importance of internal audit in the economic unit. It has influence over organization goals achievement. However, it is the foundation for the other components of internal control and providing structure. Control environment assist toward reducing the level fraudulent activities within organizational operation also the quality of an entity's internal controls system depend on the function and quality of their control environment. Therefore, providing a proper control environment for a local government is very essential to the effectiveness of their operation (Badara, 2013).

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

2.1.6.2. Risk Assessment

Every entity faces a variety of risks from external and internal sources. Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed. A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives. Management also considers the suitability of the objectives for the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective (Sultana and Haque, 2011).

It also assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Oversee management's assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control (COSO, 2009).

2.1.6.3. Control Activities

These are policies, procedures and mechanisms that ensure management's directives are properly carry out. Proper documentation of policies and procedural guidelines in these aspects help to determine not only how the control activities are to be executed but also provide adequate information for auditors examination of the overall adequacy of control design over financial management practices. This control activities ensure that all necessary actions should be taken with the aim to address risks so that organizational objectives are achieves. Example of control activities include; segregation of duties, daily deposit of cash receipts, bank reconciliations and limiting access to check stock (Aikins, 2011).

Control activities are policies and procedures that help ensure management directives are carried out. Control activities are the actions supported by policies and procedures that help assure management directives to address risks are carried out properly and timely. Control activities has categorized as adequate separation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records and independent checks on performances. Control activities in an organization consist physical controls, segregation of duties, information processing and performance reviews (Badara, 2013).

2.1.6.4. Information and Communication

Organizations need reliable, relevant and timely information related to both internal and external events that can influence the company and its objectives. Information and communication are a key element in the success of an organization. Accurate, current, and reliable information about company's plans, control environment, risks, control activities, and performance should be communicated all over the company in a periodic manner (Hornrgren et al., 2012).

The Standards for Internal Control requires that Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities. Effective communications should occur in a broad sense with information flowing down, across, and up the organization. Information flow is essential to effecting control, information about an organization's plan, control environment, risks, control activities and performance must be communicated up, and access an organization (Ruttrman Working Group, 1994). Reliable and relevant information flow both internal and external sources must be identified, captured, processed and communicated to the people who need it in a form and time frame that is useful (Chambers, 1995).

Management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals. Effective information technology management is critical to achieving useful, reliable, and continuous recording and communication of information. Moreover, the system should be communicated to everyone in the organization.

Information and Communication focuses on the nature and quality of information needed for effective control that the systems use to develop such information, and reports necessary to communicate it effectively. Information is needed at all levels of organization to assist

management in meeting the organization's objectives. The information is used by inside parties as well as outside parties. This information should be communicated from top to bottom level that needs it in a form and within a time frame that helps them to carry out their responsibilities. Communication also use by outside parties such as customers, suppliers and regulators. Information about an organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization. Reliable and relevant information from both internal and external sources must be identified, captured, processed, and communicated to the people who need it in a form and timeframe that are useful (Fernando, 2014).

2.1.6.5. Monitoring Activities

Monitoring is the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews, and internal audits. The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Internal control is adequately designed and properly executed if all five internal control components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) are present and functioning as designed. Internal control is effective if management and interested stakeholders have reasonable assurance that: they understand the extent to which operations objectives are being achieved, published financial statements are being prepared reliably and applicable laws and regulations are being compiled. Management's role in the internal control system is critical to its effectiveness. Managers, like auditors, don't have to look at every single piece of information to determine that the controls are functioning and should focus their monitoring activities in high-risk areas. The use of spot checks of transactions or basic sampling techniques can provide a reasonable level of confidence that the controls are functioning as intended (Gamage et al, 2014).

Monitoring is the assessment of internal control performance over time and not a snapshot process. It is the process of assessing the quality of the system's performance over time it is accomplished by, self-assessments, peer reviews, and internal audits. It involves the activities and procedures designed to assess the effectiveness of internal control in achieving the organizations financial reporting objectives. This is accomplished through ongoing monitoring activities, periodic evaluations, or better, a combination of the two (COSO, 2004). These activities should be related to the entire organization, at all levels and in all functions.

The monitoring primary purpose is to determine whether internal control is properly designed, established and effective. Internal control is considered appropriately designed and maintained if all five internal control components are present and functioning as they should be (Horngren et al., 2012).

Monitoring, the last component of internal control, is a process that assess the quality of internal control over time. Also monitoring is the evaluation of an organization's events and transactions to gauge the quality of performance throughout the period and to decide whether controls are effective. Management should emphasis monitoring efforts on internal control and accomplishes the organization objectives. It is important to monitor internal control to determine whether it is operating as intended and whether any modifications are necessary. All employees need to understand the organization's mission, objectives, and responsibilities and risk tolerance levels for monitoring to be most effective (Fernando, 2014).

2.1.7. Internal Control Systems Effectiveness

COSO (1992) provided criteria's against which effectiveness of internal controls can be assessed. Internal control can be judged effective if the entity's operations objectives are being achieved; published financial statements are being prepared, reliable and applicable laws and regulations are being complied with.

While internal control is a process, its effectiveness is a state or condition of the process at a point of time. Accordingly, the effective functioning of components of internal control provides a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of organizational performance. Thus the company's criteria for effective internal control and success of the entire organization.

Efficiency and effectiveness of operations have been taken to mean efficiencies and effective use of its resources including personnel, accurate information for decision making and safeguarding of assets and records (Aren and Lwebbecke, 1994).

As stated in internal control frame work of COSO (1994) an effective internal control should in priority encompass the five elements the control. In addition effective, internal controls must satisfy three basic criteria:-

- They must be appropriate (that is, the right control in the right place and commensurate to the risk involved).
- They must function consistently as planned throughout the period (that is, be complied with carefully by all employees involved and not bypassed when key personnel are away or the workload is heavy).

- They must be cost effective (that is, the cost of implementing the control should not exceed the benefit).

2.2. Review of empirical Studies

2.2.1. International studies

Ayagre et al. (2014) conducted a study on the evaluation of the control environment and monitoring activities components of Internal Control Systems of Ghanaian Banks using COSO's principles and attributes of assessing the effectiveness of internal control systems. A five point Likert scale was used to measure respondent's knowledge and perception of internal controls and the banks internal control system effectiveness. Statistical Package for Social Sciences (SPSS) was used to analyze data and presented in the form of means and standard deviations for each question and each section of the questionnaire. The study found out that, strong controls exist in the control environment and monitoring activities components of the internal control systems of banks in Ghana. The two components were highly rated by respondents with average means of 4.72 and 4.66 respectively.

Eton et al. (2018) conducted a study to examine the role of Internal Control system in supporting financial accountability in Uganda. The study found out that the relationship between internal control systems and financial accountability in local governments appeared to be weak, and the actual contribution of internal control systems in the financial operations of the district is negligible. The study however, revealed that internal control system is inadequate in accounting for the staffing gaps in local governments and the untimely release of financial reports. Staff in the local governments investigated, particularly those handling finance related matters had low training in financial accountability. Underpinning this truth is the fact that government grants are not allocated in accordance with grants procedures and later funds diversion. These deductions are made by the finance department, yet the records indicating their remittance to Uganda Revenue Authority are lacking of the masses. There should be urgent recruitment of staff in local governments to bridge the staffing gap and staff should be trained on the current finance management systems to speed up financial reporting system and timely release of financial reports.

2.2.2. Local Studies

Tekalegn (2019) conducted a study on assessing the effectiveness of the internal control system in the commercial bank of Ethiopia a case of Hawassa city. The paper used a mixed

research design. Data are collected by using a self-administered survey, which has both open ended and closed ended question. the researcher found that the company's internal control is effective in the following internal components viz., the company under study has a clear codes of conduct; managements of the company periodically reviews policies and procedures; organization under study have clear objectives, and this are communicated to all staff for direction on risk assessment; there is an adequate and strong dual control and separation of duties in the organization and there is effective reporting procedure in the organization and this also communicated to the employees.

Seble (2018) conducted a study on assessment of the Perception of internal control systems on financial performance of commercial banks in Ethiopia. The study adopted a mixed research approach. The quantitative component used survey of employees working in 8 commercial banks in Ethiopia. A random sampling of 240employees in internal audit, finance and internal control departments were covered by the survey; the response rate was 90%. Survey data was collected by use of a structured questionnaire. Multiple regression models were used to test whether internal control activities, risk management, monitoring, corporate governance have any relation with financial performance. As part of the qualitative component interviews with internal audit and internal control manager were held. It was found that internal control systems had a significant relationship with financial performance. The findings of the study suggested that internal control systems especially corporate governance and control activity are important areas that management of commercial banks should give attention to improve financial performance of commercial banks in Ethiopia.

Fikru (2018) conducted a research on the Effectiveness of Internal Control System in Detection and prevention of Fraud in Ethiopian Banking Industry. The banks and regulatory authorities have proposed and allowed internal control(IC) measures to check the practice of bank fraud. But the effectiveness of any internal control system is dependent on how fluid the system interacts with itself and how embedded it is into the organization's business processes. This paper examines the issues of effective internal control vs. fraud Detection and prevention in the Ethiopian banking industry by adopting primary data. Using a survey method, this work examined how the internal control systems in the Ethiopian banks have aided in combating or preventing fraud in the banking industry. The study examines the effectiveness of internal control in Ethiopian banking industry and based on that effectiveness the researcher test the effectiveness of ICs in preventing and detection of fraud in Ethiopian banking industry. Among the findings were those internal control techniques employed by

banks in checking fraud have been effective but put marks on some improvements and the final conclusion of this study is that there is a significant relationship between internal control system component (control environment (CE), risk assessment (RA), control activity(CA), information and communication (IC) and monitoring(MA)) and fraud.

Rahel (2017) carried out a study the main purpose of which was to determine the impact of internal control systems on financial performance on Ethiopian shipping and Logistics Services Enterprises. Specific objectives include evaluating the existing internal control system in the organization and investigating the relationship between the five internal control elements and financial performance. The study used explanatory research design research design by using both descriptive and quantitative methods where primary data is collected using Likert-scale questionnaires distributed and interviews made with employees in the finance department. Secondary data was gathered from company's financial statements and publications. The dependent variable was financial performance measured in-terms of profitability and ROA. The predictors or independent variables were the five elements of internal control system, control environment, control activities, risk assessment, monitoring and information and communication. The target population was 40 employees in the finance department and census design was adopted. The study period covers 9 years 2005-2013. Effectiveness of the elements of internal control system was analyzed from the descriptive statistics result. Multiple regression analysis was done to determine the relationship and the significance level of elements of internal control system towards financial performance. The result revealed that internal control system contributed only31% variation on financial performance. The descriptive result shows there is weak internal control system in the organization.

Ashenafi (2017) conducted a study on Assessments of internal control system in a selected Micro finance institution. Micro finance institutions have a critical role on the growth and development of a country by providing different financial services to the poor and low income people in both rural and urban area. The previous studies on micro finance institution showed that the main problem of micro finance institution were weakness of their internal control system. This study focused on assessment of the internal control system in the micro finance institution to identify the possible areas of deficiencies in the system. The study used survey method of data collection through questionnaires to employees of the institution and semi-structured interview with the institution management. The data gathered from the respondent was analyzed and interpreted by the help of SPSS software program with the help

of bar frequency table, minimum & maximum value, mean and standard deviation. The result indicated that internal control in the institution is satisfactory. Though risk assessment elements with the average mean value of 3.81 is better in the institution, there is adequate control environment, control activity, information & communication and monitoring activity components in the institution.

Alemayehu (2016) conducted a study on assesses internal control system: a case of development bank of Ethiopia. The study used explanatory design and quantitative research approach. Primary data was used. The collected data were taken the dispatched questioner from the bank staff. The study covers the components of internal control such as Control activities, Control environment, risk assessment, information & communication, and monitoring. In the study, descriptive method was used to assess the components of internal control. The paper reveals that the mean value of the components is less than three which is lower in the standard out of the total respondents 80%, 82%, 82%, 83% and 86 % of them were disagree on strengthen of the Bank`s internal control system in terms of control environment, monitoring activity, control activity, information system and risk assessments respectively. The policy implications of the study suggest that Development Bank of Ethiopia should properly segregate the duties, safeguarded computer systems, proper review and approval process of credit, purchases & procedures. The bank should make periodic assessment and discussion by identifying, the bank`s risk tolerances, highest risk arising areas of both internal and external sources, and processes are should in place to minimize the identified risks.

Tsedal (2015) conducted a research focused on assessment of the effectiveness of the internal control system in the universities to identify the possible areas of deficiencies in the system. The study used cross sectional survey through questionnaires to employees of the universities and semi structured interview with OFAG directors. Data were analyzed using descriptive statistics and inferential statistics using SPSS results. The result indicates that internal control in the universities is not effective. Particularly the risk assessment component of internal control is not practiced in the universities. Though monitoring is better in the universities, there is in adequate control environment, control activities and inadequate flow of information and communication in those universities.

2.3. Research Gap Analysis

Under the components of internal control system study shows that it has very much impact on the effective and efficient performing of the organization goal. There are studies on internal control systems practices in Ethiopia but they focused on governmental organizations and private banks. Result of the studies conducted by Tsedal (2015) and Rahel (2017), show that there is weak internal control system in the organizations. On the other hand, Result of the studies conducted by Ashenafi (2017) and Tekalegn (2019) indicated that internal control in the respective institutions is satisfactory. According to Fikru (2018) the findings on those internal control techniques employed by banks in checking fraud have been effective, but put marks on some improvements. The final conclusion of this study is that there is a significant relationship between internal control system component (control environment (CE), risk assessment (RA), control activity (CA), information and communication (IC) and monitoring (MA)) and fraud.

Accordingly, the researcher attempted to carry out this study for the reason that it is unexplored area in manufacturing & merchandizing companies particularly in United Alpha Commercial Private Limited Company examining the internal control systems practice helps in promoting effective corporate governance and performance of the organization and could fill the gap to the literature in general in Ethiopian context.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

Research design and methodology is the path through which researchers need to conduct their research. It shows the path through which researchers formulate their problem and objective and present their result from the data obtained during the study period (Sileyew, K. J., 2019).

Accordingly, this chapter presents the activities and processes that will undertake to gather data for the research work. It gives full details of how data are collected and processed for this research. The discussion was centered on the following: Research design, Population under study, sample size, sources of data, research instruments, and method of data analysis.

3.1. Research Design

As a research design is intended to provide an appropriate framework for a study, this study employs a descriptive research design. "This design offers to the researchers a profile of described relevant aspects of the phenomena of interest from an individual, organizational, and industry-oriented perspective" (Sileyew, K. J., 2019).

Saunders et al., (2012) and Miller et al., (2002) say that descriptive research portrays an accurate profile of persons, events, or situations. Therefore, this research design enables researchers to gather data from a range of respondents.

With this in mind, a descriptive research design was employed in this study using a quantitative research design (self-administered questionnaire) to assess internal control system practice of the company. In addition, review of secondary data was deployed to triangulate/ explore the company's perspectives.

3.2. Research Approach

Research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. The overall decision involves which approach should be used to study a topic. The selection of a research approach is also based on the nature of the research problem or issue being addressed, the researchers' personal experiences, and the audiences of the study (Kothari, 2004).

In this particular study, mixed research approach is opted. That is, both quantitative as well as qualitative research approaches were employed so as to suite the nature of the research and the issue being addressed. Quantifiable data obtained from questionnaires necessitate a quantitative approach whereas the data to be obtained by means of documents review make qualitative approach a default approach. Hence mixed research approach is chosen to be best suitable aspect of this research's methodology. It practically grants the freedom to use any of the methods, techniques and procedures typically associated with quantitative or qualitative research approaches which, in this research, was complementary.

3.3. Population under Study

The target population of the study is 55 staff members. The study was used a census and all targeted population were enumerated. This includes senior management team of the company, senior staffs of Human Resource Department, Finance Department, Audit Department, Local and Foreign Purchase Department, Sales Department and Supply Department. The study participants were those, who have served in the company at least for a period of one year.

3.4. Sources of Data

Both primary and secondary data was used for the study. Primary data was obtained from the original source of information using self-administered Likert-scale questionnaire. The primary data are more reliable and will render more confidence level of decision-making. In this study, the primary data sources are the company's employees (management and other selected workers) through the questionnaires they were made to fill. In addition to primary data, secondary data was obtained and reviewed from reports, organizational policy and manuals of internal control procedures.

3.5. Research Instruments

Self-administered questionnaire was deployed to staff involved in this research. Moreover, to enhance the effectiveness of the data collection method and to make the data quality more reliable, the purpose of the study was explained to the study subjects. It was made clear to them that the information they provide is so vital and kept confidential and that their identities would not be revealed in association with the information they provide.

Relevant secondary data from reports and documents were reviewed to complement the findings obtained from primary data.

3.6. Methods of Data Analysis

The quantitative data collected through self-administered questionnaires were entered and analyzed using Statistical Package for Social Sciences (SPSS) software. The analyzed data was described and summarized by using the descriptive statistics methods by measure of central tendency (mean) values, frequency, percentage, measure of central dispersion (standard deviation). Results of the study were presented by using tables and figures.

3.7. Data Validity and Reliability

Validity consideration is an indicator that makes some variables reasonable. It is the subjective judgment that the instrument measures what it intends to measure in terms of relevance. Thus, the researcher of this study, when developing the instruments, ensured that uncertainties are eliminated by using appropriate words and concepts in order to enhance clarity and general suitability.

This study assesses the internal control practice in United Alpha Commercial Plc using primary data. Questionnaire is one of the best methods of collecting valid information. The questionnaires are taken from Tekalegn (2019) and Ashenafi (2017) and they were strong and Supportive to measure the assessment of internal control practice.

Reliability refers to the consistency of a measure. Reliability in this study considers internal consistency which is the consistency of people’s responses across the items on a multiple-item measure. There was thus undertaken a reliability analysis to check the stability and consistency of the data.

Table 3.1 Reliability Test

S.No.	Items	No. Of Item	Cronbach’s alpha
1	Control Environment	8	.829
2	Risk Assessment	7	.870
3	Control Activity	6	.897
4	Information and Communication System	6	.806
5	Monitoring	5	.863
	Over all Items	32	.853

As indicated in the table above, $\alpha = .829$ for control environment, $\alpha = 0.870$ for risk assessment, $\alpha = .897$ for control activity, $\alpha = .806$ for information and communication system and $\alpha = .863$ for monitoring. The overall reliability test (Cronbach's alpha) for the items is 0.853. This implies that the items were reliable, clear and easily understandable by the respondents.

CHAPTER FOUR

4. FINDINGS, ANALYSIS AND PRESENTATION

This chapter presents the findings, discussion and analysis of the study to answer the objective of the research using descriptive analysis. The researcher distributed a total of 55 questionnaires to the target group of employees who are working with United Alpha commercial PLC. Out of these total 55 questionnaires about 53 (96%) were fully filled and returned, and further processed and analyzed for the study.

In order to determine the level of descriptive statistics of the study Best (1977) was applied which is on a five point Likert scale, the mean score from 1-1.8 is lowest, from 1.81-2.61 is low, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high and from 4.22-5 is considered very good/ very high. And a value of SD of 1 less shows less variability in five point Linkert scale.

4.1. Respondents' Profile

This section presents profile of respondents in relation to their Academic Qualification (Educational background), field of study on their highest educational level, professional certification and Years of experience.

Table 4.1 Socio-Demographic Characteristics of the respondents

Number	Item	Respondents Category	Frequency	Percentage
1	Educational Status	College Diploma	7	13.2
		Bachelor's Degree	40	75.5
		Masters	6	11.3
2	Field of study	Accounting and Finance	24	45.3
		Management	13	24.5
		Marketing\Economics	8	15.1
		Business Administration	4	7.5
		Other	4	7.5
3	Year of Experience	1-5 Years	6	11.3
		6-10 Years	15	28.3
		11-15 Years	13	24.5
		16-20 Years	11	20.8
		Above 21 Years	8	15.1
4	Professional Certification	Non-certified	48	90.6
		Certified Public accountant	1	1.9
		Other certified	4	7.5
Total			53	100

Source: Survey results, 2021

As is indicated in table 4.1 above, academically 11.3% of respondents are Master Degree holders, while 75.5% and 13.2% of them are respectively Bachelor Degree holders and College Diploma holders. This implies that the majority of the employees have adequate educational qualification to understand the concept of internal control system.

As the field-specific result in table 4.1 above shows, around half of the respondents are accounting and finance professionals, whereas management and marketing/economics, professionals consist of 25% and 15%, respectively. The rest 7.5% studied Business Administration and 7.5% are trained in other fields. From this result we can conclude that a great majority of the respondents – more than 92% - are professionals with sufficient knowledge of internal control system in their studies.

When it comes to assessment of the experiential status of the employees, the data, as is shown in table 4.1 above, indicates that about 45% of the respondents have long years of experience, 11 – 20 years of experience in the field. About 28% of the respondents were found to have 6-10 years and about 15% above 21 years of experience, while the remaining (about 11%) have below five years of experience. This shows that employees working in the organization are experienced and knowledgeable professionals. In whatever way, the employees' academic background and long years of work experience show that the organization has competent professionals with long years of experience. And this means that the majority of the respondents are educated and well experienced, who clearly understand and know in detail the purpose and importance of internal control system.

From the data processing output, it is clear that the majority of employees in the organization are not certified professionals. As is indicated in table 4.1 above, only 7.5% of them are certified in other professional certificates and 1.9% of them, which actually only one person, is a certified public Accountant. In other words the majority, about 91% are not certified in any accounting and public finance certificates.

4.2. Components of internal control

4.2.1. Control Environment

The control environment sets the tone for the organization and influences how employees conduct their activities and carry out their control responsibilities. The control environment is the foundation for all other components and provides structure and discipline. An effective control must incorporate integrity and ethical values, commitment to competence,

management philosophy and operating style, organizational culture, attention and oversight by directors or audit committee with the objective of good governance and adequate financial reporting. The survey result on this issue therefore, is presented as follows.

Table 4.2 Descriptive statistics of Control Environment

Control Environment			
	N	Mean	Std. Deviation
The company has a standard code of conduct that has been communicated to all staff.	53	2.55	.932
The company has well defined organizational structure.	53	3.57	.797
The company organizational structure and lines of authority clearly understand by the employees.	53	2.60	.968
Policies regarding the importance of internal controls are communicated to all staff	53	2.58	.842
The company provides mentoring and training opportunities needed to attract, develop and retain competent personnel.	53	2.51	.912
The company's internal auditors periodically assess the adequacy of the company's internal control system	53	2.53	.868
The company's external auditors periodically assess the adequacy of the company's internal control system	53	3.45	.952
Management periodically reviews policies and procedures to ensure that proper controls are in place	53	2.49	.912
Over all Mean		2.80	

Source: Survey results, 2021

In the above table (table 4.2) mean 2.55 with SD 0.932 shows a majority of the respondents disagree that the company has a standard code of conduct that has been communicated to all staff, while mean value 2.60 and SD 0.968 shows a majority of the respondents disagree on the idea that the company organizational structure and lines of authority are clearly understood by the employees. Mean value 2.58 with SD 0.842 indicated that a majority of the respondents disagree that the policies regarding the importance of internal controls are communicated to all staff.

In the same table mean 2.51 with SD 0.912 implies that a majority of the respondents agree that there is no mentoring and training opportunities needed to attract, develop and retain competent personnel, whereas mean 2.53 & 2.60 with SD 0.868 & 0.968 respectively show a majority of respondents agree that internal auditors did not periodically assess the adequacy

of the company's internal control system and that the management did not periodically review policies and procedures to ensure that proper controls are in place.

Based on the above table (table 4.2) the highest mean 3.57 with SD 0.797 indicates that a majority of respondents agree that there is well defined organizational structure in the company, and mean 3.45 & SD 0.952 indicates that a majority of the respondents agree that the external auditors periodically assess the adequacy of the company's internal control system.

The control environment is the foundation of all the control components, the board and senior management should be setting the right tone at the top, giving direction to the rest of the organization on the importance of effective internal controls. As indicated in the above table, the overall mean of the control environment is 2.80, which indicates that there is a moderate control environment of internal control system in United Alpha Commercial PLC.

To look this study with respect to the gap vis-à-vis other related studies, the finding in this research is different from some previous studies conducted by different researchers. For instance, it is different from a study carried out by Tekalegn (2019) that assesses the Effectiveness of the Internal Control System in Commercial Bank of Ethiopia, a Case of Hawassa City. The overall control environment mean value in Tekalegn's study was about 3.98, which actually can be approximated to 4. This means the majority of the respondents agreed that the control environment component of internal control system was good in CBE.

The finding in this research is also different from the study conducted on Assessments of Internal Control System in a Selected Micro Finance Institution by Ashenafi (2017). The overall mean of the control environment assessment in his study was about 3.76 which indicate that the control environment in the institution is good.

Moreover, the pertinent finding in this research is in difference with that of a study carried out by Ayagre, et al., (2014) on the Effectiveness of Internal Control Systems of Banks: The Case of Ghanaian Banks. In that study, the overall mean score for control environment was 4.66 with an SD of 0.62. This result indicated that the majority of the respondents agreed that the control environment component of banks is effective in the Ghanaian banking industry.

4.2.2. Risk Assessment

Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.

A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives. Management also considers the suitability of the objectives to the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective (Sultana and Haque, 2011). The survey result on this issue therefore, is presented as follows.

Table 4.3 Descriptive statistics of Risk Assessment

Risk Assessment			
	N	Mean	Std. Deviation
Management ensures that risk identification considers internal factors and their impact on the achievement of objectives.	53	3.60	.927
Management ensures that risk identification considers external factors and their impact on the achievement of objectives.	53	3.66	.939
The company follows established policies, procedure and process to periodically reconcile physical assets with the accounting records to detect fraudulent activities.	53	2.58	.819
There are sufficient staff members who are competent and knowledgeable to manage company activities	53	3.57	.821
The company has designed internal controls that mitigate the identified risks.	53	2.49	.846
Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis	53	2.53	.868
Responses are given timely to identified risks	53	2.28	.841
Overall Mean		2.95	

Source: Survey results, 2021

As it is shown from the above table (table 4.3), the two least mean, 2.49 and 2.28 with SD 0.846 and 0.841, respectively imply that a majority of the respondents disagree on the idea that the company design internal controls that mitigate the identified risk and that responses are given timely to identified risks, whereas mean 2.58 & SD 0.819 indicated that a majority of the respondents disagree that the company follows established policies, procedure and

process to periodically reconcile physical assets with the accounting records to detect fraudulent activities, while mean 2.53 with SD 0.868 imply that a majority of the respondents disagree that significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis.

The two highest mean 3.60 and 3.66 with SD 0.927 and 0.939 respectively indicate a majority of respondents agree that management ensures that risk identification considers internal and external factors and their impact on the achievement of objectives. A majority of the respondents also agree that there are sufficient staff members who are competent and knowledgeable to manage company activity. This is revealed by mean 3.57 & SD 0.821.

Risk assessment is responsibility of management. The management should identify and assess control risk caused by failure of internal control. There should be strategies of identifying risk, system to respond to risk and reduce the risk. The overall mean of risk assessment is approximately 2.95. This result indicates a majority of the respondents agree that there is an average risk assessment practice in United Alpha Commercial PLC.

With regard to risk assessment practice gap, the finding in this research is different from research findings of Fikru (2018), Ashenafi (2017) and Alemayehu (2016). As per the research done by Fikru (2018) on the Effectiveness of Internal Control System in Detection and prevention of Fraud in Ethiopian Banking Industry, the overall risk assessment was approximated to a mean of 3.5 which shows that there is a higher risk assessment practice in ICs of Ethiopian banks.

The overall mean of risk assessment in Ashenafi's study was 3.808 which indicate the respondents' agreement that there is a good risk assessments practice in the micro finance institution.

Moreover, the pertinent finding in this research is in difference with that of a study carried out by Alemayehu (2016) that assesses Internal Control System: a Case of Development Bank of Ethiopia. Alemayehu's pertinent overall mean, which is about 2.11, indicates that there was lowest practice of risk assessments trend in Development Bank of Ethiopia.

4.2.3. Control activities

Control activities are policies and procedures that help ensure management directives are carried out. Control activities are the actions supported by policies and procedures that help assure management directives to address risks are carried out properly and timely. Control activities are categorized as adequate separation of duties, proper authorization of

transactions and activities, adequate documents and records, physical control over assets and records and independent checks on performances. Control activities in an organization consist physical controls, segregation of duties, information processing and performance reviews (Badara, 2013). Pertinent results of this study are indicated in the table below.

Table 4.4 Descriptive statistics of Control Activity

Control Activity			
	N	Mean	Std. Deviation
Management designs appropriate control activities in response to the company’s objectives and risks to achieve an effective internal control system.	53	2.49	.869
The company has policies and procedure addressing proper segregation of duties among the tasks.	53	3.87	.708
Control activities employed by the company include authorization, approval, comparison and supervisory controls.	53	3.57	1.047
The company maintains policy and procedure to facilitate the recording and accounting of transaction in compliance with laws and regulation.	53	3.50	1.067
key managers review and approve all financial transaction	53	3.55	.889
The company provides adequate physical security for each asset subject to theft.	53	2.15	.794
Overall Mean		3.19	

Source: Survey results, 2021

In the above table (table 4.4) the highest mean 3.87 with SD 0.708 indicates that a majority of respondents agree that the company has policies and procedure addressing proper segregation of duties among the tasks, while mean 3.57 with SD 1.047 shows that the respondents agree, though in variation, that the company employs control activities which include authorization, approval, comparison and supervisory controls. Mean 3.5 indicates that the respondents agree the company maintains policy and procedure to facilitate the recording and accounting of transaction in compliance with laws and regulation. However, their agreement encompasses variation as is implied by an SD value of 1.067. A majority of respondents also agree that key manager’s review and approve financial transactions. This is revealed by mean 3.55& SD 0.889.

In the same table mean 2.49 with SD 0.869 indicates that a majority of respondents agree that management does not design appropriate control activities in response to the company's objectives and risks to achieve an effective internal control system, while mean 2.15 with SD 0.794 indicates that a majority of respondents agree that there is no adequate physical security for each asset subject to theft in the organization.

Control activities are specific methods and procedures of implementing internal control. Effective internal control has a list of those methods and procedures that are to be implemented consistently. The researchers' assessment results indicate that there is an average practice of control activity in terms of internal control practice in united alpha commercial plc., with an estimated overall mean value of 3.19.

The researcher also reviews secondary data of united alpha commercial Plc. The secondary data was obtained from reports and other related documents. Based on the secondary data the researcher found that there are no policies and procedure manuals in each department except in the finance department.

The pertinent finding of this study differs from a study carried out by Fikru (2018) on the Effectiveness of Internal Control System in Detection and Prevention of Fraud in Ethiopian Banking Industry. His Overall mean for the control activities was estimated to be 3.95 which indicate that the respondents were in agreement that there was a good control activity in their respective banking industry.

The pertinent finding of this research is also different from a study carried out by Seble (2018) on Assessment of the Perception of Internal Control Systems on Financial Performance of Commercial Banks in Ethiopia. Results pertaining to control activities in her survey show that there was adequate segregation of duties in the banks' finance and accounts departments, that staff members were trained to implement the accounting and financial management systems, that there was an up-to-date asset registering, authorization was made to know whether employees confirm to effective and adequate operation. The overall mean for control activities in Seble's study was approximated to be 3.54 which indicate that there is a higher practice of control activities in Financial Performance of Commercial Banks in Ethiopia.

4.2.4. Information and communication

Information and communication is one of the main components of effective internal control practice. Organizations need reliable, relevant and timely information related to both internal

and external events that can influence the company and its objectives. Information and communication are a key element in the success of an organization. Accurate, current, and reliable information about company's plans, control environment, risks, control activities, and performance should be communicated all over the company in a periodic manner (Horngren et al., 2012). The table below shows the result of the survey collected from the respondents.

Table 4.5 Descriptive statistics of Information and Communication

Information and Communication			
	N	Mean	Std. Deviation
The company considers internal source of data when identifying relevant information to use in the operation of internal control.	53	3.62	1.023
The company considers external source of data when identifying relevant information to use in the operation of internal control.	53	3.68	.872
Every transaction are clearly recorded and classified in order to provide reliable information to stakeholders.	53	2.43	.887
The key information about the organization's operations are identified and regularly reported.	53	2.47	.889
Information is available on a timely manner.	53	2.55	.952
The client complaints are taken seriously investing and acted upon	53	3.66	.807
Overall Mean		3.07	

Source: Survey results, 2021

In the above table mean 3.62 and 3.68 with SD 1.023 & 0.872 respectively show a majority of the respondents agreed that the company considers internal and external source of data when identifying relevant information to use in the operation of internal control. However, the former result (mean 3.62) shows that their agreement regarding internal sources of data was expressed in variation as the SD 1.023 implies. While, mean 3.66 with SD 0.807 shows that a majority of the respondents agree that the client complaints are taken seriously investing and acted upon.

The lower mean 2.43 & SD 0.887 indicates a majority of the respondents disagree that the transaction are clearly recorded and classified in order to provide reliable information to stakeholders, whereas mean 2.47 & SD 0.889 shows a majority of respondents disagree that the key information about the organization's operations are identified and regularly reported; and mean 2.55 with SD 0.952 revealed that a majority of the respondents agreed that information is not available on a timely manner.

In the researchers' assessment, an estimated overall mean value of 3.07 for Information and Communication component indicates that there is a moderate practice of Information and Communication with regard to internal control system in united alpha commercial plc.

There is a significant gap between pertinent findings of this study and those of previous studies by other researchers. Fikru (2018), for instance, conducted a research on the Effectiveness of Internal Control System in Detection and prevention of Fraud in Ethiopian Banking Industry and arrived at a different conclusion. The pertinent overall mean value in Fikru's study, which approximated to 3.73, shows that there is a good information and communication flow/practice in ICs of Ethiopian banks.

Pertinent results in a related study conducted on internal control system in a selected Micro finance institution by Ashenafi (2017) also are different from those found in this study. Ashenafi's overall mean for information and communication assessment, which is about 3.74, indicates that a majority of respondents agreed that there prevails a higher practice of information and communication in the institution.

4.2.5. Monitoring

Monitoring is the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews, and internal audits. The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Internal control is adequately designed and properly executed if all five internal control components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) are present and functioning as designed (Gamage et al, 2014).

These activities should be related to the entire organization, at all levels and in all functions. The monitoring primary purpose is to determine whether internal control is properly designed, established and effective. Internal control is considered appropriately designed and

maintained if all five internal control components are present and functioning as they should be (Horngren et al., 2012).

An ongoing monitoring of internal control is essential to ensure whether internal control is achieving desired objectives. Pertinent result and interpretation of the survey is presented as follows.

Table 4.6 Descriptive statistics of Monitoring

Monitoring			
	N	Mean	Std. Deviation
Management establishes a baseline to monitor the internal control system.	53	2.51	.891
Management has process in place to assess whether controls within each of the four components of internal control are present and functioning as intended.	53	2.42	.887
Management takes adequate and timely action to correct deficiency reported by the internal audit function, financial and programmatic monitoring activities.	53	2.40	.862
The company periodically evaluates business process such as cash management, procurement etc....	53	2.57	.930
Reports on significant failings or weaknesses are reported to management on a timely basis	53	2.55	.952
Overall Mean		2.5	

Source: Survey results, 2021

From the above table mean 2.51 with SD 0.891 shows that a majority of respondents disagree that management established baseline to monitor the internal control system, while mean 2.42&SD 0.887 indicates a majority of the respondents disagree that controls within each of the four components of internal control are somehow present and functioning as intended. Mean 2.40 with SD 0.862 shows a majority of respondents agree that there is no adequate and timely action to correct deficiency reported by the internal audit function, financial and programmatic monitoring activities, whereas mean 2.57& SD 0.930 indicates that a majority of respondents disagree that the company periodically evaluates business process. On the other hand, mean 2.55& SD 0.952 shows that most of the respondents disagree on the point that reports on significant weaknesses are reported to management on timely basis.

An estimated overall mean (2.50) for monitoring component indicates that there is a lower monitoring practice in united alpha commercial plc.

The finding here on monitoring activity has similarity with that of a previous study by Alemayehu (2016). He found that the Bank has a low monitoring practice in place with an approximate mean value of 2.08. This means respondents generally disagree about the existence of good monitoring activity in DBE.

However, there is a significant pertinent gap with other related studies. The finding in this research is in difference with a study carried out by Ayagre, et al., (2014) on the effectiveness of Internal Control Systems of banks: The case of Ghanaian banks. The results of that study showed that the majority of the respondents were of the view that the existing monitoring activities of the internal control systems were good in Ghanaian banks.

By the same token, another related study by Fikru (2018) shows a significant difference. The finding in Fikru's study on the monitoring component shows that there is a higher monitoring practice respective to internal control system of Ethiopian banking industry with an estimated overall mean value of 3.96, which actually can be approximated to 4.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of the findings for each of the five components of internal control system, conclusions drawn from them, and the recommendations that can help in improvement of internal control system practice in United Alpha Commercial PLC. Thus the chapter is organized in such a way that section 5.1 lists out summary of the findings, section 5.2 narrates the Conclusion, and section 5.3 presents recommendations based on the findings.

5.1. Summary of Findings

The summary of findings for each of the five components of internal control practice in United Alpha Commercial PLC, which are based on the detailed results obtained for the breakdown variables the researcher used to assess the status of each component, are separately presented hereunder.

As indicated in table 4.2 in Chapter Four above, the overall result for the component indicates that there is a moderate control environment. The overall mean value that shows the status of the 'control environment' component scored about 2.80.

The researcher found that risk assessment in United Alpha Commercial PLC is somehow average. As is indicated in Chapter Four above, the overall result for the component indicates that there is a moderate practice with respect to risk assessment. The overall mean value that shows the status of the 'risk assessment' component is approximately 2.95, which actually can be taken as 3. And this means a majority of the respondents agree that the risk assessment in terms of internal control is not more than average as such in United Alpha Commercial PLC.

The study found that there prevails a moderate control activity in terms of internal control practice in United Alpha Commercial PLC. As is indicated in Chapter Four above, the overall result for the component indicates that there is an average practice with respect to control activity. The overall mean value that shows the status of this component is approximately 3.19. And this means a majority of the respondents agree that the control activity practiced in their company in terms of internal control is moderate.

The research finding for the 'Information and communication' component of internal control in United Alpha Commercial Plc. shows that there is a moderate practice. This was made clear with an estimated overall mean value of 3.07. A significant majority of respondents agree that there exists an average Information and Communication practice pertinent to internal control system in their company.

The researcher found that monitoring practiced with respect to internal control in United Alpha Commercial PLC is below average. As is indicated in table 4.6 in Chapter Four above, the overall result for the component indicates that there is a low practice with respect to monitoring. The overall mean value that shows the status of the 'monitoring' component is approximately 2.50. And this means a majority of the respondents agree that monitoring in terms of internal control is lower in their company.

5.2. Conclusion

Based on the findings of the assessment, the following conclusions are made. The internal control system practice in United Alpha Commercial Plc. is not generally that satisfactory. It was found to have a little strength but numerous weaknesses. Even though the company has a well-defined organizational structure and is periodically assessed by external auditors, it has not well-communicated standard code of conduct. Moreover, organizational structure and lines of authority were not clearly understood by employees. Similarly, internal auditors did not periodically assess the adequacy of the company's internal control system. These key factors of the study implicated that the company's control environment is not above average. On the other hand, the company's risk assessment experience is not satisfactory. The company did not follow established policies, procedure and process to periodically reconcile physical assets with the accounting records to detect fraudulent activities. And it did not design internal controls to mitigate the identified risk and give timely responses.

The company's control activity is not satisfactory. Management did not design appropriate control activities in response to the company's objectives and risks to achieve an effective internal control system. And there is no adequate physical security for each asset subject to theft. In regard to information and communication, transactions are not clearly recorded and classified in order to provide reliable information to stakeholders. Similarly, the key information about the organization's operations is not identified, regularly reported and not available on a timely manner. These and related factors have rendered information and communication component not any more than average. Above all, the company has a poor

monitoring practice. The management doesn't have process in place to assess controls within each of the four components of internal control. Similarly, management doesn't take adequate and timely action to correct deficiency reported by the internal audit function, financial and programmatic monitoring activities.

5.3. Recommendations

Going in line with the objectives of the study and with the detailed as well as the overall findings for each of the assessed components of internal control system in United Alpha Commercial Plc., the researcher hereby generally recommends that the company's internal control system needs to be improved. And this automatically implies the need to improve the status of the five basic components, especially the practice of monitoring. The researcher would also like to recommend the following specificities to lay more emphasis.

- The company ought to ensure that its organizational structure and lines of authority are clearly understood by all employees and that standard code of conduct is communicated to all staff. This can be done in various ways, for instance, by providing training to employees. This may also include work, health and safety guidelines, training manuals, mission statements and other relevant information.
- Management has to improve the practice of periodically reviewing policies and procedures to ensure that proper controls are in place. Moreover, policies regarding the importance of internal control should be communicated to all staff.
- The company has to enhance provision of mentoring and training opportunities needed to attract, develop and retain competent personnel.
- The company's internal auditors need to critically improve and upgrade their practice of periodically assessing the adequacy of the company's internal control system. There need to be well-set plans and programs in order to accomplish this effectively.
- To minimize risk the company should follow established policies, procedure and process to periodically reconcile physical assets with the accounting records to detect fraudulent activities.
- The company ought to improve its designing of internal controls that mitigate the identified risks and response should give timely. Control activities that mitigate risk include segregation of duties, safeguarding of assets and policies related to information processing.

- Management should improve designing appropriate control activities in response to the company's objectives and risks to achieve an effective internal control system.
- Every transaction ought to be more clearly recorded and classified in order to become available on a timely manner and to provide reliable information to stakeholders.
- The company has to ensure that key information about the organization's operations are identified and regularly reported.
- Management should assess and make sure whether controls within each of the four components of internal control are present and functioning as intended.
- Management should take adequate and timely action to correct deficiency reported by the internal audit function, financial and programmatic monitoring activities.

5.4. Suggestion for further study

The study was conducted on United Alpha commercial PLC. Similar studies could be replicated in other industries to assess internal control practices in merchandizing and manufacturing companies. Similar studies can also be carried out to determine the impact of effective internal control system on organization's profitability and challenges in internal control system. Most importantly, Future studies should attempt to achieve a larger sample to determine whether the results can be generalized.

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Appendix A

St. Mary's University
School of Graduate Studies

AzmeraMengesha, Master of Science (MSC) - Accounting and Finance candidate

Telephone: 0929078678

E-mail: azmeramk19@gmail.com

Dear Respondents,

This questionnaire is prepared to collect data from United Alpha Commercial Private Limited Company. The study is being conducted as part of the undersigned researcher's study for the degree of Master of Science in Accounting and Finance at St. Mary's University. The results of the study are expected to contribute to the understanding of internal control system practices in United Alpha Commercial PLC.

Please note that there is no need of writing your name on the questionnaire.

I would like to assure you that the information you provide will be accessible only to the investigator. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you will enlarge your assistance by participating in the study.

Your honest and thoughtful response is invaluable.

Thank you for your participation.

Kind regards,

Part I: - General Information

Instructions: Please tick (√) from the alternatives that are most applicable answer to you in respect of each of the following items

1. Qualification (Educational background)

College Diploma Masters
Bachelor's Degree Above Masters
Other Specify _____

2. Field of study on your highest educational level:

Accounting and Finance Marketing / Economics
Management Business Administration
Other Specify _____

3. Professional certification (if any):

Certified Internal Auditor (CIA) Certified Public Accountant (CPA)
Certified Management Accountant (CMA)
Other (specify) _____

4. Year of experience in years

Part II: - Internal control system Questions

The Questionnaire is prepared in Likert-scale form with five (5) point scales. I ask you to tick (√) that indicates your opinion in table below. The values of scales are **5= Strongly Agree (SA)**, **4= Agree (A)**, **3= Neutral (N)**, **2= Disagree (D)**, **1= Strongly Disagree (SD)**

S.N.	Questions	1	2	3	4	5
I	Control environment					
1	The company has a standard code of conduct that has been communicated to all staff.					
2	The company has well defined organizational structure.					
3	The company organizational structure and lines of authority clearly understand by the employees.					
4	Policies regarding the importance of internal controls are communicated to all staff					
5	The company provides mentoring and training opportunities needed to attract, develop and retain competent personnel.					
6	The company's internal auditors periodically assess the adequacy of the company's internal control system					
7	The company's external auditors periodically assess the adequacy of the company's internal control system					
8	Management periodically reviews policies and procedures to ensure that proper controls are in place					
II	Risk Assessment					
9	Management ensures that risk identification considers internal factors and their impact on the achievement of objectives.					
10	Management ensures that risk identification considers external factors and their impact on the achievement of objectives.					
11	The company follows established policies, procedure and process to periodically reconcile physical assets with the accounting records to detect fraudulent activities.					
12	There are sufficient staff members who are competent and knowledgeable to manage company activities					

S.N.	Questions	1	2	3	4	5
13	The company has designed internal controls that mitigate the identified risks.					
14	Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis					
15	Responses are given timely to identified risks					
III	Control Activity					
16	Management designs appropriate control activities in response to the company's objectives and risks to achieve an effective internal control system.					
17	The company has policies and procedure addressing proper segregation of duties among the tasks.					
18	Control activities employed by the company include authorization, approval, comparison and supervisory controls.					
19	The company maintains policy and procedure to facilitate the recording and accounting of transaction in compliance with laws and regulation.					
20	key managers review and approve all financial transaction					
21	The company provides adequate physical security for each asset subject to theft.					
IV	Information and Communication System					
22	The company considers internal source of data when identifying relevant information to use in the operation of internal control.					
23	The company considers external source of data when identifying relevant information to use in the operation of internal control.					
24	Every transaction are clearly recorded and classified in order to provide reliable information to stakeholders.					
25	The key information about the organization's operations are identified and regularly reported.					
26	Information is available on a timely manner.					
27	The client complaints are taken seriously investing and acted upon					
V	Monitoring					

S.N.	Questions	1	2	3	4	5
28	Management establishes a baseline to monitor the internal control system.					
29	Management has process in place to assess whether controls within each of the four components of internal control are present and functioning as intended.					
30	Management takes adequate and timely action to correct deficiency reported by the internal audit function, financial and programmatic monitoring activities.					
31	The company periodically evaluates business process such as cash management, procurement etc...					
32	Reports on significant failings or weaknesses are reported to management on a timely basis					

Please suggest if you face any kind of idea in evaluation of internal control system practice in your company that is not addressed in this questionnaire.

Thank You!

Appendix B

Frequency Table

Control Environment

The company has a standard code of conduct that has been communicated to all staff.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	38	71.7	71.7	71.7
Neutral	3	5.7	5.7	77.4
Valid Agree	10	18.9	18.9	96.2
Strongly Agree	2	3.8	3.8	100.0
Total	53	100.0	100.0	

The company has well defined organizational structure.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	9	17.0	17.0	17.0
Neutral	6	11.3	11.3	28.3
Valid Agree	37	69.8	69.8	98.1
Strongly Agree	1	1.9	1.9	100.0
Total	53	100.0	100.0	

The company organizational structure and lines of authority clearly understand by the employees.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.8	3.8	3.8
Disagree	32	60.4	60.4	64.2
Neutral	5	9.4	9.4	73.6
Valid Agree	13	24.5	24.5	98.1
Strongly Agree	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Policies regarding the importance of internal controls are communicated to all staff

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	34	64.2	64.2	64.2
Neutral	7	13.2	13.2	77.4
Agree	12	22.6	22.6	100.0
Total	53	100.0	100.0	

The company provides mentoring and training opportunities needed to attract, develop and retain competent personnel.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	39	73.6	73.6	73.6
Neutral	3	5.7	5.7	79.2
Agree	9	17.0	17.0	96.2
Strongly Agree	2	3.8	3.8	100.0
Total	53	100.0	100.0	

Management periodically reviews policies and procedures to ensure that proper controls are in place

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	1.9	1.9	1.9
Disagree	38	71.7	71.7	73.6
Neutral	2	3.8	3.8	77.4
Agree	11	20.8	20.8	98.1
Strongly Agree	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Risk Assessment

Management ensures that risk identification considers internal factors and their impact on the achievement of objectives.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	11	20.8	20.8	20.8
Neutral	4	7.5	7.5	28.3
Agree	33	62.3	62.3	90.6
Strongly Agree	5	9.4	9.4	100.0
Total	53	100.0	100.0	

Management ensures that risk identification considers external factors and their impact on the achievement of objectives.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	11	20.8	20.8	20.8
Neutral	2	3.8	3.8	24.5
Agree	34	64.2	64.2	88.7
Strongly Agree	6	11.3	11.3	100.0
Total	53	100.0	100.0	

The company follows established policies, procedure and process to periodically reconcile physical assets with the accounting records to detect fraudulent activities.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	33	62.3	62.3	62.3
Neutral	9	17.0	17.0	79.2
Agree	11	20.8	20.8	100.0
Total	53	100.0	100.0	

Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	38	71.7	71.7	71.7
Neutral	2	3.8	3.8	75.5
Agree	13	24.5	24.5	100.0
Total	53	100.0	100.0	

Responses are given timely to identified risks

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	5	9.4	9.4	9.4
Disagree	36	67.9	67.9	77.4
Valid Neutral	4	7.5	7.5	84.9
Agree	8	15.1	15.1	100.0
Total	53	100.0	100.0	

Control activity

Management designs appropriate control activities in response to the company's objectives and risks to achieve an effective internal control system.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	40	75.5	75.5	75.5
Valid Agree	13	24.5	24.5	100.0
Total	53	100.0	100.0	

The company has policies and procedure addressing proper segregation of duties among the tasks.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	5	9.4	9.4	9.4
Neutral	2	3.8	3.8	13.2
Valid Agree	41	77.4	77.4	90.6
Strongly Agree	5	9.4	9.4	100.0
Total	53	100.0	100.0	

The company maintains policy and procedure to facilitate the recording and accounting of transaction in compliance with laws and regulation.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.8	3.8	3.8
Disagree	12	22.6	22.6	26.4
Valid Neutral	1	1.9	1.9	28.3
Agree	33	62.3	62.3	90.6
Strongly Agree	5	9.4	9.4	100.0
Total	53	100.0	100.0	

key managers review and approve all financial transaction

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	12	22.6	22.6	22.6
Neutral	2	3.8	3.8	26.4
Valid Agree	37	69.8	69.8	96.2
Strongly Agree	2	3.8	3.8	100.0
Total	53	100.0	100.0	

Information and Communication

The company considers external source of data when identifying relevant information to use in the operation of internal control.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	10	18.9	18.9	18.9
Neutral	1	1.9	1.9	20.8
Valid Agree	38	71.7	71.7	92.5
Strongly Agree	4	7.5	7.5	100.0
Total	53	100.0	100.0	

Every transaction are clearly recorded and classified in order to provide reliable information to stakeholders.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	8	15.1	15.1	15.1
Disagree	29	54.7	54.7	69.8
Neutral	2	3.8	3.8	73.6
Valid Agree	13	24.5	24.5	98.1
Strongly Agree	1	1.9	1.9	100.0
Total	53	100.0	100.0	

The key information about the organization's operations are identified and regularly reported.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	6	11.3	11.3	11.3
Disagree	32	60.4	60.4	71.7
Neutral	2	3.8	3.8	75.5
Agree	10	18.9	18.9	94.3
Strongly Agree	3	5.7	5.7	100.0
Total	53	100.0	100.0	

Information is available on a timely manner.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	4	7.5	7.5	7.5
Disagree	34	64.2	64.2	71.7
Agree	12	22.6	22.6	94.3
Strongly Agree	3	5.7	5.7	100.0
Total	53	100.0	100.0	

The client complaints are taken seriously investing and acted upon

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	9	17.0	17.0	17.0
Neutral	2	3.8	3.8	20.8
Agree	40	75.5	75.5	96.2
Strongly Agree	2	3.8	3.8	100.0
Total	53	100.0	100.0	

Monitoring

Management establishes a baseline to monitor the internal control system.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	1.9	1.9	1.9
Disagree	37	69.8	69.8	71.7
Neutral	2	3.8	3.8	75.5
Agree	13	24.5	24.5	100.0
Total	53	100.0	100.0	

Management has process in place to assess whether controls within each of the four components of internal control are present and functioning as intended.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	2	3.8	3.8	3.8
Disagree	39	73.6	73.6	77.4
Agree	12	22.6	22.6	100.0
Total	53	100.0	100.0	

Management takes adequate and timely action to correct deficiency reported by the internal audit function, financial and programmatic monitoring activities.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	2	3.8	3.8	3.8
Disagree	39	73.6	73.6	77.4
Neutral	1	1.9	1.9	79.2
Agree	11	20.8	20.8	100.0
Total	53	100.0	100.0	

The company periodically evaluates business process such as cash management, procurement etc...

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	38	71.7	71.7	71.7
Neutral	1	1.9	1.9	73.6
Agree	13	24.5	24.5	98.1
Strongly Agree	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Reports on significant failings or weaknesses are reported to management on a timely basis

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	5.7	5.7	5.7
Disagree	32	60.4	60.4	66.0
Neutral	4	7.5	7.5	73.6
Agree	14	26.4	26.4	100.0
Total	53	100.0	100.0	