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The Effect of Internal Control on Organization Performance in Reference to Moha Soft Drinks Company, Ethiopia: A Case Study in Hwassa Pepsi Cola Factory

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ABSTRACT

Internal controls promote efficiency, reduce risks of assets loss and help to ensure the reliability of financial statements and compliance with laws and regulations (Coco, 2005). Thus successful organizations set performance measures that focus attention that identifies and communicates the success, support organization learning and provide a basis for assessment and reward (Brown, 2001). In order to be able to perform, organizations should critically look at customers and all stakeholders in business and know how best they are satisfying their needs. Kloot (1999), adds that organizations should continuously improve their services through assets accumulation, create value, improve quality services and flexibility, internal control system is intervened with organizations operating activities and it is most effective when controls are built into the organizations infrastructure becoming part of the very essence the organizations success in terms of continued improvement on performance standards as part of the competitive advantage of the organization. However according to how work is carried out some companies, there have poor documentations, no segregation of duties which affect organizational performance. This study will investigate the purpose of ascertaining the effect of internal control system on organizational performance. This study used descriptive design in soliciting information on the effect of internal control system on organizational performance. Data was collected from the respondents using questionnaires, and analyzed using descriptive statistics. The study findings indicated that the organization carried out proper authorization and approval of transactions. Sometimes transactions were carried out without proper authorization and sometimes there were no approval, this created room for conducting fraudulent activities like misappropriations. The result of the study also shows that that almost 2/3 of the respondents did agree with the fact that the organization reconciled physical cash with cash book balances, while 21% disagreed on the facts. This was because most business purchases (receipts) were not recorded so identifying the actual value of the assets was difficult leaving accountants with no knowledge on the assets. Based on this results, the study recommends that management should develop more effective strategies that will ensure that internal control is effective and efficient, so that fraud perpetration in the organization will be significantly reduced. The study also recommends that the company should work to correct its internal control system by periodic reconciliation of accounts.

Key words: *Internal Control, Organizational Performance, effective Control, Fraud*

INTRODUCTION

The survival of any organization depends on the effective and efficient utilization of resources (financial and non-financial) at the disposal of the organization. Hence, to optimize the utilization of resources entrusted to all employees in an organization, various form of control are put in place by management of the organization, among these major controls are internal control and internal audit to mention a few. Internal controls are policies, procedures, practices and organizational structures implemented to provide reasonable assurance that an organization's business objectives will be achieved and undesired risk events will be prevented or detected and corrected based on either compliance or management initiated concerns (Awe, 2005). Internal controls enable management to deal with rapidly changing economic and competitive environment, shifting customer demands and priorities and restructuring for future growth. Internal controls promote efficiency, reduce risks of assets loss and help to ensure the reliability of financial statements and compliance with laws and regulations (Coco, 2005). The Institute of Chartered Accountants of England and Wales (ICAEW), defined internal control as the whole system of controls, financial or otherwise, established by management in order to carry on the business of an enterprise in an orderly and efficient manner, to ensure adherence to management policies, safeguard the assets and secure as far as possible, the completeness and accuracy of the records. They are tools used by management every day for the smooth running of their organization or businesses. Internal controls also refer to the measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions.

Because internal controls serve many component purposes, there are increasing calls for better internal control systems; internal control is looked upon more and more as a solution to a variety of potential problems (Coco, 2005). According to Chambers (2000), Cosserate (2009), Ridley and Chambers (2000), internal controls are systems comprising of the control environment and control procedures. They further stated that internal control systems include all the policies and procedures adopted by the management and directors of an entity to assist in achieving their objective of efficient conduct of its business, including their adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completion of the accounting records and timely preparation of reliable financial information. Successful organizations ensure that they attain and consolidate continued survival in a competitive environment, (Drucker, 2003). Thus successful organizations set performance measures that focus attention that identifies and communicates the success, support organization learning and provide a basis for assessment and reward (Brown, 2001).

Organizational performance is measured in terms of customer satisfaction, through reduced customer complaints (Kloot, 1999). In order to be able to perform, organizations should critically look at customers and all stake holders in business and know how best they are satisfying their needs. Kloot (1999), adds that organizations should continuously improve their services through assets accumulation, create value, improve quality services and flexibility, internal control system is intervened with organization's operating activities and it is most effective when controls are built into the organization's infrastructure becoming part of the very essence of the organization's success in terms of continued improvement on performance standards as part of the competitive advantage of the organization.

Despite the fact that internal control system have been in existence for many years in most organization, the problem of financial crimes, have continued to be on the increase. Examples of this financial crime include; financial irregularities within the departments, collusion among senior or highly trusted employees, breaches of control, to mention a few. Various researchers, have affirmed that internal control set by management in most organization has not been able to completely prevent these fraudulent occurrences because these controls have not significantly reduced the reoccurring fraud and corruption perpetuated by employees in most organizations. Therefore, the main objective of this study is to investigate the effect of internal control system on organizational performance with reference to MOHA Soft Drinks Company in the case of Hawassa Pepsi Cola Factory.

REVIEW OF LITERATURE

Definition Of Internal Controls

Martin (1994), describes the internal control as including internal checks and internal auditing, it projects the whole system of controls to be applicable to sales, purchases, finance, cost, production and others. These controls provide safety and security to assets and continuous checks on the day-to-day transactions. Ramaswamy M. S (1994) defines internal control as the plan of the organization and all the methods and procedures adopted by the management to achieve its organizational goals. Emiles Woolf (1992) defines internal control as the system of control, financial or otherwise established by the management in order to carry out business in an orderly and efficient manner, safeguard his assets and secure accurate records. Rosenburg (1983) defines internal control as those methods, procedures and measures employed to promote efficiency, encourage acceptance of managerial procedures and policies to check the validity of management and to protect assets. According to Asuquo (2005), internal control is made up of internal checks, internal audit, accounting controls and other forms of control such as budgetary and physical control. According to Van Creveld (2005), internal control has further been defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals and objectives.

From these definitions, it can be deduced that internal control comprises the plan of an organization and all of the coordinate methods and measures adopted within it, to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Internal control objectives are channeled towards ensuring adherence to managerial policies and achieving organizational goals in general.

Fraud as Related to Internal Control

Fraud is an intentional strategy to achieve a personal or organizational goal or human needs by deceit. A layman definition of fraud includes dishonesty in the form of an intentional deception or a willing full misrepresentation of a material fact, lying, the willful telling of an untruth, and cheating, the gaining of an unfair or unjust advantage over another. Fraud involves coercing people to act against their own best interest.

Types of Controls

Preventive Controls

These are controls that predict potential problems before they occur and make adjustments. They also prevent an error, omission or malicious act from occurring. Examples of preventive controls includes: using well-designed documents to prevent errors, establishing suitable procedures for authorization of transactions, employing only qualified personnel. e.g. segregation of duties.

Detective Controls

According to the Office of Internal Audit and Institutional Risk Management (2012), these are designed to find errors or irregularities after they have occurred. Examples of detective controls are: (1) Reviews of Performance: Management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up. (2) Reconciliations: An employee relates different sets of data to one another, identifies and investigates differences and takes corrective action when necessary.

Corrective controls

These controls help to minimize the impact of a threat, identify the cause of a problem, correct errors arising from the problem. They also correct problems discovered by detective controls and modify the processing system(s) to minimize future occurrence of the problem. According to IS handbook, (2012), Corrective controls restore the system or process back to the state prior to a harmful event. For example, a business may implement a full restoration of a system from backup tapes after evidence is found that someone has improperly altered the payment data.

The Major Elements of an Internal Control Process

According to Jacksonville,2000, the internal control process, which historically has been a mechanism for reducing instances of fraud, misappropriation and errors has become more extensive, addressing all the various risks faced by organizations. It is now recognized that a sound internal control process is critical to the organization's ability to meet its established goals. Internal control consists of five interrelated elements: and these elements are explained with it and of suitable principle to be followed by concerned people in an organization and these elements are; Management oversight and the control culture, Risk recognition and assessment, Control activities and segregation of duties, Information and communication; and Monitoring activities and correcting deficiencies.

Various Internal Controls Employed in Organizations

Sawyers (2002) guide for internal Auditor pointed out the various internal controls and they are as follows.

Documentation

The PCAOB release No. 2004-006 stated that documentation involves preserving evidence to substantiate decision, event, transaction or system. Documentation should be complete and accurate and recorded promptly; this is as it's a requirement by ISA 230. It should contribute to achieving organizations mission, help managers in controlling their operations and assist in an operation. Documentation without a clear purpose will hinder the efficiency and effectiveness of the organization.

Verification

The Business dictionary, the academia stated that verification is the determination of the competences, accuracy, authenticity and validity of transactions, events or information. It is a control activity that enables management to ensure activities are being done in accordance with directives. Management should determine what needs to be verified based on the risk to the organization if there were no verifications. Management should clearly communicate these decisions to those responsible for conducting verifications.

Supervision

Supervision refers to helping someone to extend their professional skills and understanding. These aspects will be relevant to varying degrees depending on the context. It can be helpful to think about supervision both in terms of development which is related to ongoing professional learning and clinical governance and standard setting. Provide the necessary guidance and training to help minimize errors, wastes and to follow management directives. Clearly communicate the duties and responsibilities assigned to those performing the activities; this is as per the Auditing Standard No.10 and PCAOB release No. 2010-004.

Safeguard Assets

The Auditing Standard No. 2 (CI), Kendra James (2001) stated that, safeguarding the asset is to restrict access to resources and information to help to reduce unauthorized use or loss. Management should adequately protect the organization's assets, files, documents and other resources that could be wrongfully used, damaged or stolen.

Personal Controls

This refers to the extent to which they are able to control or influence outcomes. A wide variety of theorists have emphasized the importance of perceptions of personal control and have suggested that the desire to control the world around us (Schultz et al, 1994)

Reporting

ISA 700 states that reporting is a mean of conveying information. It serves as a control when it prevents or reduces the risk that unfavorable event will occur. Reporting assists in monitoring when providing information on such issues as time lines, achievement of goals, budget status and end concerns (Business Dictionary, 2002).

Limitations of Internal Controls in Organizations

Internal controls can prove reasonable assurance that the management objectives in establishing the system are achieved. This is due to the fact that any internal control system has some limitations and they include; It is very difficult to prevent or detect errors and fraud when there has been collusion between two or more persons. Control may be circumvented through fraudulent collusion with parties outside the entity or employees of the entity (Millichamp, 1996) There is a possibility that the person responsible for exercising control could abuse that responsibility for example authorization controls could be abused by the person in whom authority is vested (Woolf, 1986). The financial accountability handbook (2013) also talks about the limitations of internal controls as follows; Most controls are directed to transactions of usual nature and therefore transactions of unusual nature might escape being subjected to vigorous control, collusion by staff for personal gain or other motive, the potential human error remains in any system of control. This is mainly caused by stress of working environment, staffs taking short-cuts instead of following procedures, staff carelessness, poor judgment or lack of knowledge and controls must be cost effective to the cost of the control procedure cannot be disproportionate to the potential loss due to fraud or error.

Organizational Performance

Brown (1996) argues that performance measures in organization must focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward. Dixion (1990), adds that appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. This is because according to him, a firm's performance is central to the future wellbeing and prosperity of any enterprise. Study by Whyte (1991) shows that performance can be measured at both organizational and individual levels. This measurement is sometimes referred to as performance appraisal. Whyte argues that organizations have desired potentials in terms of capacity, attraction, and manual share. Financial strength and performance is the difference between those potentials and those that have been achieved. Whyte argues that human capital, asset accumulation have significant impact on the organizations ability to introduce new products, compete within markets thus influencing the level of performance. It increases knowledge base within the organization's success and performance.

Remelt (1994) asserts that availability and level of resources can also be used to analyze the performance of an organization. Remelt emphasizes that resources which may include assets financing, employee skills and organizational process are key indicators of the organizations performance one time. In agreement with this, Barney (1991) suggested that resources could be grouped into physical, human and capital resources and that a firm can increase its performance only when the firm is unable to mitigate its resources. Ryne (1994) argues that although a strong financial performance indicates a strong institution, qualitative indicators like the nature of management and education level of the labour force must supplement the qualitative indicators in order to enable the enterprise ability to meet its focus and objectives.

Palmer (1993) emphasizes that performance in organizations is looked at in terms of economy, efficiency and effectiveness. Economy and efficiency are usually measured in financial terms and data such as costs, volume of sales and productivity are used. Economy is defined as acquiring resources in appropriate quantities and at the least cost. Drucker (1999) defines efficiency as maximizing inputs for a required output. On the other hand Drucker defines effectiveness as the extent to which the defined task has been accomplished and is consistent with notions of non-financial accountability. Effectiveness may partly be measured in terms of quality service, customer satisfaction and achievement of goals.

Morton (1992) is also in agreement with Drucker's (1999) contention that performance should be measured in terms of customer satisfaction. Morton argues that in order to be able to perform, organizations should critically look at their customers and know how best they are satisfying their needs. He adds that organizations should continuously improve on their services through innovations. Kloot (1999) adds that in order to assess performance, organizations should be examined in terms of quality of services, flexibility, utilization and innovations.

Relationship between Internal Controls and Organizational Performance

Coco (1992) provided a criterion against which effectiveness of internal controls can be assessed. Internal control can be judged effective if the entity's operations objectives are being achieved; appropriate financial statements are being prepared, reliable, 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 in 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 level of the organizational performance.

One of the five interrelated components of internal control system is a control environment factor. It refers to the integrity, ethical value and competence of the entity's people (COSO, 1994). Internal control should be viewed in a broader context for example it should as well be reorganized as a function of people's ethical values as it is of standards and compliancy mechanisms (Coco, 1995). Wells (2001) illustrates practical fraud occurrences discovered by competent accountants within organizations and what the accountants say about how they detect fraudulent transactions. Internal controls system helps an organization to achieve its objectives such as its efficiency and effectiveness, reliable financial reporting and compliance with regulations (Coso, 1994). Controls serve the systems goals, they interact with the system and its environment thus directing the energy of the system towards fulfillment, in the same way changes in the environment are easily noticed and adapted to (Coco, 1995). (ACMAD, 1994) recognizes that internal controls can enhance the productivity and competitiveness of the organizations.

METHODOLOGY

Research design used was descriptive in nature. Qualitative and quantitative data was collected. The data was collected from primary sources and secondary sources using questionnaires and interview guides and analysis of documents. The study population was employees of Moha Soft Drinks Company, Hawassa Pepsi factory with a total number of 163 employees in all departments. Human resources consisted of 12 workers, sales & marketing with 19 workers, finance with 24 workers, spare parts and service (mechanics) with 29, manufacturing unit with 56 workers, delivery with 23 workers while departmental managers with 6 workers. When the population is known, the sample size can be derived by using Yemane (1967) method.

$$n = \frac{N}{1 + N(e)^2}$$

Where: N = Total Population, n = Sample Size and e = Sample error

Thus, the sample size for the respondents was; (163) ÷ [1+163$(0.1)^2$] = 62 (rounded). Therefore the sample size was **62** employees.

Generally out of 163 workers in the factory, a sample of 62 respondents was selected to represent the rest due to limited time and resources. 5 out of 12 was selected to represent the rest in Human resources, 7 respondents out of 19 in sales and marketing was selected, 9 out of 24 was selected in finance, 10 out of 29 was selected in spare parts and service (mechanics), 21 out of 56 was selected in manufacturing units, 8 out of 23 was selected in delivery, 2 out of 6 in departmental managers was as well selected. The sample was selected using the non-purposive and non-probability sampling methods because it gave the researcher a chance to select a sample basing on personal knowledge and experience of the group sampled. This was based on the assumption that respondents have information that is required by one.

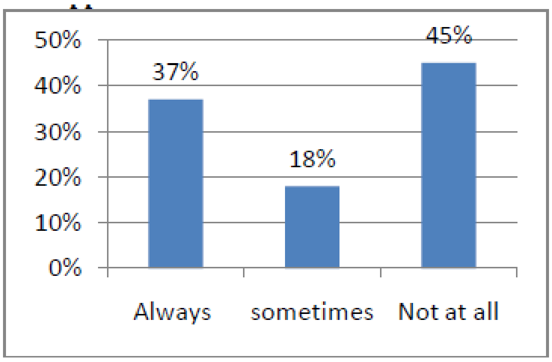
Data were analyzed after editing, coding and tabulation. This analysis was based on percentages that were obtained to show the relationship between the study variables. The information was summarized according to the objectives of the study.

Data Analysis and Presentation of Findings

The Organization Carries Out Proper Authorization and Approval of Transactions

One of the objectives of the study was "to assess the level of internal control system in the Company. Below are the responses.

From the figure 4.1, it was observed that a number of respondents (37%) agreed that the organization carried out proper authorization and approval of transactions. Sometimes transactions were carried out without proper authorization and sometimes there were no approval at all as shown by (18%) and (45%) respectively, this created room for conducting fraudulent activities like misappropriations.



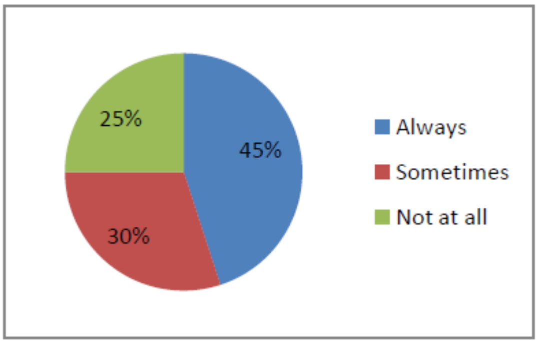
Source: *Primary data*

Figure4.1. *showing the analysis of findings whether the organization carries out proper authorization and approval of transactions.*

From the above figure 4.1, it was observed that a number of respondents (37%) agreed that the organization carried out proper authorization and approval of transactions. Sometimes transactions were carried out without proper authorization and sometimes there were no approval at all as shown by (18%) and (45%) respectively, this created room for conducting fraudulent activities like misappropriations.

The Carrying Out of Proper Recording of Transactions in an Organization

Data regarding recording of transactions in an organization was generated by investigating the extent to which the organization carries out proper recording of transactions. Below are the findings.



Source: *Primary data*

Figure4.2. *Showing the finding on whether the organization carries out proper recording of transactions*

Figure 4.2 showed that the majority of the respondents (45%) did agree that the organization carried out proper recording of the transactions whenever they took place. However (25%) disagreed that the organization does not carry out proper recording of transactions and this loophole was used to carry out fraudulent activities by employees.

Handling of Sensitive Duties Like Cash Recording by More Than One Individual

Respondents were asked whether there are segregation of duties on cash handling and cash recording and below are the findings of their responses.

Table4.1. *Shows the findings on handling of sensitive duties like cash recording by more than one individual.*

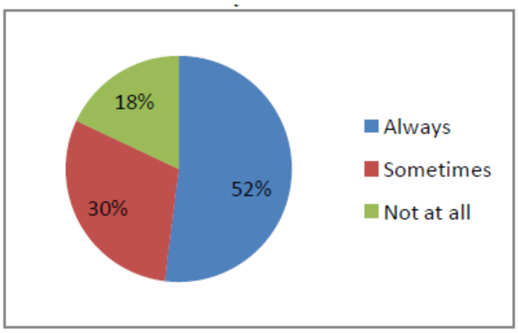
Respondents	Frequency	Percentage (%)
Always	34	55
Sometimes	17	27
Not at all	11	18
Total	**62**	**100**

Source: *Primary data*

From the above table 4.1, it was observed that the majority of the respondents (55%) did agree that sensitive duties were not handled by one individual, however (27%) of the respondents said that sometimes handling of sensitive duties were not handled by one individual, whereas 18% said not at all. This gave room for employees concerned in the operation to misappropriate and engage in fraudulent activities that created losses to the organization.

Restriction of Assets of the Organization to Authorized Personnel Only

Respondents were tasked to respond on whether there is restriction of authorized personnel to organization assets and recording them and the response was as follows on figure 4.3.



Source: Primary data

Figure4.3. *Shows the findings on regards to restriction of assets of the organization to authorized personnel only.*

From the figure above 4.3, it was clearly observed that most of the respondents (52%) agreed that the organization restricted its assets to authorized persons only; however (30%) said that sometimes whereas 18% of respondents said not at all. This meant that much as security was put in place in order to prevent missing of assets that caused loses to the organization, there were still some gaps to cover.

The Approval of Payment Vouchers before Cash Disbursements by Responsible People in the Management of the Organization

Respondents were asked to respond on whether responsible people in the management of the organization examined and approved payment vouchers before cash disbursement and the response was as below.

Table4.2. *Shows findings on whether responsible people in the management of the organization examine and approve payment vouchers before cash disbursements.*

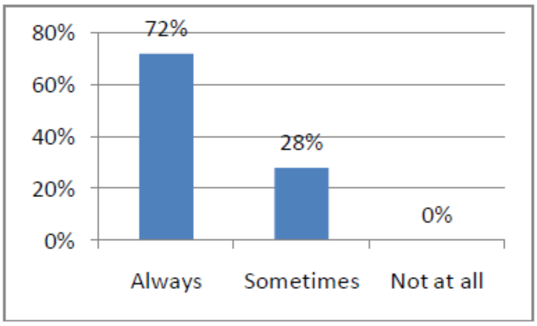
Respondents	Frequency	Percentage (%)
Always	35	56
Sometimes	19	31
Not at all	8	13
Total	**62**	**100**

Source: *Primary data*

Data from the above table 4.2 showed that the majority of the respondents (56%) agreed that vouchers were approved before disbursement; however (13%) disagreed with the fact that vouchers were not approved before disbursement and this created room for collusion and fraudulent acts by the employees.

Response on Whether the Organization Carries Out Regular Internal Audit

Internal auditing is a major factor and as far as this is concerned, respondents were tasked to respond to whether the organization carries out internal audit regularly and below are the various responses.



Source: Primary data

Figure 4.4: Response on whether the organization regularly carries out internal audit.

From the above figure 4.4 showed that the highest number of the respondents (72%) said that organization carried out regular internal audit however (28%) said sometimes; while none did say not at all. This meant that the strength of the organizational policies were not well checked, fraud and errors are detected sometimes later in such cases.

Response on Whether the Organization Carries out Regular (Periodic) Bank Reconciliation

Respondents were tasked to respond on whether the organization carried out regular bank reconciliation, below are the findings.

Table4.3. *Shows finding on whether the organization carries out regular (periodic) bank reconciliation.*

Respondents	Frequency	Percentage (%)
Always	46	74
Sometimes	16	26
Not at all	0	00
Total	**62**	**100**

Source: *Primary data*

It was observed that the Company always carried out regular (periodic) bank reconciliations as shown by the majority of the respondents (74%) whereas none of the respondents said that it was not carried out and (26%) said sometimes as per table 4.3.

Response on Whether the Organization Prepares its Trial Balances Periodically

One of the objectives was "to assess the level of performance of the Company". Below are the responses.

Table4.4. *Shows the findings on whether the organization prepares its trial balances periodically.*

Respondents	Frequency	Percentage
Always	39	63
Sometimes	23	37
Not at all	0	00
Total	**62**	**100**

Source: *Primary data*

From the above table 4.4 it was observed that the majority of the respondents (63%) did agree that the organization prepares its trial balances periodically while (37%) said the organization does it sometimes however this is due to too much over load of work in accounting departments. This was able to detect errors and fraud.

Response on Whether the Organization uses Trading Profit and Loss Account Generated to Monitor its Performance

Regarding the organizational performance, the respondents were asked to respond to whether the organization uses trading profit and loss account generated to monitor its performance. Below are the responses.

Table4.5. *Shows finding as to whether the organization uses trading profit and loss account generated to monitor its performance through sales revenue and profits and communicate them*

Respondents	Frequency	Percentage (%)
Always	33	53
Sometimes	29	47
Not at all	0	00
Total	**62**	**100**

Source: *Primary data*

From the above table 4.5, it was observed that the majority of the respondents (53%) did agree that the organization used the trading profit and loss account generated to monitor its performance through sales revenue, (47%) of the respondents said that the organization sometimes did so. This implies that the employees do understand the importance of communicating the revenue and profits to the public.

Response to the Fact that an Internal Control System Improves Employees' Performance

Respondents were tasked to respond on whether the internal control systems improve employee's performance and below are the findings.

Table4.6. *Shows response to the fact that an internal control system improves employees' performance.*

Respondents	Frequency	Percentage (%)
True	37	60
False	25	40
Total	**62**	**100**

Source: *Primary data.*

From the above table 4.6, it was observed that the highest number of the respondents (60%) was true that internal controls increased employee performance while (40%) said it was not true. This because good internal control systems which were flexible created good working environment which motivates employees to work hard with effectiveness and such internal control tools included training of workers.

Response on Whether Internal Control Systems Decrease Cost of Operation

The questionnaires were distributed to the respondents randomly and analyzed to show their different opinions as showed below.

Table4.7. *Establishment as to whether internal control systems decrease cost of operation*

Respondents	Frequency	Percentage (%)
True	39	63
False	23	37
Total	**62**	**100**

Source: *Primary data*

Table 4.7 showed that respondents (63%) agreed that internal control systems decreased operation costs while (37%) of them disagreed with the fact that internal control systems decreased the costs of operation. This implied that as efficiency and effectiveness was attained, costs of operation decreased as revenue and profits went high.

Response on Whether Internal Control Systems Increased Overhead Costs

The respondents were asked to state whether internal control systems increased overhead costs and below are the findings.

Table4.8. *Responses to the fact that internal control systems increases overhead costs*

Respondents	Frequency	Percentage (%)
Always	37	60
False	25	40
Total	**62**	**100**

Source: *Primary data*

From the above table 4.8, the majority of the respondents (60%) agreed that internal controls increased overhead costs while (40%) disagreed that internal controls did not increase overhead costs. This was in line with cost benefits concept which in the long run yields higher profit than costs.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

Summary of Findings

Internal Controls

From the findings, the study established that the major control procedures such as vouching of all payments, segregation of duties, close supervision, authorization of payments by approving personnel, to mention but a few are in existence at the company. The study also revealed that controls are effective such as monthly bank reconciliations and they are often reviewed usually monthly in the entire organization as revealed by most employees. However, the researcher also learnt that there are some controls that are not quite effective such as prompt payments made and are properly recorded in the appropriate books, division of duties to discourage individual's recording and processing of a complete transaction. This is so because the handling of sensitive duties like cash recording is not handled by one individual as revealed by the employees.

The Finding on How the Organization Monitors its Performance

Basing on the findings made in chapter four, the researcher discovered that the organization used trading profit and loss account generated to monitor its performance through revenue, profits and communicated them to the public hence the organization monitors its performance. However there was still more emphasis needed to communicate the organizational sales revenue and profits each and every time the trading profit and loss account was generated. The majority of the respondents indicated that the organization used trading profits and loss account generated to compare its trends of performance over the period of years. This showed that the organization monitors its performance. However there was still a need for it to be done periodically and regularly over the years.

Factors Affecting Performance of the Company

The study showed that performance is influenced by several factors which if not looked at critically, can divert the objectives of organization. The study revealed that ability, effort, equity and expectation gains were the major factors affecting the performance of the company though other factors such as motivation and environmental factors were also inclusive hence factors affecting performance should be considered highly.

Relationship between Internal Control Systems and Performance of the Company

The study established that there is a significant positive relationship between internal control systems and performance of organizations in MOHA Soft Drinks Company, a case study of Hawassa Pepsi Cola Factory. This implies that if more efforts are put towards a stronger internal control system, there will be better performance of the company. The researcher also proved that the costs of operation are reduced by internal control systems that enable it to gain more profits hence there is a positive relationship. Basing on the findings, it indicated that internal control systems improve employees' performance leading to organizational performance hence there is a positive relationship.

Conclusions

The researcher therefore concludes that there is a significantly positive relationship between internal control systems and organizational performance. In this, internal control systems are relatively efficient and do have much effect on the performance of organizations since all internal control systems are to some extent ever elaborated and this can help to guarantee administration, completeness and accuracy of records as well, it can be a proof against fraudulent, collusion especially on the part of those holding authority or trust. Internal control systems must be effective enough for proper performance in any organization.

Recommendation

- Management should always practice proper recording of transactions and each and every other transaction should always be recorded and kept for references.
- Management should improve on some internal control systems such as documentation of transactions that can best suit the organization's operations.
- Approval of transactions should always be done every time the transaction is carried out by reasonable personnel and maintain regular internal audits of their accounts systems.
- Segregation of cash duties should always be done so that no one carries out a transaction right from the recording to the balancing of a transaction.
- There should always be strong tools in authorization of responsible personnel to access the organization's assets.
- Generally internal control systems put in place should be strengthened to yield profits to the organization hence the performance.

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