



EFFECT OF INTERNAL CONTROL SYSTEMS ON FINANCIAL PERFORMANCE OF THE TEA FACTORIES IN KISII COUNTY, KENYA

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ABSTRACT

Internal control is characterized as a measure that is embraced by an association so as to guarantee an accomplishment of its goals in operational adequacy and effectiveness, solid monetary revealing, and consistence with laws, guidelines and approaches. The purpose of the study was to establish the effect of internal control systems on the financial performance of tea processing firms in Kisii County, Kenya. The specific objectives included; to determine the effect of audit on financial performance of tea processing firms in Kisii County, Kenya, to establish the effect of separation of duties on financial performance of tea processing firms in Kisii County, Kenya, to evaluate the effect of access regulation on financial performance of tea processing firms in Kisii County, Kenya and establish the effect of standardized documentation on financial performance of tea processing firms in Kisii County, Kenya. This study anchored on four theories to explain the influence of the independent variables on the dependent variable. The theories are the Agency theory, Stewardship theory, Positive Accounting Theory and the Contingency Theory. The study applied descriptive research design. The target population of the comprised of 6 tea factories in Kisii County which were categorized as account chiefs and heads of inside review among the 6 factories making a sum of 12 respondents. This population of 12 factories resulted to 72 respondents for the study. The study utilized descriptive and inferential statistics to analyze data collected. The study concluded that Standardized documentation of the factory has a significant influence its documents and communications. The factory had an access authorization system for all firm documents and records. The study concluded that there was a positive correlation between separation of duties and financial performance. The study recommended that tea factories should embrace on accessibility to internal control systems for them to improve their ratio of financial performance based on correlations values. Another study can be conducted to examine the effect of internal control systems on financial performance of other sectors.

Keywords: *Audit, Separation of Duties, Access Regulation, Standardized Documentation*

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INTRODUCTION

Internal control is characterized as a measure that is embraced by an association so as to guarantee an accomplishment of its goals in operational adequacy and effectiveness, solid monetary revealing, and consistence with laws, guidelines and approaches. An association with appropriately planned Internal controls has a more prominent confirmation that they will accomplish their working, money related announcing, and consistence goals; as such to enable the association to prevail in its crucial, (2013). Internal control is a basic part of good corporate administration of the organizations performance (Theofanis, Drogalas, and Giovanis, 2011). Internal controls are the techniques and measures that a business takes care of into spot to secure its advantages, guarantee its bookkeeping information is right, amplify the productivity of its activity and advance an air of consistence among its representatives (Spira & Page, 2013). There are three principle sorts of inside controls: criminologist, safeguard and restorative (Michelle, 2017). This investigation tries to concentrate on preventive internal controls among the tea preparing firms in Kenya.

Internal control guarantees productivity and viability of activities, unwavering quality of monetary detailing and consistence of laws and guidelines to which the organization is subject. As indicated by Mawanda (2008), a sound internal control framework encourages the firm to avert cheats, mistakes and limit wastage. Sonya Bells (2016). The culmination and precision of bookkeeping records, auspicious readiness of budgetary data, must be accomplished if the best possible internal control framework is set up. Internal controls have happened to foremost significance today in many firms; reasons being that the control frameworks in any association are a mainstay of a productive bookkeeping framework (Wanemba, 2010). The expanding unpredictability in worldwide markets and requirement for improved administration to encourage control instruments of firms (Rittenberg and Schwieger,

2005). This is especially significant for banks as powerless Internal control framework remains as one of the significant reason for horrid execution in banks fundamentally because of undetected cheats (Etuk, 2011).

Internal control is a powerful necessary procedure that is adjusting persistently to the progressions confronting present day banking industry (Wielstra, 2014). Inside each firm there is a need to give items and administrations at a fair value that guarantees cost productivity in the creation administration. Associations have set aside effort to put intensely in improving the nature of their inside control frameworks over the previous decade contending that a decent Internal control yields great business. The accompanying five goals help the board in planning compelling Internal controls: keeping up solid frameworks, guaranteeing opportune arrangement of dependable data, protecting resources, advancing the utilization of assets, averting and distinguishing blunder and misrepresentation (Alvin et al, 1993).

Internal control impacts accomplishment of association's objectives, Aldridge and Colbert (1994). In any case, it is the establishment for different segments of inside control and giving structure, Sudsomboon and Ussahawanitchakit, (2009). Examining control helps in lessening the degree of fake exercises inside authoritative activity and the nature of a substance. Internal controls framework rely upon the capacity and nature of their control condition, Amudo and Inanga (2009). Hence, giving a legitimate reviewing control to an open production line is basic to its adequacy to its activity.

Hazard evaluation is the distinguishing proof and examination of significant dangers related with the accomplishment of the administration destinations, Theofanis, et al (2011). Essentially, Sudsomboon and Ussahawanitchakit, (2009) declares hazard appraisal as the way toward distinguishing and breaking down pertinent dangers to the arrangement of money related reports which would be given decently in congruity General Accepted

Accounting Principles. Control exercises are arrangements, systems and instruments that guarantee the board's mandates are appropriately done (Aikins, 2011; Rezaee, Elam and Sharbatoghlie, 2001).

According to Aikins, (2011) control exercises guarantee that every fundamental move ought to be made with intend to address chances so authoritative destinations are accomplishes. Control exercises incorporate; isolation of obligations, day by day store of money receipts, bank compromises and constraining access to check stock (Aldridre and Colbert, 1994). Viable interchanges ought to occur in a more extensive sense with data inside the different divisions. Internal control framework structures gave worried on correspondence as one of the internal control framework (Amudo and Inanga, 2009). It is commonly recognized that internal control frameworks should be satisfactorily checked so as to survey the quality and the viability of the frameworks exhibition after some time.

Internal controls are procedures arranged and executed by the executives so as to give sane affirmation concerning the exhibition of a firm dependent on its destinations in regard to operational effectiveness and consistence of standards and guidelines (Mwindi, 2008). Corporate administration is major part of powerful internal controls in firms. Capacity of a firm to acknowledge greatest benefit depends in the piece of building up a solid inside review work in protecting advantages for improve budgetary execution of an association through announcing (Ndungu, 2013).

In Kenya, the handling part in which the investigation depends on is one of the significant supporters of the financial advancement of the nation. As per the National improvement Plan 2002-2008 it adds to work of a huge populace of the nation's workforce and furthermore contributes about 13% of Gross Domestic Product (Tunji, 2013).

Financial performance forms the back of investors of the organization. It is ordinarily salary before

extra-customary costs and suspended tasks partitioned by regular value (Philip, 2009). Profit for Assets is a marker of how gainful an organization is in connection to its absolute resources and determined by isolating an organization. Financial performance of tea factories in Kenya has been a continuous endeavor since 1924 when it was marketed after presentation into the nation in 1903 by European firms. Tea is the single driving money crop in Kenya that makes noteworthy commitment to the economy as per a report in the Tea Research Foundation of Kenya 2010-2015 vital arrangement. Kenya is the world's driving exporter of dark tea by volume. Significant fare markets for Kenyan tea incorporate Pakistan, Egypt, United Kingdom, Sudan, Tunisia, Libya, Yemen and Russia organization. In 2014, the nation sent out 499.0 million kilograms of tea. This earned the nation around sh.94.6 billion which was a drop from the 2013 period income of 114.4 billion shillings. The nation sends out 95% of the absolute tea delivered in the nation while the remaining 5% is invested in the local market. The Kenya Tea Development Agency Holdings Limited (KTDA) has confronted genuine difficulties both in the inside working and outside condition which required earnest regard for maintain a strategic distance from any genuine effect in the neighborhood tea industry (Kinanga, 2008).

Kisii Highlands structure Region 6 of the KTDA processing plants division. Kisii County is known for bananas and cleanser stone exchange and furthermore home to the Kisii good countries catchment. At 1500 to 2150 meters above ocean level, the catchment starts west of Kericho good countries and stretches out westwards near Lake Victoria. Nyamira and Kisii County. These industrial facilities incorporate; Sanganyi, Tombe, Gianchore, Nyansiongo, Kebirigo, Nyankoba, Rianyamwamu, Itumbe, Nyamache, Ogembo, Eberege and Kiamokama tea processing plant. In Kisii County which is the premise of our investigation there are 6 production lines which incorporate Ogembo, Kiamokama, Eberege, Nyamache, Itumbe and

Rianyamwamu. The examination looks to build up the impact of internal controls on the exhibition of the 6 tea preparing firms in Kisii County, Kenya.

Statement of the problem

Tea industry has been faced with various challenges including: high cost of production, poor infrastructure, low level of value addition and production cost declining their financial performance in Kenya even though internal controls systems are used. Tea factories in Kisii County are performing poor as shown by profit earned and bonus pay to farmers. Ndiwa (2014) and the Ndifon (2014) that have been directed on internal control frameworks unmistakably demonstrate that authoritative internal control and budgetary execution is understudied region, (Gerrit and Abdolmohammadi 2010). Mohammed, (2003) explored impact of the Internal controls of Ethiopian Airlines Branch office in Nairobi. The discoveries were that however different inside controls frameworks do exist in the financial business more weight had been given to operational controls contrasted with different kinds of controls. There has been no exploration done on impacts of internal control systems on financial performance of tea industry in Kenya using tea process firms in Kisii County.

Research Objectives

The main objective of the study was to establish the effect of internal control systems on the financial performance of tea processing firms in Kisii County, Kenya. The specific objectives included;

- To determine the effect of physical audit control on financial performance of tea processing firms in Kisii County, Kenya.
- To establish the effect of separation of duties on financial performance of tea processing firms in Kisii County, Kenya.
- To evaluate the effect of access regulation on financial performance of tea processing firms in Kisii County, Kenya.

- To establish the effect of standardized documentation on financial performance of tea processing firms in Kisii County, Kenya.

LITERATURE REVIEW

Theoretical review

Agency theory

Agency theory was created in 1976 by Jensen and Meckling. This hypothesis is an organization relationship as an agreement under which at least one people (the principal(s)) draw in someone else (the specialist) to play out some help for their sake which includes assigning some basic leadership power to the operator. Office hypothesis investigations the connection between two gatherings: financial specialists and administrators. The specialist (for example director) attempts to play out specific obligations for the head (for example speculators) and the chief embraces to compensate the operator. As indicated by the organization hypothesis, a firm comprises of a nexus of agreements between the proprietors of monetary assets (the principals) and chiefs (the specialists) who are accused of utilizing and controlling those assets. The hypothesis sets that specialists have more data than principals and that this data asymmetry unfavorably influences the principal's capacity to screen whether their inclinations are by and large appropriately served by operators.

All things considered, the hypothesis depicts firms as fundamental structures to look after agreements, and through firms, it is conceivable to exercise control which limits artful conduct of operators (Mwangi, 2012). As per the hypothesis, so as to blend the interests of the specialist and the head, a far reaching agreement is composed to address the enthusiasm of both the operator and the head. The specialist head relationship is reinforced more by the chief utilizing a specialist and frameworks (inspectors and control frameworks) to screen the operator (Jussi and Petri, 2004).

Further the hypothesis perceives that any inadequate data about the relationship, interests or work execution of the operator depicted could be antagonistic and an ethical danger. Good risk and unfavorable determination sway on the yield of the operator in two different ways; not having the essential information about what ought to be done and not doing precisely what the specialist is delegated to do. The office hypothesis thusly chips away at the suspicion that principals and operators act normally and use contracting to augment their riches (Jensen and Meckling, 1976). This hypothesis is material to this examination just in light of the fact that internal control is one of numerous systems utilized in business to address the office issue by lessening organization costs that influences the general execution of the relationship just as the advantages of the head (Payne, 2003; Abdel-Khalik, 1993). Inside control upgrades the arrangement of extra data to the head (investor) about the conduct of the operator (the board) lessens data asymmetry and brings down financial specialist hazard and low income.

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An office relationship as a legally binding set-up under which the entrepreneur or the chief connected with a supervisor or the operator to execute some help for his benefit and may more often than not involve some basic leadership solely by the specialist. The office hypothesis spins on the essential suggestion about people, which manages principals and specialists as self-situated concentrating on abusing their own bit of leeway.

The theory explains physical audit control in any organizations.

Stewardship Theory

Stewardship hypothesis has its underlying foundations from brain science and human science and is started by Davis, Schoorman and Donaldson (1997) as .a steward ensures and expands investors riches through firm execution, in light of the fact that by so doing, the stewards utility capacities are boosted.. In contrast to office hypothesis, stewardship hypothesis stresses not on the viewpoint of independence (Donaldson and Davis, 1991), yet rather on the job of top administration being as stewards, incorporating their objectives as a feature of the association. The stewardship point of view proposes that stewards are fulfilled and inspired when hierarchical achievement is accomplished. Argyris (1973) contends that while organization hypothesis takes a gander at a worker or individuals as a monetary being, which stifles a person's own yearnings, then again Donaldson and Davis (1991) contend that stewardship hypothesis perceives the significance of structures that engage the steward and offers most extreme self-rule based on trust. It weighs on the situation of representatives or administrators to act all the more self-sufficiently with the goal that the investor's returns are augmented. Without a doubt, Fama (1980) fight that officials and chiefs are likewise dealing with their professions so as to be viewed as viable stewards of their association, while, Shleifer, Andlei and Vishny (1997) claims that directors return fund to financial specialists to set up a decent notoriety so they can reemerge the market for future money.

It expressed the expense caused to control organization issues (decreasing data asymmetries and going with good dangers) is less when proprietors legitimately partake in the administration of the firm as there is a characteristic arrangement of proprietor chiefs with development openings and hazard. Donaldson and Davis (1991) further note that profits are improved by having both of these hypotheses joined instead

of isolated which infers that administration must find some kind of harmony. Stewardship hypothesis see workers as resources of the firm as the office, however they contrast in their treatment of the human inspiration and capacity of control in relationship to separation of duties in the factories.

Positive Accounting Theory

In bookkeeping research, it is named as either positive research or standardizing research. Research that will in general anticipate and discover clarifications for specific wonders is sorted as positive research. Hypotheses that are identified with such research are called positive speculations (Deegan and Unerman, 2006). These sorts of hypotheses are ordinarily founded on perceptions, which can observationally be tried and improved through further perceptions. In contrast to positive hypotheses, different speculations are not founded on perceptions. These sorts of speculations are regulating and grounded upon the convictions of the specialist. This hypothesis is expected to give a remedy of how a specific practice ought to be attempted, Deegan and Unerman, (2006). This examination leaves from a positive hypothesis, since this exploration utilizes observational information to clarify corporate maintainability rehearses.

The positive bookkeeping hypothesis itself was created by Watts and Zimmerman (1986), who expresses that positive bookkeeping hypothesis is worried about clarifying bookkeeping practice. It is intended to clarify and anticipate which firms will and which firms won't utilize a specific bookkeeping technique yet says nothing regarding which strategy a firm should utilize.. The hypothesis depends on .the suspicion that every single individual activity is driven independent from anyone else intrigue and that people will consistently act in a pioneering way to the degree that the activities will expand their riches. (Deegan and Unerman, (2006). From this point of view, the positive bookkeeping hypothesis predicts that associations will try to set up instruments to restrict activities that are driven without anyone else intrigue. This is expected to

adjust the enthusiasm of supervisors of the firm (specialists) with that off the proprietors of the firm (the standards). The expenses of managing issues concerning the organization relationship and introducing fitting systems are alluded to as checking cost in relations to access regulation variable under the study.

Contingency theory

Contingency theory was built up from the sociological functionalist speculations of association structure, for example, the auxiliary ways to deal with hierarchical examinations by Woods (2009). Contingency hypothesis is an authoritative hypothesis that claims that there is no most ideal approach to sort out a partnership, to lead an organization, or to decide, Fielder (1964). Rather, the ideal strategy is unforeseen (subordinate) upon the Internal and outer circumstance. Possibility hypothesis is a way to deal with the investigation of authoritative conduct where it clarifies how unexpected components like innovation, culture and the outside condition impact the working of association. The suspicion with possibility hypothesis is that no authoritative structure is similarly material to all associations. Rather hierarchical viability is subject to coordinate between the mechanical sort, size of the association, ecological instability, the highlights of the authoritative structure and its data framework.

Possibility hypothesis portrays the connection between the unique circumstance and structure of bookkeeping control device viability and authoritative execution, particularly dependability of money related detailing. The unwavering quality of fiscal reports can be upgraded by picking the correct bookkeeping instruments. As per Cadez and Guiding (2008), they distinguished a few factors that affect the executives control frameworks these are innovation, outer condition, structure and size, technique and national culture. Contingency theory was built up from the sociological functionalist speculations of association structure relating to standardized documentation under study.

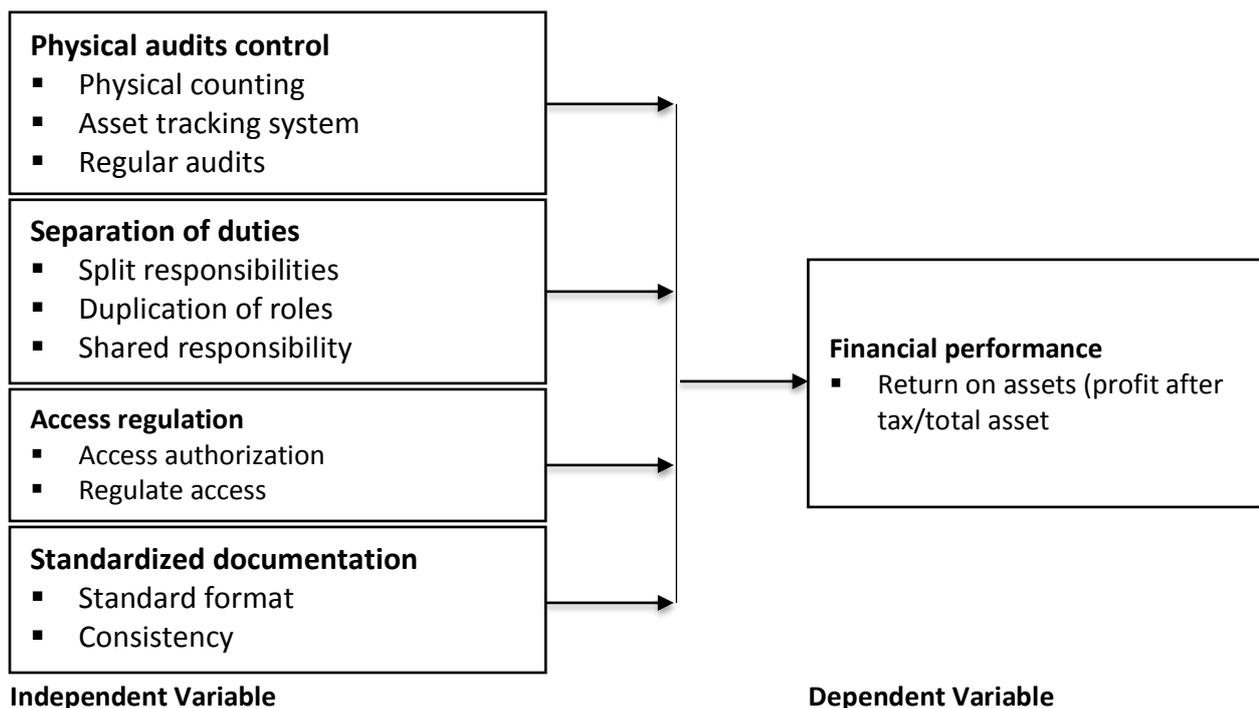


Figure 1: Conceptual Framework

Empirical Review

Nyakundi and Nyamita (2014) did an investigation on Effect of inside control frameworks on monetary execution of little and medium scale business undertakings in Kisumu City, Kenya. Information was gathered utilizing a blend of organized surveys and meetings. Results uncovered a connection between the degree of information of a business visionary and the business ventures money related execution. The investigation uncovered that dominant part of SMEs didn't have an Internal review division and the not many that had, the offices were sick furnished with insufficiently prepared faculty just as deficient money related assets, thusly, leading sporadic review exercises without ordinary review reports.

Ndungu (2013) did an investigation on the impact of internal controls on income age of the college of Nairobi endeavor and administrations constrained. The investigation built up that organizations ought to embrace inside control and data frameworks that produce operational, monetary and consistence related data reports to make it conceivable to run and controls the business. She additionally included

that Internal examiners ought to explore and assess Internal control structure and the productivity with which the different capacities play out their relegated obligations. The discovering uncovered that UNES surveys its ICS when need emerges. UNES assume various jobs in supporting the frameworks by guaranteeing all archives are legitimate, right and affirm that the applicable officials have marked all records before preparing to avoid misappropriation of incomes. Auspicious bank compromise, client records compromise and report precisely on income accumulations are embraced. There was presence of escape clauses through which income is lost.

Ndifon (2014) built up the connection between internal control exercises and money related execution in Tertiary Institutions in Nigeria. The investigation territory is Cross River State College of Education, Akamkpa. The investigation uncovered that all exercises of the College are started by the top administration who pushed for clear detachment of obligations. With respect to exercises, the examination found that there is clear detachment of job in the foundations money and

records division and that prevalent official in the College administered normally work done by their subordinate.

Michina (2011) did an overview of the effect of internal control on operational proficiency of non-administrative associations (NGOs) in Nairobi utilizing an example of fifty (50) NGOs. Information was gathered utilizing a survey comprising both open and shut finished inquiries. The investigation built up that that Internal controls in the NGOs situated in Nairobi were resolved to a great extent by the association structure with the end goal that it is the top administration that settles on how the assets got from givers and different agents are to be allotted and dispersed to the recipients. The discoveries likewise indicated that a lot higher operational productivity was enlisted in enormous surely understood NGOs, which lead to controlled internal controls. The examination inferred that internal control influences operational effectiveness.

Abu-Musa (2004) analyzed the presence and sufficiency of actualized internal controls in the Egyptian financial division. The aftereffects of the study brought up that most by far of Egyptian banks have sufficient inside controls set up. The outcomes likewise uncovered that the PC offices gave generally more consideration to specialized security controls; while internal review offices stressed a greater amount of the conduct and authoritative security controls. The examination gives significant exact outcomes with respect to deficiencies of executed security controls, and acquainted a few proposals with reinforce and improve the security controls in the financial area.

Mwakimasinde, Odhiambo and Byaruhanga (2014) investigated the impact of inside control frameworks on the monetary presentation of sugarcane out producer organizations in Kenya. The particular goal of the investigation was to decide the impact of internal control framework segments on the monetary presentation of the Sugarcane Out producer organizations. Internal control framework was portrayed by get to guideline, hazard appraisal

process, data framework and control exercises while money related execution was described by cost per unit, objective fulfillment and productivity or overflow. The relapse results likewise show that inside control framework helps increment monetary execution of Sugarcane out cultivator organizations percent. In light of the discoveries and finishes of the examination, the accompanying proposals were made; internal control framework has been found to have a measurably beneficial outcome on execution of Sugarcane out producer organizations subsequently there is requirement for the Sugarcane out cultivator organizations to enhance their internal control framework. Notwithstanding the way that the investigation created important outcomes it was dependent upon certain impediments which give roads to further research.

Kinyua (2015) looked to consider the Effect of Internal Auditing Control on Financial Performance of Companies recorded in the Nairobi Securities Exchange. The goal of the investigation was to set up the impact of Internal evaluating control on monetary execution of organizations recorded in Nairobi Securities Exchange. The investigation uncovered that there is a positive and critical connection between Internal inspecting control and money related execution, which substantiates with the discoveries of Mawanda (2008), underscores that a plant which has authorization of legitimate Internal control frameworks will prompt improved monetary execution. The examination, accordingly, prescribes that Internal inspecting control ought to be upgraded through archive institutionalization to further improve the money related execution of organizations cited in Nairobi protections trade by diminishing misrepresentation.

Kamau, (2014) researched the impact of Internal controls on budgetary execution of assembling firms in Kenya. The investigation uncovered that most assembling firms utilized examining control as one of the usefulness of Internal controls of the association that enormously impacts money related execution of the organizations. The outcomes additionally demonstrated that the staffs were

prepared to actualize bookkeeping and budgetary administration frameworks, the security framework recognized and protected hierarchical resources. Measurable outcomes from the relapse investigation demonstrated that there was a positive connection between inside control and money related execution of assembling firms in Kenya. The investigation suggested that both Internal and outer examiner ought to be always refreshed and well-grounded on worldwide budgetary revealing guidelines (IFRS) and standards so as to improve their insight and abilities in use of bookkeeping rehearses and to keep them refreshed on the contemporary issues.

METHODOLOGY

This provides a description of the research design and methodology that was employed in the study.

RESULTS

Descriptive statistics for physical audit control

Table 1: Descriptive statistics for physical audit control

	N	Minimum	Maximum	Mean	Std. Deviation
Auditing control of your firm has a significant influence on financial performance	69	1.00	4.00	2.8261	.92286
auditing control is effective in your institution	69	1.00	4.00	2.7101	.94092
The factory audit department conducts physical counting on items to ascertain their quantity and quality	69	1.00	5.00	3.6667	.90207
There is a robust asset tracking system in the factory	69	1.00	5.00	3.7681	.97234
The firm conducts regular audits to enhance financial control and management	69	1.00	5.00	3.5942	1.03354
Auditing control has improved factory revenue for the last five years	69	1.00	5.00	3.5507	1.07835
Auditing control has reduced factory operating costs for the last five years	69	1.00	5.00	3.6812	.94702
Valid N (listwise)	69				

The result presented that there was a robust asset tracking system in the factory with a mean of 3.7681 and standard deviation of .97234, Auditing control had reduced factory operating costs for the

It looks at the various sources of data for the study, sampling design and its procedures. This chapter included the methods that were used in data collection, the instruments used in data collection and the limitations of the study. Descriptive research design was used since the study enabled the research to describe variables under study. Target population of 12 factories resulted to 72 respondents for the study. Census sampling procedure was used to the population of the study, since the populace was little; every one of the individuals from the objective populace was incorporated into the investigation. As per Kothari (2004) when the populace is under 100% of the 72 respondents, a registration is prescribed to make the examination measurably huge. Questionnaire was used in data collection

last five years with a mean of 3.6812 standard deviation of .94702 and finally auditing control was effective in the factory with a mean of 2.7101 and standard deviation of .94092.

Descriptive Statistics of Separation of Duties

Table 2: Descriptive Statistics of Separation of Duties

	N	Minimum	Maximum	Mean	Std. Deviation
the separation of duties in your factory has a significant influence	69	1.00	5.00	4.0580	.56579
The factory has split responsibilities for officers especially in finance and audit departments	69	1.00	5.00	3.6667	1.10702
There is minimal duplication of roles	69	1.00	5.00	3.5217	.99423
Employees in audit and finance departments have embraced sharing of roles	69	1.00	5.00	3.2899	1.05860
There is shared responsibility and accountability in management of finance	69	1.00	5.00	3.2609	1.15875
There is regular tracking and review of duties for each member of staff	69	1.00	5.00	3.2029	1.11908
Valid N (listwise)	69				

The result showed that the separation of duties in your factory has a significant influence had a mean of 4.0580 with standard deviation of .56579, The factory has split responsibilities for officers especially in finance and audit departments had a mean of 3.6667 with standard deviation of 1.10702, There is minimal duplication of roles had a mean of 3.5217 with standard deviation of .99423, Employees in audit and finance departments have embraced sharing of roles had a mean of 3.2899 with standard deviation of 1.05860, There is shared responsibility and accountability in management of finance had a mean of 3.2609 with standard deviation of 1.15875 and There is regular tracking and review of duties for each member of staff had a mean of 3.2029 with standard deviation of 1.11908.

Descriptive Statistics in Access Regulation

In table 3 the results showed that the factory had an access authorization systems for all firm documents and records had a mean of 4.5942 with standard deviation of .62588, access regulation to be effective had a mean of 4.4783 with standard deviation of .63266, the firm had password for sensitive documents and records had a mean of 4.0000 with standard deviation of 1.12459, Regulation in your factory had a significant influence had a mean of 3.7101 with standard deviation of .95642, The firm employed lockouts and electronic access logs to regulate access to documents had a mean of 3.1594 with standard deviation of 1.31309 as presented below.

Table 3: Descriptive Statistics in Access Regulation

	N	Minimum	Maximum	Mean	Std. Deviation
Regulation in your factory have a significant influence	69	1.00	5.00	3.7101	.95642
access regulation to be effective	69	2.00	5.00	4.4783	.63266
The factory has an access authorization systems for all firm documents and records	69	2.00	5.00	4.5942	.62588
The firm has password for sensitive documents and records	69	1.00	5.00	4.0000	1.12459
The firm employs lockouts and electronic access logs to regulate access to documents	69	1.00	5.00	3.1594	1.31309
Access regulation has reduced document loss and enhanced safe custody of records	69	1.00	5.00	3.1304	1.28238
Valid N (listwise)	69				

Access regulation had reduced document loss and enhanced safe custody of records had a mean of 3.1304 with standard deviation of 1.28238.

Descriptive Statistics of Standardized Documentation

The results in table 4 showed that the firm adopted consistency in its documents and correspondences had a mean of 4.5797 with standard deviation of .65092, consider standardized documentation effective had a mean of 3.4493 with standard

deviation of .99316, standardized documentation of your factory had a significant influence had a mean of 3.6232 with standard deviation of .78780, the firm documents had an official factory logo on them had a mean of 3.2464 with standard deviation of 1.25330, the firm had a standard format for all its documents and communications had a mean of 2.4058 with standard deviation 1.36467 Standardization of documents had reduced imitation and duplication had a mean of 2.9855 with standard deviation of 1.54817.

Table 4: Descriptive Statistics of Standardized Documentation

	N	Minimum	Maximum	Mean	Std. Deviation
Standardized documentation of your factory has a significant influence	69	1.00	5.00	3.6232	.78780
consider standardized documentation effective	69	1.00	5.00	3.4493	.99316
The firm documents have an official factory logo on them	69	1.00	5.00	3.2464	1.25330
The firm has a standard format for all its documents and communications	69	1.00	5.00	2.4058	1.36467
The firm adopts consistency in its documents and correspondences	69	2.00	5.00	4.5797	.65092
Standardization of documents has reduced imitation and duplication	69	1.00	5.00	2.9855	1.54817
Valid N (listwise)	69				

Correlations

Correlation analysis was done to determine the relationship between independent variable and dependent variable as presented in table 5.

Table 5: Correlations matrix

		Physical audit control	Separation of duties	Access regulation	Standardized documentation	Financial performance
Physical audit control	Pearson Correlation	1	.323**	.347**	.306*	.325**
	Sig. (2-tailed)		.007	.003	.010	.006
	N	69	69	69	69	69
Separation of duties	Pearson Correlation	.323**	1	.212	.144	.394**
	Sig. (2-tailed)	.007		.080	.239	.001
	N	69	69	69	69	69
Access regulation	Pearson Correlation	.347**	.212	1	.364**	.241*
	Sig. (2-tailed)	.003	.080		.002	.046
	N	69	69	69	69	69
Standardized documentation	Pearson Correlation	.306*	.144	.364**	1	.454**
	Sig. (2-tailed)	.010	.239	.002		.000
	N	69	69	69	69	69
Financial performance	Pearson Correlation	.325**	.394**	.241*	.454**	1
	Sig. (2-tailed)	.006	.001	.046	.000	
	N	69	69	69	69	69

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

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

Table 5 showed physical audit control had a positive correlation between internal control systems and financial performance supported by $r = .325$ with a p value of $.006 < .05$ statistically significant. The study indicated that there was a positive correlation between separation of duties and financial performance at a Pearson correlation coefficient value of $.394^*$ with p $.001 < .05$ statistically significant, access regulation had a positive correlation between internal controls and financial performance at a value of $.241^*$ with p value of

$.046 < .05$ statistically significant, and finally Standardized documentation had a positive correlation between internal controls and financial performance with correlation value of $.454$ with p value of $.000 < .05$ statistically significant.

Regression analysis

A simple regression analysis was performed on the relationship between internal control and financial performance. Tables 6 below demonstrate both the summary and the t statistics as obtained from SPSS.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721 ^a	.520	.490	1.00209

a. Predictors: (Constant), Standardized Documentation, Access Regulation, Separation of Duties, physical audit control

The R of .721 in the model summary of table 6 depicts that a strong relationship between internal control systems and financial performance of the tea factories. Then R^2 value of .520 indicated that

internal control systems could explain 52.0% in financial performance whereas the remaining percentage could be explained by other variables not in this study.

Table 7: ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	69.674	4	17.419	17.346	.000 ^b
	Residual	64.268	64	1.004		
	Total	133.942	68			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Standardized Documentation, Access Regulation, Separation Of Duties, physical audit control

The results of the ANOVA indicated that internal control system has a positive and significant influence on financial performance. The model R^2 is

therefore significantly different from zero $F = 17.346, p < .000$ with (Df (n-1) 64, 4).

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients t	Sig.
		β	Std. Error	Beta	
1	(Constant)	1.358	1.241		1.0943 .007
	Physical audit control	.338	.129	.251	2.620 .011
	Separation of duties	.793	.114	.635	6.937 .000
	Access regulation	.377	.200	.176	1.885 .043
	Standardized documentation	.202	.155	.174	1.303 .032

a. Dependent Variable: Financial Performance

Therefore, the regression model would be: $Y = 1.358 + .338X_1 + .793X_2 + .377X_3 + .202X_4 + \epsilon$

The regression coefficient table above showed that the constant $\alpha = 1.358$ is significantly greater than $.007 < .05$. The coefficients of; physical audit control $\beta = .338$, implied that a change in one unit of physical audit results to a change in financial performance by 333.8% statistically significant at $p < .05$.

A changing in Separation of duties $\beta = .793$ implied that a change in one unit of Separation of duties results to a change in financial performance by 79.3% statistically significant at $< .05$. A changing in Access regulation $\beta = .377$ results to an increase in financial performance by 37.7% and was statistically significant with $p < .05$. The study agreed with Raja Tun Arsha Raja Tun Uda (2012) who found that Auditor and access regulation has significant effect on financial performance. A changing in standardized documentation $\beta = .202$ would results to an increase in financial performance by 20.2 % and was statistically significant with $p < .05$. This was supported by Omasete Asemett (2014) who noted that standardized documentation affect risk management and financial control of insurance companies. The unstandardized coefficients are used to build the linear regression equation that may be used to predict new scores of Y using available scores of X_1 , X_2 , X_3 and X_4 . The results showed that for each unit increase in the independent variable, there is an expected increase of coefficients

CONCLUSION AND RECOMMENDATION

The study concluded that physical audit control had reduced factory operating costs for the last five years, and finally auditing control was effective in the factory. The study concluded that the separation of duties split responsibilities for officers especially in finance and audit departments. There is shared responsibility and accountability in management of finance had regular tracking and review of duties for each member of staff.

The study concluded that Standardized documentation of the factory has a significant influence its documents and communications. The factory had an access authorization system for all firm documents and records. Access regulation was effective with password of sensitive documents and records. Regulation in the factory have a significant with lockouts of electronic access logs to regulate access to documents which reduced document loss and enhanced safe custody of records. The study concluded that there was a positive correlation between separation of duties and financial performance. Standardized documentation had a positive correlation between internal controls and financial performance.

The study recommended that the firm should adopt consistency process of managing its audit documents and correspondences. The study recommends that factories should think about standardized documentation for effective standardized documentation of the factory.

The study showed that access regulation had a positive correlation between internal controls and financial performance which was statistically significant, thus the study recommended that tea factories should embrace on accessibility to internal control systems for them to improve their ratio of financial performance based on correlations values.

Further, based on the findings of regression analysis, the study recommended that tea factories should make sure those proper standardized documents for them to improve financial performance from 20.2% like other indicators in their internal control systems.

Suggestion for further research

Based on the findings, change in standardized documentation results to an increase of financial performance up to a certain value. Thus, the study can suggest for another study to be conducted on the effect of internal control systems on financial performance of other sectors using standardized documentation and access regulation policies as the moderator.

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