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**The impact of internal control
requirements on profitability of
Palestinian shareholding companies
Palestinian Banking Sector**

تأثير متطلبات الرقابة الداخلية على ربحية الشركات المساهمة الفلسطينية

قطاع البنوك الفلسطينية

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إقرار

أنا الموقع أدناه مقدم الرسالة التي تحمل العنوان:

The impact of internal control requirements on profitability of Palestinian shareholding companies Palestinian Banking Sector

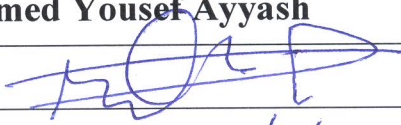
تأثير متطلبات الرقابة الداخلية على ربحية الشركات المساهمة الفلسطينية

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نتيجة الحكم على أطروحة ماجستير

بناءً على موافقة شئون البحث العلمي والدراسات العليا بالجامعة الإسلامية بغزة على تشكيل لجنة الحكم على أطروحة الباحث/ محمد يوسف حسن عياش لنيل درجة الماجستير في كلية التجارة/ قسم المحاسبة والتمويل وموضوعها:

تأثير متطلبات الرقابة الداخلية على ربحية شركات المساهمة الفلسطينية

وبعد المناقشة التي تمت اليوم السبت 28 جمادي الأولى 1438هـ، الموافق 2017/02/25م الساعة الحادي عشر صباحاً، في قاعة مؤتمرات مبنى القدس اجتمعت لجنة الحكم على الأطروحة والمكونة من:

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.....	مناقشاً خارجياً	أ.د. يوسف محمد جربوع

وبعد المداولة أوصت اللجنة بمنح الباحث درجة الماجستير في كلية التجارة/ قسم المحاسبة والتمويل. واللجنة إذ تمنحه هذه الدرجة فإنها توصيه بتقوى الله ولزوم طاعته وأن يسخر علمه في خدمة دينه ووطنه.

والله ولي التوفيق ،،،



نائب الرئيس لشئون البحث العلمي والدراسات العليا

أ.د. عبدالرؤف علي المناصرة

Abstract

This research aims to investigate the compliance of Palestinian shareholding companies with the requirements of internal control and the effect of the compliance of the shareholding companies with the requirements of the internal control standard on their profitability.

A questionnaire was used to collect data about the compliance with internal control requirements to achieve the research goal. The researcher uses the qualitative data analysis methods. The researcher used the statistical package for the Social Science (SPSS) for analyzing the data.

The results of study revealed the degree of compliance with all components of internal control is very high, and the effect of internal control on profitability is significant and positive.

The study reach to certain recommendations:

1. The managers of all shareholding companies should develop the internal control system to maximize the well-being of their entities.
2. The management should publish all policies such as integrity and morale and announce it as a part of his mission to enhance the control environment culture.
3. The auditing association should coordinate with Palestinian stock exchange to cooperate to issue anew rules related to internal audit and this rules should audited by external auditor to make sure this rules are implemented.

الملخص

يهدف البحث الى معرفة مدى تأثير متطلبات الرقابة الداخلية على ربحية الشركات المساهمة الفلسطينية.

قام الباحث بمراجعة الادبيات الخاصة والدراسات السابقة لتحديد الاطار النظري لهذه الدراسة ولغرض الوصول للنتائج استخدم الباحث المنهج الوصفي التحليلي وتم تصميم الدراسة ولقد استخدم الباحث برنامج التحليل الاحصائي (SPSS).

ولقد توصلت الرسالة الي عدة نتائج وكان أبرزها وجود علاقة إيجابية بين متطلبات الرقابة الداخلية وربحية الشركات المساهمة الفلسطينية ولقد اوصت الدراسة بالتالي:

1. على الشركات ان تعمل على تطوير نظام الرقابة الداخلية الخاص بها من أجل تطوير كينونة الشركة وقدراتها وتصبح أكثر فاعلية.
2. على الإدارات ان تنشر السياسات الخاصة بالشركة ومبادئ الاخلاق والنزاهة وتعلن انها جزء من لوائحها ورسالتها الداخلية لتعزيز ثقافة البيئة الرقابية.
3. على إدارة سوق فلسطين للأوراق المالية(البورصة) التعاون مع نقابات وجمعيات التدقيق لإصدار قوانين خاصة بالرقابة وتوظيف مدقق خارجي للتأكد من قيام الكيانات بتطبيق هذه القوانين.

Dedication

This research is dedicated to my father, whose love and support encouraged me throughout life.

To my beloved mother whose love has been with me all my life.

To my beloved wife and Daughter

(Tasneem and Lauren)

Who have been supportive throughout my study.

To my wonderful brothers and sisters for their encouragement.

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Table of contents

Declaration	I
Abstract	III
المخلص	IV
Dedication	V
Acknowledgment	VI
Table of contents	VII
List of tables	IX
List of Appendices	XI
Chapter 1 Research Background	1
1.1 Introduction	2
1.2 Research Problem:	3
1.3 Research objectives	4
1.4 Significance of the Research:	4
1.5 Research Hypotheses:.....	4
1.6 Study design and methodology	5
1.7 Population and Sample	6
1.8 The variables of the research:	6
1.9 Literatures review	7
Chapter 2 Internal control	15
2.1 Introduction	16
2.2 Definition of internal control:.....	16
2.3 Importance of internal control:	17
2.4 Components of internal control:	18
2.5 The financial performance:.....	22
Chapter 3 Internal control applicable in Palestine	25
3.1 The importance & objectives of corporate governance for banks:.....	26
3.2 Palestinian Monetary Authority requirements for control:	27
Chapter 4 Internal control and financial performance	32
4.1 Introduction:	33
4.2 Internal control components and financial performance:	35
Chapter 5 Methodology	43

5.1 Introduction:	44
5.2 Study methodology:.....	44
5.3 The study population	45
5.4 The study sample:.....	45
5.5 Validity and reliability of the questionnaire:	48
5.6 Reliability of the questionnaire:	54
5.7 Normal distribution test:.....	55
5.8 Statistical analysis tools.....	56
Chapter 6 Data analysis and results.....	57
6.1 Introduction:	58
6.2 Analysis of the paragraphs of the questionnaire:	61
6.3 Analysis of all the paragraphs of the questionnaire:	61
6.3.1 Control environment:.....	61
6.3.2 Control Activities:.....	64
6.3.4 Risk Assessment	67
6.3.5 information And Communication.....	69
6.3.6 monitoring.....	71
6.3.7 Internal Control Requirements effects:.....	72
6.4 Test Hypotheses:	75
6.5 The hypotheses of the study:	76
6.6 The equation of effect:.....	81
Chapter 7 Conclusion and Recommendation.....	96
7.1 Conclusion:.....	97
7.2 Recommendation	99
References.....	101
Appendix.....	109

List of tables

Table (5.1): no. of Staff in operating in the Gaza Strip banks.....	45
Table (5.2): the researcher sample	46
Table (5.3): measurements.....	47
Table (5.4): Correlation Coefficient of Each Field and Control Environment.....	49
Table (5.5): Correlation Coefficient Of Each Field And Control Activities	49
Table (5.6): Correlation Coefficient Of Each Field And Risk Assessment.....	51
Table (5.7): Correlation Coefficient Of Each Field And Information And Communication.....	51
Table (5.8): Correlation Coefficient Of Each Field And Monitoring.....	52
Table (5.9): Correlation coefficient of each field and Profitability	52
Table (5.10): Correlation coefficient of each factor and process criterion.....	53
Table (5.11): Cronbach's alpha coefficient and Split-Half Coefficient	54
Table (5.12): Normality distribution test	55
Table (6.1):questionnaire respondent	58
Table (6.2): respondent information	60
Table (6.3) degrees approved by t test for one sample	61
Table (6.4) the arithmetic mean and the relative weight for the area of the internal control environment.....	63
Table(6.5)) the arithmetic mean and the relative weight for the field of control activities.....	65
Table (6.6) the arithmetic mean and the relative weight for the field of risk assessment.....	68
Table (6.7) the arithmetic mean and the relative weight for the field of information and communication.....	69
Table (6.8) the arithmetic mean and the relative weight for the areas of monitoring	71
Table (6.9) the arithmetic mean and the relative weight for the areas of the control effects.....	73
Table (6.10) the arithmetic mean and the relative weight for the area of profitability	74
Table (6.11) the correlation coefficient between the effects of the internal control requirements and profitability in the Palestinian shareholding companies	76

Table (6.12): correlation between the degree of availability and profitability	79
Table (6.13) multiple regression analysis for regression coefficients	80
Table (6.14): Model Summary.....	80
Table (6.15): Anova.....	82
Table (6.16):Independent Samples Test	83
Table (6.17): Anova.....	85
Table (6.18): Anova.....	87
Table (6.19): Anova.....	89
Table (6.20): Averages of responses to ranking Position variable	90
Table (6.21):A Nova.....	91
Table (6.22): Anova.....	92
Table (6.23): Anova.....	93
Table (6.24): Anova.....	95

List of Appendices

Appendix (1): English Questionnaire	110
Appendix (2): Arabic Questionnaire.....	118
Appendix (3): Arbitrators Name	126

Chapter 1

Research Background

Chapter 1

Research Background

1.1 Introduction

In accounting and auditing, internal control 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 or objectives. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks). At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.). Internal control procedures reduce process variation, leading to more predictable outcomes (Kieso, 2010).

The International Federation of Accountants (IFAC, 2012) stated that the Management typically has three broad objectives when designing an effective internal control system. First, management is responsible for preparing financial statements for investors, creditors, and other users. Therefore, the reliability of financial reporting is the first basic objective of an internal control system. Second, controls are meant to encourage efficiency and effectiveness of operations that is effective use of resources to optimize the company's goals. Third, internal control encourages the compliance with laws and regulations.

Therefore, it is recognized by standards that the good internal control system provides managers with reasonable assurance that the objective set by management will be achieved and by having an effective control the possibility of business failure will be reduced.

we discover from previous discussion of the objectives of designing an effective internal control, there is relationship between internal control & financial statements; so the researcher find out there's need to debate these issue from all aspects and the effect of internal control components on financial performance. (Awad et el 2015) stated the objective of internal control is the achievement of the efficiency and effectiveness of operations. This means the control should be established on the basis reduction the cost and make efficient use of resources to produce high level of income this can be by create an efficient monitor lead to avoid any waste of time during the production cycle.

The researcher will use the profitability as a tool to measure the performance of internal control because the most profit increase the more developing entity is going up.

When the internal control is accepted, and going well, the performance of company is being better than those companies who have weak internal control and that will effect on the banks services and by default it will increase the market share then it will increase the stock price of company.

1.2 Research Problem:

The study will answer the following questions:

1. To what extend do the internal control system for shareholding companies will effect on financial performance?
2. Do shareholding companies comply with internal control requirements?
3. Do the shareholding companies comply with the requirements of the Palestinian internal control on their profitability?

1.3 Research objectives

The research aims to achieve the following objectives:

- 1- To ensure that internal control is achievement of efficiency and effectiveness of operations.
- 2- To examine the effect of internal control system on financial performance.
- 3- To examine whether the banks comply with internal control requirements.

1.4 Significance of the Research:

The importance of this research come from the importance of implementation of the internal control on banking system and identifying the internal control components and its effect on banking services. This study also clarifying an important part of Palestinian economy that is banking sector this research direct also to directors of banks and their employees to study weakness area and how to overcome it. It makes an important theoretical contribution to the extant literature dealing with the impact of internal control components on profitability. The study will help in reducing the researches gap about these issues in Palestine country. It is expected the research will be of great interest to all stakeholders, that is, effective corporate performance and financial transparency are at the top priorities of shareholders and investors.

1.5 Research Hypotheses:

This study has a basic hypothesis and it will be divided into five hypotheses that will include the effect of each components of internal control system on profitability

Ha. There is a significant influence of internal control systems on financial performance (represented by profitability) of shareholding companies

Sub hypotheses

Ha1 There is a significant influence of the control environment on financial performance (represented by profitability) of shareholding companies

Ha2 There is a significant influence of risk assessment on financial performance (represented by profitability) of shareholding companies

Ha3 There is a significant influence of information and communication systems on financial performance (represented by profitability) of shareholding companies

Ha4 There is a significant influence of control activities on financial performance (represented by profitability) of shareholding companies

Ha5 There is a significant influence of monitoring controls on financial performance (represented by profitability) of shareholding companies.

1.6 Study design and methodology

The study will depend on two approaches:

The study will use two appropriate sources:

First, Literature review will be based on published and unpublished materials such as papers, books, special studies, and other library-housed materials that will be used.

The second, the researcher will use the data that represents the responses to our questionnaires that was designed to collect data of the compliance the internal control requirements standard with shareholding companies

EViews will be used to conduct the multiple regression to investigate the following:

- Determine overall relationship between the variables of internal control and the financial performance (represented by profitability) of shareholding companies' requirements.
- Examine the impact of each independent variable on the dependent variable
- Arrange the independent variables according to their influence on the financial performance.
- Predict the financial performance at any given values internal control requirements.

1.7 Population and Sample

The population represented the banks staff who have a relationship by audit and control, so the research depends on comprehensive style for all individual who has related for audit regardless financial or managerial and the firm's shares who should be listed on Palestine stock exchange.

The study population is defined as all components of the phenomenon studied by the researcher. The Staff who is working in the Gaza Strip banks, these banks are (Bank of Palestine, Arab Islamic bank, The Investment Bank, Al-Quds bank, Commercial Bank, and Palestinian Islamic Bank) that have transactions in the Palestinian Monetary Authority's.

1.8 The variables of the research:

Dependent variable:

Financial performance (represented by profitability) of shareholding companies.

Independent variables:

Internal control requirements consist of:

- ❖ Control environment
- ❖ Risk assessment
- ❖ Information and communication systems
- ❖ Control activities
- ❖ Monitoring

1.9 Literatures review**1.9.1 (Shabri et al,2016)**

This study aims to investigate the effect of internal control systems on cooperative profitability. Internal control is described by Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework, which is limited to Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. This study was conducted using a qualitative approach, where a case study method was applied. Data were collected through interview sessions and documentary evidences. From the findings of study, it was concluded that the internal control systems applied in Koperasi ABC Berhad can be considered effective and satisfactory. This was based on the implementation of all components of internal control systems, as described by the COSO Framework within the cooperative. However, financial losses occurred in the cooperative, caused by inefficient cost control and not due to weak internal controls. Profitability can be improved with a new development plan as well as implementation of effective internal control systems within the cooperative. Good or strong internal control systems would influence the cooperative's profitability as well as help the stability and growth of the cooperative movement in Malaysia. The study recommends management of cooperative to initiate discussion and action plan to improve the cooperative governance as well as the cooperative profitability

1.9.2(Kinyua et al,2015)

The study sought to determine the effect of internal control systems on financial performance of companies quoted in the Nairobi Securities Exchange (NSE). To achieve the objective of this study, the researcher specifically looked at the following objectives, control environment, internal audit, risk management, internal control activities and role of corporate governance controls on the financial performance of quoted companies in Kenya. The study adopted survey research design. The population chosen for this study was all 62 companies quoted in NSE. The study used a sample of 38 companies from a target population of 62 companies quoted in NSE. The sample was drawn using stratified random sampling technique. The study relied on both primary and secondary data. Primary data was collected using structured questionnaires while the Secondary data was extracted from audited annual reports, publications, and document analysis. Data analysis used both descriptive and inferential statistics. Frequency tables were prepared, averages determined and tests of hypothesis like ANOVA, chi-square, correlation analysis were done. The data was analyzed using statistical package for social scientists (SPSS) computer software. The results of study concluded there was significant association between internal control environment and financial performance . The study also recommends that internal control environment should be enhanced to further improve the financial performance of companies quoted in Nairobi Securities Exchange.

1.9.3(Thuneibat et al, 2015)

The study aims to investigate the compliance of Saudi shareholding companies with the requirements of internal control as set by the Saudi standard on internal control and its impact on the profitability of these companies.

The study used the questionnaire to collect data about the compliance with internal control requirements, and four measures of profitability including earnings per share (EPS), return on assets (ROA), return on equity (ROE) and profit margin (PM) from the financial statements of these companies. Then, Multiple Regression and t-test were used to analyze the data and test the hypotheses. the results of the study revealed that the degree of compliance with all components of internal control is very high. It also appears from the analysis that the effect of internal control and its

components on ROA and ROE is significant and positive, while the effect on EPS and PM is positive but statistically insignificant

The study recommends the managers of shareholding companies to concentrate on internal control systems with all their components, to maximize the well-being of their entities.

1.9.4 (Ayyash study,2014)

The objective from this study is to identify the internal control requirement, evaluate them, and investigate if there is relationship between internal control requirements and financial performance in Yamen telecommunication companies.

This study used the qualitative method for the analysis process for data collection by questionnaire, the questionnaire was distributed on Yamen telecommunication companies for data that are used for approve hypothesis and achieve companies' objectives.

The results of study revealed the Yamen telecommunication companies have an effective internal control and there is a positive relationship between internal control and financial performance the study found out the yamen companies don't have audit committee for each one because the law doesn't impose that.

The study recommends developing the policy of internal control and implementing it.

1.9.5(Mary et al,2014)

This study was designed to investigate the effect of internal control system on the financial performance of sugarcane outgrower companies in Kenya. The study adopted a descriptive correlational survey design. All the sugarcane outgrower companies were studied. Both the primary and secondary data was collected. Primary data was collected from the key informants from all the nine out grower companies in Kenya using questionnaires. Secondary data was extracted from annual reports, publications, and document analysis. The key informant's method was used, hence, all the Finance Managers and heads of internal audit for every outgrower company were selected to take part in the study. The data collection instruments were administered to all the nine sugarcane outgrower institutions. The data was analyzed using statistical package for social scientists (SPSS) computer software version 19.0 to generate cumulative frequencies and percentages. The study found a positive significant effect of internal control system on the financial performance thus internal control components accounts for 42,8% variance in performance. The findings are expected to be of value to the sugarcane outgrower stakeholders and form a basis for improving financial performance of sugarcane outgrower companies.

The study recommends there is need for the Sugar outgrower companies to improve on their internal control system.

1.9.6(Onumah et al ,2012)

This study aims to examine the effectiveness of internal control systems of listed firms in Ghana.

The study used annual reports of a sample of 33 firms listed on the Ghana Stock Exchange. In measuring the level of internal control effectiveness, 23 items relating to internal control categorized under control environment, information and communication, risk assessment, control activities and monitoring were operationalized and the effectiveness score was determined based on the items under each categories was scored beginning from 1 suggesting the ICS is ineffective to 5, indicating the ICS is very effective. A total value was then determined by summing up the scores for these items for each component.

The results from this study showed the average level of effectiveness of internal control is low , and the level of control environment is showed a higher level of effectiveness. The study recommends management of those listed firms must therefore act swiftly and appropriately to implement improvements in the effectiveness of their control systems.

1.9.7(Dineshkumar et al,2011)

This study tries to study to what extent internal control systems influence on the performance of the Sri Lankan Telecom limited. Primary data and secondary data were used for this study, but study solely depends on primary data collection technique.

The primary data collection techniques were used in this research they were Questionnaire, Interview & Observation. The samples were selected from staff of the Sri Lanka Telecom limited. Thus sixty (60) employees of the company were selected. Percentage, Correlation and SWOT analysis were the main tools used in the analysis.

The findings of the study showed there is a strong relationship between internal control system and organizational performance of the

Sri Lanka Tele com limited. And also internal control of the Sri Lanka Tele com limited will lead to high organizational performance in the future.

The study recommends to introduce new technologies to the Tele communication in accordance with the changing environment and must make strategies related to the company, to increase the profit of the company

1.9.8 (Al Mdallal,2007)

This study aimed at clarifying the role of internal auditing function in controlling the financial and managerial performance at the Palestinian public Corporation.

To achieve these objectives a questionnaire has been designed depending on theoretical and previous studies. The questionnaire distributed to public Listed Companies in Palestine Securities Exchange (PSE). The researcher used the statistical program package in social sciences (SPSS) for analyzing the data.

The most important findings that the internal audit units exercise a good role in controlling the financial and Managerial performance. It contributes in corporate governance through its role in evaluating the internal control system. Moreover, evaluating and enhancing risk management and measuring efficiency effectiveness of its performance so the researcher introduces a set of recommendations .The most important are: the necessity of providing the internal auditing department with sufficient financial and human resources in the Palestinian public companies and introduce reports to council about if the corporation is complied with legislations and laws that organizing its activities , the appointment and displace the manager of internal auditing and his financial treatment be a decree from management council after an approval from audit committee.

1.9.9(Wolf et al, 2006)

The study aims to examine the costs and benefits associated with Section 404 of the SOX of 2002. And the role of independent auditor to assess and report on the effectiveness of their client's internal controls.

The study used Qualitative analysis and deductive reasoning to evaluate the net benefits of Section 404 to the securities markets. The study found the new internal control reporting requirements have negative net benefits to the securities markets because of excessive cost and ambiguous interpretation. The study recommended to eliminate the formal internal control reporting.

1.9.10 (Ayyash ,2005)

This study aims to evaluate the compliance between the internal control system for UNRWA and International Standards of Auditing (ISA), and evaluating this system in achieving its effective Financial and Administrative goals.

The researcher has been designed the questionnaire to test the soundness of hypothesis. The researcher analyzed the questionnaire through the SPSS software.

This study concluded UNRWA's Internal Control System (ICS) contributes in safeguarding its assets & assurance of reliability of Financial Information that helps in decision-making, and UNRWA's ICS encourages the efficiency in using its recourses and encouraging staff to comply with applicable laws and regulations The study recommends to make More efforts should be paid to develop and enhance the components and tools of internal control system on UNRWA's activities to increase the level of effectiveness and efficiency. and should strengthen and support a developed system for its staff based on sound recruitment and appointment in addition to effective compliance with UNRWA rules and regulations. and should take care of strengthening the procedures of safeguarding its assets and reliable financial reporting.

1.9.11 (Kulab ,2004)

This study focus on the control system in government organization and the level of the Managerial and financial efforts exist and how it can support ICS. This study aimed at identifying and analyzing the current status of internal control in the Palestinian National Authority Ministries, and finding out whether such internal control has obtained the basic administrative and financial constituents, and the extent of the application of what is available of these constituents, if

compared with the integrated and effective internal control systems. The study also aimed at pointing out the importance of internal control in maintaining and better use of public money and upgrading the performance of productivity in Palestinian National Authority Ministries. Moreover, the study aimed at identifying the aspects of malfunctions in internal control and their negative effects such as financial and administrative problems, over employment, and weakness of general performance.

The researcher has been designed the questionnaire to test the hypothesis. The researcher analyzed the questionnaire through the SPSS software

The researcher concluded that there was a weakness in the availability and level of application the constituents of the internal control in the Palestinian Authority Ministries, a thing which has been reflected in the weakness of the internal control systems and their failure to achieve the assigned objectives, . The study also showed a direct relationship between the level of availability and application of the requirements of internal control and the level of the achievement of the general objectives of the Palestinian Authority Ministries. The research recommends to strengthen and support the internal control systems in the Palestinian National Authority Ministries .

This study is differentiation from previous studies:

1. This study indicates the internal control system in Palestine for the banking sector in Palestine but the previous studies discuss the internal control system related to different countries and sectors
2. Some of studies argued a one or two of internal control components but this study argues the five components.
3. This study focus only on the effect of internal control on financial statement but other studies extension beyond that
4. This study excluded the control activities when testing the control components combination but other studies don't care for this issue.
5. The study depends on logical methodology in selected the sample size where it used Richard Geiger equation but some other study doesn't announce it

Chapter 2

Internal control

Chapter 2

Internal control

2.1 Introduction

The concept of control has developed across many years and each entity has set its own control concept that is constant with its own objectives and goals.

The old people use the control in different forms to continue their life.

Regardless, the type of activities, the nature of business and area of work; all of them use control system in practicing with the knowing by concept or not.

The control is a primary way in business life used by management to evaluate the business performance as part of business function (planning, organizing, leading, controlling, and making decision)

This control should be related to objective entities and main objective of internal control to ensure that business is done as required.

The internal control consists of many components; they are integrating to form internal control and used to evaluate business progression.

By using an effective internal control, the following procedures must be used to ensure effectiveness of internal control. The sample will be reduced instead of taking large one to be tested by reducing procedure so the cost will be decreasing.

2.2 Definition of internal control:

1. The Committee of Sponsoring Organizations of the Tread way Commission (COSO) (1985), defines Internal Control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (John wiley & Sons 1996) .

- Effectiveness and efficiency of operations.

- Reliability of financial reporting.
 - Compliance with applicable laws and regulations
2. Others define internal auditing as " Internal auditing "is an independent, objective assurance and consulting activity that designed to improve an organization's operations and activity by accomplishing its objectives ,establishing rules , regulations and policies to evaluate and improve the effectiveness of risk management , control and governance process (Cascarino, 2007)
 3. Others define internal control as group of policies and procedure that are embedded to form a control on firm's activities to ensure the entity followed objectives set by management and board of directors.

Internal control system consists of many specific controls designed to provide management with among other things, reasonable but not absolute assurance that financial statements are fairly stated.

Managements' philosophy and operating style are likely to influence the design and implementation of specific control policies and procedures (Felo, 2001)

The COSO definition of internal control extends to all objectives of an entity from financial reporting to effectiveness and efficiency of operations and compliance with applicable laws and regulations .We can derive from these concepts that internal control is continue processing from a series of procedures and rules. It based on judgement and cost /benefit considerations and is related to financial and non-financial activities.

2.3 Importance of internal control:

The internal has developed across years until it reach us to recent concept; most countries have imposed on its firms to set its own control system.

The internal control serve entities many services including detecting and preventing fraud, testing internal control, and monitoring compliance with company policy and government regulation. Smaller companies may require the functions

even more than large companies may. A small business simply cannot afford employee fraud, waste, or a government fine. Establishing internal audit function provides a vital step in the growth of a small business (Azzam, 2015).

The internal control system established to help organization to protect its objectives including the profitability goals and achievement its mission and to minimize surprises along the way.(Thomas 2009)

An effective internal control helps management rapidly responding for any changes including the environment competitive, changing customer demand, and economic conditions.

Internal control aids in reducing assets losses, efficiency and help ensure the reliability of financial reporting and compliance with laws and regulations.(Thomas , Charles& lands,2009).

2.4 Components of internal control:

The internal control as described by COSO consist from five components interrelated and integrated these components design and implement by management as they want to run its business. We should know these components have to exist in evaluating any system of internal control for any business but remember the smaller company may implement internal control system differently than larger.

The COSO internal control consists of five components including the following:

1- Control environment:

This component is considered the fundamental of all others components and described as umbrella.

Control environment consists of actions, policies and procedures set by top management to clear organization values and integrity and that an ethical activity will not be permitted.(kieso,2012)

The control environment includes the following areas:

1- Integrity and ethical values:

Top management as code of conduct or policy statement sets integrity and ethical values. They are set as management actions to reduce or remove any dishonest, illegal or unethical acts.

2- Commitment to competence:

Competence is the skills and knowledge that are necessary to accomplish tasks that define an individual job. Management should consider the competence level needed for a specific job and how we can translate it into specific job.

3- Board of director or audit committee participation

The board of directors has the main responsibility to ensure the management implement the proper internal control and financial reporting (Onumah, Kuipo and Obeng 2016).

The board of directors create an audit committee that charged with oversight responsibility for financial reporting; this committee has responsibility to contact with internal and external auditor.

The board of directors select the management and give them the right to establish internal control system and prepare the financial reporting ,so audit committee monitor them .

4- Management philosophy and operating style

Management philosophy signals employees the importance of internal control.

5- Organizational structure

Auditors should understand the client's structure because it will help them to understand the authority and responsibility line so auditor can learn how management work.

6- Human resources

The good investment is in personnel, if we have a competent staff. Thus, we will have an effective internal control. Even if we do not have sufficient internal control.

2-Risk assessment:

The management should identify risk and assess the likelihood of risk occurring and take certain actions to reduce risk to acceptable level.

Management use the processing of defining risk as part of designing and operating internal control system to reduce the fraud and errors, but auditor needs risk to determine the amount of evidence needed in evidence(Randal & others,2011).

In risk assessment, Management specifies financial reporting objectives with setting criteria to enable the identification of risks to reliable financial reporting .It should identify by management to know the risk that may affect on achievement of financial reporting objective(Kuipo& Others 2016).

3-Control Activities:

Actions are taken to address risks to the achievement of financial reporting objectives.

1-adequate separation of duties:

There are four components that are significant for auditor to detect and prevent error and fraud

a- Separation of the custody of assets from accounting

The person who have the custody of asset should not account for that asset. Because if one person performs more than one job, the possibility of fraud or manipulation will increase .

b- Separation of the authorization of transactions from the custody of related assets

The person who authorizes the transaction should not have control over related assets; the aim from it to reduce the likelihood of embezzlement.

c- Separation of IT duties from user departments:

To prevent the potential overlaps of duties, the companies should separate the major IT-related functions from key user department functions (Arens & Others 2013).

d- Separation of Operational Responsibility from Record-Keeping Responsibility:

If department prepares its own records and reports, the information could bias.

2- Proper Authorization of Transactions and Activities

3- Adequate documents and records

Documents provide evidence that transactions and events have occurred. Today documents maintain in an electronic format but they should be maintained in a paper formats.

Documents and records should be (Elder, et al 2013):

- Prenumbered consecutively to control over missing documents.
- prepared at time transaction takes place.
- prepared for multiple use

4- physical control

The accounting process should be protected against any disruptive; accounting process includes records, documents and equipment. All of these should be protected from theft , stolen , damaged or lost, so we should provide the necessary tools for this objective. Recently the accounting process is computerized, we should protect our system and data basis that represent the records .We have protective measures for safeguarding assets and records is the use of physical precautions. As hiring safe guarder or storerooms for inventory against theft or fire or making backup of computer software, for money or currency put it in warehouse.

5- independent internal verification

The internal control requires the review of data created by employee; this verification is done periodically to ensure the data is created properly.

4-Information and communication

The accounting is defined as the process of initiating record process and reporting the entity transaction and to maintain the accountability of related assets. All of this information should be shared and distributed among parties to ensure information system supports the achievement of financial reporting objectives. Information system used to execute all control components that enables personnel to carry out internal control activities and responsibility. Communications enable and support understanding and execution of internal control objectives, processes and individual responsibilities at all levels of the organization.

5- Monitoring:

Ongoing activities or periodic assessment of the effectiveness of internal control made by management to determine that controls are operating as intended and they modified as appropriate for changes in any conditions. The internal control modification gets from different sources including internal auditor reports, exception reporting on control activities, external auditor reports, and audit journals or operating personnel, all of these provide good feedback. The feedback should be identified and modified on timely manner to parties, to be responsible for taking corrective actions.

2.5 The financial performance:

Financial performance is used to measure the company's policies and operations in the form of monetary terms. It is general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. (Kinyua et al,2015)

Constant valuation tools to know if company is going right or not should evaluate the operations and activities of entities. Many companies use the monetary assumption as bases to read the records that should include only transaction data that can be expressed in money terms. (Kieso , 2010).Monetary term is a uniform unit used by many companies that are used as a basic to make comparison cross similar firms or compare across similar industries. Moreover, there are many ways that measure the firm's financial performance which include return on assets(ROA) , return on equity(ROE) and return on investment (ROI) (Lawrence ,Chad,2012).

Profitability is the primary goal of all business ventures without profitability the business won't survive in the long run. Therefore, measuring current and past profitability and projecting future profitability is very importance (ag decision maker,2009).Whether you are measure the past or current or projecting profitability , it's so important to know if business is going on or stop (ag decision maker,2009).

Optimal resource utilization should maximize output in the projects and this can be by working on achieving the organizational objectives. The Organizations should use their limited financial and skilled man power resources on the appropriate way. Economic planning is assumed to help modify the restraining influence of limited resources by recognizing the existence of particular constraint and by choosing and coordinating investment projects to channel the scarce resources into their most productive outlets (Mary et al ,2015).

Mugo (2013) found out financial performance measures include indicators such as profit growth, revenue growth, return on capital employed, a measure of the excess value a company has provided to its shareholders over the total amount of their investments , return on assets (ROA), return on equity (ROE), and return on sales (ROS). And also, he added the non-financial performance include innovation, ability to attract, develop, and keep talented people, quality of management, quality of products or services, and community and environmental responsibility

Without profits, firm cannot attract outside capital. Owners, creditors and management pay attention toward boosting profits ((lawerence; chad, 2012). Because

the firm that has a large profitable has the ability to pay rewards to its owners with large return on investments (ag decision maker,2009).The managers have task to increase profitability of the business, so managers always change business to improve profitability (ag decision maker,2009).

Define Profit:

Profitability can be defined as either accounting profits or economic profits (a decision maker, 2009).

There is a difference between accounting profit and economic profit:

Accounting profit: In this type, we will deduct all expenditures from revenue and we will reach to accounting profit; accounting profit will provide you with an intermediate understanding of availability of your business. From accounting profit view, if we loss in one year that may not permanently harm your business we call them as losses (revenue cannot cover your expenditure) (Gereson, Noreen, Brewer, 2011).

Economic profit: in this type we will add the opportunity cost to business expenses; opportunity cost is the investment returns given up by not having your money invested elsewhere and wages given up by not working elsewhere (Gereson, Noreen, Brewer, 2011).

Chapter 3

Internal control applicable in Palestine

Chapter 3

Internal control applicable in Palestine

The Sarbanes - Oxley act in 2002 intended to restore public confidence in corporate control. Comparable failures in many countries led to stimulate this rules to protect different interest.

The Palestinian monetary authority represents the central bank for Palestinian country that has the main responsibility to set up policies and procedures for banks in Palestine country.

According Basell conventions that introduce efforts for banking control system that highlighted on banking governance issues that represent general framework and abases for supervisor; and reviewer for any judgement to achieve the best performance in implement the standards and principles to achieve the stability in financial system and protect the depositors' money (Palestine monetary authority, 2014).

The Basel conventions concentrated on the authority, responsibility and the constant between policy and long-term strategy that set by banks and managing risk effectiveness. (Palestine monetary authority, 2014).

Basel agreement developed across series of time from 1999 until financial crisis in 2007 when a large number of banks and firms declared bankruptcy, so in 2010 Basell conventions set guidelines for banks to adopt it in order to help them to avoid any failures (Basel convention, 2014).

3.1 The importance & objectives of corporate governance for banks:

- To save the stability of money and finance.
- To protect depositors and shareholders' rights.
- To raise banks stock price.
- To increase confidence with related interest.
- To fight against corruption.

- To reduce financial risk for banks.
- To motivate investment and cash flows to maximize profit.

This guidance does not represent the only option for banks to manage their operations; each bank is required to establish its internal rules and instructions that does not conflict with that rules and gaudiness that are implemented in Palestine. (PMA, 2014)

3.2 Palestinian Monetary Authority requirements for control:

The law of banks no. (2) for 2002 the Palestinian Monetary Authority publish the instructions for banking management that include the following:

1-Board of Directors responsibilities:

1. The board of director has the main responsibility to set goals, strategies, objectives, values, attitudes, policies, standards, and ensures the implementation of them and supervise and monitor the executive management. (PMA,2008)
2. The board of director should adopt the organization structure and the job specification and determine the authority for each job and should prevent the duplication of authority and ensure the hierarchy of orders. (PMA,2008)
3. The board of director should create committees to ensure that all policies and instructions are followed as design.
4. The board of director should select the director for board and his assistants and consultants who have rich experience in banks and determine the salaries and rewards as it followed by organization.
5. The board of director should take care for shareholders and depositors interest. (PMA,2008)
6. The board of director should revise the deals with related parties and ensure there is no conflict of interest. (PMA,2008)
7. The board of director should adopt periodic and audited financial statements.
8. The board of director should schedule the Shareholders' meetings.

2- The Board Members Qualification:

The members should have enough experience and qualifications that enables them to get a clear understanding of control and governance to help them manage the banks based on appropriate judgement and unbiased.

3-conflict of interest and board practices:

The board of directors should adopt code of conduct that determine the authority of each member and the relationship between members and the role of director and the mechanism that should be followed in the organization.

The board should encourage their members to disclose for any information about the existence of conflict between their interest and banks' interest, and the members should disclose about their financial position and disclose about any relative between them and any family member. (PMA, 2014)

4-board committees:

The board must create committees to practice role of control on banks business, they should include at least all of these committees; risk committee, rewards committee, audit committee and governance committee. The member of any of this committee does not permit to involve in any of executive committee. (PMA, 2014)

5- Executive management:

The top management should have the enough knowledge, experience in banking system. It should constant with bank strategy and objectives and the size of acceptable risk, and the general management should not have any relationship with board of directors.

6-Risk management:

The bank must have risk department that monitor the business and report any risk that cover it to executive management and board of director, the head of risk management must qualify in this side.

Risk department should test periodically the risk surround business and making comparable them with international standards and banking policy. (PMA, 2014)

7- internal and external audit:

According the mandatory (24) and (41) from banks law 2002 the board must establish internal control department that must be independent from banks system and apart of audit committee, the audit employees do not permit to do any executive work. Internal auditor has responsible to monitor actions and jobs under the policies of organization. (PMA, 2014)

Audit committee responsibilities:

the audit committee should audit the following:

1. the control activities in the bank.
2. The internal auditor reports and performance.
3. Detect the risk in banking operations and cover it.
4. The reliability of financial statements that communicate it to the board of director (BOD)and stockholders and users.
5. To what extent the bank complies with instruction and law that set by PMA and the BOD.
6. Reports that were prepared by compliance officer.

The role of internal audit for preparation the control activities in bank:

1. Set up the security system and the information system applicable.
2. Establish the risk management and control system and how evaluated it.
3. Establish the evaluation system for assets.

The external auditor assigns from general assembly, Thy should attend all general assembly meeting. if the bank doesn't assign new auditor , the Palestinian monetary authority will impose new auditor after three months from ending last auditor.

The banks and auditor should agree on the following points (PMA, 2014):

1. The objective of auditing financial statement and the scope of audit mission.
2. The management has the main responsibility about healthy of financial statement.
3. The auditor has the accessibility to reach any material
4. The commission on mission and the mechanism of repayment.

8-The compliance officer:

An independent job that control the operations and introduce the reports about the risk of doesn't implement the laws and instructions.

The laws are including the following:

1. The laws that organize the bank operations.
2. Instruction that issued from PMA.
3. The banking practices that are based on the principles of knowing your customer(KYC)
4. The code of conduct of behavior including integrity, reliability, and ethical behavior.

The compliance officer's responsibilities:

1. Determine the size of risk from doesn't comply with laws.
2. Receive the complaints from clients and study it and find the solution for it.
3. Ensure the implementing the rule of money laundering.

4. Introduce the reports about the compliance to audit committee.

The issuing companies also required to:

- 1- The board of director that should include:

The company's achievement during the year, the company competition position for the last 5 years, the shareholder's equity for the last 5 years, the financial position analysis

- 2- The financial statement being audited for period 3 months from last day for a year, this financial statement must include ;balance sheet , income statement, cash flow statements , notes

- 3- The auditor report about financial statements involvement that audit procedures have been followed.

Chapter 4

Internal control and financial performance

Chapter 4

Internal control and financial performance

4.1 Introduction:

The internal control system plays a critical role in supporting the financial performance in all areas. The main objective of internal control is to enhance the reliability of financial performance directly or indirectly by increasing accountability among information providers in an organization. (KINYUA, GAKURE, GEKARA and ORWA, 2015). Many studies approve that there is a correlation between internal controls and financial performance depend on the effectiveness of internal control. Fadezil study (2005) said an effective internal control is related with organization success in meeting its target level of revenue.

Dang et al. (2004) use to measure the value firms' future performance the audit quality they find a positive association between actual audit quality and market-perceived audit quality. They conclude that investors' perceived audit quality, measured by the value-relevance of accounting information.

Jones, (2008) said the financial accounting information need to be under control for all parties to safeguard assets to guard against fraud and to deliver the proper accounting information in order to minimize the effects of these endemic human failings.

Internal control for financial reporting (ICFR) means the controls specifically designed to address risks related to financial reporting. In simple terms, a public company's ICFR consists of the controls that are designed to provide reasonable assurance that the company's financial statements are reliable and prepared in accordance with GAAP (center for audit quality, CAQ, 2004).

Internal control is designed to minimize the size of risk of fraudulent financial statement; risk may result from misunderstanding GAAP, mathematical errors, misapplication of GAAP, or intentional misstatement; market pressures may impose

to design internal control for public companies to meet market expectation from target revenue earnings, or other targets may create pressures on management to meet these thresholds. Controls should be designed and implemented with the risk of fraud in mind and tailored to the particular circumstances of the company. (Center for audit quality, CAQ, 2004).

The study mentioned in the last page the financial statement, performance, internal control, and the relation between them. The effectiveness of internal control should be reflected in financial performance which basically measures in liquidity, solvency, and profitability (Hussain, Bhatti, 2010). The overall financial well-being of corporations may be considered as important determinants of the society's well-being as well as the interested groups and individual's well-being (Basodan et al 2015).

As the study discussed in the previous sections the international, auditing standard (IAS) explicit that internal control has three objectives. First, the reliability of financial reporting which includes the financial report. It should reflect the actual performance of entity's operations ;this require from us to implement internal control in proper approach to void us from making mistake or any errors ,so Basodan et al (2015) found that there is a positive relation between internal control and financial performance this means a good internal control is expected to enhance the performance of companies .

The second objective, the achievement of the efficiency and effectiveness of operations. Control should be established on the basis reduction the cost and make efficient use of resources to produce high level of income ; this can be by create an efficient monitor lead to avoid any waste of time during the production cycle (Awad et al 2015).The third objective , the achievement of the compliance with applicable laws and regulation.

The financial statements are affected by many factors, which involve the rules, and regulations that are set by government including how to prepare it and how present it and the way that you are should disclose it. (Awad et al 2015).

The regulation and rules motivate the improvement of financial performance of an entity because they increase the degree of the reliability of the financial statement presented and reduce audit and accounting cost for any procedures (Rogers, 2008).

Some rules impose fines for companies do not comply with regulation that may have material effect on the financial statements (Basodan et al 2015).

4.2 Internal control components and financial performance:

The international standard on auditing (IAS315) defines the internal control as a process designed, implemented and maintained by those charged with governance, management and other personnel. It provides reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (IFAC, 2012).

1- Control environment:

In the area of control environment, six variables were looked at integrity, ethical values and behavior, management control consciousness and operating cycle, management's commitment to competence: board of directors and audit committee's participation in governance and oversight, and organizational structure and assignment of authority and human resource policy and practices. Most of the listed firms have the top management highly committed to creating a sound environment for the overall operations of the entity (Onumah et al, 2015).

The integrity and ethical values motivate the organization to work in the best interest of company that will lead to mitigate the self- interest, and this will enhance the level of profitability of organization. (Berrona et al, 2005).

The organizations build culture of ethics are more likely to succeed than others financially, because these organization will pursue its customers, creditors, employees and shareholders and this result greater degree of stakeholder satisfaction

and this will influence positively on the firm financial performance. (Basodan et al 2015).

The existence of integrity and ethical values in the organization will enhance the creditworthiness of stakeholders and will increase the investment in the organization that enhance it to move quickly toward organization's objective.

The competence consists from knowledge and skills that are necessary for any task that will lead to accomplish the entity's objective.

All of these elements of control environment provides the entity's personnel good understanding of entity's objective. This will lead to setting the first sub hypothesis of basic research hypothesis, which states that:

There is a significant influence of the control environment on financial performance (represented by profitability) of Palestinian shareholding companies.

2- Risk Assessment Process

The management identifies and analyzes the risk related to the preparation of financial statement in conformity with GAAP. The objective from this process is to identify risk. The risk that can effect on your strategies, your work, and your objectives. Similarly, failure to meet quality of personnel, geographic dispersion of company operations, significance and complexity of core business processes, introduction of new information technologies, economic downturns, and entrance of new competitors are examples of factors that may lead to increased risk (Randal et al 2010).

In this part, the study will focus on how management determine the risks to be managed including the nature, size and complexity of the entity (Basodan, 2015). Once management identifies risk relevant to financial statements in accordance with entity's applicable financial reporting framework, estimates the Significant of that risk, assess the likelihood of the risk occurring, and develops specific action to respond and to manage such risks and their results. (Arens et al 2010). The better

performance of risk assessment leads to better performance of financial performance. (Mulareetharen,2011)

Nocco, Stutz, (2006) said the enterprise risk management (ERM) becomes a way of life for managers and employees at all levels of the company. However, the academic literature has concentrated mainly on the benefits of ERM. As study argued, a well-designed ERM system ensures that all material risks are “owned and risk-return tradeoffs carefully evaluated, by operating managers and employees throughout the firm. An increase of total risk can cause to reduce the total valuable projects or disposing them, when firm assessing return-risk trade off it should assess the costs associated with this process that is associated with major investments decisions. If the company take decision to invest in certain project it should take care, the return from this project is sufficient to cover the total cost associated with the risk of project to provide an adequate return on capital after compensating for the costs associated with the increase in risk. This risk-return trade off must be evaluated for all corporate decisions that are expected to have a material impact on total risk." there has been considerable progress in the implementation of ERM, with the promise of major benefits for corporate shareholders. And, as this implementation improves with the help of academic research, these benefits can only be expected to grow".

If there is a volatility of cash flow because that results from financial costs it should consider that corporate risk management can also add value if revenues and costs are nonlinearly related to risk-factors such as energy prices.(MacKay ,Moeller 2003).

Others have different views for risk management (Dionne, Triki, 2005) called the risk management the hedging policy or hedging management. They show the hedging is beneficial to the entity to the extent that hedging increases the firm's performance as if the return on equity should be positively associated with our measure of corporate hedging.

The Control for the endogenous aspect of the risk management decision includes the profitable firms are usually under pressure .To sustain their earnings and

may motivate to raise to a higher return in earnings (ROE) for firms managing their risks and does not mean that profitable firms which include risk management leads to higher performance, but have a greater incentives to hedge. (Dionne, Triki, 2005).

These theoretical arguments addressing risk assessment and performance lead to setting the second sub-hypothesis of the basic research hypothesis, which states that:

There is a significant influence of risk assessment on financial performance (represented by profitability) of Palestine shareholding company.

3. information and communication:

The management use the information system that is the continual change technology, management uses the new technology for its information system that has impact on business success. The managers are using these technologies to coordinate work, communicate with employees and provide information for decision-making. (Laudon, 2012)

The study is especially interested in the changes that facilitate the interaction under the direct impact of Information Technology and Communication as a means of influence on organizational performance. (Corica, 2009).

The existence of information on real time provides management to make the appropriate decision and this will provide managers to allocate resources to affected areas and saving time on customer and restore service fast instead of making decision based on guesses. By having all of these coins give the firm competitive advantage other than similar firm like operational excellence; new products, services, and business models; customer/supplier intimacy; and improved decision making—chances are they have already achieved a competitive advantage in all time add up to higher sales and higher profits that your competitors cannot match (Laudon, 2012)

Although the benefits from information technology there's some legal duties that require the firm to retain its records including digital record , like toxic

substances control act (1976) requires firms to retain records on employee exposure for 30 years . The Sarbanes—Oxley Act (2002), which was intended to improve the accountability of public firms and their auditors, requires certified public accounting firms that audit public companies to retain audit working papers and records, including all e-mails, for five years.

Information and communication is critical to internal control, and by extension, critical to the proper functioning of all the other activities in your organization. It includes all formal procedures policies and instruction you want to send them to your employees; the existence of it will improve the effectiveness of internal control in your organization and help your organization meet its business objectives (COSO,2012)

The poor communication and information may seem less importance than other components. In reality, the contrast the poor communication and information that send from management to staff may have a damage result because misunderstanding can get and effect on an organization through increases in errors or mistakes, productivity losses, and increased fear and stress among employees. On other words, the effective communication of accurate and timely information to the right people and on the right time can achieve their strategic and operational business objectives, including the objectives of internal control, and going business to success (COSO, 2012).

COSO describes information and Communication in the financial information when pertinent information is captured, used at all levels of the organization, and distributed to supports the achievement of financial reporting objectives. This indicates that good information is completed and reach to the proper needed people for decision-making.

The communication as part of internal control process means that all organization level must understand the policies.

Managers and business firms invest in information technology systems because they add economic value to the business including increasing in the business

profitability through increasing productivity that will increase the firm position in the market, which will increase the market value of the firm's stock price. (Laudon, 2012)

The expected effect of information and communication systems and performance leads to setting the third sub-hypothesis of the basic research hypothesis, which states that:

There is a significant influence of information and communication systems on financial performance (represented by profitability) of Palestinian shareholding companies

4- Control Activities:

Control activities are the policies and procedures that ensure management directives are carried out (COSO, 2001). The control activities in any entity include performance reviews (comparing actual performance with budgets, forecasts, and prior period performance). Information processing (necessary to check accuracy, completeness, and authorization of transactions, comparing internal data and external sources of information), physical controls (necessary to provide security over both records and other assets), and segregation of duties (where no one person should handle all aspects of a transaction from the beginning to the end). (MUNENE, 2009, IFAC, 2012).

The control activities represent very important tools in financial performance, which enhance firm's performance. for financial control activity is used to support qualitative efficiency provides to the organization that carries out of activities that focus on examination. This part of activity is determined as part of economic activity refers to the achievement of the overall objectives of control activity. (BOSTAN & Grosu,2010)

Economic efficiency reflects the outcomes of a control activity, assessed in terms of the resources used to carry out that activity and the existence of human being is so necessary to guarantee the success of this activity to the level that want,

the level that can become highly detrimental if used in an abusive or destructive manner. (BOSTAN & Grosu,2010)

The internal control should design to achieve high level of benefits to management. It should work to eliminate dysfunctions and improve the organization and management of decision making process and enhancing the overall efficiency of economic activity. Today all business use internal controls through the formation of policies to ensure safeguarding assets and profitable business environment especially accounting policy, management policy, and operational policy. Moreover, we should depend on internal control that increase the profitable business, increase more valuable, and paid more cash to shareholders. (Basodan, 2013, MUNENE, 2009).

The expected effect of control activities on performance leads to setting the fourth sub-hypothesis of the basic research hypothesis, which states that: There is a significant influence of control activities on financial performance (represented by profitability) of Palestinian shareholding companies.

5. Monitoring of controls:

Internal control systems need to be monitored — a process that assesses the quality of the system's performance over time. This accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. (COSO, 2011) Internal control system deficiencies need to be reported to top management to solve any problem occurs.

There is necessary to assess the effectiveness of internal control system on timely basis and make the necessary action to remedial actions. Management's monitoring of controls includes considering whether they are operating as intended or modified as appropriate for changes in conditions. Monitoring controls may include the assessment of performance which may include the sale's person is compliance with company's sales policy (Basodan, 2015).

Aigbe, McNulty (2011) argued that bank take more resources to monitoring are more profit and the effectiveness is large. The monitoring is given us more value and more effectiveness to internal control and also added that Monitoring is a key technology in the commercial lending business model .They also added about the impact of monitoring on bank value. Credit analysis includes both the initial credit decision (underwriting) and subsequent screening of the loan customer (monitoring).

The monitoring requires more resources to achieve the effectiveness of them. This will incurred more cost, so if we want these resources to describe the financial system accurately this will require from us more resources to monitoring. It will result in superior financial performance, even if their expenses are somewhat greater than they would otherwise be. (Thakor, 1985, James, 2011)

Based on a theoretical literature that emphasizes the importance of asymmetric information in financial markets, the study expected a positive relation between our monitoring proxies and profit efficiency. These theoretical arguments about monitoring controls and performance lead to setting the fifth sub-hypothesis of the basic research hypothesis, which states that:

There is a significant influence of monitoring controls on financial performance (represented by profitability) of Palestinian shareholding companies.

Chapter 5

Methodology

Chapter 5

Methodology

5.1 Introduction:

The study methodology is considered as a major hub from which to accomplish the practical side of the study, and from it the data needed In order to conduct a statistical analysis to come up with results that are interpreted in the light of the literature study on the subject of the study is obtained, and thus it achieves the objectives that it seeks to achieve.

This chapter contains a description of the methodology used and the community and the study sample, as well as the study tool used and the method of its preparation and the way of its construction and development, and the extent of its sincerity and persistence. It also includes a description of the procedures carried out by the researcher in designing the study tool. The tools used to collect the data of the study, the chapter ends with the processors that have been used in the statistical analysis of the data and the conclusions extraction, and here is a description of these procedures.

5.2 Study methodology:

Based on the nature of the study and the objectives that it seeks to achieve, the researcher has used the descriptive analytical method, which is based on the study of the phenomenon as it is in fact. It is interested in describing it precisely description and expressed it in a qualitatively expression, and this approach does not content with the collecting information on the phenomenon in order to investigate its manifestations and its different relations. It also extends to the analysis, connectivity, and interpretation to reach the conclusions on which to build the proposed scenario, so that it increases the stock of knowledge on the subject.

One-the primary sources: to address the analytical aspects of the research topic, the researcher resorted to primary data collect on through questionnaire as head of the research, specifically designed for this purpose.

Two-the Secondary sources: where the researcher whistled in the treatment of the theoretical framework for the search to the secondary data sources, which is appeared in books and Arab and foreign-related references, periodicals, articles, reports, the previous researches and studies about the study, and the researching and reading on various Internet sites.

5.3 The study population

The study population is defined as all components of the phenomenon studied by the researcher.

Staff in operating in the Gaza Strip banks, these banks are (Bank of Palestine, Arab Islamic bank, the investment bank, AL Quds bank, Commercial Bank, Palestinian Islamic Bank) that have transactions in the Palestinian Monetary Authority's (841) employees

Table (5.1): no. of Staff in operating in the Gaza Strip banks

Bank	research population
Arab Islamic Bank	27
Palestine Bank	350
Quds Bank	220
Commercial Bank	15
Palestinian Islamic Bank	220
Investment Bank	9
Total	841

5.4 The study sample:

The study is based on the style of a random sample to determine the class of the study sample were used Richard Geiger equation to determine the sample was selected so that individuals working in the (banks in Gaza Strip, which has in PMA), where the number of the respondents (86) employees.

The researcher distributed composed experimental sample of (30) questionnaire to verify the reliability and validity of the questionnaire.

$$n = \frac{\left(\frac{1.96}{0.10}\right)^2 \times (0.10)^2}{1 + \frac{1}{841} \left[\left(\frac{1.96}{0.10}\right)^2 \times (0.10)^2 - 1\right]}$$

Table (5.2): the researcher sample

Bank	The research sample
Arab Islamic Bank	3
Palestine Bank	35
Quds Bank	22
Trading bank	2
Palestinian Islamic Bank	22
Investment Bank	1
Total	86

5.5 Tool development and design:

The researcher prepares a study tool to see (The effect of internal control requirements over Palestinian shareholding companies), the researcher followed the following steps to build the questionnaire:

1. To see the administrative literature and previous studies relevant to the subject of the study, and take advantage of them in the construction of the questionnaire and the formulation of its clauses.
2. the researcher consulted with a number of experienced people in determining the dimensions of the questionnaire and its clauses.
3. Identifying the key areas covered by the questionnaire.
4. Determining the paragraphs that fall under each factor.
5. The design of the questionnaire in the initial image has consisted of two basic parts.

Questionnaire study consists of two major parts: Section I: It is a personal data on the respondent (The workplace, gender, marital status, educational qualification functional rank, years of experience, age, specialty, the number of employees who work under your supervision). The second part is a study areas consist of a 39-paragraph, distributor on the following themes:

The first factor: Internal control and consists of 32 items distributed on the following themes: First, Internal control environment consists of 6 paragraphs.

Second, control Activities consist of 12 paragraphs.

Third: risk assessment consists of 4 paragraphs.

Fourth: Information and communication consist of 6 paragraphs.

Fifth: Monitoring and consists of 4 paragraphs.

The second area of profitability consists of (7) Paragraph.

the gradient (1-5) has been used to measure the responses of the respondents to the questionnaire by paragraphs (Table(5.3)):

Table (5.3): measurements

Level	Strongly agree	□□□□			Strongly disagree
Scale	5	4	3	2	1

The researcher chooses the gradient (1-5) to respond, and the closer the answer of 5 indicated high approval on what is stated in paragraph concerned.

There are five possible responses to each statement ranging from

- Completely Agree (5)
- Agree (4)
- Moderately agree (3)
- Disagree (2)
- Completely Disagree (1)

5.5 Validity and reliability of the questionnaire:

The questionnaire Validity:

Validity questionnaire intended to measure the questions of questionnaire that was developed to measure it; the researcher has verified the validity of the questionnaire in two ways:

1. the arbitrator's honesty "virtual truth":

The researcher offered questionnaire on a group of arbitrators consisted of (8) specialists in the areas of academic, administrative, professional, statistical aspects and the names of the arbitrators in appendix (2). The researcher has responded to the opinions of the arbitrators and performed the necessary delete and modify in the light of the proposals submitted, and thus came out the questionnaire in its final form.

2. the scale honesty:

First, the internal Validity Reliability mean the internal validity and consistency of each paragraph of the questionnaire with the domain that this paragraph belongs to. The researcher calculates the internal consistency of the questionnaire through the expense of correlation coefficients between each paragraph of the areas of the questionnaire and the total score of the field itself.

– The results of the internal consistency:

Table No.(5.4) shows the correlation coefficient between each paragraph of the factor of "CONTROL ENVIRONMENT," and the total score of the field, which shows that the correlation coefficients indicated a function at the level of moral $0.05 \geq \alpha$, and so the field is honest to put the measure.

Table (5.4): Correlation Coefficient of Each Field and Control Environment.

#	CONTROL ENVIRONMENT	Pearson Correlation coefficient	Sig.
1	The bank has a positive control environment such as integrity and morale that the management and employees safeguard to support the administrative control and awareness.	*0.789	0.000
2	The control activities in the bank(such as authentication, assurance, verifications, and performance review) assist to implement the management guidance and that such control activities are effective and efficient in achieving the bank control objectives.	*0.851	0.000
3	The bank management makes efforts to attract, develop, and retain the trusted and efficient employees which contribute in achieving the internal control objective.	*0.801	0.000
4	The management board via the audit committee participates in exercising and developing the internal control process.	*0.869	0.000
5	The bank has internal control tools on Human resources to evaluate the level of productivity, effectiveness and efficiency of its human resources.	*0.775	0.000
6	The bank has financial systems and instructions for internal control which enable the bank to find out the areas of non-compliance.	*0.813	0.000

*Correlation is significant at the 0.05 level

Table No. (5.5) shows the correlation coefficient between each paragraph of the factor of " CONTROL ACTIVITIES," and the total score of the field, which shows that the correlation coefficients indicated a function at the level of moral $0.05 \geq \alpha$, and so the field is honest to put the measure.

Table (5.5): Correlation Coefficient Of Each Field And Control Activities

#	Control Activities	Pearson Correlation coefficient	Sig.
1	Sound and sufficient procedures are available to register the bank's assets and properties.	*0.500	0.000
2	The banks perform periodical stock taking for its asset and reports are submitted to concerned parties.	*0.465	0.000
3	Segregation of duties principle is considered in all the banks transactions.	*0.701	0.000

#	Control Activities	Pearson Correlation coefficient	Sig.
4	Disposal of assets is undertaken based on reports from the department's chiefs committee and the top management approval on the raised recommendation.	*0.621	0.000
5	The asset is assigned to a staff member to be responsible to safeguard it, and he will be held accountable for any defect due to negligence.	*0.650	0.002
6	The bank has its detailed & well-prepared budget that illustrates the funding source which is a tool for internal control.	*0.705	0.000
7	Financial analytical mechanisms to identify the financial position and to understand other financial aspects and how to control them are available which tools of internal control are.	*0.705	0.000
8	Specialists in the bank exercise the internal audit function as a tool.	*0.572	0.000
9	The bank can measure employees 'individual performance, as a tool of internal control, which assists the manager to monitor, follow, and compare with the targeted objective.	*0.526	0.000
10	The bank uses the complaints from other stakeholders as a tool of internal control.	*0.398	0.000
11	The bank has procedures to recover the missed data or programs.	*0.616	0.000
12	Access to data and computer special files are subject for control.	*0.581	0.000

*Correlation is significant at the 0.05 level

Table No. (5.6) shows the correlation coefficient between each paragraph of the factor of " RISK ASSESSMENT," and the total score of the field, which shows that the correlation coefficients indicated a function at the level of moral $0.05 \geq \alpha$, and so the field is honest to put the measure.

Table (5.6): Correlation Coefficient Of Each Field And Risk Assessment

	Risk Assesment	Pearson Correlation coefficient	Sig.
1-	The bank has strategic plans and strategic objects and how to achieve them.	*0.697	0.000
2-	The bank has a risk analysis process that includes budget and monthly meeting to identify those risks and how to rectify any resulted risk.	*0.758	0.000
3-	The bank has plans B for any surprised changes that might affect the work in the bank..	*0.609	0.000
4-	The bank has specialized department to identify any material changes that might affect the internal control and comply with the International Financial Reporting Standards (IFRS).	*0.602	0.000

*Correlation is significant at the 0.05 level

Table No. (5.7) shows the correlation coefficient between each paragraph of the factor of " INFORMATION AND COMMUNICATION," and the total score of the field, which shows that the correlation coefficients indicated a function at the level of moral $0.05 \geq \alpha$, and so the field is honest to put the measure.

Table (5.7): Correlation Coefficient Of Each Field And Information And Communication

	Information And Communication	Pearson Correlation coefficient	Sig.
1-	The information are recorded and reported to all stakeholders on time and appropriate bases to perform the internal control responsibilities and other duties.	*0.792	0.000
2-	Information are prepared, developed and reviewed in light of strategic plans.	*0.837	0.000
3-	The banking information system provides the management with the required information that pertains to the strategies and objectives.	*0.801	0.000
4-	The management passes the information and duties to its employees clearly and smoothly	*0.815	0.000
5-	There are good communication channels between the staff and their departments that enable them to perform their tasks soundly and correctly.	*0.837	0.000
6-	The bank communicates with external parties in respect of factors that might affect the internal control function.	*0.747	0.000

*Correlation is significant at the 0.05 level

Table No. (5.8) shows the correlation coefficient between each paragraph of the factor of " MONITORING," and the total score of the field, which shows that the correlation coefficients indicated a function at the level of moral $0.05 \geq \alpha$, and so the field is honest to put the measure.

Table (5.8): Correlation Coefficient Of Each Field And Monitoring

	Monitoring	Pearson Correlation coefficient	Sig.
1-	The bank has a box for complaints from clients which are handled seriously.	*0.805	0.000
2-	The received complaints are studied to find out its causes to take the appropriate actions.	*0.865	0.000
3-	The bank has internal auditors who follows up the internal control and risesreports about the application of it to the management	*0.779	0.000
4-	The management board pays attention to the control environment and activities in addition to conducting regular meetings with internal and external auditors re the control activities.	*0.779	0.000

*Correlation is significant at the 0.05 level

Profitability

Table No. (5.9) shows the correlation coefficient between each paragraph of the factor of " **Profitability**," and the total score of the field, which shows that the correlation coefficients indicated a function at the level of moral $0.05 \geq \alpha$, and so the field is honest to put the measure.

Table (5.9): Correlation coefficient of each field and Profitability

	Profitability	Pearson Correlation coefficient	Sig.
1-	The Financial Performance for the banks is influenced by the economic indicators such as the inflation rate.	*0.584	0.000
2-	The existence of a competitive interest rate affect the return rates on the Equity and assets.	*0.625	0.000
3-	The bank has a financial planning process that affects the return rate on assets and equity.	*0.621	0.000
4-	The bank does a classification process for the debts to identify the debts that are collectable and those	*0.712	0.000

	Profitability	Pearson Correlation coefficient	Sig.
	that are uncollectable which affects the return rate on equity.		
5-	The bank's profitability is affected by the banks management to balance between the return rate and the risk.	*0.652	0.000
6-	The banks granted credit process affects largely the profitability of those banks.	*0.548	0.000
7-	The bank size affects the bank's profitability through its assets or its equity (a large size bank that is measured by its assets & equity leads to a decline in the return rate on its assets)	*0.628	0.000

*Correlation is significant at the 0.05 level

Second, the Structure Validity:

Honesty is a structural standard stratified tool which measures the extent to which the objectives that you want to access the tool, and shows the extent to which each area of study primarily college paragraphs questionnaire.

Table shows (5.10) that all correlation coefficients in all areas of the questionnaire are statistically significant at the level of $0.05 \geq \alpha$ and so all areas of the questionnaire is sincere to put the measure.

Table (5.10): Correlation coefficient of each factor and process criterion.

#		N. items	Pearson Correlation coefficient	Sig.
.1	The impact of internal control requirements	control environment	*0.768	0.000
.2		Control Activities	*0.904	0.000
.3		risk assessment	*0.650	0.000
.4		Information and communication	*0.862	0.000
.5		Monitoring	*0.621	0.000

*Correlation is significant at the 0.05 level

5.6 Reliability of the questionnaire:

The steadfastly questionnaire means to give this questionnaire the same result if the questionnaire re-distributed more than once under the same circumstances and conditions. In other words, the stability of the questionnaire means , the stability in the results of the questionnaire and not to change significantly as if it were re-distributed to individuals several times during certain periods of time .

The researcher has checked the stability of the questionnaire study through Cronbach's alpha coefficient of Cronbach's Alpha Coefficient and Split-Half Coefficient.

The researcher used Cronbach's alpha method and Split-Half Coefficient for measuring the stability of the questionnaire, and the results were as shown in Table (5.11).

Table (5.11): Cronbach's alpha coefficient and Split-Half Coefficient

#			Number of paragraphs	Cronbach's Alpha	Split-Half Coefficient
1.	The impact of internal control requirement	control environment	6	*0.812	*0.811
2.		Control Activities	12	*0.868	*0.855
3.		risk assessment	4	*0.750	*0.819
4.		Information and communication	6	*0.900	*0.931
5.		Monitoring	4	*0.818	*0.844
	Total axis of internal control requirement		32	*0.949	*0.953
	Total axis of profitability		7	*0.852	*0.873

It is known from the results shown in the table (9) that the value of Cronbach's alpha coefficient is high for the axis of internal control requirement impact, ranging from (0.750- 0.900), while the total for all areas (internal control requirement) (0.949). Either by the way of retail midterm results were similar to the way of Alpha Cronbach saluting ranging from (0.811 -0.931), while the total for all areas (.953).

The value of Cronbach's alpha coefficient elevated to the axis of the profitability of (achievement motivation) (0.852) according to retail midterm way of (0.873).

Thus, the questionnaire with its final image as it is in appendix (1) is available for distribution. The researcher may be sure of the reliability and validity of a questionnaire study, making him confident with the truth and suitability of the questionnaire to analyze the results and to answer questions of the study and testing of hypotheses.

5.7 Normal distribution test:

Kolmogorov-Smirnov test was used to test whether the data has followed the normal distribution or not, and the results were as shown in Table (5.12).

Table (5.12): Normality distribution test

#			N. items	Kolmogorov-Smirnov Z	(Sig.)
1	The impact of internal control requirement	control environment	6	0.856	0.457
2		Control Activities	12	0.677	0.749
3		risk assessment	4	1.052	0.218
4		Information and communication	6	1.042	0.228
5		Monitoring	4	1.052	0.219
	Total axis of internal control requirement		32	0.818	0.514
	Total axis of profitability		7	1.093	0.183

It is clear from the results shown in Table (5.12) that the p-value (Sig.) to all fields of the study was greater than the level of significance (.05), then the distribution for each field is normally distributed, so parametric tests will be used to answer the questions of the study.

5.8 Statistical analysis tools

To achieve the research goal, the researcher used both qualitative data analysis method. Researcher uses a statistical package for the Social Science (SPSS) for analyzing the data. The researcher would utilize the following statistical tools:

1. Kolmogorov-Smirnov test of Normality.
2. Pearson correlation coefficient for Validity.
3. Cronbach's Alpha for Reliability Statistics.
4. Frequency and Descriptive analysis.
5. One-sample T test.
6. Independent samples t test.
7. One-way ANOVA.
8. Split-Half Coefficient
9. Multiple Regression

Chapter 6

Data analysis and results

Chapter 6

Data analysis and results

6.1 Introduction:

This chapter contains a brief analysis of the data and hypothesis's test. By answering questions about the study and review, the most prominent results of the questionnaire. It was reached through paragraphs of analysis and stand on the variables of the study, which included :(The workplace, gender, marital status, educational qualification functional rank, years of experience, age, specialty, the number of employees who work under your supervision). Statistical treatment of the data collected from a questionnaire study was done. By the use of statistical packages for Social science (SPSS) program to get the results of the study that will be presented and analyzed in this chapter.

The statistical description of the study sample according to the personal information:

The following are the characteristics of the study sample according to personal data.

From the table and the form of (6.1), the researcher noticed that 95.3% of the questionnaires were completely mobilized by the respondents, whereas 4.7% of the forms had not been completed.

Table (6.1): questionnaire respondent

	Frequency	Percentage
complete questionnaires	82	95.3
Missing questionnaires (not answered)	4	4.7
Total	86	100.0

Through Table (6.1) , the researcher found that 42.7% are working in the Bank of Palestine, Al Quds Bank 24.4%, 24.4% in the Palestinian Islamic Bank, 4.9%in the Arab Islamic Bank, commercial Bank 2.4%, and 1.2% Investment Bank

.This will reflect on the bank's profitability large number of employees . It might mean the size of bank activity or the number of branches the banks have them or increase the size of services to their customer in order satisfy them and they also consider good source of information about internal control.

It shows that 73.2% are of males, while 26.8% are of female's attribute in the internal control by providing services to the gender across new services and ensure the personal matching in covered females. It shows that 79.3% their social status is married while 20.7% are unmarried. It is clear that 79.3% have bachelor degree, 12.2% higher degrees, 8.5% Diploma that indicates the effectiveness of internal control.

It is noticed that 46.3% their functional staff are Employees, 29.3% Department Manager / Administrative Assistant (section) 0.11% Director / Head, 9.8% Deputy / Assistant Director, 43.9% of specialization accounting, administration 29.3%,.3% sciences banking and finance, 2.4% economic, 4.2% other disciplines this consider normal distribution for any institution that's supporting the entity's structure and reflect in apposite internal control.

It is clear those 48.8% years of experience more than 15 years, 25.6% of 10-less than 15 years, 15.9% of 5-less than 10 years. This support the idea there is apposite relationship between internal control and the number of experience years that is by default will result in achieve high profitability.

It shows those 42.7% which age groups located between 36-45 years, 29.3% fall in the -35 age group, 22% in 46 category and over, 6.1% less than 25 years this will support move experience to others.

It is obvious that 40.2% do not have supervisory functions of the employees, 35.4% have a supervisory tasks on a 1-5 employees, 18.3% of 6-10 employees, 3.7% of -20 employees, 2.4% of the 21-40 employee.

Table (6.2): respondent information

	Item	Recurrence	Ratio
Bank	Arab Islamic Bank	4	4.9
	Palestine Bank	35	42.7
	Quds Bank	20	24.4
	Palestinian Islamic Bank	20	24.4
	Commercial bank	2	2.4
	Investment Bank	1	1.2
Gender	Male	60	73.2
	Female	22	26.8
Social status	Married	65	79.3
	Single	17	20.7
Qualification	Diploma	7	8.5
	BA	65	79.3
	Postgraduate	10	12.2
Functional Grade	Director / Head	9	11.0
	Deputy / Assistant Director	8	9.8
	Director of Administration / Administrative Assistant (section)	24	29.3
	Employee	38	46.3
	Others	3	3.7
Years of Experience	Less than 5 years	8	9.8
	From 5.less than 10 years old	13	15.9
	From 10-less than 15 years	21	25.6
	More than 15 years	40	48.8
Specialization	Accounting	36	43.9
	Administration	24	29.3
	Banking and Financial Sciences	15	18.3
	Economy	2	2.4
	Others	4	4.9
Age	Less than 25 years	5	6.1
	From 25-35 years	24	29.3
	From 36-45 years	35	42.7
	46 years and more.	18	22.0
The number of employees who work under your supervision	0	33	40.2
	From 1-5 employees	29	35.4
	From 6-10 employees	15	18.3
	From 11-20 employees	3	3.7
	From 21-40 employees	2	2.4

Second, the relative weight of paragraphs areas

6.2 Analysis of the paragraphs of the questionnaire:

To analyze the vertebrae questionnaire was used parametric tests (T test for one sample) to see if it is the mean scores of the response. Where it is considered a Class 3 moderately approval and represent 60% of the study scale.

Table (6.3) degrees approved by t test for one sample

significantly Approval	moderately approval	low approval
Significance level is less than 0.05	significance level is greater than the 0.05	significance level is less than 0.05
average > overall average supposed (3)	average or close to the overall average is assumed (3)	average < overall average supposed (3)

From the above table it is clear that the level of significance value (α) is less than 0.05. There is a significant difference between the overall average assumed and the real average paragraph or field. If the average value higher than the assumed average (3) the approval will be with a large degree. While if the assumed average is higher than the real average paragraph or domain the approval will be weak, but if the result was no significant difference, the significance greater than 0.05 level. In this case, the overall average is supposed to be (3) close to or equal to the true average of the data for that it approved moderately.

6.3 Analysis of all the paragraphs of the questionnaire:

T test was used to determine the average responses to all paragraphs, the results are shown in the following tables: -

6.3.1 Control environment:

Through the table (6.4) it is clear that the arithmetic mean of all the paragraphs of the field of the control environment greater than the domain or assumed value (3). Therefore, there were a significant differences.

The researcher noticed that the relative weight of the total internal control environment approximately to 83.13% , while the paragraphs of the central of the internal control environment was the first paragraph (The bank has a positive control environment such as integrity and morale that the management and employees safeguard to support the administrative control and awareness.) ranked first weight relative reached 85.12%. On other hand the fifth paragraph (The bank has internal control tools on Human resources to evaluate the level of productivity, effectiveness and efficiency of its human resources) ranked last with a relative weight 80.49%. The researcher attributes it to the regulations of banks to give a high degree of priority to integrity and moral values and encourage those are responsible for governance and employees to give attention to such characteristics. Although the fifth paragraph has significant effect and high relative weight but the ranked of it require us to make more development to this area.

Table (6.4) the arithmetic mean and the relative weight for the area of the control environment

First	control environment	arithmetic mean	standard deviation	the relative weight%	The value of the test	p- value	paragraph Order	The degree of influence
1-	The bank has a positive control environment such as integrity and morale that the management and employees safeguard to support the administrative control and awareness.	4.26	0.73	85.12	15.50	0.00	1	High
2-	The control activities in the bank (such as authentication, assurance, verifications, and performance review) assist to implement the management guidance and that such control activities are effective and efficient in achieving the bank control objectives.	4.26	0.70	85.12	16.26	0.00	2	High
3-	The bank management makes efforts to attract, develop, and retain the trusted and efficient employees which contribute in achieving the internal control objective.	4.07	0.81	81.46	11.95	0.00	5	High
4-	The management board via the audit committee participates in exercising and developing the internal control process.	4.13	0.81	82.68	12.63	0.00	4	High
5-	The bank has internal control tools on Human resources to evaluate the level of productivity, effectiveness and efficiency of its human resources.	4.02	0.77	80.49	12.06	0.00	6	High
6-	The bank has financial systems and instructions for internal control which enable the bank to find out the areas of non-compliance.	4.20	0.78	83.90	13.93	0.00	3	High
	Total axis of the internal control environment	4.16	0.64	83.13	16.37	0.00		High

6.3.2 Control Activities:

Through the table (6.5) the arithmetic means of the field of control activities was higher than the overall average expressed in terms 3 and according to the result of the test (T). Therefore, there were significant differences.

The relative weight of the total axis of control activities reached 82.07% ,while fifth paragraph (The bank has procedures to recover the missed data or programs.) ranked first with a relative weight reached 88.61%.The third paragraph (Segregation of duties principle is considered in all the banks transactions.) ranked last with a relative weight 81.30%. The researcher attribute that the importance of files and data available on it so the banks store it to many years and make backup and for segregation of duties its applicable in practice for all banks as mention by respondents but the use of programs may occurs some collapse to some. All paragraphs of control activities represent the basic control procedures

Table(6.5)) the arithmetic mean and the relative weight for the field of control activities

Second	Control Activities	Arithmetic Mean	Standard Deviation	The Relative Weight %	The Value Of The Test	P-Value	Paragraph Order	The Degree Of Influence
1-	Sound and sufficient procedures are available to register the bank's assets and properties.	4.39	0.60	87.80	20.86	0.00	3	High
2-	The banks perform periodical stock taking for its asset and reports are submitted to concerned parties.	4.27	0.66	85.45	16.88	0.00	8	High
3-	Segregation of duties principle is considered in all the banks transactions.	4.06	0.73	81.30	12.77	0.00	12	High
4-	Disposal of assets is undertaken based on reports from the department's chiefs committee and the top management approval on the raised recommendation.	4.18	0.80	83.68	12.98	0.00	11	High
5-	The asset is assigned to a staff member to be responsible to safeguard it, and he will be held accountable for any defect due to negligence.	4.31	0.73	86.13	15.40	0.00	6	High
6-	The bank has its detailed & well-prepared budget that illustrates the funding source, which is a tool for internal control.	4.23	0.76	84.68	14.26	0.00	9	High

Second	Control Activities	Arithmetic Mean	Standard Deviation	The Relative Weight %	The Value Of The Test	P-Value	Paragraph Order	The Degree Of Influence
7-	Financial analytical mechanisms to identify the financial position and to understand other financial aspects and how to control them are available which tools of internal control are.	4.34	0.70	86.75	16.77	0.00	7	High
8-	The internal audit function as a tool is exercised by specialists in the bank.	4.40	0.67	88.05	18.26	0.00	2	High
9-	The bank can measure employees 'individual performance, as a tool of internal control, which assists the manager to monitor, follow, and compare with the targeted objective.	4.34	0.82	86.83	14.82	0.00	5	High
10-	The bank uses the complaints from other stakeholders as a tool of internal control.	4.20	0.82	83.90	13.15	0.00	10	High
11-	The bank has procedures to recover the missed data or programs.	4.43	0.69	88.61	18.37	0.00	1	High
12-	Access to data and computer special files are subject for control.	4.38	0.67	87.59	18.41	0.00	4	High
	Total axis of control activities	4.10	0.77	82.07	12.98	0.00		High

6.3.4 Risk Assessment

Through the table (6.6), it is clear that the arithmetic mean of all the paragraphs of the field of risk assessment was more than the overall average expressed in value by 3 assessment and test result (T). The average were more than the overall average, thus there are significant differences.

Here, that the relative weight of the total focus of risk assessment amounted to 84.7%, while the first paragraph of the focus of risk assessment paragraphs (The bank has strategic plans and strategic objects and how to achieve them.) ranked first with a relative weight reached 88.78%. The third paragraph (The bank has plans B for any surprised changes that might affect the work in the bank..), the last ranked relative weight 85.61% .The researcher attributes that to all types of risks that may deviate from objectives . The banks should have strategic tools to identify any risk and alternatives plans to any urgent action.

Table (6.6) the arithmetic mean and the relative weight for the field of risk assessment

Third	Risk Assesment	arithmetic mean	standard deviation	the relative weight %	The value of the test	p-value	paragraph Order	The degree of influence
1-	The bank has strategic plans and strategic objects and how to achieve them.	4.44	0.57	88.78	22.91	0.00	1	High
2-	The bank has a risk analysis process that includes budget and monthly meeting to identify those risks and how to rectify any resulted risk.	4.35	0.59	86.91	20.36	0.00	3	High
3-	The bank has plans B for any surprised changes that might affect the work in the bank..	4.28	0.72	85.61	16.00	0.00	4	High
4-	The bank has specialized department to identify any material changes that might affect the internal control and comply with the International Financial Reporting Standards (IFRS).	4.35	0.63	87.03	18.49	0.00	2	High
	Total axis of risk assessment	4.23	0.55	84.70	20.21	0.00		High

6.3.5 information And Communication

Through the table (6.7), the arithmetic mean of all the paragraphs of the field of information and communication was greater than the overall average expressed in terms 3. According to the result of the test (T), the averages were more than the overall average. Thus, there are significant differences. The relative weight of the total focus of information and communication ties amounted to 81.08% , while the fourth paragraph (The management passes the information and duties to its employees clearly and smoothly) ranked first with a relative weight reached 84.21%. The sixth paragraph (The bank communicates with external parties in respect of factors that might affect the internal control function.) ranked last with a relative weight 78.11%. The researcher attributes that to the accounting systems banks adopt it which based on clear principles and concepts that support an effective information system on timely bases and an effective communication system include documentation to enhance the internal control system.

Table (6.7) the arithmetic mean and the relative weight for the field of information and communication

	Information And Communication	arithmetic mean	standard deviation	the relative weight %	The value of the test	p- value	paragraph Order	The degree of influence
1-	The information are recorded and reported to all stakeholders on time and appropriate bases to perform the internal control responsibilities and other duties.	4.17	0.83	83.38	12.30	0.00	2	High
2-	Information are prepared, developed and reviewed in light of strategic plans.	4.01	0.88	80.26	10.09	0.00	5	High

	Information And Communication	arithmic mean	standard deviation	the relative weight%	The value of the test	p- value	paragraph Order	The degree of influence
3-	The banking information system provides the management with the required information that pertains to the strategies and objectives.	4.12	0.74	82.34	13.19	0.00	3	High
4-	The management passes the information and duties to its employees clearly and smoothly	4.21	0.74	84.21	14.34	0.00	1	High
5-	There are good communication channels between the staff and their departments that enable them to perform their tasks soundly and correctly.	4.12	0.93	82.34	10.52	0.00	4	High
6-	The bank communicates with external parties in respect of factors that might affect the internal control function.	3.91	0.85	78.11	9.20	0.00	6	High
	Total axis of information and communication	4.05	0.71	81.08	13.05	0.00		High

6.3.6 monitoring

Through the table (6.8), the arithmetic means of the field (monitoring) was greater than the overall average expressed in terms 3. According to the result of the test (T), the average was more than the overall average, and thus there are significant differences.

The relative weight of the total focus of monitoring ties amounted to 86.59%, while the third paragraph (The bank has internal auditors who follows up the internal control and rises reports about the application of it to the management) ranked first with a relative weight reached 88.29%. The second paragraph (The received complaints are studied to find out its causes to take the appropriate actions.) was the last ranked relative weight 84.39%. The researcher attributes it to the most important type of internal control and this percentage from respondents reflect that internal audit function has completed .

Table (6.8) the arithmetic mean and the relative weight for the areas of monitoring

First	Monitoring	arithmetic mean	standard deviation	the relative weight%	The value of the test	p- value	paragraph Order	The degree of influence
1-	The bank has a box for complaints from clients which are handled seriously.	4.35	0.76	87.07	16.14	0.00	2	High
2-	The received complaints are studied to find out its causes to take the appropriate actions.	4.22	0.70	84.39	15.71	0.00	4	High
3-	The bank has internal auditors who follows up the internal control and rises reports about the application of it to the management	4.41	0.77	88.29	16.66	0.00	1	High
4-	The management board pays attention	4.33	0.67	86.59	18.03	0.00	3	High

First	Monitoring	arithmetic mean	standard deviation	the relative weight%	The value of the test	p- value	paragraph Order	The degree of influence
	to the control environment and activities in addition to conducting regular meetings with internal and external auditors the control activities.							
	Total axis of monitoring	4.33	0.59	86.59	20.57	0.00		High

6.3.7 Internal Control Requirements effects:

Through the table (6.9) shows the arithmetic means of the field (the control effects) were above-average that expressed in term 3 .According to the result of the test (T), the average was more than the average were above-average that expressed in term 3 and this indicates to a significant difference.

The researcher noticed that the relative weight of the total axis control effects reached to 82.05% , while the subdomain monitoring ranked first with relative weight reached 86.59%.The field of information and communication ranked last with a relative weight 81.08% .Other studies distribute the arrangement or orders at different shape like Mushtaha (2015) and El jaedi (2007), who give the highest weight to control environment , control activities and the information, communication and monitoring at the same level the lowest risk assessment.

JOSEPH M. ONUMAH ET (2012) results indicate that overall the annual reports scored highly on control environment (overall mean 4.53); risk assessment (4.13); information and communication (3.85). However, the companies did not do so well on control activities and monitoring (both 2.82). As we see, the arrangement differs from one to one but he weight is high for all this support the idea that all components are integrated and achieve an effective of internal control.

Table (6.9) the arithmetic mean and the relative weight for the areas of the control effects

First	control effects	arithmetic mean	standard deviation	the relative weight%	The value of the test	p- value	paragraph Order	The degree of influence
1-	control environment	4.16	0.64	83.13	16.37	0.00	3	High
2-	control activities	4.10	0.77	82.07	12.98	0.00	4	High
3-	risk assessment	4.23	0.55	84.70	20.21	0.00	2	High
4-	Information and communication	4.05	0.71	81.08	13.05	0.00	5	High
5-	Monitoring	4.33	0.59	86.59	20.57	0.00	1	High
	EFFECTS of control requirements	4.10	0.65	82.05	15.46	0.00		High

Profitability

Through table (6.10) the arithmetic mean of all the paragraphs of achieving profitability was higher than the overall average expressed in terms. (3) According to the test result (T), the averages were more than the overall average and thus there are significant differences where paragraph (3) has a medium effect.

The relative weight of the total profitability reached 83.03% while the second paragraph (The existence of a competitive interest rate affect the return rates on the Equity and assets.) ranked first with relative weight reached 88.78%. The third paragraph constant with Marhaj study (2014) that explain the interest rate effect on the banks profitability that affect on the bank opportunity investment. This conflict with Syria policy on loans because the political and economic situations (The bank has a financial planning process that affects the return rate on assets and equity..) ranked last with a relative weight 81.46% because the opportunity investment in Palestine has limited but it will increase the profitability.

Table (6.10) the arithmetic mean and the relative weight for the area of profitability

	Profitability	arithmetic mean	standard deviation	the relative weight%	The value of the test	p- value	paragraph Order	The degree of influence
1-	The Financial Performance for the banks is influenced by the economic indicators such as the inflation rate	4.34	0.82	86.83	14.82	0.00	2	High
2-	The existence of a competitive interest rate affect the return rates on the Equity and assets.	4.44	0.57	88.78	22.91	0.00	1	High
3-	The bank has a financial planning process that affects the return rate on assets and equity.	4.07	0.81	81.46	11.95	0.00	7	High
4-	The bank does a classification process for the debts to identify the debts that are collectable and those that are uncollectable which affects the return rate on equity.	4.22	0.70	84.39	15.71	0.00	3	High
5-	The bank's profitability is affected by the banks management to balance between the return rate and the risk.	4.21	0.74	84.21	14.34	0.00	5	High
6-	The banks granted credit process affects largely the profitability of those banks.	4.12	0.93	82.34	10.52	0.00	6	High
7-	The bank size affects the bank's	4.22	0.70	84.39	15.71	0.00	4	High

	Profitability	arithmic mean	standard deviation	the relative weight %	The value of the test	p- value	paragraph Order	The degree of influence
	profitability through its assets or its equity (a large size bank that is measured by its assets & equity leads to a decline in the return rate on its assets)							
	Profitability	4.15	0.63	83.03	16.45	0.00		High

6.4 Test Hypotheses:

Test hypotheses about the relationship between two variables of the study variables (the first major premise):

Null hypothesis: There is no statistically significant relationship between the two variables of the study variables.

Alternative hypothesis: There were statistically significant between the two variables of the study variables relationship.

If Sig. (P-value) is greater than the significance level $\alpha \geq 0.05$. It cannot be rejected the null hypothesis and thus there is no statistically significant relationship between the two variables of the variables of the study. If the Sig. (P-value) is less than the significance level $\alpha \leq 0.05$, then the null hypothesis are rejected and accept the alternative hypothesis that there is a statistically significant relationship between the two variables of the study variables.

6.5 The hypotheses of the study:

The first major premise:

There is a significant relationship at the level of ($\alpha \leq 0.05$) between the effects of the internal control requirements and profitability in the Palestinian shareholding companies.

The table (6.11) shows that the correlation coefficient is equal to 0.652, and the probability value (Sig.) equals 0.00 which is less than the significance level $0.05 \geq \alpha$. This indicates the presence of a statistically significant relationship between the effects of internal control requirements and the profitability of shareholding companies.

Table (6.11) the correlation coefficient between the effects of the internal control requirements and profitability in the Palestinian shareholding companies

	Pearson coefficient Link	Potential value (Sig.)
There is a statistically significant relationship at the level of ($\alpha \leq 0.05$) between the effects of the internal control requirements and profitability in the Palestinian shareholding companies	*0.652	0.000

* Link statistically significant at the level $0.05 \geq \alpha$.

That divided into the following hypothesis:

1. There is statistically significant relationship at the level of ($\alpha \leq 0.05$) between the control environment and profitability in the Palestinian shareholding companies.
2. There is statistically significant relationship at the level of ($\alpha \leq 0.05$) between the control activities and profitability in the Palestinian shareholding companies..
3. There is statistically significant relationship at the level of ($\alpha \leq 0.05$) between the risk assessment and profitability in the Palestinian shareholding companies.

4. There is statistically significant relationship at the level of ($\alpha \leq 0.05$) between the information and communication and profitability in the Palestinian shareholding companies.
5. There is statistically significant relationship at the level of ($\alpha \leq 0.05$) between the monitoring and profitability in the Palestinian shareholding companies.

The table (6.12) shows that the correlation coefficient is equal to 0.702, and the probability value (Sig.) equals 0.00 which is less than the significance level $0.05 \geq \alpha$. This indicates that there is a significant relationship between profitability and control environment in Palestinian shareholding companies. The research supports this result and this matching with a study made by Khamis (2013) found out that there is a significant positive relationship between internal control system (control environment) and financial performance of financial institution. In his research, Mawanda (2008) established that there is a positive relationship between control environment and financial performance of institutions of higher learning in Uganda as portray by his case study of Uganda.

The researcher justifies this result Because the existence of integrity and ethical values in the organization will enhance the creditworthiness of stakeholders and will increase the investment in the organization that enhance it to move quickly toward organization's objective.

Table (6.12) shows that the correlation coefficient is equal to 0.623, and the probability value (Sig.) equals 0.00 which is less than the significance level $0.05 \geq \alpha$. This indicates the presence of significant a positive relationship between the control activities and profitability in Palestinian shareholding companies Ayyash study (2014) approve that the effect of control activities on the profitability of telecommunication company in yamen country. Mushtaha (2015) study said there is appositve relationship between control activities and financial performance (ROA). The researcher see through the control activities actions and steps toward the organization objective to achieve the higher profitability.

The table (6.12) shows that the correlation coefficient is equal to 0.711, and the probability value (Sig.) Equals 0.00 which is less than the significance level $0.05 \geq \alpha$. This indicates there is significant relationship between the risk assessment and profitability in Palestinian shareholding companies evaluation Johnson (2001), asserts that when insurance companies accept a large risk that would financially affect them, they also insure against a possibility of such large losses to spread the risk of loss and improve on their financial status. The study of OBUDHO (2014) revealed that a unit increase in financial risk lead to decrease in financial performance of insurance companies in Kenya, thus the study concludes that financial risk negatively affects the financial performance of insurance companies in Kenya.

The table (6.12) shows that the correlation coefficient is equal to 0.754, and the probability value (Sig.) Equals 0.00 which is less than the significance level $0.05 \geq \alpha$. This indicates the presence of a statistically significant relationship between information, communication and profitability in Palestinian shareholding companies this differs with (Basodan, Thuneibat, Rehaily (2015)) studies that said there is no effect of information and communication on profitability. In contrast, the Mushtaha (2015) study said there is a negative relationship between information and communication and firm value.

Table (6.12) shows that the correlation coefficient is equal to 0.678, and the probability value (Sig.) equals 0.00 which is less than the significance level $0.05 \geq \alpha$. This indicates the presence of significant differences between the monitoring and profitability in Palestinian shareholding companies' relationship. This contrast with Mushtaha (2015) study said there is a negative relationship between monitoring and firm value Lee and Sharpe (2009) find that the effect of monitoring on the borrower's abnormal loan announcement return is small, we find that the effect on profit efficiency is large. Other like McNulty& Akhigbe (2011) there is a positive relation between our monitoring proxies and profit efficiency.

Table (6.12) correlation between the degree of availability (the control environment, control activities, information and communication, monitoring) and profitability in Palestinian shareholding companies

Table (6.12): correlation between the degree of availability and profitability

Question	Pearson coefficient Link	Potential value (Sig.)
There is a statistically significant relationship at the level of ($\alpha \leq 0.05$) between control environment and profitability in Palestinian shareholding companies	*0.702	0.000
There is a statistically significant relationship at the level of ($\alpha \leq 0.05$) between the control activities and profitability in Palestinian shareholding companies	*0.623	0.000
There is a statistically significant relationship at the level of ($\alpha \leq 0.05$) between the risk assessment and profitability in Palestinian shareholding companies	*0.711	0.000
There is a statistically significant relationship at the level of ($\alpha \leq 0.05$) between the information, communication and profitability in Palestinian shareholding companies	*0.754	0.000
There is a statistically significant relationship at the level of ($\alpha \leq 0.05$) between the monitoring and profitability in Palestinian shareholding companies	*0.678	0.000

The second hypothesis:

There is statistically significant impact at the level of significance ($\alpha \leq 0.05$) to the dimensions of the effects of control requirements on the profitability of Palestinian shareholding company. To determine the effect of the level of control requirements (control environment, control activities, risk assessment, information and communication, monitoring) combined on the profitability of the Palestinian shareholding companies.

The researcher used multiple regression testing using the method of Stepwise and it can be concluded the following:

(A) shows the final regression model using the method of Stepwise that the profit of Palestinian shareholding companies, which represents the dependent

variable is affected substantially and statistically significant by all of the variables (information and communication, control environment, risk assessment, monitoring).

(B) It have been excluded the variable (control activities) because they lack the significant effect by using the Stepwise way between the profitability of the Palestinian shareholding companies and independent variables.

(C) The results of the analysis showed that the coefficient of determination equal to 0.901. This means that 90.1% of the change in the profitability of shareholding companies back to the effects of the following independent variables (information and communication, control environment, risk assessment, monitoring) and the remaining 9.9% is due to other factors affecting the dependent variable the profitability of the Palestinian shareholding companies .

Table (6.13) multiple regression analysis for regression coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	.488	1.388		.352	.726
	Information and communication	.411	.057	.441	7.169	.000
	Control Environment	.321	.053	.320	6.100	.000
	risk assessment	.423	.094	.229	4.490	.000
	Monitoring	.217	.078	.132	2.772	.007

Table (6.14): Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.949 ^d	.901	.895	1.28035

6.6 The equation of effect:

The profitability of shareholding company= 0.488+ 0.411 (information and communication) + 0.321 (control environment) + 0.423 (risk assessment) + 0.217 (monitoring)

If the value of (control environment, risk assessment, monitoring) constant and (information and communication) is increasing by one unit leads to increase in the dependent variable (corporate profitability) by (0.411). If the value (information and communication, risk assessment, monitoring) constant and (control environment) is increasing by one unit leads to increase in the dependent variable (corporate profitability) (0.321).

If the value (information and communication, control environment, monitoring) constant and (risk assessment) is increasing by one unit leads to increase in the dependent variable by (0.423).

If the value (information and communication, control environment, risk assessment) becoming constant and (monitoring) is increasing by one unit leads to increase in the dependent variable by (0.217). This requires all interested parties to increase their investment in (information and communication, control environment, risk assessment, monitoring).

The third hypothesis:

first :there are statistically significant differences at the level of ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies attributed the personal variables (the workplace, gender, marital status, educational qualification functional rank, years of experience, age, specialty, the number of employees who work under your supervision). **First**, there are statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (workplace).

it is shown that the probability value (Sig.) corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements), where the level of significance value of 0.559, which explains the lack of significant differences between the respondents' responses about control requirements due to the variable Workplace

The total axis (profitability), where the level of significance value of 0.336, which explains the lack of significant differences between the respondents' responses on profitability due to the variable workplace.

Table (6.15): Anova

		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	123.592	5	24.718	1.757	.132
	Within Groups	1069.103	76	14.067		
	Total	1192.695	81			
control activities	Between Groups	383.500	5	76.700	.894	.490
	Within Groups	6521.622	76	85.811		
	Total	6905.122	81			
risk assessment	Between Groups	32.331	5	6.466	1.349	.253
	Within Groups	364.364	76	4.794		
	Total	396.695	81			
Information and communication	Between Groups	266.157	5	53.231	3.415	.008
	Within Groups	1106.726	71	15.588		
	Total	1372.883	76			
Monitoring	Between Groups	65.371	5	13.074	2.626	.030
	Within Groups	378.385	76	4.979		
	Total	443.756	81			
Effects of control requirements	Between Groups	1712.785	5	342.557	.791	.559
	Within Groups	32895.764	76	432.839		

		Sum of Squares	Df	Mean Square	F	Sig.
	Total	34608.549	81			
Profitability	Between Groups	238.842	5	47.768	1.162	.336
	Within Groups	3124.036	76	41.106		
	Total	3362.878	81			

Second, there are statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (gender).

it is shown that the probability value (Sig.) Corresponding to the test results (T) for two independent samples is greater than the significance level $0.05 \leq \alpha$, for a total axis (control requirements) where the value of 0.758, which explains the lack of significant differences between the respondents' responses on the impact of control requirements due to the gender variable.

For Total axis (profitability) where she was the significant value of 0.739, which explains the lack of significant differences between the respondents' responses on profitability due to the gender variable because they perform the same mission at the bank

Table (6.16) :Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	Df	Sig. (2-tailed)
Control Environment	Equal variances assumed	.015	.902	-.022-	80	.982
	Equal variances not assumed			-.023-	38.979	
monitoring activities	Equal variances assumed	.423	.517	-.232-	80	.817

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	Df	Sig. (2-tailed)
	Equal variances not assumed			-.275-	54.827	
risk assessment	Equal variances assumed	3.367	.070	.861	80	.392
	Equal variances not assumed			.749	29.805	
Information and communication	Equal variances assumed	1.177	.281	.540	75	.591
	Equal variances not assumed			.515	35.262	
Monitoring	Equal variances assumed	.105	.747	-.108-	80	.914
	Equal variances not assumed			-.113-	40.841	
Effects of controle requirements	Equal variances assumed	.595	.443	-.310-	80	.758
	Equal variances not assumed			-.350-	48.704	
Profitability	Equal variances assumed	.659	.419	-.335-	80	.739
	Equal variances not assumed			-.410-	59.161	

Third, there is statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (marital status). It is shown that the probability value (Sig.) corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements), where the level of significance value of 0.925, which explains the lack

of significant differences between the respondents' responses about control requirements due to the variable Social status.

The total axis (profitability), where the level of significance value of 0.779, which explains the lack of significant differences between the respondents' responses on profitability due to the variable marital status

Table (6.17): Anova

		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	1.828	1	1.828	.123	.727
	Within Groups	1190.867	80	14.886		
	Total	1192.695	81			
control activities	Between Groups	3.790	1	3.790	.044	.835
	Within Groups	6901.332	80	86.267		
	Total	6905.122	81			
risk assessment	Between Groups	1.882	1	1.882	.381	.539
	Within Groups	394.813	80	4.935		
	Total	396.695	81			
Information and communication	Between Groups	4.268	1	4.268	.234	.630
	Within Groups	1368.615	75	18.248		
	Total	1372.883	76			
Monitoring	Between Groups	.853	1	.853	.154	.696
	Within Groups	442.903	80	5.536		
	Total	443.756	81			
Effects of control requirements	Between Groups	3.881	1	3.881	.009	.925
	Within Groups	34604.668	80	432.558		
	Total	34608.549	81			
Profitability	Between Groups	3.314	1	3.314	.079	.779
	Within Groups	3359.564	80	41.995		

		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	1.828	1	1.828	.123	.727
	Within Groups	1190.867	80	14.886		
	Total	1192.695	81			
control activities	Between Groups	3.790	1	3.790	.044	.835
	Within Groups	6901.332	80	86.267		
	Total	6905.122	81			
risk assessment	Between Groups	1.882	1	1.882	.381	.539
	Within Groups	394.813	80	4.935		
	Total	396.695	81			
Information and communication	Between Groups	4.268	1	4.268	.234	.630
	Within Groups	1368.615	75	18.248		
	Total	1372.883	76			
Monitoring	Between Groups	.853	1	.853	.154	.696
	Within Groups	442.903	80	5.536		
	Total	443.756	81			
Effects of control requirements	Between Groups	3.881	1	3.881	.009	.925
	Within Groups	34604.668	80	432.558		
	Total	34608.549	81			
Profitability	Between Groups	3.314	1	3.314	.079	.779
	Within Groups	3359.564	80	41.995		
	Total	3362.878	81			

Fourth, there is statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (qualification).

it is Shown that the probability value (Sig.) Corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements), where the level of significance value of 0.682, which explains the lack of significant differences between the respondents' responses about control requirements due to the variable Qualification this difference with ayyash study(2005) that approve the degree of qualification effect on the effectiveness of internal control.

The total axis (profitability), where the level of significance value of 0.269, which explains the lack of significant differences between the respondents' responses on profitability attributed to the educational qualification variable

Table (6.18): Anova

		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	18.942	2	9.471	.637	.531
	Within Groups	1173.753	79	14.858		
	Total	1192.695	81			
control activities	Between Groups	5.492	2	2.746	.031	.969
	Within Groups	6899.630	79	87.337		
	Total	6905.122	81			
risk assessment	Between Groups	14.805	2	7.403	1.531	.223
	Within Groups	381.890	79	4.834		
	Total	396.695	81			
Information and communication	Between Groups	18.333	2	9.167	.501	.608
	Within Groups	1354.550	74	18.305		
	Total	1372.883	76			
Monitoring	Between Groups	23.326	2	11.663	2.192	.118
	Within Groups	420.430	79	5.322		
	Total	443.756	81			
Effects of control	Between Groups	333.845	2	166.923	.385	.682

		Sum of Squares	Df	Mean Square	F	Sig.
requirements	Within Groups	34274.703	79	433.857		
	Total	34608.549	81			
Profitability	Between Groups	109.859	2	54.930	1.334	.269
	Within Groups	3253.019	79	41.177		
	Total	3362.878	81			

Fifth: There is statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies attributable to personal variables (functional position). it is shown that the probability value (Sig.) corresponding to the test "to test the" variance "is less than the significance level $0.05 \geq \alpha$ for Total axis (control requirements), where the level of significance value of 0.028, which shows that there were significant differences between the respondents' responses about control requirements due to the variable rank The functional differences in favor of the Director / Head because the increase of the level of function play acritical role in understanding process the internal control components .

The total axis (profitability), where the level of significance value of 0.059, which explains the lack of significant differences between the respondents' responses on profitability due to the variable functional place because they are executive and they don't have sufficient relevant about the relation

Table (6.19): Anova

		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	177.017	4	44.254	3.314	.015
	Within Groups	1014.785	76	13.352		
	Total	1191.802	80			
control activities	Between Groups	744.306	4	186.077	2.642	.040
	Within Groups	5353.249	76	70.437		
	Total	6097.556	80			
risk assessment	Between Groups	39.184	4	9.796	2.135	.085
	Within Groups	348.767	76	4.589		
	Total	387.951	80			
Information and communication	Between Groups	174.503	4	43.626	2.621	.042
	Within Groups	1198.380	72	16.644		
	Total	1372.883	76			
Monitoring	Between Groups	39.131	4	9.783	1.838	.130
	Within Groups	404.523	76	5.323		
	Total	443.654	80			
Effects of control requirements	Between Groups	4165.509	4	1041.377	2.894	.028
	Within Groups	27349.380	76	359.860		
	Total	31514.889	80			
Profitability	Between Groups	328.548	4	82.137	2.381	.059
	Within Groups	2621.452	76	34.493		
	Total	2950.000	80			

Table (6.20): Averages of responses to ranking Position variable

	Averages of responses to ranking Position variable				
	Director / Head	Deputy / Assistant	Director of the Department	manager assistant	Employee
control environment	4.74	3.88	3.95	4.22	4.17
control activities	4.45	3.42	4.18	4.18	4.11
risk assessment	4.67	3.97	4.17	4.26	4.08
Information and communication	4.77	3.95	3.90	4.03	3.89
Monitoring	4.81	4.25	4.22	4.30	4.42
Effects of control requirements	4.54	3.59	4.06	4.18	4.11
Profitability	4.44	3.32	3.95	4.19	4.29

Sixth: there is statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (years of experience). it is shown that the probability value (Sig.) corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements), where the level of significance value of 0.829, which explains the lack of significant differences between the respondents' responses about control requirements due to the variable Years of Experience.

The total axis (profitability), where the level of significance value of 0.935, which explains the lack of significant differences between the respondents' responses on profitability. Due to the variable years of experience this different with the previous studies that approve the number of experience year's effect on internal control (Ayyash,2005)

Table (6.21):A Nova

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	49.728	3	16.576	1.131	.342
	Within Groups	1142.967	78	14.653		
	Total	1192.695	81			
control activities	Between Groups	36.682	3	12.227	.139	.936
	Within Groups	6868.440	78	88.057		
	Total	6905.122	81			
risk assessment	Between Groups	20.499	3	6.833	1.417	.244
	Within Groups	376.196	78	4.823		
	Total	396.695	81			
Information and communication	Between Groups	230.236	3	76.745	4.903	.004
	Within Groups	1142.647	73	15.653		
	Total	1372.883	76			
Monitoring	Between Groups	32.406	3	10.802	2.048	.114
	Within Groups	411.351	78	5.274		
	Total	443.756	81			
Effects of control requirements	Between Groups	387.441	3	129.147	.294	.829
	Within Groups	34221.107	78	438.732		
	Total	34608.549	81			
Profitability	Between Groups	18.254	3	6.085	.142	.935
	Within Groups	3344.624	78	42.880		
	Total	3362.878	81			

Seventh: there are statistically significant differences at the level of ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (age). it is shown that the probability value (Sig.) corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements), where the level of significance value of 0.244, which explains the lack of significant differences between the respondents' responses about control requirements due to the variable Age.

The total axis (profitability), where the level of significance value of 0.174, which explains the lack of significant differences between the respondents' responses on profitability. Due to the variable-year-old because in the real life to determine the control in realistic there's many staff at different age under the same situation and they have different affect so the age doesn't consider as determinants.

Table (6.22): Anova

		Sum of Squares	Df	Mean Square	F	Sig.
control environment	Between Groups	100.920	4	25.230	1.770	.144
	Within Groups	1083.031	76	14.250		
	Total	1183.951	80			
control activities	Between Groups	701.100	4	175.275	2.148	.083
	Within Groups	6202.456	76	81.611		
	Total	6903.556	80			
risk assessment	Between Groups	9.233	4	2.308	.457	.767
	Within Groups	383.656	76	5.048		
	Total	392.889	80			
Information and communication	Between Groups	126.783	4	31.696	1.810	.136
	Within Groups	1243.256	71	17.511		
	Total	1370.039	75			
Monitoring	Between Groups	27.483	4	6.871	1.260	.293
	Within Groups	414.517	76	5.454		
	Total	442.000	80			
Effects of control requirements	Between Groups	2366.917	4	591.729	1.396	.244
	Within Groups	32223.083	76	423.988		
	Total	34590.000	80			
Profitability	Between Groups	266.206	4	66.551	1.634	.174
	Within Groups	3096.017	76	40.737		
	Total	3362.222	80			

Eighth: there is statistically significant differences at the level of ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (specialization).

it is shown that the probability value (Sig.) corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements), where the level of significance value of 0.450, which explains the lack of significant differences between the respondents' responses about control requirements due to the variable Specialization.

The total axis (profitability), where the level of significance value of 0.162 explains the lack of significant differences between the respondents' responses on profitability. Due to the variable-year specialization, because the bank introduce courses about internal control system to their staff and they got sufficient understanding on it.

Table (6.23): Anova

		Sum of Squares	df	Mean Square	F	Sig.
control environment	Between Groups	55.694	3	18.565	1.274	.289
	Within Groups	1137.001	78	14.577		
	Total	1192.695	81			
control activities	Between Groups	430.558	3	143.519	1.729	.168
	Within Groups	6474.563	78	83.007		
	Total	6905.122	81			
risk assessment	Between Groups	2.437	3	.812	.161	.922
	Within Groups	394.258	78	5.055		
	Total	396.695	81			
Information and communication	Between Groups	131.830	3	43.943	2.585	.060
	Within Groups	1241.053	73	17.001		
	Total	1372.883	76			
Monitoring	Between Groups	14.007	3	4.669	.847	.472
	Within Groups	429.749	78	5.510		

		Sum of Squares	df	Mean Square	F	Sig.
	Total	443.756	81			
Effects of control requirements	Between Groups	1144.975	3	381.658	.890	.450
	Within Groups	33463.574	78	429.020		
	Total	34608.549	81			
Profitability	Between Groups	212.824	3	70.941	1.757	.162
	Within Groups	3150.054	78	40.385		
	Total	3362.878	81			

Ninth: There are statistically significant differences at ($\alpha \leq 0.05$) between the impact of the internal control requirements and the profitability of shareholding companies are attributable to personal variables (number of employees who work under your supervision).

It is shown the probability value (Sig.) Corresponding to the test "to test the" variance "is greater than the significance level $0.05 \leq \alpha$ for Total axis (control requirements); where the level of significance value of 0.401, which explains the lack of significant differences between the respondents' responses about control requirements due to the variable the number of employees who work under your supervision .

The total axis (profitability), where the level of significance value of 0.496, which explains the lack of significant differences between the respondents' responses on profitability due to the variable years the number of employees who work under your supervision .

Table (6.24): Anova

		Sum of Squares	df	Mean Square	F	Sig.
control environment	Between Groups	35.732	4	8.933	.552	.698
	Within Groups	1148.215	71	16.172		
	Total	1183.947	75			
control activities	Between Groups	198.671	4	49.668	1.439	.230
	Within Groups	2450.210	71	34.510		
	Total	2648.882	75			
risk assessment	Between Groups	12.281	4	3.070	.651	.628
	Within Groups	334.877	71	4.717		
	Total	347.158	75			
Information and communication	Between Groups	90.127	4	22.532	1.249	.298
	Within Groups	1280.979	71	18.042		
	Total	1371.105	75			
Monitoring	Between Groups	35.183	4	8.796	1.532	.202
	Within Groups	407.593	71	5.741		
	Total	442.776	75			
Effects of control requirements	Between Groups	998.738	4	249.685	1.025	.401
	Within Groups	17299.893	71	243.660		
	Total	18298.632	75			
Profitability	Between Groups	54.340	4	13.585	.853	.496
	Within Groups	1130.607	71	15.924		
	Total	1184.947	75			

Chapter 7

Conclusion and Recommendation

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7.1 Conclusion:

The following is a summary of conclusion that can be drawn from this study based on the research field. This study discussed the critical issue related to all banks work in the Gaza strip and the study based on sample constitute from six banks and getting respond to measure the degree of compliance between internal control and financial performance for shareholding companies.

The discussion of descriptive statistics and hypothesis testing shows that the degree of compliance with all components of internal control is at a high level. The analysis revealed that all dimensions of internal control including control environment, risk assessment, control procedures, information and communication and monitoring had positive relationships with profitability. However, hypotheses testing showed that there are some differences in the significance of the relationship between internal control components and profitability.

The analysis of the first component of internal control found out that there is a significant positive relationship between internal control system (control environment) and financial performance of financial performance. The same for other components like risk assessment, information, control activities, communication, and monitoring these entire have appositive a relationship with financial performance.

The study also used other analysis method: the multiple regression testing using the method of stepwise to determine the effect of the level of control requirements (control environment, control activities, risk assessment, information and communication, monitoring) combined on the profitability of the Palestinian shareholding companies, It have been excluded the variable (control activities) because they lack the significant effect between the profitability and control requirements. The change in the profitability of shareholding companies back to the effects of the following independent variables (information and communication,

control environment, risk assessment, monitoring). These results of the study seem to be in congruence with those of some of previous studies in some instances.

The study has reached to some results that the high degree of compliance with internal control requirements helps in the achievement of internal control objectives. It provides a solid ground for enhancement of profitability. The other result say if we implement effective control activities, we will not get a good financial performance always and in all directions.

7.2 Recommendation

In the context of the results of the current research, the research recommends the following:

1. The managers of all shareholding companies are advised to develop the internal control system to maximize the well-being of their entities.
2. The management are advised to publish all policies such as integrity and morale and announce it as a part of his mission to enhance the control environment culture.
3. The auditing association are advised to coordinate its efforts with Palestinian stock exchange to cooperate to issue anew rules related to internal control and these rules are advised to audited by external auditor to make sure this rules are implemented.
4. The institution is recommended to computerize their internal control system, and that help the managers in monitoring their employees and their work.
5. The banks are advised to establish criteria for any job they announce about it based on qualification and experience.
6. The banks are advised to establish a new system for complaints from all stakeholders to detect any problem and make the proper solution for it.
7. The management are recommended to organize courses and workshop for their employees to increase their awareness and knowledge about internal control and the role of it in supporting the organization position.
8. The researcher recommends to define those roles by job position/function. With the addition of two domain servers recommend by IT for this migration and working with our outside consultants we will be addressing all these issues, have solutions for security issues, with policies and procedures in place, and develop a monitoring process and reporting.
9. The banks are advised to increase the level of advertising campaigns that will support their ideas to promote their products and increase their profits.
10. The banks are advised to support idea and new strategy toward achieving their profits involves direct or indirect methods.

11. The study suggests that there is a need to expand this study using other methodologies to delve into the depths and understand this phenomenon within its context.
12. The management should develop additional control activities to help them in the achievement internal control.
13. The study recommends making additional studies related to control environment for NGOS ORGANIZATION.

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Appendix

Appendix (1): English Questionnaire

Islamic University- Gaza

Post Graduate studies

Accounting and Finance Program



Questionnaires:

Dear sister and brother:

I note that this questionnaire aims to identify your thought for the questions asked to obtain data related study entitled "The impact of the internal control requirements on the profitability of the Palestinian shareholding companies,". It used as research supplementary master's degree in accounting and finance from the Islamic University in Gaza.

Kindly answering the questions carefully, since the validity of the results of this research depends primarily on the accuracy of your choice, note that there is no correct or wrong answer. We would like to point out that the information provided would be treated confidentially, will only be used for research purposes only.

Guidelines:

1. Please read the question carefully and put "/" towards the choice expresses your thought.
2. Please fill the questionnaire without leaving any item unanswered.

Best regards to you.

The researcher in master program

Mohamed Yousef Ayyash

• **Section I: Personal data:**

1. The work place:

- ❖ Arab Islamic Bank
- ❖ Palestine Bank
- ❖ Quds Bank
- ❖ Palestinian Islamic Bank
- ❖ Commercial bank
- ❖ Investment Bank
- ❖ Others

2. Sex:

- ❖ Male
- ❖ Female

3. Social status:

- ❖ Single
- ❖ Married

4. Qualification:

- ❖ Public high
- ❖ deblom average
- ❖ Bachelor
- ❖ Post Graduate

3. Functional grade

- ❖ Director / Head
- ❖ Deputy / Assistant Director
- ❖ Director of Administration / Administrative Assistant)
- ❖ Employee
- ❖ Others

4. Years of experience:

- ❖ Less than 5 years
- ❖ From 5.less than 10 years old
- ❖ From 10-less than 15 years
- ❖ More than 15 years

5. Specialization:

- ❖ Accounting
- ❖ Administration
- ❖ Banking and Financial Sciences
- ❖ Economy
- ❖ Others

6. Age:

- ❖ Less than 25 years
- ❖ From 25-35 years
- ❖ From 36-45 years
- ❖ 46 years and more.

7. The number of employees who work under your supervision:

- ❖ 0
- ❖ From 1-5 employees
- ❖ From 6-10 employees
- ❖ From 11-20 employees
- ❖ From 21-40 employees
- ❖ More than 41

1- Control Environment:

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree	Agree moderately	Dis agree	Disagree strongly
1.	The bank has a positive control environment such as integrity and morale that the management and employees safeguard to support the administrative control and awareness..					
2.	The control activities in the bank(such as authentication, assurance, verifications, and performance review) assist to implement the management guidance and that such control activities are effective and efficient in achieving the bank control objectives.					
3.	The bank management makes efforts to attract, develop, and retain the trusted and efficient employees which contribute in achieving the internal control objective.					
4.	.The management board via the audit committee participates in exercising and developing the internal control process.					
5.	The bank has internal control tools on Human resources to evaluate the level of productivity, effectiveness and efficiency of its human resources.					
6.	The bank has financial systems and instructions for internal control which enable the bank to find out the areas of non-compliance.					

2-CONTROL ACTIVITIES :

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree	Agree moderately	Dis agree	Disagree strongly
1.	Sound and sufficient procedures are available to register the bank's assets and properties.					
2.	The banks perform periodical stock taking for its asset and reports are submitted to concerned parties.					
3.	Segregation of duties principle is considered in all the banks transactions.					
4.	Disposal of assets is undertaken based on reports from the department's chiefs committee and the top management approval on the raised recommendation.					
5.	The asset is assigned to a staff member to be responsible to safeguard it, and he will be held accountable for any defect due to negligence.					
6.	The bank has its detailed & well-prepared budget that illustrates the funding source which is a tool for internal control.					
7.	Financial analytical mechanisms to identify the financial position and to understand other Financial aspects and how to control them are available which tools of internal control are.					
8.	The internal audit function as a tool is exercised by specialists in the bank.					
9.	The bank can measure employees' individual performance, as a tool of					

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree	Agree moderately	Dis agree	Disagree strongly
	internal control, which assists the manager to monitor, follow, and compare with the targeted objective.					
10.	The bank uses the complaints from other stakeholders as a tool of internal control.					
11.	The bank has procedures to recover the missed data or programmes.					
12.	Access to data and computer special files are subject for control.					

3-RISK ASSESMENT

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly
1.	The bank has strategic plans and strategic objects and how to achieve them.					
2.	The bank has a risk analysis process that includes budget and monthly meeting to identify those risks and how to rectify any resulted risk.					
3.	The bank has plans B for any surprised changes that might affect the work in the bank.					
4.	The bank has specialized department to identify any material changes that might affect the internal control and comply with the International Financial Reporting Standards (IFRS).					

4. INFORMATION AND COMMUNICATION:

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly
1.	The information are recorded and reported to all stakeholders on time and appropriate bases to perform the internal control responsibilities and other duties.					
2.	Information are prepared, developed and reviewed in light of strategic plans.					
3.	The banking information system provides the management with the required information that pertains to the strategies and objectives.					
4.	The management passes the information and duties to its employees clearly and smoothly.					
5.	There are good communication channels between the staff and their departments that enable them to perform their tasks soundly and correctly.					
6.	The bank communicates with external parties in respect of factors that might affect the internal control function.					

5 MONITORING :

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly
1.	The bank has a box for complaints from clients which are handled seriously.					
2.	The received complaints are studied to find out its causes to take the appropriate actions.					
3.	The bank has internal auditors who follows up the internal control and rises reports about the application of it to the management					

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly	Agree Strongly
4.	The management board pays attention to the control environment and activities in addition to conducting regular meetings with internal and external auditors re the control activities.					

6. Profitability :

NO.	Paragraph	level of agreement				
		Agree Strongly	Agree	Agree moderately	Disagree	Disagree strongly
1.	The Financial Performance for the banks is influenced by the economic indicators such as the inflation rate and the unemployment rate.					
2.	The existence of a competitive interest rate affect the return rates on the Equity and assets.					
3	The bank has a financial planning process that affects the return rate on assets and equity.					
4	The bank does a classification process for the debts to identify the debts that are collectable and those that are uncollectable which affects the return rate on equity.					
5	The banks profitability is affected by the banks management to balance between the return rate and the risk.					
6	The banks granted credit process affects largely the profitability of those banks.					
7	The bank size affects the bank's profitability through its assets or its equity (a large size bank that is measured by its assets & equity leads to a decline in the return rate on its assets)					

Thanks for your cooperation

Appendix (2): Arabic Questionnaire

الجامعة الإسلامية-غزة

كلية الدراسات العليا

برنامج ماجستير المحاسبة والتمويل

الاستبانة

الأخ الفاضل / الأخت الفاضلة:

السلام عليكم ورحمة الله وبركاته

بعد التحية

أرجو العلم بأن هذه الاستبانة تهدف إلى التعرف على رأيك في الأسئلة المطروحة من أجل الحصول على البيانات المتعلقة بدراسة تحت عنوان "تأثير متطلبات الرقابة الداخلية على ربحية الشركات المساهمة الفلسطينية" وذلك كبحث تكميلي لنيل درجة الماجستير في المحاسبة والتمويل من الجامعة الإسلامية بغزة إن شاء الله.

أرجو التكرم بالإجابة على أسئلة هذه الاستبانة بدقة، حيث أن صحة نتائج هذا البحث تعتمد بالدرجة الأولى على دقة اختيارك، علماً بأنه لا توجد إجابة صحيحة و إجابة خطأ. كما نود الإشارة إلى أن المعلومات المقدمة من حضرتكم ستعامل بسرية تامة، ولن تستخدم إلا لأغراض البحث العلمي فقط.

الإرشادات:

1. يرجى قراءة الاستبانة بدقة ووضع علامة (√) أمام الاختيار الذي يعبر عن رأيك.
 2. الرجاء تعبئة الاستبانة دون ترك أي بند بدون إجابة.
- و لكم جزيل الشكر على تعاونكم.....

الباحث

محمد يوسف حسن عياش

القسم الأول : بيانات شخصية:

1. مكان العمل:

البنك الإسلامي العربي بنك فلسطين بنك القدس بنك الإسلامي الفلسطيني بنك الاستثمار
 البنك التجاري - أخرى (من فضلك أذكر)

2. الجنس: ذكر أنثى

3. الحالة الاجتماعية: متزوج أعزب

4. المؤهل العلمي:

ثانوية عامة - دبلوم متوسط - بكالوريوس - دراسات عليا

5. المرتبة الوظيفية:

مدير/رئيس - نائب/مساعد مدير - مدير دائرة /مساعد إداري(قسم) - موظف
- آخر (من فضلك أذكر)

6. سنوات الخبرة (لأقرب سنة) :

- أقل من 5 سنوات - من 5 سنوات الى أقل من 10 سنوات - من 10 سنوات اقل من 15
سنة - اكثر من 15 سنة

7. التخصص:

محاسبة - إدارة - علوم مالية ومصرفية - اقتصاد

- اخرى (من فضلك أذكر) -----

8. العمر (لأقرب سنة):

- أقل من 25 سنة - من 25-35 سنة - من 36-45 سنة - 46 سنة فأكثر

9. عدد الموظفين الذين يعملون تحت إشرافك:

- صفر - من 1-5 موظف - من 6-10 موظف - من 11-20 موظف

- من 21-40 موظف - 41 موظف فأكثر

المجال الأول: بيئة الرقابة الداخلية CONTROL ENVIRONMENT :

درجة الموافقة					الفقرة	الرقم
غير موافق بشدة	غير موافق	موافق بدرجة متوسطة	موافق	موافق بشدة		
					تتوافر بالبنك البيئة الرقابية الإيجابية مثل نزاهة الإدارة والموظفين والقيم الأخلاقية التي يحافظون عليها بما يدعم أنظمة الرقابة الإدارية والوعي الإداري.	1.
					تساعد النشاطات الرقابية في البنك (مثل المصادقات والتأكيدات والمطابقات ومراجعة الأداء) على تنفيذ توجيهات الإدارة بانه قد تم القيام بها وان هذه النشاطات الرقابية فعالة وكفؤة في تحقيق الأهداف الرقابية للبنك.	2.
					تسعى إدارة البنك الى جذب وتطوير والإبقاء على الموظفين الكفاء والموثوق فيهم مما يساهم في تحقيق اهداف الرقابة الداخلية.	3.
					يشارك مجلس الإدارة او لجنة تدقيق الحسابات في تطبيق وتطوير عملية الرقابة الداخلية والحوكمة من خلال متابعة الموظفين وفحص أنشطة الادارة	4.
					تتوفر في البنك وسائل الرقابة على الموارد البشرية كأداة من أدوات الرقابة الداخلية بما يساعد في الحكم على مدى إنتاجية وفعالية وكفاءة استخدام الموارد البشرية.	5.
					تتوفر في البنك النظم والتعليمات واللوائح كأداة من أدوات الرقابة الداخلية بما يتيح تحديد المخالفات التي	6.

					تستوجب المساءلة ومن أمثلة تلك النظم، التعليمات المالية.
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المجال الثاني: الأنشطة الرقابية CONTROL ACTIVITIES:

الرقم	الفقرة	درجة الموافقة			
		موافق بشدة	موافق	موافق بدرجة متوسطة	غير موافق بشدة
1.	تتوافر إجراءات سليمة وكافية لتسجيل أصول وممتلكات البنك .				
2.	يقوم البنك بعمل جرد فعلي للأصول بشكل دوري ورفع تقارير إلى الجهات الإدارية المعنية .				
3.	هناك فصل تام في المهام التي تمر بها كل عملية من عمليات البنك.				
4.	لا يتم التخلص من الأصل الا من خلال لجنة مشكلة من رؤساء الدوائر وبناء على محضر بالتوصية وموافقة جهة إدارية عليا.				
5.	يتم إثبات الأصل كعهدة على الموظف وهو مسئول عن المحافظة على الأصل وفي حالة حصول أي تلف نتيجة الإهمال يتحمل الموظف المسؤولية.				
6.	تتوفر لدى البنك الموازنات التقديرية كأداة من أدوات الرقابة الداخلية المعدة بطريقة تفصيلية بما يوضح كيفية الحصول على الأموال لفترة الموازنة				
7.	تتوفر آليات التحليل المالي كأداة من أدوات الرقابة الداخلية بما يساعد الإدارة في التعرف على المركز المالي في وقت معين وبما يساعد الإدارة على تفهم				

					النواحي المالية وكيفية رقابتها.
					8. يتوفر في البنك وظيفة المراجعة الداخلية كأداة من أدوات الرقابة الداخلية والتي تمارس من قبل أفراد متخصصين .
					9. يمكن للبنك قياس الأداء كأداة من أدوات الرقابة الداخلية بما يحدد مستوى الأداء المطلوب من كل فرد وبمنظور رقابي وبما يساعد المدير على ملاحظة ومتابعة أداء مرؤوسيه ومقارنته بالمعايير المستهدفة.
					10. يستخدم البنك الشكاوى والتظلمات كأداة من أدوات الرقابة الداخلية
					11. يوجد في البنك خطوات لتنفيذ إجراءات لاستعادة والاسترداد في حالة ضياع البرامج او البيانات.
					12. هناك رقابة على الوصول للبيانات الملفات الخاصة بالحاسب الالكتروني.

المجال الثالث : تقييم المخاطر الرقابية RISK ASSESSMENT

الرقم	الفقرة	درجة الموافقة			
		موافق بشدة	موافق	موافق بدرجة متوسطة	غير موافق بشدة
1.	يضع البنك اهداف استراتيجية ويضع خطط استراتيجية كفيلة لتحقيق هذه الاهداف.				
2.	يمتلك البنك عملية تحليل للمخاطر تضمن خطط وموازنات ولقاءات شهرية لتحديد تلك المخاطر والعمل على معالجتها وتصحيح المخاطر الناتجة عن				

					تلك العملية
					3. لدى البنك خطط بديلة لأي تغييرات مفاجئة قد تؤثر على عمل البنك
					4. يوجد دائرة مختصة في البنك تحدد أي تغييرات مادية (جوهريّة) قد تؤثر على نظام الرقابة الداخلية بما يتلاءم مع معايير المحاسبة الدولية (IFRS).

المجال الرابع: المعلومات والاتصال INFORMATION AND COMMUNICATION :

الرقم	الفقرة	درجة الموافقة			
		موافق بشدة	موافق	موافق بدرجة متوسطة	غير موافق بشدة
1.	يتم تسجيل المعلومات وإيصالها إلى الإدارة وجهات معنية بشكل ملائم وفي إطار زمني يساعدهم على القيام بالرقابة الداخلية والمسئوليات الأخرى				
2.	يتم اعداد المعلومات وتطويرها ومراجعتها وفق خطط استراتيجية موضوعة				
3.	يقوم نظام المعلومات البنكي بتزويد الإدارة بالمعلومات المطلوبة ذات الصلة بالأهداف والاستراتيجيات				
4.	تقوم الإدارة بإيصال المعلومات والمهام للعاملين بطريقة واضحة وسلسلة				
5.	يوجد قنوات اتصال جيدة بين الموظفين والدوائر تمكنهم من القيام بأعمالهم بشكل صحيح وسليم				
6.	يقوم البنك بالاتصال مع الأطراف الخارجية بخصوص الأمور التي تؤثر على وظيفة الرقابة الداخلية.				

المجال الخامس: الرقابة: MONITORING

درجة الموافقة					الرقم	الفقرة
موافق بشدة	موافق	موافق بدرجة متوسطة	غير موافق	غير موافق بشدة		
					1.	يوجد صندوق شكاوى في البنك حيث يتم التعامل بجدية مع الشكاوى المقدمة من الزبائن.
					2.	يتم دراسة الشكاوى ومعرفة مسبباتها والعمل على اتخاذ الإجراءات المناسبة
					3.	البنك لديه وظيفة مدقق داخلي يقوم بمتابعة عمل الرقابة الداخلية من خلال تقديم تقارير عن تطبيق الرقابة الداخلية للإدارة
					4.	مجلس الإدارة يركز على البيئة والأنشطة الرقابية ويعقد بشكل منتظم لقاءات مع المدققين الداخليين والمدقق الخارجي بخصوص الأنشطة ذات الصلة بالرقابة

المجال السادس: الربحية: profitability

درجة الموافقة					الرقم	الفقرة
موافق بشدة	موافق	موافق بدرجة متوسطة	غير موافق	غير موافق بشدة		
					1.	يتأثر الأداء المالي للبنوك بالمؤشرات الاقتصادية ممثلة بمعدلات التضخم ومعدلات البطالة
					2.	وجود معدل فائدة تنافسي للبنك يؤثر على معدلات العائد على الملكية والاصول
					3.	يملك البنك عملية تخطيط مالي تؤثر على معدل العائد على الاصول وحقوق الملكية
					4.	يقوم المصرف بعملية تصنيف للديون التي يمكن تحصيلها أو يصعب تحصيلها والتي تؤثر على معدل العائد على الملكية

					5. تتأثر ربحية المصارف بمدى قدرة إدارة المصارف على الموازنة بين العائد والمخاطر
					6. تؤثر عمليات الائتمان الممنوح من قبل المصارف بشكل كبير على ربحية تلك المصارف
					7. يؤثر حجم المصرف على ربحية البنك من خلال ما يملكه من موجودات أو بمقدار ما يملكه من حقوق الملكية، (فكبر حجم المصرف مقاساً بالموجودات يؤدي إلى انخفاض معدل العائد على الموجودات)

شكراً لحسن تعاونكم

Appendix (3): Arbitrators Name

#	Name	Workplace
1.	Professor Salem Helles	The Islamic University - Gaza
2.	Dr . Hesahm Madi	The Islamic University - Gaza
3.	Dr. Ashraf Abu Samra	Political Science College
4.	Mr. Ehab Younes	Arab Islamic Bank
5.	Mr. Eyad Ismaeel	Arab Islamic Bank
6.	Mr. Rami Hussian	Arab Islamic Bank
7.	Mr. Yamen Kuraz	Arab Islamic Bank
8.	Mr. Ayman AL Khaldi	Arab Islamic Bank

The questions in questionnaire depends on previous study like Ayyash study and Mushtaha and COSO framework for external financial reporting purposes