

# The Role of Internal Control System in Activating Corporate Governance

## (Field Study in National Audit Chamber)

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### **Abstract**

The study investigated the role of internal control system in activating governance principle. The problem of the study is if there is a relationship between internal control and corporate governance. The study aimed to: Determine the mechanisms of internal control and how to benefit from them in activating the principles of governance. The study seeks to establish the relationship between internal control and corporate governance in the corporation on Sudan. The importance of the study lies in how to implement governance as a system and not just knowing governance as a concept, and the role of internal control in activating the principle of corporate governance. The study adopted an inductive approach, a descriptive analytical approach, and a historical approach. The questionnaire used to collect data from the National Audit Chambers. To achieve the goals of the study, the following hypotheses were tested: First hypothesis: There is a relationship with statistical significance between financial control and activating governance's principle. Second hypothesis: There is a relationship with statistical significance between management control and activating governance's principle. The study found several results, among which is that; Setting a good accounting system that is appropriate with the facility environment contributes to activating governance's principles. Checking the accuracy of information in the financial statements contributes to activating governance's principles. The study recommended several recommendations, among which is that; The use of specialized centers concerned with governance issues, and the task of preparing training programs to consolidate the goals and achievements of governance. The application of the principles of governance should take into account the impact of environmental changes that are undergoing rapid and continuous changes in all economic, political and social aspects.

**Keywords:** internal control system, corporate governance

## 1. Methodological Framework

The increasing need for transparency in corporate operations and financial reporting is of paramount importance for an organization in order to be successful at this unstable period for the economy. Consequently, internal audit and corporate governance have attracted much attention by authorities and researchers. Corporate governance defines the corporate structure of an organization, the relationships and responsibilities of the various parts of the organization and ensures the transparency in these relationships.

### 1.1 Statement of Problem

If there relationship between internal control and corporate governance to solve it we asked the following question:

Q1. If there statistical significance relationship exists between financial control and activating governance's principle?

Q2.If there statistical significance relationship exists between management Control and activating governance's principle?

### 1.2 Importance of the Study

The importance of the research comes to emphasize the necessity of applying corporate governance as a internal control system regulatory framework to ensure the credibility and transparency of financial information and reports and to limit their negative use affecting the interests of permanent parties and owners of rights in the establishment as well as benefiting from them to achieve economic stability that allows encouraging domestic investment and attracting foreign investments and supporting the competitive capabilities of companies.

### 1.3 Objectives of the Study

The study aimed to achieve the following goals:

- a. Shed light on the concept of governance and the reason for the spread of this concept in the last year.
- b. Define the mechanisms of internal control and how to use them in activating the principles of governance.
- c. Identify the corporate trial of the National Audit chamber and the extent of its commitment to the application of corporate governance.

### 1.4 Hypotheses of the Study

To achieve the study's objectives, the following hypotheses were tested:

H1. There are statistical significance relationship exists between financial control and activating governance's principle.

H2. There is statistically significance relationship exist between management control and

activating governance principle.

### *1.5 Sources of Data Collection*

Initial Sources: The primary data of this study collected using questionnaire.

Secondary Sources: Secondary collected from references, previous studies related to research subject and internet.

### *1.6 Methodology of the Study*

The study adopted inductive approach, analytical descriptive approach, and historical approach.

### *1.7 Limits of the Study*

Spatial limits of the study represented TheNational Audit chamber.limits carries out in 2020.

## **2. Previous Studies Review**

The study of Ebaidalla, Y. A., (2017); 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 Research ProblemThe study will answer the following questions: To what extend do the internal control system for shareholding companies will effect on financial performance? The research aims objectives To ensure that internal control is achievement of efficiency and effectiveness ofoperations .Ha1 There is a significant influence of the control environment on financial performance (represented by profitability) of shareholding companiesRecommendation The managers of all shareholding companies are advised to develop the internal control system to maximize the well-being of their entities.

The study of el.Abadall (2016);This research describes the applied study to test the relationship between the existence of corporate governance mechanisms within the company and the level The study concluded that there is a close and positive correlation between governance mechanisms Companies applied in the company and the quality level in the generalization of accounting. Problematic of research what is the role played by corporate governance in achieving the quality of accounting publication under the application of the system Financial Accountant? Hypothesis implementing corporate governance to regulate corporate governance and contractual relations among all parties Associated with the pre-profit organization. Objective of study To shed light on the concept of corporate governance and the reasons and motives for the spread of this concept in recent years The theme of corporate governance and accounting information.Suggestions and recommendations spread the culture of governance in societies through the media and civil society organizations, if so what society has realized is that governance is the first line of defense against any corruption that tries to take away society Wealth and money, it will support its application and establish its rules.

The study of Sahel N. A., (2013); This study draws on the importance of the components of the internal control system The main line of defense for the prevention of fraudulent financial

reporting and whether For those components of Tanis's role in the quality of external audit performance. Objectives of the study Highlight the commitment of public shareholding companies listed in Palestine Stock Exchange Structure of internal control systems in their fields) the study Problem The extent to which external auditors are required to meet performance requirements Audit process? Research Methodology The researcher followed the descriptive e approach to suitability for these purposes It is the approach that is concerned with the phenomenon as it is in practice and works on Describe, analyze, and relate to other phenomena. Recommendations of the study The need for public shareholding companies to follow up the assessment and evaluation Structures of internal control systems, thereby contributing to their increased effectiveness And their efficiency with a guarantee to achieve the desired objectives.The study of Tina, C., (2010); Researchers have studied the relationship between internal control quality and accounting quality. Prior studies have suggested that reports on internal control are an effective way for investors to evaluate the quality of the firm's internal control. By having a sound system of internal control, it creates reliance upon the firm's financial reporting. Research Question Based on presentation of background, we have formulated following research question:"How is internal control reporting quality associated with accounting quality?Purpose of the research The purpose of the study is to find out about internal control reporting quality regarding higher accounting quality in Swedish context. Further more. Research philosophy In this section we will present different research philosophies. By initially acquire an understanding for the different research philosophies it will make it easier to understand the choice of research approach and research strategy later. Research methodology between quantitative and qualitative might not always be so distinct,. General conclusion The purpose of this research is that we wanted to attest the efficiency of the code with current regime "comply-or-explain" to see whether Swedish corporate code improved firm's internal control system or not.

### **3. Theoretical Framework of Internal Control**

#### *3.1 Concept of Internal Control*

Internal Control is a connection net through which the performance of an enterprise is controlled to ensure its right actions in the futureinternal Control is a financial and operation management of the enterprise aimed to achieve profit from its performance.Internal control is part of the enterprise management system. That is a plan of enterprise internal control, means and ways to protect property, to check rightness of the performance, guarantee the effectiveness and politics of the performance. It helps to avoid mistakes, to find and correct them in time, to achieve the goals and to suppose perspectives.

#### *3.2 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 andpreventing 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. 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. 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.

### *3.3 Control Objectives*

Any internal control system will command a cost in resources and to justify this cost there is a need for a higher objective, the achievement of which is advanced by the system. Such control objectives are varied in nature and will invariably be specific to each organization. Example control objectives include compliance to regulations, adherence to standards and improving quality. In some systems, reduction of risk might comprise a control objective in itself while in others risks may exist as a separate layer. Examples of control objectives, Protect against financial loss following disaster, Prevent fraudulent activity by employees, Maintain high password security. Examples of internal controls, Buy sufficient insurance cover, Check out references for new employees .

### *3.4 The Development of Internal Control*

Since ancient times, man has known the internal control in a very simplified manner since he began to trade his activity. The ancient Egyptians knew it and the Greeks and the Romans practiced it since the first stage of the Islamic civilization and the audit process did not come into existence until after the emergence of accounting. 1 The control developed in terms of scope and objectives And the levels and the reason for this development is due to the expansion of enterprises and the variety of types and processes because of the scientific and technological progress that accompanied this era and increase the responsibilities entrusted to them in achieving their objectives and complexity of administrative problems resulting from the diversity of its activity and increase the volume of work, The difficulty of the internal auditor to perform the full detailed audit because of the large cost in terms of time and effort and money to carry out such type in the control and so we find that the study and evaluation of the system of internal control applied in the institution is the starting point from which the work of the external observer and also represents the internal control based on which is based When preparing audit programs. Internal control is a necessity that is required by modern scientific management to preserve available resources, since the strength of the control system depends on achieving its goals set for the institution and evaluating the signs of deviation due to the implementation processes. [http://www.objectivecontrols.com/internal\\_control\\_system.html](http://www.objectivecontrols.com/internal_control_system.html)

### *3.5 Components of the Internal Control System*

There are Five Key Components of the Internal Control System:

Control environment , Risk assessment ,Control activities , Information and communication,

Monitoring.

### *3.6 Type of internal Control*

The following are common types of internal controls:

#### **1. Financial control:**

Financial controls such as adopting an accounting standard and segregation of duties.

#### **2. Project Controls**

Control of projects using project management, risk management and project governance processes.

#### **3. Risk Control**

The process of identifying and controlling risk such as a know your customer process for reducing credit risk.

#### **4. Human Resources Controls**

Controls related to employee performance and organizational culture. For example, a process of employee performance reviews and disciplinary policies.

#### **5. Quality Control**

The testing of products and services to ensure conformance to specifications and policy .

### *3.7 Principal Characteristics of the Internal Control System and Internal Control over Financial Reporting*

The Company has in place a system of risk management and internal control over financial reporting based on the model provided in the COSO Framework, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives. In relation to the financial reporting process, reliability, accuracy, completeness and timeliness of the information contribute to the achievement of such corporate objectives. Risk management is an integral part of the internal control system. A periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework (control environment ,risk assessment ,control activities, information and communication, in achieving those objectives.

## **4. Theoretical Framework of Corporate Governance**

### *4.1 concept of Corporate Governance*

Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses



practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. economic growth measured by GDP, and therefore their financial performance will mostly depend on macroeconomic stability. Macroeconomic steadiness is the backbone of prosperous efforts to lead to an increased development and economic growth in the private sector. Research across board has shown that investment growth and profitability positively affect macroeconomic stability.

#### *4.2 Importance of Corporate Governance*

The Organization for Economic Cooperation and Development (OECD) highlights the significance of good corporate governance in the global and domestic economic environment. According to OECD, if countries are to reap the full benefits of the global capital market, and if they are to attract long-term “patient” capital, corporate governance arrangements must be credible and well understood across borders. Even if companies do not rely primarily on foreign sources of capital, adherence to good corporate governance practices will help to improve the confidence of domestic investors, may reduce the cost of capital, and ultimately induce more stable sources of financing. Governance helps companies and economies attract investments and strengthen the foundation for long-term economic performance and

#### *4.3 Objective of Corporate Governance*

##### **1. Transparency and full disclosure**

Good corporate governance aims ensuring a higher degree of transparency in an organization by encouraging full disclosure of transaction in the company account .

##### **2. Accountability**

principles of contemporary corporate governance point out that corporate governance structure encourages accountability of the management to the company directors and the accountability of the directors to the shareholders.

##### **3. Equitable treatment of shareholder**

A corporate governance structure ensures equitable treatment of all the shareholders of the company.

##### **4. Self evaluation**

Corporate governance allows firms to evaluate their behavior before they are scrutinized by regulatory bodies. Firms with strong corporate governance system are better able to limit their exposure to regulatory risk and fines.

##### **5. Increasing shareholders wealth**

The main objective of corporate governance is to protect the long-term interest of the shareholders “in book of corporate governance: improving competitiveness and access to capital on global market “mention that firms with strong corporate governance structures are seen to have higher valuation premiums attached their shares. This shows that corporate governance is perceived by the market as an incentive for shareholders to invest in the

company.

#### *4.4 Corporate Governance Principles*

Corporate governance is carried out in accordance with the Company's Corporate Governance Code and is based on the following principles:

##### **1. Accountability**

The Code provides for accountability of the Company's Board of Directors to all shareholders in accordance with applicable law and provides guidance to the Board of Directors in making decisions and monitoring the activities of the executive bodies. The company reports to the individuals and organizations involved in the company.

##### **2. Responsibility**

The Company recognizes the rights of all interested parties permitted by applicable law, and seeks to cooperate with such persons or companies for their own development and financial stability. The company determines its mission, core values and strategy and documents these in a systematic, clear and accessible way.

#### **Models of corporate governance**

##### **1. Models of USA Corporate Governance legislation/regulation**

The Sarbanes-Oxley Act of 2002 is generally reflected the first major Corporate Governance legislative measure in the USA. It is also known as the 'Public Company Accounting Reform and Investor Protection Act' and 'Corporate and Auditing Accountability and Responsibility Act' the legislation is also known informally as Sarbanes-Oxley, Sabra .x or SOX. The act is named after its instigators: Senator.

##### **2. Review of corporate governance in India**

The notion of corporate governance has been incepted with major objective of significant disclosure of information to the shareholders. Since then, corporate governance has steered the Indian companies.

#### *4.5 Principles of Corporate Governance*

To implement corporate governance there is a set of principles that represent the backbone of the application of governance. Many organizations have given wide attention to relevant organizations, researchers and academics. The (Organization for Economic Cooperation and Development) OECD has divided these principles into six main principles, as follows:

##### **1. Principle Ensure that there is a basis for an effective corporate governance framework**

The corporate governance framework should both enhance market transparency and efficiency, be consistent with the provisions of the law and clearly articulate the division of responsibilities among the various supervisory, regulatory and executive authorities.

##### **2. Principle Protecting shareholders' rights**



In accordance with this principle, corporate governance principles include shareholders' rights, which include, for example, securing the methods of recording, transferring and transferring equity, obtaining appropriate information about the company involved in the sale decisions or modifying the company's assets, including merger or new share issues

### **3. Principle Fair and Equitable Treatment of All Shareholders**

This principle includes equal treatment of all shareholders, including small shareholders and foreign shareholders, with compensation in case of violation of their rights.

### **4. Principle Protecting the rights of stakeholders**

Protecting the rights of stakeholders includes bondholders, banks and employees as defined by the law, including ensuring respect for their rights and finding ways to share them while ensuring access to relevant information.

### **5. Principle Disclosure and Transparency**

The principles of corporate governance include transparency and accurate disclosure in a timely manner in a manner consistent with accounting quality standards on all matters related to the establishment of the company and its objectives and the right of the majority in terms of contribution and voting rights and members of the board of directors and their remuneration, executive managers and privileges granted to them, financial and operating results of the company, performance and ownership, Employees and other stakeholders and the manner in which the administrative authority is exercised with the audit of the financial statements by an independent external auditor with the aim of providing an external confirmation of the method used in the Financial Statements.

## **5. Field Study**

### *5.1 Field Study Procedures*

The researchers discuss the method and procedures followed in the implementation of the study. This includes a description of the study community, the sample of the study, the method of preparing its tools, and the statistical methods used to test the hypothesis of the study. The study community is the total group of elements that the researcher seeks to generalize the results related to the problem. The study community consists of National Audit Chamber

### *5.2 The Study's Sample*

The sample of the study was determined according to its scientific specifications that achieve the objectives of the study from the internal auditor, external auditor, accountant, risk office, investment officer, and head of department, to achieve the purpose of the study.

### *5.3 Data Collection*

A total of (50) forms were distributed on the pre-defined and targeted sample to verify the hypotheses of the study. A total of (50) forms were collected for analysis, (100%), To produce accurate results and disseminate them to the study community, the researchers are keen to

vary the sample of the study in terms of its coverage on the following:

- a. Individuals of different years of age (less than 30 years, 30 years and less than 35 years, 35 years and less than 40 years, more than 40 years).
- b. Individuals with different qualifications (BSc, High Diploma, Master, PhD, Other).
- c. Individuals from different scientific disciplines (accounting, financial and banking studies, business administration, accounting information systems, economics, other.).
- d. Individuals of various functional occupations (internal auditor, external auditor, accountant, risk office, investment officer, department head, other).
- e. Individuals of different years of experience (less than 5 years, 5 years and less than 10 years, 10 years and less than 15 years, 15 years and less than 20 years, more than 20 years).

#### *5.4 Tools of the Study*

The tools of the study are the means used by the researcher to collect the necessary data on the phenomenon studied. There are many tools used in the field of scientific research to obtain the necessary information and data. The researcher adopted the questionnaire as a main tool for collecting data from the study sample:

- a. Applicable for information from a number of individuals.
- b. Low cost and easy to apply.
- c. Easy to develop questions and answer questions and answer questions.
- d. The questionnaire provides time for the respondent and gives him an opportunity to think.
- e. Respondents in the questionnaire feel free to express opinions they fear others disagree with.

#### *5.5 Stability and Truthfulness Study Tools*

**a. Stability and Virtual Honesty:** In order to ascertain the veracity of the questionnaires, the researchers presented the questionnaire to a number of academic arbitrators and specialists in the field of study. After the questionnaire was retrieved from the arbitrators, the proposed amendments were made. **Stability and statistical honesty:** The consistency of the test means that the scale gives the same results if used once under similar conditions. Stability means that if a test is applied to a group of individuals and their scores are monitored, then the same test is applied to the same group and the scores are obtained, the test is perfectly stable, also known as the accuracy and consistency of the measurements obtained from the test. The most commonly used methods for estimating the stability of a scale are (Half-way distribution using the Spearman-Brown formula, Alpha-Cronbach method, Method of re-application of the test). **Honesty** is a measure used to determine the degree of honesty among respondents through their answers to a given scale.

#### **b. Use a questionnaire for survey sample:**

The questionnaire was distributed to a sample of (5) individuals from the research community and from outside the research sample in accordance with their characteristics with the sample of the study to calculate the stability factor, to determine the degree of response of the respondents to the questionnaire and to identify ambiguous questions and to provide

preliminary testing of hypotheses and to clarify some design and methodological problems. The stability test for the questionnaire was conducted using the alpha-Cronbach coefficient and the result was 0.873. This means that the data is stable as shown in Table (1) below:

Table (1). Alpha Kronbach coefficient of the questionnaire

Number	Axis	Number of ferries	Stability(constancy)
1	first hypothesis	5	0.901
2	second hypothesis	5	0.874
	Total	10	0.887

Source: Researcher, 2020.

The above table shows that the Kronbach coefficient for all the terms of the questionnaire is 0.887, which is high and the reference to the terms of the questionnaire is that the increase in the value of the Cronbach coefficient means increasing the credibility of the data. This means that the measure measures what is measured.

#### 5.1.5 Used Statistical Methods

To achieve the objectives of the study and to verify its hypotheses, the statistical methods used are (Frequency distribution of responses, Percentages, Spearman-Brown equation to calculate the coefficient of stability, Arithmetic mean, standard deviation and variance and chi - square test to denote hypotheses).

#### 5.2 Data Analysis and Hypothesis Testing

The researchers analyzed personal data, questionnaire data and tested the hypotheses of the study using statistical methods. In addition, a comparison is made between the most important results of the field study and the results of the previous studies, as follows:

### 2. Analysis of the Questionnaire Data

First hypothesis: There are statistical significance relationship exists between financial control and activating governance's principle.

Table (2). The frequency distribution of the responses of the sample members of the study for the first hypothesis phrases

No	sentences	Frequency and percentage%									
		Strongly Disagree		disagree		neutral		Agree		Strongly agree	
		f	p	f	p	f	p	f	P	f	P
1	Futures contract help to raising the efficiency of financial institutions	0	0%	0	0%	1	2%	20	40%	29	58%
2	Charter contracts help to	0	0%	1	2%	6	12%	20	4%	23	46%

	raise the efficiency of financial institutions										
3	New innovations in liquidity management help in raising the efficiency of financial institutions	0	0%	3	6%	4	8%	20	40%	23	46%
4	Leasing contracts help in raising the efficiency of financial institutions	0	0%	0	0%	7	14%	26	52%	17	34%
5	Negotiable certificates of deposit help to raising the efficiency of financial institutions	0	0%	2	4%	9	18%	20	40%	19	38%

Source: Prepared by researcher, based on field study's data, 2020

From table (2) that explains the ratios and frequencies of the hypothesis expressions, which states, "There are statistical significance relationship exists between financial control and activating governance's principle.", the researchers noticed that, the respondents, answers are strongly agree and agree.

Table (3). The mean and the mode of the responses of the sample members of the study for the phrases of the first hypothesis

No	Sentences	Mean	mode	Explanation
1	Futures contract help to raising the efficiency of financial institutions	4.56	5	Strongly agree
2	Charter contracts help to raise the efficiency of financial institutions	4.30	5	Strongly agree
3	New innovations in liquidity management help in raising the efficiency of financial institutions	4.20	5	Strongly agree
4	Leasing contracts help in raising the efficiency of financial institutions	4.20	4	Agree
5	Negotiable certificates of deposit help to raising the efficiency of financial institutions	4.12	4	Agree

Source: Prepared by researcher, based on field study's data, 2020

From table (3), the researcher noticing that the descriptive statistics of the first hypothesis's terms which states, "There are statistical significance relationship exists between financial control and activating governance's principle.", the arithmetic mean is in the range between (4.12 - 4.56) and the mode is in the range between (4-5). According to the Five-digit Liker's scale, the respondents, answers are; strongly agree and agree.

Table (4). Test of Chi - square for the first hypothesis

no	Sentences	Chi-square	Degree of freedom	Statistical significance
1	Futures contract help to raising the efficiency of financial institutions	69.310	1	.000
2	Charter contracts help to raise the efficiency of financial institutions	54.186	2	.000
3	New innovations in liquidity management help in raising the efficiency of financial institutions	54.866	2	.000
4	Leasing contracts help in raising the efficiency of financial institutions	43.351	1	.000
5	Negotiable certificates of deposit help to raising the efficiency of financial institutions	55.264	2	.000

Source: Prepared by researcher, based on field study's data, 2020.

In order to test the validity of the hypothesis, which states, "There are statistical significance relationship exists between financial control and activating governance's principle.

", the chi-square test used for the axis expressions. The values of the chi-square calculated as (69.310, 54.186, 54.866, 43.351, 55.264), with degrees of freedom (1-2). And with the statistical significance for all terms (0.00), When comparing the level of statistical significance with the permissible level of significance (0.05), we find that the level of statistical significance is less than the level of morale, which means there are differences of statistical significance of the terms of the hypothesis. From above discussion, the researchers conclude that, the first hypothesis that states, "There are statistical significance relationship exists between financial control and activating governance's principle.

The second hypothesis: "There are statistically significance relationship exist between management control and activating governance principle."

Table (5). The frequency distribution of the responses of the sample members of the study for the second hypothesis phrases

No	sentences	Frequency and percentage%									
		Strongly Disagree		disagree		neutral		Agree		Strongly agree	
		f	P%	f	p	f	p	f	P	f	P
1	Hedging using selling options helps to expose the risks of financial institutions	2	4%	4	8%	3	65	21	42%	20	40%

2	Hedging using purchase options helps to expose the risks of financial institutions	3	6%	1	2%	2	4%	21	42%	23	46%
3	Hedging using equity options helps to expose the risks of financial institutions	1	2%	2	4%	9	18%	22	44%	16	32%
4	Hedging using authorization options helps to expose the risks of financial institutions	1	2%	3	6%	5	10%	27	54%	14	28%
5	Hedging using future commodities helps to expose the risks of financial institutions	3	6%	2	4%	7	14%	22	44%	16	32%

Source: Prepared by researcher, based on field study's data, 2020.

From table (5), which explains the ratios and frequencies of the hypothesis terms, which states, "There are statistically significance relationship existbetween management control and activating governance principle.",the researchers noticed that, the respondents, answers are strongly agree and agree.

Table (6). The mean and the mode of the responses of the sample members of the study for the phrases of second hypothesis

No	Sentences	Mean	mode	Explanation
1	Hedging using selling options helps to expose the risks of financial institutions	4.06	4	Agree
2	Hedging using purchase options helps to expose the risks of financial institutions	4.20	5	strongly Agree
3	Hedging using equity options helps to expose the risks of financial institutions	4.00	4	Agree
4	Hedging using authorization options helps to expose the risks of financial institutions	4.00	4	Agree
5	Hedging using future commodities helps to expose the risks of financial institutions	3.92	4	Agree

Source: Prepared by researcher, based on field study's data, 2020

From table (6), the researcher noticed from the descriptive statistics of the first hypothesis's terms, which states, "There are statistically significance relationship existbetween management control and activating governance principle.", the Arithmetic mean is in the range (3.92 - 4.20), and the mode is in the range between (5-4). According to the five-digit Liker's scale, the respondents' answers are; strongly agree and agree.

Table (7). Test of Chi – square for the second hypothesis

no	Sentences	Chi-square	Degree of freedom	Statistical significance
1	Hedging using selling options helps to expose the risks of financial institutions	55.886	1	.000
2	Hedging using purchase options helps to expose the risks of financial institutions	33.472	2	.000
3	Hedging using equity options helps to expose the risks of financial institutions	36.736	2	.000
4	Hedging using authorization options helps to expose the risks of financial institutions	64.838	1	.000
5	Hedging using future commodities helps to expose the risks of financial institutions	63.359	2	.000

Source: Prepared by researcher, based on field study's data, 2020.

In order to test the validity of the hypothesis, which states, “There are statistically significance relationship existbetween management control and activating governance principle”, the Chi-square test used for the axis expressions. The values of the Chi-square calculated as (55.886, 33.472, 36.736, 64.838, 63.359), with degrees of freedom (1-2), and with the statistical significance for all terms (0.00). When comparing the level of statistical significance with the permissible level of significance (0.05) we find that the level of statistical significance is less than the level of morale, which means there are differences of statistical significance of the terms of the hypothesis. From above discussion, the researchers conclude that, the second hypothesis that states, “the fluctuation of the real exchange rate affects the financial performance of commercial banks”, achieved.

## 6. Results of the Study

After completing the theoretical framework of the study and data, researcherfound the following results:

- a. Setting a good accounting system that is appropriate with the facility environment contribute in activating governance's principles.
- b. Checking the accuracy of information in the financial statements contribute in activating governance's principles.
- c. Concern in imposing control on fraud and manipulation contribute in activating governance's principles.
- d. Checking the performance of operational activities contribute in activating governance's



principles

e. Setting a good system for organizational plan contribute in activating governance's principles

f. Having a strong organizational structure contribute in activating governance's principles

## 7. Recommendations

Base on the results of this study, researcher recommended the following:

- a. Spread the culture of governance in societies through the media and community organizations. If the community realized that governance is the first line of defense against any corruption that tries to deprive society of its wealth and funds, it will support its application and laying down its rules.
- b. The use of specialized centers concerned with governance issues, and the task of preparing training programs to consolidate the goals and achievements of governance.
- c. The application of the principles of governance should take into account the impact of environmental changes that are undergoing rapid and continuous changes in all economic, political and social aspects.
- d. Obligate laws that stipulate the implement of the principles of corporate governance in relation to institutions whose shares are traded on the stock exchange in order to activate and develop the Khartoum Stock Exchange.
- e. Strengthening the mechanisms that govern the process of appropriate compatibility between the interests of owners and investors:
  - Activating the role of internal control and internal auditing in the institutions contributing in the Sudan to enable internal auditors to enter the independence, integrity, scientific competence and professional experience.
  - The need to establish rules that assist the Board of Directors to carry out its responsibilities by appointing non-executive members within the Council in order to limit the useful behavior that the Executive Directorate can exercise to achieve its objectives (personal benefit).

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