

Original Paper

Financial Control in the Lebanese Public Sector and Employees Performance

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Abstract

Financial control is the process that includes procedures designed to protect the assets of any entity and ensure that all financial transactions are accurately recorded, thereby deterring and reducing mistakes and fraud. Financial control aims to provide a framework that guides the allocation of resources in a well-managed and efficient manner (Note 1).

This study aims to determine the extent of existence of financial control in the Lebanese public sector; to analyze the performance of financial control institutions and financial employees, especially in light of the increasing sectarian and political interferences that affect the reliable work of audit institutions.

This study is conducted to explain the concept of financial control and the concept of the public sector; the importance of financial control in the public sector since the public sector administrations and institutions are responsible for the well expenditure of public resources in the form of services to citizens, so, in result, maintaining the economic growth of a country.

In Lebanon, lots of problems continue to aggravate in Lebanese public administrations prior to the civil war, 1975 till now, due to the sectarian and political hassles that gnaw at the public sector work and affect the reliable work of public administrations and institutions that resulting in financial corruption (Note 2).

Keywords

public sector, financial control, law & regulation, employee recruitment, auditors

1. Introduction

1.1 Background

The purpose of financial control is to provide a framework to guide resources in order to be well managed in an efficient way; it ensures that financial resources are obtained at a cost considered to be economical and utilized efficiently and effectively for the attainment of established objectives (Note 3).

Each country has its resources, which are the main source of a developed and prosperous economy, if they are used properly by the country's constitution, to achieve the government's previously defined goals intended to serve the country and its citizens. Public sector organizations deal with huge amounts of public funds or money and operate in a largely political environment.

Environment, thereby necessitating a high degree of confidence in the way their financial affairs and services are being conducted (Note 4).

1.2 Statement of the Problem

The entrance of Lebanon in the most corrupted countries classification is the result of political and sectarian interferences, that invaded the Lebanese public sector work and Lebanese public money uses, because the mechanism of action of any institution or body in Lebanon follows the sectarianism and quotas at some times, and the tensions and political disputes at another time, to the level that the public funds become a hostage to certain categories, which it leads, in result, to a lots of thefts and fraud in using public money.

Unfortunately, Lebanon has not experienced any serious attempt to reform and improve public administration for more than forty years, although some of the audit institutions try to do their work in conformity with rules and regulations and to be independent from these sectarian and political interferences.

The political and sectarian interferences have limited the ability of audit institutions to effectively control the financial work of employees in public administrations and institutions; have led to weak monitoring procedures, non-compliance with rules and regulations when using public money, and ineffective control and accounting systems (Note 5).

Also, recruitment of employees and their promotion are based almost time on sectarianism and a quota system rather than qualifications and experience.

All of these problems have made the public sector suffer from the aggravation of corruption, especially since it exists a very strong division between governmental employees in terms of the loyalty of each of them to their political leadership rather than being keen on public interest, which is the essential goal of administrative work in the public sector.

Our research aims to analyze the performance of financial control in controlling public money in the Lebanese public sector, and assess how much they are still capable of being independent from sectarian and political interferences and performing their audit work over public money in an accurate way.

1.3 Objectives of the Study

The research objective is to evaluate to what extent financial and audit institutions are still capable, in light of sectarian and political interferences and aggravation of corruption, to do their financial control over public money use by employees in an independent and effective way, and in conformity with rules and regulations.

As we know that financial control is a group of practices that have the objective of monitoring the work and performance of employees and the way they use public money.

Financial control bodies execute their controlling role over the work of employees through 3 practices:

- 1) Through ensuring that employees implement their work by proper financial laws, rules, regulations, and procedures, (ensure that employees apply these proper financial laws, rules, regulations, and procedures). These regulations are being updated continuously and they are sufficient to perform their job effectively.
- 2) Through proper auditing practices, when financial control is executed by auditors who have qualifications, experience, and have the willingness to do their accurate job and detect fraud, and when auditors are independent from any pressure while doing their work.
- 3) Through a proper recruitment process of employees that indicates the existence of effective financial control during the recruitment of employees without any personal involvement.

1.4 Literature Review

Control of the financial decisions and transactions of the public institutions is related to the revenue, expenditure, assets, and liabilities, and their compliance with the central government budget law, financial legislation provisions, available applicable amount, expenditure program, and financing program of the administrations (Note 6).

The International Organization of Supreme Audit Institutions (INTOSAI) sets out four objectives for financial internal control in a public sector organization:

Executing orderly, ethical, economical, efficient, effective, and consistent operations while using public resources, ensuring accountability, ensuring compliance of work with applicable laws and regulations, and safeguarding and protecting resources against loss, misuse, or damage (Note 7). Without financial control, officials and employees in the public sector will misuse public funds, and financial corruption and bad economic conditions will begin to occur.

A study made by Ahmad Madi in 2004 entitled Control Methods in Gaza's Public Institutions, to test the hypothesis titled: The effectiveness of the control role of various audit bodies depends on how much public institutions are committed to implement the recommendations suggested by these bodies. Madi studied the role of financial institutions in the Gaza public sector and the effectiveness of financial control measures and mechanisms. Madi concluded that the control role of the General Personnel Council and the Ministry of Finance is effective but the control role of Legislative body over public institutions is ineffective. There was a non-application of control standards that ensure a strong monitoring of work performance in public institutions and non-application of ex-ante control or pre-control in Gaza public

institutions. There was no use of statistical reports and control maps, which weakens the oversight process in public institutions, and hinders the possibility of a true estimate of the performance of institutions and limits the possibility of discovering and correcting errors in the accuracy time. The study suggested set of recommendations to treat previous problems.

Another study, prepared by Akram Hammad in 2005 (Note 8), entitled Evaluating the Performance of the Financial Administrations in Palestinian National Authority's Institutions.

An Empirical study applied over several governmental ministries in Gaza strip to test and analyze the following hypotheses: Financial Employees on public administrations have efficient capabilities and experiences to do their appropriate work, There is an existence of a clear financial laws and instructions that lead the financial work in the different administrations of the state, There are no clear and unfair structures to monitor recruitment and promotions processes in public administrations, Audit institutions in public sector don't give a great attention to evaluate the performance of employees, Financial administration strongly contributes in well management of expenditure and maintenance of public money. Hammad concluded from his study that there was an absence of many clear financial laws and instructions, inefficient accounting system applied in the Palestinian National Authority institutions, lack of experience in senior departments in administrative area, absence of clear structures for many of the institutions, lack of job descriptions for employees, concentration of power and authority on the hands of those in charge of the senior management, lack of objectivity and transparency in the selection of accountants and non-application of disciplinary and penal sanctions against violators of the law.

Hammad suggested a number of recommendations, such as putting clear rules and regulations that protect the government institutions' structures from manipulation, adopting the principle of merit in the recruitment of staff, avoiding the appointment depending on loyalties and interests, and suggesting ongoing training of employees.

A research prepared by Mohamad Iryani in 1999 (Note 9), entitled Activating the control role to ensure transparency of the government administrative and financial system in Yemen.

Iryani concluded lots of results about its research such lack of organizational and functional structures for many administrative units of the government, lack of adequate and clear separation of the key tasks and functions, lack of adequate protection of the assets and property of many administrative units, lack of clear and specific measures for the devolution of powers and determining responsibilities, absence of material and moral incentives Systems and lack of commitment to integrity, qualification and efficiency standards when filling vacant posts.

Another research conducted by Mohamad Nada in 2002 (Note 10) entitled Development of Government accounting system in the Arab Republic of Egypt to be in line with the budget programs and performance. The most important results of this study that the government's accounting system which is based on the application of the cash basis cannot measure the real work and result of each fiscal period, and cannot measure the total costs for each government unit, and is therefore unable to provide the necessary

information to evaluate the performance of government units, and take appropriate decisions to improve performance in the future.

A study executed by Insaf Rashid, Rafiaa Hamdani and Adnan Aaraji (Note 11) in 2012 entitled The Effectiveness of Financial Control System and its Impact on Financial Corruption, in Iraq.

Their study aimed to explain the concept of financial control, the concept of financial corruption, and its causes through studying and evaluating the causes and reasons of financial corruption in Iraq. They adopted the following hypothesis: There are several factors and reasons that led to the spread of financial corruption in all ministries and government administrations in Iraq, but although this situation, financial control measures still efficient and effective in manner that reduces the spread of financial corruption. The main conclusions deduced by them is that all ministries and government administrations in Iraq, including the Ministry of Higher Education, are still suffering from financial corruption and that financial control lacks full measures to prevent corruption.

2. Methodology

In this research, Descriptive statistics and analytic methods were used to study in detail the financial control performance in Lebanese public administrations and institutions as well as the inference method, to reach the findings of this research. In addition, the use of questionnaires and official and unofficial reports. The empirical study was executed over a population consisting of auditors who work in the Ministry of Finance in light of its important role in achieving effective financial control. A questionnaire was distributed to a sample size of 50 respondents. The questionnaire included 15 questions to determine the sample size opinions about employees' performance and financial control practices in the Lebanese public sector.

The statistical package for social science (SPSS) program has been utilized to treat the statistics and to analyze sample size responses, through use of tables, to get out set of findings and recommendations that could contribute to increasing the efficiency of the performance of financial control practices and the efficiency of the performance of employees in Lebanese public sector. Chi square test of independence is used to test the relationship between dependent and independent variables. Regression test was also used to check the strongest of relationships and to identify variables that have most impact on employee's performance.

2.1 The Variables

The variables used are:

Dependent Variables that represent employees' performance:

Effective performance of the public sector employees

Independent Variables that represent Financial control practices

Three practices of Financial control, each of which contained different variables

1-Proper application of Financial Law and Regulations in terms of:

Law and regulations are sufficient and enough.

Jobs are executed based on laws and regulations.

Laws are applied by all employees

Ongoing Updating of Laws and regulations

2-Proper application of auditors' practices in terms of

Periodic Auditing on employees

Auditor's qualifications are satisfied

Political interferences

Willingness to undisclosed detected fraud & errors

3-Proper application of the recruitment process of employees in terms of

Objective recruitment

Recruitment based on personal interests

2.2 Hypotheses of Research

So the essential hypothesis of our study will be:

Principal Hypothesis

H0: Financial control best practices are not sufficient in monitoring the performance of employees in the Lebanese public sector.

H1: Financial control best practices are sufficient in monitoring the performance of employees in the Lebanese public sector.

Sub Hypothesis 1

H0: There is no significant relationship between the effective performance of employees and the *proper application of financial rules*, regulations, and procedures in the Lebanese Public sector.

H1: There is a significant relationship between the effective performance of employees and the proper application of financial rules, regulations, and procedures in the Lebanese Public sector.

Sub Hypothesis 2

H0: There is no significant relationship between the effective performance of employees and the *proper application of auditing practices* in the Lebanese Public sector.

H1: There is a significant relationship between the effective performance of employees and the proper application of auditing practices in the Lebanese Public sector.

Sub Hypothesis 3

H0: There is no significant relationship between the effective performance of employees and the *proper application of their recruitment process*.

H1: There is a significant relationship between the effective performance of employees and the proper application of their recruitment process.

3. Empirical Study Analysis

After collecting the auditors' responses to questions, the data (responses) is summarized and analyzed to deduce the opinions of the auditors about the effectiveness of financial control performance in the Lebanese public sector.

3.1 Data Analysis

The data collected will be analyzed through SPSS. Descriptive analysis is conducted, then the chi-square test of independence, linear regression test, to create relationships between variables that have effects on hypotheses, through analyzing numbers in cross tables, chi-square, and regression tables.

3.2 Descriptive Analysis

3.2.1 Descriptive Analysis of the Effectiveness of Employees' Performance

N	Valid	50
	Missing	0
Mean		.22
Median		1.00
Mode		1
Std. Deviation		1.620

Source: SPSS Results

The table above shows:

Mode=1; a large part of respondents agree that employees' performance is effective.

Mean: the average of responses of the sample =0.22

The middle value of our data=1 (agree)

The responses are spread from the mean by 1.620(standard deviation)

Descriptive Analysis for the Independent Variables:

3.2.2 Descriptive Analysis of Financial Laws and Regulations

		work based on laws and regulations	Laws are applied by all employees	updating of laws	laws and regulations are Sufficient
N	Valid	50	50	50	50
	Missing	0	0	0	0
Mean		1.46	.70	.38	-.34
Median		2.00	1.00	-1.00	-1.00
Mode		2	1	-1	-1
Std. Deviation		.706	1.474	1.469	1.099

Source: SPSS Results

According to the table above the Mode for the first independent variable shows that respondents strongly agree (2) that work is based on laws and regulations and agree (1) that it is applied by all employees. But they disagree (-1) that they are sufficient and continuously updated.

The Mean shows that “work based on laws” is in the 1st rank agreed by respondents, with and lowest rank for laws being sufficient enough and well updated.

3.2.3 Descriptive Analysis of Auditing Practices

		Periodic auditing	Auditors qualification s	Political interference	Willingness of auditors not to disclose detected mistakes and fraud
N	Valid	50	50	50	50
	Missing	0	0	0	0
Mean		1.04	.22	.04	.34
Median		1.00	.50	1.00	1.00
Mode		1	1	1	1
Std. Deviation		.947	1.447	1.228	1.334

Source: SPSS Results

The Mode for the second independent variable shows that respondents agree (1) that auditors periodically do auditing and agree (1) that they have enough qualifications. But respondents agree (1) that auditors are subject to political interference and have the willingness not to disclose mistakes and fraud.

The Mean shows that “periodic auditing” is in the 1st rank agreed by respondents, with and lowest rank for political interference.

The Standard deviation shows that the auditor’s capabilities occupy the first rank; responses are spread from the mean by 1.447, and periodic auditing occupies the last rank.

Table 3.2.4 Descriptive Analysis of Recruitment Process

		Recruitment of employees is based on objective standards	Recruitment of employees is through personnel interests
N	Valid	50	50
	Missing	0	0
Mean		.44	.16
Median		1.00	1.00

Mode	1	1
Std. Deviation	1.473	1.448

Source: SPSS Results

As per Table 3.2.4 above:

The Mode for the third independent variable shows that respondents agree (1) that recruitment of employees is based on objective standards and agree (1) that recruitment of employees is influenced by personnel interests.

The Mean shows that “recruitment of employees is based on an objective way” is in the 1st rank (0.44) agreed by respondents.

The Standard deviation shows that objective recruitment of employees occupies the first rank; responses are spread from the mean by 1.473.

3.3 Hypothesis Testing

To better test and analyze responses of auditors, to reach and deduce the right results, and to decide whether to reject or accept the null hypothesis of the principal hypothesis (financial control best practices are not sufficient in monitoring the performance of employees).

The dependent variable will be tested with variables of each independent variable through chi-square test and the regression test in order to conclude which variables affect the dependent variable and how they affect it.

Testing the first sub-hypothesis

Relationship 1: between the effectiveness of an employee’s performance and the degree of application of financial laws, rules, regulations, and procedures by all employees.

We want to test this relationship to know if employees’ performance is affected when they apply the proper financial laws, rules, procedures, and regulations while executing their work.

First Independent Variable: Proper application of Financial Law and Regulations in terms of updating of Laws and regulations, the Degree of sufficiency of laws and regulations.

Table 3.3.1. Symmetric Measures Updating Laws and Regulations

			Value	Asymp. Error ^a	Std. T ^b	Approx. Sig.	Exact Sig.
Interval	by	Pearson’s R	.830	.056	10.317	.000 ^c	.000
Interval							
Ordinal	by	Spearman Correlation	.861	.046	11.735	.000 ^c	.000
Ordinal							
N of Valid Cases			50				

a. Not assuming the null hypothesis.

- b. Using the asymptotic standard error assuming the null hypothesis.
 c. Based on normal approximation.

P value=0.00<0.05: effective performance of employees depends on the proper ongoing updating of laws, rules, procedures, and regulations.

Pearson correlation=0.83 (strong positive relationship); when the level of updating laws and regulations increases by 1 point, the effective performance of employees will increase by 0.83 points.

Table 3.3.2. Symmetric Measures Sufficiency of Laws and Regulations

			Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.	Exact Sig.
Interval	by	Pearson's R	.788	.049	8.860	.000 ^c	.000
Interval							
Ordinal	by	Spearman	.834	.044	10.479	.000 ^c	.000
Ordinal		Correlation					
N of Valid Cases			50				

- a. Not assuming the null hypothesis.
 b. Using the asymptotic standard error assuming the null hypothesis.
 c. Based on normal approximation.

P value=0.000<0.05: when laws, rules, procedures, and regulations are sufficient for the work; they affect the effective performance of employees

Pearson correlation =0.788(strong positive relation); when the percentage of sufficiency of laws and regulations increases by 1 point, the percentage of effective performance of employees will increase by 0.788.

Testing the second sub-hypothesis

Second Independent Variable: Auditing practices in terms of:

periodic auditing, political interferences, auditor's qualifications, and willingness to disclose detected errors

Table 3.3.3. Symmetric Measures; Periodic Auditing

			Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval		Pearson's R	.766	.046	8.254	.000 ^c
Ordinal by Ordinal		Spearman Correlation	.872	.043	12.365	.000 ^c
N of Valid Cases			50			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

P value=0.000<0.05; periodic auditing by auditors affects the level of effectiveness of employees' performance (they are dependent) and shows that Pearson correlation=0.766 (positive relationship); periodic auditing by auditors affects positively the level of effectiveness of employees' performance. We conclude that while auditors periodically audit employees' financial work, employee's performance is considered effective.

Table 3.3.4 Symmetric Measures of Political Interferences

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.876	.054	-12.607	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.853	.053	-11.311	.000 ^c
N of Valid Cases		50			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

Table 3.3.4 shows that P value=0.00<0.05; political interferences in auditors' work affect the effectiveness of employees' performance and shows that Pearson correlation=-0.876 (strong negative relation: while political interferences in auditors' work increase by 1 point, the level of effectiveness of employee's performance will decrease by 0.876point).

Table 3.3.5 Symmetric Measures of Auditors' Capabilities

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.893	.037	13.761	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.905	.032	14.709	.000 ^c
N of Valid Cases		50			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

Based on Table 3.3.5: $P \text{ value} = 0.000 < 0.05$: auditor's qualifications affect the degree of effectiveness of employee's performance and shows that Pearson correlation = 0.893; strong positive relationship: while level of auditor's capabilities and experiences increase by 1 point; the degree of effectiveness of employee's performance will increase by 0.893 point.

Table 3.3.6 Symmetric Measures: Willingness of Auditors to un Disclose Mistakes

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.918	.024	16.084	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.904	.021	14.680	.000 ^c
N of Valid Cases		50			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Table 3.3.6 indicates that $P \text{ value} = 0.00 < 0.05$; when auditors have willingness to undisclosed detected mistakes and frauds; the effectiveness of employee's performance is affected and shows that Pearson correlation = -.918 (strong negative relationship; when the willingness of auditors to disclose detected mistakes and frauds increase by 1 point; the effectiveness of employee's performance will also decrease by 0.918 point).

Testing the third sub-hypothesis

Third independent Variable: proper application of the recruitment process in terms of objective recruitment and recruitment based on personal interests.

Table 3.3.7 Symmetric Measures Objective Recruitment

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.	Exact Sig.
Interval by Interval	Pearson's R	.917	.026	15.874	.000 ^c	.000
Ordinal by Ordinal	Spearman Correlation	.923	.033	16.574	.000 ^c	.000
N of Valid Cases		50				

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Based on Table 3.3.7: $P \text{ value} = 0.00 < 0.05$: Recruitment of employees through an objective way affects their effective performance and shows that Pearson correlation = 0.917 (strong positive relationship).

When recruitment of employees through objective exams increases by 1 point, the degree of their effective performance will also increase by 0.9 points.

Table 3.3.8 Symmetric Measures Recruitment of Employees Through Personnel Interests

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.	Exact Sig.
Interval by Interval	Pearson's R	-.912	.027	-15.359	.000 ^c	.000
Ordinal by Ordinal	Spearman Correlation	-.934	.019	-18.081	.000 ^c	.000
N of Valid Cases		50				

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on the normal approximation.

Table 3.3.8 shows that P value=0.00 <0.05; recruitment of employees through personnel interests affects their effective performance, and indicates that Pearson correlation=-0.912 (strong negative relationship). When recruitment of employees through personnel interests increases by 1 point, the effectiveness of employees' performance will decrease by 0.912 points.

3.4 Multiple Regression Test

In this research, multiple regression analysis is used to test whether one or more independent variables influence a dependent variable and if this effect is positive or negative. The regression analysis is conducted to find out the following:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \epsilon$$

Y Dependent variable, X=Independent variable, α =Constant term, β =Coefficient of the function, and ϵ =Error term is the disturbance or error term, which expresses the effect of all other variables except for the independent variables on the dependent variable that we use in the function.

Sub Hypothesis First Equation

Proper application of laws & regulations is investigated in terms of

- Updating of laws and regulations
- Sufficiency of laws and regulations
- Work based on laws & regulations
- All employees apply the laws

At the level of significance $\alpha=0.05$

Thus, the regression equation is:

$$\text{Employees effective performance} = \alpha + \beta_1 \text{updating of laws \& regulations} + \beta_2 \text{sufficiency of laws \& regulations} + \beta_3 \text{Work based on laws \& regulations} + \beta_4 \text{laws are applied by all employees} + e$$

Where the dependent variable is (Effectiveness of employee's performance), the independent variables are (Ongoing updating of laws & regulations, Degree of sufficiency of laws & regulations, Work based on laws and regulations, and laws are applied by all employees.

From Table 3.4.1:

Unstandardized coefficients, Beta, indicate how much the dependent variable varies with the independent variable when all other independent variables are held constant.

Beta 1 for updating of laws and regulations is 0.618; this means that for each one-unit increase in ongoing updating of laws and regulations, there is an increase by 0.618 in the effective employee's performance.

Beta 2 for the independent variable degree of sufficiency of laws and regulations is 0.488; this means that for each one-unit increase in degree of sufficiency of laws and regulations, there is an increase of 0.448 in the effective employee's performance.

Beta 3 for independent variable work based on laws and regulations is 1.758; this means that for each one-unit increase in degree of work being based on law & regulation, there is an increase by 1.758 in the effective employee's performance.

Beta 4 for independent variable laws is applied by all employees, .792; this means that for each one-unit increase in the degree of application of laws and regulations by employees, there is an increase of 0.792 in the effective employee's performance.

So the regression equation regarding the proper application of financial laws, rules, regulations, and procedures with employees' performance is:

Employees' effective performance 0.151+ 0.618 updating of laws and regulations + 0.488 sufficiency of laws and regulations+1.758 work based on laws and regulations +.792 laws are applied by all employees +0.168

Table 3.4.1 Coefficients^a for multiple regression 1

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardize d</i>	<i>T</i>	<i>Si g.</i>	<i>95.0% Confidence Interval for B</i>	
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Lower Bound</i>	<i>Upper Bound</i>
<i>1 (Constant)</i>	.151	.168		.900	.373	-.187	.490
<i>updating of laws</i>	.618	.145	.560	4.259	.000	.326	.909
<i>Laws and regulations are enough</i>	.488	.194	.332	2.520	.015	.099	.878
<i>work based on laws</i>	1.758	.213	.766			1.331	2.186

<i>and regulations</i>				8.26	.0
				4	00
<i>All employees apply</i>	.792	.110	.720		.216
<i>laws</i>					.812
				7.19	.0
				6	00

Dependent Variable: effectiveness of employee's performance

Sub Hypothesis second Equation

Auditor's best practices are investigated in terms of:

- a. Periodic auditing
- b. Auditor's qualifications
- c. Political interferences,
- d. Unwillingness to disclose mistakes and fraud.

At the level of significance $\alpha=0.05$

Thus, the regression equation becomes:

Employees' effective performance $\alpha + 1$ periodic auditing + 2 Auditors' qualifications 3 Political interferences + 4 Unwillingness to disclose mistakes and frauds +

Where the dependent variable is the employee's performance, the independent variables are periodic auditing, the auditor's qualifications, political interference, unwillingness to disclose mistakes, and fraud
From the coefficients table:

Unstandardized coefficients, Beta, indicate how much the dependent variable varies with the independent variable when all other independent variables are held constant.

From Table 3.4.2 in appendix 2, Beta 1 for the independent variable periodic auditing is 0.239; this means that for each one-unit increase in periodic auditing, there is an increase of 0.239 in effective employees' performance.

Beta 2 for the independent variable auditor's capabilities is 0.303; this means that for each one-unit increase in auditor's capabilities, there is an increase of 0.303 in effective employee performance.

Beta 3 for the independent variable political interferences is -0.371; this means that for each one-unit increase in political interferences, there is a decrease of 0.371 in the effective employee's performance.

Beta 4 for the independent variable willingness of auditors to disclose mistakes and fraud is 0.446; this means that for each one-unit increase in willingness of auditors to disclose mistakes and fraud, there is an increase by 0.446 in the effective performance of employees.

Table 3.4.2 Coefficients of Multiple Regression 2

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.232	.116		-1.995	.052
	political interferences	-.371	.092	-.281	-4.046	.000
	auditors capabilities	.303	.088	.270	3.454	.001
	periodic auditing	.239	.098	.139	2.443	.019
	Unwillingness to disclose mistakes and fraud	-.446	.102	-.367	-4.391	.000

Dependent Variable: effectiveness of employees' performance

So the regression equation regarding auditing practices with employees' performance:

$$\text{Employees effective performance} = -0.232 + 0.329 \text{ periodic auditing} + 0.303 \text{ auditor's capabilities} - 0.371 \text{ political interferences} - 0.446 \text{ Unwillingness of auditors to disclose mistakes and fraud} + 0.116$$

Sub Hypothesis Third Equation

Proper application of the recruitment process is investigated in terms of

- a. Objective recruitment
- b. Recruitment based on personal interests

At the level of significance $\alpha=0.05$.

Thus, the regression equation becomes:

$$\text{Employees effective performance} = \beta_0 + \beta_1 \text{ Objective Recruitment} + \beta_2 \text{ Recruitment based on personal interests} + e$$

Where dependent variable is (*employee's effective performance*), independent variables are (*Objective recruitment, Recruitment based on personal interests*)

Unstandardized coefficients Beta indicate how much the dependent variable varies with the independent variable when all other independent variables are held constant.

From Table 3.4.3, Beta 1 for independent variable objective recruitment is 0.564; this means that for each one-unit increase in objective recruitment, there is an increase by 0.564 in the effective employee's performance.

Beta 2 for independent variable recruitment based on personnel interests is - 0.539; this means that for each one-unit increase in recruitment based on personnel interests, there is a decrease by 0.539 in the effective employee's performance.

Table 3.4.3 Coefficients^a for Multiple Regression 3

Model	Unstandardized		Standardized	t	Sig.	95.0% Confidence Interval	
	Coefficients		Coefficients			for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.058	.087		.668	.508	-.117	.234
Recruitment of employees is in an objective way(Exams)	.564	.088	.513	6.382	.000	.386	.742
recruitment of employees is based on personnel interests	-.539	.090	-.482	-6.002	.000	-.720	-.359

a. Dependent Variable: effectiveness of employees' performance

So, the regression equation regarding the proper application of the recruitment process with the employee's performance:

Employees' effective performance = 0.058+ 0.564 objective recruitment - 0.539 recruitment based on personnel interests + 0.087

3.5 Correlation Analysis

The multiple correlation coefficient R is a measure of the quality of the prediction of the dependent variable. R-squared is the proportion of variance in the dependent variable that can be explained by the independent variables.

First Sub hypothesis

Table 3.5.1 Model Summary for Multiple Regression 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.852 ^a	.726	.715	.865	.726	62.334	2	47	.000

a. Predictors: (Constant), laws are enough, updating of laws, sufficiency of laws, laws are applied by all employees

R for the first relationship between employees' effective performance and proper application of rules and regulations in terms of

- Updating of laws and regulations
- Sufficiency of laws and regulations

- c. Work based on laws & regulations
- d. laws are applied by all employees

$R=85.2\%$. A value of 0.852 indicates a very good level of prediction. (The prediction power of the dependent variable explained by independent variables is high).

R^2 R Square for the first relationship = 72.6%.

A value of 0.726 indicates that our independent variables explain 72.6% of the variability of our dependent variable.

Second Sub Hypothesis

Table 3.5.2 Model Summary for Multiple Regression 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.965 ^a	.932	.926	.441	.856	72.124	2	43	.000

a. Predictors: (Constant), periodic auditing, political interferences, auditors qualification, unwillingness to disclose fraud

R for the second relationship between employee's effective performance and auditor's best practices in terms of

- a. Periodic auditing
- b. Auditor's qualifications
- c. Political interferences
- d. Unwillingness to disclose fraud

$R=96.5\%$. A value of 0.965 indicates a very good level of prediction. (The prediction power of the dependent variable explained by independent variables is high).

R Square (R^2) for the second relationship = 93.2%.

93.2% of the variation in employee's performance is explained by Periodic auditing, Auditor's qualifications, Political interferences and Willingness to disclose mistakes and frauds.

Third Sub hypothesis

Table 4.19 Model Summary for Multiple Regression 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.954 ^a	.909	.906	.498	.909	235.957	2	47	.000

a. Predictors: (Constant), objective recruitment of employees, recruitment based on personnel interest

R of the third relationship between employee's performance and proper application of recruitment process in terms of:

- a. Objective recruitment
- b. Recruitment based on personal interests

R =95.4%. A value of 0.954 indicates a very good level of prediction. (The prediction power of the dependent variable explained by independent variables is high).

R Square (R^2) for the third relationship = 90.9%.

90.9% of the variation in employee's performance is explained by objective recruitment and recruitment based on personnel interests

3.6 ANOVA Test

An ANOVA test is a way to find out if survey or experiment results are significant.

F ratio tests whether the overall regression model is a good fit for the data.

Table 3.6.1 ANOVA^b for Multiple Regression 1

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.377	2	46.688	62.334	.000 ^a
	Residual	35.203	47	.749		
	Total	128.580	49			

a. Predictors: (Constant), periodic auditing, political interferences, auditors' qualifications, unwillingness to disclose fraud

b. Dependent Variable: effectiveness of employees' performance

The table above shows:

F value of proper application of financial rules, regulations $F(2, 47) = 62.33$, $P = 0.00 < 0.05$; thus there is a statistically significant effect of the independent variable on the dependent variable effective performance of employees; the regression model is a good fit of the data.

Table 3.6.2 ANOVA^b for Multiple Regression 2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	119.826	4	29.957	153.994	.000 ^a
	Residual	8.754	45	.195		
	Total	128.580	49			

a. Predictors: (Constant), periodic auditing, political interferences, auditors' qualifications, unwillingness to disclose fraud

b. Dependent Variable: effectiveness of employees' performance

F value of auditing practices $F(4, 45) = 153.9$, $P = 0.00 < 0.05$ thus there is a statistically significant effect of the independent variable auditing practices on the dependent variable effective performance of employees; the regression model is a good fit of the data.

Table 3.6.3 ANOVA_b for Multiple Regression 3

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	116.934	2	58.467	235.957	.000 ^a
	Residual	11.646	47	.248		
	Total	128.580	49			

a. Predictors: (Constant), recruitment of employees is through personnel interests, recruitment of employees is in objective way

b. Dependent Variable: effectiveness of employees performance

F value of proper application of recruitment process = 235.957, $P = 0.000 < 0.05$ thus there is a statistically significant effect of the independent variable on the dependent variable effective performance of employees; the regression model is a good fit of the data.

3.7 T test

T-test determines the statistical significance of each of the independent variables; it is used to know whether the data collected justify the hypothesis being proposed.

Table 3.7.1 T test

Independent variables		t (value)	Statistical Significance
Proper application of Financial rules, regulations, laws and procedures	Ongoing updating of laws and regulations	4.529	0.000
	Degree of sufficiency of laws and regulations	2.520	0.015
	Periodic auditing	2.443	0.019
	Auditors capabilities	3.454	0.01
	Political interferences	-4.046	0.05
	Unwillingness of auditors to disclose mistakes and frauds	4.391	0.000
	Objective recruitment	6.382	0.000
Recruitment process	Recruitment based on personnel interests	- 6.002	0.000

Source: prepared by researcher based on SPSS results

First Sub hypothesis**Ongoing updating of laws and regulations**

T value=4.529 with significance $p=0.000$ less than 0.05%; reject null hypothesis.

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that ongoing updating of laws and regulations is useful as a predictor of effective employees' performance.

Degree of sufficiency of laws and regulations

T value=2.520 with significance level $p=0.015$ less than 0.05%; reject null hypothesis.

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that degree of sufficiency of laws and regulations is useful as a predictor of employees' effective performance.

Periodic auditing:

T value=2.443 with significance $p=0.019$ less than 0.05%; reject null hypothesis.

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that periodic auditing is useful as a predictor of employees' effective performance.

Second Sub hypothesis**Auditor's qualifications**

T value=3.454 with significance level $p=0.01$ less than 0.05%; reject null hypothesis.

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that auditors' qualifications are useful as a predictor of employees' effective performance.

Political interferences

T value=-4.046 with significance $p=0.000$ less than 0.05%; reject null hypothesis

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that political interferences are useful as a predictor of employees' effective performance.

Willingness of auditors to disclose mistakes and fraud

T value=4.391 with significance $p=0.000$ less than 0.05%; reject null hypothesis

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that Willingness of auditors to disclose mistakes and fraud is useful as a predictor of employees' effective performance.

Third Sub hypothesis**Objective recruitment:**

T value=6.382 with significance $p=0.000$ less than 0.05%; reject null hypothesis.

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that objective recruitment is useful as a predictor of employees' effective performance.

Recruitment based on personnel interests

T value=- 6.002 with significance level $p=0.000$ less than 0.05%; reject null hypothesis.

At the $\alpha=0.05$ level of significance, there exists enough evidence to conclude that recruitment based on personnel interests is useful as a predictor of employees' effective performance.

4. Summary of Empirical Analysis

Results of empirical analysis tests:

1) Verify our first sub hypothesis H1 that; there is significant relationship between employee's effective performance and proper application of laws and regulations in terms of ongoing updating of laws and regulations and in terms of degree of sufficiency of these laws and regulations at a level of significance $\alpha=0.05$, in Lebanese public sector.

The low percentages of ongoing updating and degree of sufficiency of laws and regulations affect the percentage of effective performance of employees. Financial control practices in the Lebanese public sector in terms of proper application of laws and regulations are not sufficient in monitoring the performance of employees because they don't ensure ongoing updating of these laws to become proper and enough for employee's effective performance.

2) Verify our second sub hypothesis H1 that there is significant relationship between employee's effective performance and auditors' best practices in terms of periodic auditing, auditors' qualifications, political interferences and willingness to not disclose fraud at a level of significance $\alpha=0.05$.

Auditing practices with its 4 variables affect the effective performance of employees. All these variables affect positively the effective performance of employees except political interferences that has a significant negative impact on the effective performance of employees.

Results above show that auditing practice in the Lebanese Public Sector faces lots of problems that prevent it to be effective and sufficient to monitor the work of employees. Auditors periodic auditing are not considered enough; that's seems to be due to a number of reasons such as lack of qualifications needed for their role, political interferences that break their reliable work that let auditors unwilling to disclose mistakes and fraud committed by employees.

All these problems will weaken the role of auditing practices in well monitoring the work of employees and lots of mistakes and frauds will stay without correction and will detriment the interest of public sector. Financial control practice in the Lebanese Public sector with regard to proper application of auditing practices are not sufficient in monitoring the performance of employees.

3) Verify our third sub hypothesis H1 that there is significant relationship between employee's performance and proper application of recruitment process in terms of objective recruitment and recruitment based on personnel interests at a level of significance $\alpha=0.05$.

Financial Control practice in the Lebanese Public sector in terms of recruitment process suffers from a breach that prevents it to recruit the qualified employees. Financial control practices with regard to proper application of recruitment process are not sufficient in monitoring the performance of employees.

The results answer the principal hypothesis of our study and choose H0: financial control best practices are not sufficient in monitoring the performance of employees in Lebanese public sector.

5. Recommendations

Trying to improving the current situation of financial control performance to be more effective, It is recommended to delete factors that have negative effect on effective performance on financial control, and to treat factors that are considered insufficient for the effective performance of financial control, it is recommended to:

In regard with the proper application of laws, rules, regulations and procedures:

Ongoing updating of financial laws, regulations, procedures and rules, to become enough and sufficient for executing the right financial work, and that by eliminating unnecessary ones, when taken into consideration this suggestion, financial control performance will be considered effective, because financial control bodies, in this case, are in ongoing monitoring the way of financial work is executed.

In regard to the proper application of auditing practices:

Need to do a comprehensive and real political reform, before talking about technical measures to improve the performance of financial control in Lebanon.

Prohibit political interferences in the work of public sector that gnaw the reliable financial work and prevent auditors to do their role in an accurate and independent well.

Ongoing following the performance of auditors to:

Ensure that public sector only retain the well qualified auditors whose have the required capabilities and experiences and whose resist any pressures, either political or other, that can break their independency and can lead to misuse financial work.

Ensure that auditors periodically audit financial work in order to always detect mistakes and frauds.

Ensure that auditors periodically evaluate financial work and make reports about the situation of financial work in order to improve the situation of public sector.

Ensure that auditors always disclose detected mistakes and frauds in order to be eliminated or corrected and to impose sanctions over employees who made these mistakes or frauds.

Impose sanctions or disciplinary procedures over auditors who cover up mistakes and frauds for self-interest.

In regard with the proper application of recruitment process:

Recruit financial employees only through objectives exams, in order to obtain only the qualified of them.

Prohibit recruitment through personnel interests:

Adopt a new system of promotions and bonuses, in order to be more effective than the current one. Adopt a system of merit and competence when evaluating the performance of financial employees and when giving promotions and bonuses. That will motivate employees to do their work in a correct way. Impose sanctions over incapable and unqualified financial employees so this encourages employees to do their best.

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