
**INTERNAL CONTROL SYSTEM AND ORGANISATIONAL PERFORMANCE, ACASE STUDY OF POST
BANK KAKIRI BRANCH.**

1 Natumanya Brian, 2 Zikusooka Enock

1, 2 Metropolitan International University

ABSTRACT

The study sought to determine the effects of internal control system and organizational performance in post bank. Internal controls were looked from the perspective of internal control environment, monitoring and control activities. The study selected one senior manager in their finance department. The researcher administered a survey questionnaire to each of the target population since it was the most appropriate tool to gather information. Quantitative analysis and qualitative data analysis were used as data analysis technique. Descriptive statistics such as mean, standard deviation and frequency distribution was done by use of tables for ease of understanding and interpretation. From the findings the study concludes that control environment, monitoring and control activities had a positive relationship with the organizational performance of post bank. The study found out that a unit increase in control environment would lead to increase in organizational performance of post bank, and further a unit increase in control activities would lead to increase in organizational performance. The study recommends that management in post Bank should adopt effective internal control systems such as control environment, monitoring and control activities to enhance organizational performance of post bank Kakiri branch. Post Bank should implement a monitoring system that influences organizational performance. This should be through carrying out effective monitoring, proper use of resources, a continuous performance monitoring process, review of staff performance, monitoring by teams and regular performance inspections.

Key words: **internal control system and organisational performance**

Back ground of the study

Internal controls in organizations have existed since ancient times (Alex & Kazaara, 2023). In Hellenistic Egypt, there was a dual administration with a set of beauracrats charged with collecting taxes and another charged with supervision for the purpose of internal controls. In ancient Republic of China (Musaibah et al., 2023), the supervising authority or control Yuan was one of the agencies that monitored the other branches of government for purposes of internal controls (Faith et al., 2023). Under COSO Internal control integrated frame work , widely used frame

work in not only the united states but also around the world .Internal Control system is broadly defined as a process aimed at assuring the achievement of an organizations objectives in operational effectiveness and efficiency , reliable financial reporting and compliance with laws, regulations and policies (S. J. Mark & Jacob, 2023). In this study , The agency theory was used to explain the relationship between internal control system and organizational performances (Isaac et al., 2023).According to (Schroeder, 2019)an a agency

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relationship is a contract under which one or more persons (the principals) engage another person (the agent) to perform some activities on their behalf which involves delegating some decisions making authority to the agent (N. Mark et al., 2023). Managers as agents to shareholders have a responsibility to design, implement and maintain adequate systems of internal controls in an organisation. This is intended to increase on the financial performance of the organisation (Akankwasa et al., 2022).

Internal controls refers to a process of well-designed and affected by those charged with governance, management and other personnel to provide reasonable assurance about achievement of the organisations objectives with regard to reliability of financial reporting, effectiveness and efficiency of the operation and compliances with applicable laws and regulations (Gracious, 2023). (Moses et al., 2023) found out that good internal controls provide a working environment in which employees are not tempted to do something they would not ordinarily do. There are various approaches to analyzing the competences of internal control systems. the application of control approach promoted by (Damasus et al., 2023) presents a novel view on the modeling and implementation of internal control in the business process.

Objectives of the study

- To examine the effects of control environment on organizational performance of Post Bank.
- To assess the impact of monitoring on organizational performance of Post Bank.

Statement of the problem.

Internal control systems are measures instituted by an organisation so as to ensure attainment of the organisations goals, objectives and mission (Alex & Kazaara, 2023) it's believed that properly designed and enforced internal control systems will normally lead to better and reliable financial reporting procedure that improves management accountability function of an organisation (Lydia et al., 2023). Despite the fact that post Bank Uganda limited has implemented internal control system to efficient and effective running of its operations, various reports reveal that finances have continued being mis managed and other resources are poorly managed for instance, according to (Paul et al., 2023), in his detailed report also noted that there is there is wrong classification of loans in the loan arrears report at post Bank, poor performance and monitoring of the project and breaching of rules concerning Banking platform, inaccurate interest charged on loans (Polycarp et al., 2023), deficiencies in management reviews, fraudulent interferences that makes post Bank a very risky bank for any depositors to associate with and those saving with post bank. It is for this reason that the researcher is compelled to investigate on the effect of internal control system on the organisation performance (Collins et al., 2023).

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- To analyze the contribution of control activities on organizational performance of Post Bank.

Literature Review.

The study was based on agency theory that has been widely used in literature to investigate the information of symmetry between principals (shareholders) and agent (management). This study used the agency theory to determine the effect of internal control system on organizational performance of post bank Uganda limited. (Ramadhan et al., 2023) stated that according to the Agency theory, a company consists a set of linked contracts between the owners of economic resources (the principal) and managers (the agent) who are charged with using and controlling these resources (Akankwasa et al., 2022). A significant body of work has been undertaken in this area within the context principal agent framework. The work of Jessen and Meckling (2006) in particular as well as that of Fama (2000) is important. Agency theory identifies the Agency relationship where one party, the principal delegated work of another party, the Agent.

Methodology

Research design

The case study design focused on developing an in depth understanding by describing and explaining phenomenon by an exhaustive study (Ellis and Levy, 2009) The case study design was appropriate for this study because it allowed the use of both quantitative and qualitative data.

Study population.

The population for this study focused on 43 members that is members of staff and non-staff members for example branch managers, supervisor, cashiers and cleaners which constituted the respondents of the study.

Sample size.

The study constituted of twenty members from the targeted population of 43 members. Members were selected according to their rankings. The Slovene's formula was used to come up with appropriate sample size to use in the study.

Data collection instrument.

The researcher employed two methods of data collection instrument namely Questionnaire and interview guide.

Questionnaire.

A self-administered questionnaire (SAQ) was administered to each member of the target population. the use of questionnaire enabled collection of data from a large number of respondents to give a sensitive information without fear as their personal identity were not needed on the questionnaire. Questions offer greater assurance and anonymity, thus enabling the respondents to give sensitive information without fear (Amin, 2005).

Data analysis

This was dealt with how data collected was processed and analyzed using tables.

Qualitative data

The qualitative data collected was coded and grouped according to the study objectives and emerging themes. analysis was carried out through thematic analysis which ensures that clusters of text with similar meaning are presented together (Nelson et al., 2023). This enabled comparison of between qualitative and quantitative data.

Quantitative data.

The quantitative data analysis constituted of numerical values from which descriptions such as means, standard deviation, and frequencies. the data collected was be edited coded and classified under different themes and subthemes and then analyzed using statistical package for social science (SPSS) programme was used because of its simplicity and comprehensiveness in analyzing quantitative data (Nelson et al., 2022).

RESULTS

Organizational performance

Table 1: Organizational performance.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Standard deviation
Organizational performance staff requests are produced in a timely manner	6	12	2	6	0	1.50	0.25
Duties of the organisation are efficiently executed	6	10	4	0	0	1.60	0.21
Programs of the organisation are effectively increased	6	10	4	0	0	1.60	0.21

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Programs of the organisation are completely implemented	4	10	5	1	0	1.95	0.20
Programs are implemented with high effort.	4	10	5	1	0	1.95	0.20
Staff easily access their operational requirement	7	12	1	0	0	1.35	0.27
Improvement in handling of protests	8	10	2	0	0	1.30	0.23
Activities are pursued excellently by staff	5	10	2	3	0	1.90	0.19

Source: Primary data, 2022

From the table above the study sought to determine the level at which respondents agreed or disagreed with the above statements relating to organizational performance of post Bank ,from the findings the study established that majority of the respondents agreed that staff easily access their operational requirements as shown by a mean of 1.30 ,programs are implemented with a high effort as shown by a mean 1.35 ,staff requires are provided in a timely manner .Activities are performed excellently by staff as shown by a mean of 1.50 (Oromo et al., 2023). Duties of the organisation are efficiently executed; programmes are effectively implemented as shown by a mean of 1.60. others agreed that there is improvement in handling of projects as shown by a mean of 1.90 and finally programmes are completely implemented as shown by a mean of 1.95.

Internal control systems and Organizational performance.

Table 2: Extent to which control environment and performance of post Bank

Statement	Frequency	Percentage
Very great extent	6	30
Great extent	11	55
Moderate extent	3	15
Total	20	100

Source: Primary data, 2022

The study sought to establish the extent to which control environment affect Organizational performance of post Bank. From the findings, 55% indicated a great extent, 30% of the respondents indicated to a very great extent whereas 15% of the respondents indicated to a very moderate extent. This implies that control environment affects Organizational performance of post Bank to a great extent (Ntirandekura et al., 2022).

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Table 3: Extent to which monitoring affects organisational performance.

Statement	Frequency	Percentage
Very great extent	4	20
Great extent	14	70
Moderate extent	2	10
Total	20	100

Source: Primary data, 2022

The study sought to establish the extent to which Monitoring affect Organisational performance of Post Bank .From the findings 70% indicated to a greater extent ,20% of the respondents indicated to a very great extent whereas 10% of the respondents indicated to a moderate extent .This implies that Monitoring affects Organisational performance of post Bank to a great extent (Wegulo et al., 2023).

Table 4; Effects of monitoring and organizational performance of post Bank.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Standard deviation
There is effective monitoring for proper use of resources	8	9	2	1	0	1.40	0.21
Management care out a continuous performance monitoring process	12	4	3	1	0	1.05	0.24
Management reviews staff performance according to the	11	8	0	3	0	1.40	0.19

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defined stands of the organisation.							
Monitoring is carried out by terms of monitors	10	5	2	3	0	1.40	0.19
There are regular performance inspections	6	10	4	0	0	1.60	0.21

Source: Primary data, 2022

The study sought to determine the level to which respondents agreed or disagreed that with the above statement relating to monitoring and organisational performance of post Bank. From the findings of the study established that majority of the respondents strongly agreed management reviews Staff performance according to the defined standards of the organisation as shown mean of 1.00 in post Bank Management carries out a continuous performance monitoring process as shown by a mean of 1.05, there is an effective monitoring of proper use of resources. There are regular performance inspections as shown by a mean of 1.40 in each case. Finally others agreed that there regular performance inspections as shown by a mean of 1.60.

Control activities and performance of Post Bank.

Table 5: Extent to which control activities affects performance of Post Bank

Statement	Frequency	Percentage
Very great extent	7	35
Great extent	10	50
Moderate extent	3	15
Total	20	100

Source: Primary data, 2022

The study sought to establish the extent to which control activities affect organisational performance of post Bank. From the findings, 50% indicated to a great extent, 35% of the respondents indicated to a very great extent whereas

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15% of the respondents indicated to a moderate extent .this implies that control activities affects organisational performance of Post Bank to a great extent (Paul et al., 2023).

Table 6: Effects of control activities and organizational performance of post Bank.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Standard deviation
Access lock systems have been installed	7	10	3	0	0	1.45	0.22
Staff use budget when on duty	6	12	2	0	0	1.50	0.25
Duties for each staff are well segregated	8	11	1	0	0	1.40	0.19
Proper book keeping is ensured	5	15	0	0	0	1.40	0.19
Income auditors exist	5	15	0	0	0	1.60	0.21
Author section is required for every activity	8	10	2	0	0	1.30	0.23
The organisationstaff of integrity	6	14	0	0	0	1.40	0.31

Source: Primary data, 2022

The study sought to determine the levels to which respondents agreed or disagreed with the above statement relating to control activities and organisational performance of post Bank .From the findings the study established that majority of the respondents Strongly agreed .Duties for each staff were well specified and segregated as shown

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by a mean of 1.25 .Authorization is required for every activity as shown by a mean of 1.30,the organisation attracts staff integrity as shown by a mean of 1.40,Access to rock systems have been installed as shown by a mean of 1.45 ,Proper book keeping so ensured ,internal auditors exist as shown by a mean of 1.49 and finally that staff use badge When on duty as shown by a mean of 1.50

Conclusions

The control environment relates to performance of post bank. This is because an organisation characterized by ethics, integrity in management which provides ethical guidance, with a well-defined vision and mission, clear lines of authority and appraisal will perform effectively.

Control activities relates to Organizational performance (Brighton et al., 2023). This was due to the fact that access to locks, use of badge when on duty, well specified and segregated duties, proper book keeping, internal auditors, and authorization for every activity and attracting staff of integrity influenced Organizational performance.

Recommendations to post Bank

Post Bank should implement a monitoring system that influences organizational performance. This should be through carrying out effective monitoring, proper use of resources, a continuous performance monitoring process, review of staff performance, monitoring by teams and regular performance inspections.

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