
**INTERNAL CONTROL SYSTEM AND ORGANIZATIONAL PERFORMANCE, A CASE STUDY
OF POST BANK KAKIRI BRANCH**

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ABSTRACT

The study sought to determine the effects of internal control system and organizational performance in post bank. Internal controls were looked at from the perspective of control environment, monitoring and control activities. The study selected one senior manager in the 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 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 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, a unit increase in monitoring would lead to increase in 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.

Key words: internal control system and organizational performance

Background to the study

Internal control, management, control etc. financial reporting, performance and operational performance, and compliance with laws and regulations constitute and affect the process (Shanmugam, Hart, & Ali, 2012).

Arsenault (2008) finds that good internal control provides an office where good employees are not encouraged to do things they would not do. There are many ways to analyze internal control capability (Oromo et al., 2023). The management method used by Namiri and Stojanovic (2012) offers a new perspective on modeling and internal control management in the enterprise.

On the other hand, COSO's definition of internal control states that internal control has five interrelated aspects: environmental control, risk assessment, project management, information and communication, and auditing (Alex & Kazaara, 2023)

Amundo and Inanga (2009), Uganda Studies on the evaluation of internal control for competition in. This study adopts the concept of internal control with different dimensions from CPA Australia (2008). On the other hand, the performance of the organization refers to the ability of the business to achieve good results, good products, great work and good goals. Maintaining the program using financial results and appropriate strategies (Turyatemba et al., 2022)

In February 1998, Uganda Post Bank Limited was established under the Common Law 1997 to take over the former Post Bank's Business Office Savings Department. The Bank operates under the supervision of the Bank of Uganda under the Financial Services Act.

Classified as a Tier 2 institution (non-credit institution) by the Bank of Uganda. Uganda Postal Bank enrolls in the Bank of Uganda's Deposit Insurance Program. If Uganda Post Bank fails, every eligible account of the bank will be insured for up to \$10 million (about \$2,700) in 2020. In 2009, Uganda Post Bank applied to the Bank of Uganda to become a licensed company.

In February 2016, Ugandan media reported that the government's Uganda Post Bank, Microfinance Co., Ltd. announced that it plans to merge with Establishing Ziraat Bank. As of May 2014, Chief Executive Officer Julius Kakeeto announced that Uganda Post Bank has a network of 32 branches and 17 mobile banking units, for a total of 49 branches. Uganda Post Bank's operations are managed by the Board of Directors. The

current Board was established in 2012 for a five-year term. According to Kulabako Farida 2011, the bank's day-to-day operations are overseen by a group of ten bank executives led by the president.

Statement of the problem

Internal control systems are measures instituted by an organization so as to ensure attainment of the organization's objectives, goals and mission (Ogneva et al, 2007). It's believed that properly designed and enforced internal control systems will normally lead to better and a reliable financial reporting procedure that improves management accountability function of organization (Doyle, el, al, 2007).

Despite the fact that post bank Uganda limited had implemented internal control system to efficient and effective running of its operations, various reports reveal that finances have continued being mismanaged and other resources are poorly managed for instances , According to Otim January 8, 2018,in his detailed report also noted that there is wrong classification of loans in the loan arrears report at post bank, poor performance and monitoring of project and breaching of rules concerning banking platform, inaccurate interest charged on loans , deficiencies in management reviews, fraudulent interferences that makes post bank Avery risky bank for any depositors to associate with and those saving with post bank (Alex & Kazaara, 2023). It is for this reason that the researcher is compelled to investigate on the effect of internal control system on the organizational performance. An internal control system is a measure established by an organization to ensure that an organization achieves its goals, objectives and targets (Ogneva et al., 2007). It is generally believed that a well-designed and effective internal control system makes the financial reporting process better and more reliable, thereby optimizing the management performance of the organization (Doyle, et al, 2007).

While Uganda Post Bank Limited has implemented internal controls to run its business efficiently and effectively, many documents show that financial and other detailed information points to loan misclassification, poor performance and auditing

in Postal Bank's loan portfolio. A very risky bank for depositors in Post Bank (Alex & Kazaara, 2023). Therefore, researchers need to investigate the effect of internal control on organizational performance.

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

Research Questions

- What are the effects of control environment on organizational performance of Post Bank?*
- What is the impact of monitoring on organizational performance of Post Bank?*
- What are the contributions of control activities on organizational performance of Post Bank?*

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 was 43 members that is members of staff and non-staff members for example branch manager, supervisor, cashiers and cleaners which shall constitute the respondent of the study.

Sample size

The study was 20 members from a targeted population of 43members. Members were selected in terms of their rankings. The Slovene's formula was used to come up with appropriate sample size to use in the study.

Data collection instrument

The study 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 and also enabled respondents to give a sensitive information without fear as their personal identity was not needed on the questionnaire.

Questionnaires offer greater assurance and anonymity, this enabling the respondents to give sensitive information without fear (Amin, 2005).

Interview guide

This is a qualitative research technique that involved conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea or program or situation (Boyce, 2006).

Data analysis

This dealt with how the 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 through thematic analysis ensured that clusters of text with similar meaning are presented together (Devetak, Glazar and Vogrinc, 2010)

This enabled making of comparison between quantitative and qualitative data.

Quantitative data

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

RESULTS

Organizational Performance

The self-administered questionnaire (see Appendix A) shows that the dependent variable (DV) namely, organizational was measured using 8 items. The above items were scaled using the five-point Likert scale where code 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree. For each of the above items measuring organizational performance, descriptive statistics that included frequencies, percentages Standard deviation and means are presented.

Table 1: organizational Performance

organizational Performance	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
<i>Staff requirements are provided in a timely manner</i>	6	12	2	6	0	1.50	0.25
<i>Duties of the organization are efficiently executed</i>	6	10	4	0	0	1.60	0.21

<i>Programmes are effectively implemented</i>	6	10	4	0	0	1.60	0.21
<i>Programmes competently implemented</i>	4	10	5	1	0	1.95	0.20
<i>Programmes are implemented with high effort</i>	7	12	1	0	0	1.35	0.27
<i>Staff easily access their operational requirements</i>	8	10	2	0	0	1.30	0.23
<i>There is improvement in the handling of projects</i>	5	10	2	3	0	1.90	0.19
<i>Activities are performed excellently by staff</i>	6	12	2	0	0	1.50	0.25

Source: primary Data, 2020

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, Programmes are implemented with high effort as shown by a mean of 1.35, Staff requirements are provided in a timely manner, Activities are performed excellently by staff as shown by a mean of 1.50, Duties of the organisation are efficiently executed, Programmes are effectively implemented as shown by mean of 1.60, others agreed that There is improvement in the handling of projects as shown by mean of 1.90 and finally Programmes competently implemented as shown by mean of 1.95.

Internal Controls system and organizational Performance

Control environment and performance of Post Bank

This objective of the study sought to establish the relationship between control environment and performance of Post Bank Kakiri Branch. Question items measuring control environment were put to the respondents. The above items were scaled using the five-point Likert scale where code 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree.

Table 2: Extent to which Control environment and performance of Post Bank

	<i>frequency</i>	<i>percentage</i>
<i>Very great extent</i>	6	30
<i>Great extent</i>	11	55
<i>moderate extent</i>	3	15
<i>Total</i>	20	100
<i>Source: primary Data, 2020</i>		

The study sought to establish the extent to which control environment affect organizational performance of post bank. From the findings, 55% indicated to a great extent, 30% of the respondents indicated to a very great extent where as 15% of the respondents indicated to a moderate extent. This implies that control environment affects organizational performance of post bank to a great extent

Table 3: Effects of control environment and organizational performance

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard deviation
<i>Ethics are highly practiced in performance</i>	11	4	5	0	0	1.15	0.23
<i>There is integrity in management</i>	7	10	3	0	0	1.45	0.22
<i>Ethical guidance is provided to staff</i>	5	10	2	3	0	1.90	0.19
<i>The vision and mission of the organization is well defined</i>	5	14	1	0	0	1.55	0.30
<i>The lines of authority are clear with accountability channels</i>	5	13	2	0	0	1.60	0.27

<i>known to staff</i>							
<i>Supervisors identify daily routine and short-term employee deficiencies for correction</i>	8	11	1	1	1	1.70	0.24
<i>Staff performance appraisal is carried out</i>	8	11	1	0	0	1.25	1.26

Source: Primary Data, 2020

The study sought to determine the level to which respondents agreed with the statement that relating to control environment and organizational performance of post bank. From the findings the study established that majority of the respondent strongly agreed that Ethics are highly practiced in performance as shown by a mean of 1.15, Staff performance appraisal is carried out as shown by mean of 1.25, There is integrity in management as shown by mean of 1.45, The vision and mission of the organization is well defined as shown by a mean of 1.55, The lines of authority are clear with accountability channels known to staff as shown by mean of 1.60, Supervisors identify daily routine and short-term employee deficiencies for correction as shown by mean of 1.70 and finally others agreed that Ethical guidance is provided to staff as shown by a mean of 1.90.

Monitoring and performance of post bank.

This objective of the study sought to find out the relationship between monitoring and performance of post bank. Question items measuring monitoring were put to the

respondents. The items were scaled using the five-point Likert scale where code 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree.

Table 5: Extent to which monitoring affects organizational performance.

	<i>frequency</i>	<i>percentage</i>
Very great extent	4	20
Great extent	14	70
moderate extent	2	10
Total	20	100

Source: Primary Data, 2020

The study sought to establish the extent to which monitoring affect organizational performance of post bank. From the findings, 70% indicated to a great extent, 20% of the respondents indicated to a very great extent where as 10% of the respondents indicated to a moderate extent. This implies that monitoring affects organizational performance of post bank to a great extent.

Table 6: Effects of monitoring and organizational performance of post bank.

Monitoring	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard deviation
There is effective monitoring of proper use of resources	8	9	2	1	0	1.40	0.21
Management carries out a continuous performance monitoring process	12	4	3	1	0	1.05	0.24
Management	11	8	0		0	1.00	0.26

<i>reviews staff performance according to the defined standards of the organization</i>				1			
<i>Monitoring is carried out by teams of monitors</i>	10	5	2	3	0	1.40	0.19
<i>There are regular performance inspections</i>	6	10	4	0	0	1.60	0.21

Source primary Data, 2020

The study sought to determine the level to which respondents agreed or disagreed that with the above statement relating to monitoring and organizational performance of post bank. from the findings the study established that majority of the respondent strongly agreed Management reviews staff performance according to the defined standards of the organization as shown by 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 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 are regular performance inspections as shown by mean of 1.60.

Control Activities and performance of post bank.

This objective of the study sought to establish the relationship between control Activities and performance of post bank. Question items measuring control activities were put to the respondents. The items were scaled using the five-point Likert scale

where code 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree.

Table 7: Extent to which Control Activities affects performance of post bank

	<i>frequency</i>	<i>percentage</i>
Very great extent	7	35
Great extent	10	50
moderate extent	3	15
Total	20	100

Source: primary Data, 2020

The study sought to establish the extent to which control activities affect organizational performance of post bank. From the findings, 50% indicated to a great extent, 35% of the respondents indicated to a very great extent where as 15% of the respondents indicated to a moderate extent. This implies that control activities affect organizational performance of post bank to a great extent.

Table 8: Effects of control activities and organizational performance of post bank.

Control Activities	Strongly Agree	Agree	Neural	Disagree	Strongly Disagree	Mean	Standard deviation
Access lock systems have been installed	7	10	3	0	0	1.45	0.22
Staff use badge when on duty	6	12	2	0	0	1.50	0.25
Duties for each staff are well specified and segregated	8	11	1	0	0	1.25	1.26

<i>Proper book keeping is ensured</i>	5	15	0	0	0	1.49	0.33
<i>Internal auditors exist</i>	5	15	0	0	0	1.49	0.33
<i>Authorization is required for every activity</i>	8	10	2	0	0	1.30	0.23
<i>The organization attracts staff of integrity</i>	6	14	0	0	0	1.40	0.31

Source: Primary Data, 2020

The study sought to determine the level to which respondents agreed or disagreed with the above statement relating to control activities and organizational performance of post bank. from the findings the study established that majority of the respondent strongly agreed Duties for each staff are well specified and segregated as shown by mean of 1.25 ,Authorization is required for every activity as shown by mean of 1.30, The organization attracts staff of integrity as shown by a mean of 1.40, Access lock systems have been installed as shown by a mean of 1.45,Proper book keeping is ensured ,Internal auditors exist as shown by a mean of 1.49 and finally that Staff use badge when on duty as shown by mean of 1.50.

Conclusions

Control activities relates to organizational performance. 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

Post Bank Uganda limited should establish a control environment that can enhance organizational performance. This should be through emphasizing ethics, integrity in management, establishing a well-defined vision and mission, clear lines of authority and employee appraisal.

Post Bank Uganda limited 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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