UNIVERSITY OF CAPE COAST

EFFECT OF INTERNAL CONTROLS ON PERFORMANCE OF RURAL BANKS IN CENTRAL REGION

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BY

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate' Signature……………………….... Date…………………………

Name: Seth Amoah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature…………………………. Date………………………

Name: Prof. Edward Marfo-Yiadom

ABSTRACT

The study sought to examine the effect of internal control practices on the performance of rural banks in Central Region. The study applied the explanatory research design to conducting the study which perfectly supported the quantitative orientation used for the measurement of the constructs and the analysis of the objectives through inferential statistical means. Primary data was collected through structured questionnaires. The study employed descriptive statistics and structural equation model in analysing the objective of the study. The study found that holistically, all the dimensions of internal control practices were perceived as effective regarding their implementation by the rural banks given the threshold of the mean scores obtained. The study also found that there was a positive and significant correlation between monitoring activities and firm performance. Similarly, the study showed that there was a positive and significant correlation between control activities and firm performance. Furthermore, it was found that there was a positive significant correlation between risk management practices and firm performance. Finally, there was a positive and significant correlation between information and communication practices and firm performance. Control activities, control environment and risk management failed to make any significant contributions to the change in firm performance although their contributions were positive. The study recommends that there is the need for the rural banks in the Central Region to intensify their system of corporate governance to ensure the effective implementation of internal control systems.

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DEDICATION

To my lovely wife Mrs Abigail Amoah Bonsrah and my kids Juanita Amoah-Adjei, Ivan Amoah-Adjei and Aida Nana Yaa Amoah-Adjei

TABLE OF CONTENTS

LISTS OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

The banking sector plays a crucial role in the economic development of any region, serving as the financial backbone that facilitates economic activities and fosters growth. Within this sector, rural banks hold a distinct position, often catering to the unique financial needs of rural communities. The performance of these rural banks is influenced by various factors, and one critical determinant is the effectiveness of their internal controls. Internal controls encompass the policies, procedures, and mechanisms implemented by financial institutions to safeguard assets, ensure accuracy in financial reporting, and promote operational efficiency. In the context of rural banks in the Central Region, understanding the impact of internal controls on their performance becomes paramount for several reasons.

Background to the Study

The banking and financial industry has been rocked by a string of disasters over the past few years, with a significant number of companies going out of business as a direct result of instances of fraud, losses brought on by market risk, deficiencies in internal control, and failures in the governance of cooperative organizations (Barra, 2010). These disasters have caused a significant number of companies to go out of business. According to Dowdell, Kim, Klamm, and Watson (2013), the Central Bank and the government are particularly concerned about the failure of the country's banks as a result of the financial crisis. This is due to the fact that banks make a significant economically significant contribution to the Gross Domestic Product of the country. In addition to the numerous other financial institutions that were placed on life support by the Central Bank, Ghana experienced the failure of seven local banks between the years 2016 and 2018 (Asiedu & Deffor 2017). Furthermore, Ghana's Central Bank placed these institutions on life support. It is possible that the regrettable failure of these banks can be traced back to a flagrant disregard for internal control, avarice on the part of managerial people, and inadequate corporate governance.

The banking industry continues to be plagued by a significant number of fraudulent activities, as well as financial and accounting scandals that result in significant financial losses (Callahan & Soileau, 2017). Despite the fact that banks are rumored to have some of the most advanced and effective internal control systems, the banking sector continues to be plagued by them. When it comes to the requirements that banks have regarding their internal control, the most significant things that banks need to take into consideration are the security of the bank's assets, the prevention of unauthorized access to data and approvals, and the protection of accounting entry systems and passwords. The risk of money laundering and the obligation to comply with transfer limitations are two other significant difficulties (Bellavite Pellegrini, Meoli, & Urga, 2017). Additionally, the capital requirements that are essential to attain acceptable liquidity requirements are something else that should be taken into consideration.

The failure of major corporations across Europe and the United States, such as Enron and WorldCom, has been a subject of reference in the study of internal control. This failure ultimately compelled the government of the United States to implement several regulations to protect the interests of investors and the general public. These regulations included the introduction of the Sarbanes-Oxley Act of 2002 and, subsequently, the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to Martin, Sanders, and Scalan (2014), fraud was the primary cause of the failure of big financial institutions like Lehman Brothers for the same reason. Investors and other stakeholders were able to feel a sense of relief as a result of these limits since they offered a reasonable guarantee that their funds would be protected from losses. That is the legacy of internal controls, which serve as the foundation for the achievement of organisational goals through a series of procedures designed by management and board and place the responsibility for achieving those goals on the shoulders of the people working in the organisation, which means that maintaining internal control is the responsibility of each and every person who is employed by the organisation (Tekathen & Dechow 2013).

The individuals who were the pioneers of internal control had the belief that if the principles were not adhered to, it may lead to anarchy within an organization, as well as inefficiency and a lack of collaboration among the major components of the organization. According to Agyei-Mensah (2016), it is necessary to adhere to the principles of internal controls in order to guarantee high levels of operational efficiency, integrity of the people, correctness and reliability of accounting and financial reporting. The inability of numerous companies to develop effective internal controls in order to mitigate risk and deal with the increasing frequency of fraudulent practices has resulted in a number of high-profile corporate scandals. These scandals have been brought to the attention of the public. It is true that an efficient internal control system does not automatically guarantee that there will be no instances of fraud or anomalies; nonetheless, it does assist in the efficient management of both people and resources. According to Ahluwalia, Ferrell, Ferrel, and Rittenburg (2018), it is necessary for every internal control system to undergo consistent evaluation. This is due to the fact that the effectiveness of controls is susceptible to change over the course of time.

Measuring internal control is an ongoing process since controls may be successful in the present moment but fail to meet expectations in the years to come due to the growing and new aspects of risk that are associated with corporations and organizations. This study is intended to analyze the efficacy of internal controls in rural and community banks in Ghana in order to evaluate how effective they are. This study is being conducted in the aftermath of reforms that were implemented in Ghana as a result of the failure of large banks in the country. Following the implementation of changes, this study will be carried out. During this vital moment when the banking and financial industry is experiencing a number of reforms, it is also a technique of evaluating how the rural banks are reacting to the directions and policies on internal controls and corporate governance that have been published by the Central Bank. This evaluation is being carried out in order to learn how the rural banks are responding to these policies and directions.

Statement of the Problem

In recent years, supervisors of the financial sector all over the world have placed a greater emphasis on the significance of implementing robust internal controls. There has been a considerable increase in the number of financial institutions that have experienced major losses, which has contributed to the increased interest in internal controls. According to the findings of an investigation into the issues that were associated with these losses, it is highly likely that these losses could have been averted if the financial institutions had maintained efficient internal control systems. The financial institution would have suffered less harm as a result of the use of such technologies, which would have averted or enabled early discovery of the faults that led to the losses.

Gesare, Nyagol, and Odongo (2016) made the observation that commercial banks in Kenya have recently reported losses occurring as a result of frauds, and a significant portion of these frauds are the result of internal control mechanisms that are either ineffective or inadequate. It is essential to conduct an examination in the microfinance sector in order to adequately address the inefficiencies that exists within the micro sector. Ofori (2011) suggests that risks, as and when they occur, pose a threat to the accomplishment of objectives, and that it should be the responsibility of corporate directors to minimize these risks in order to accomplish the organization's mission. In recent years, rural banks in Ghana have been subjected to a great deal of scrutiny as a result of the frauds, embezzlement, and scandals that have been committed against them over the course of several years. As a result, calls have been made for more stringent and proactive steps to be taken. Reforms have been begun by stakeholders with the purpose of cleaning up the rural banks and restoring confidence in the financial system sector as an alternative to the regular banking sector. All of these goals are intended to be accomplished. According to Boateng (2015), one of the components of these changes is the creation of a culture that has a strong emphasis on compliance and accountability to the internal processes of these institutions. Additionally, the purpose of these changes is to identify activities that pose hazards and to put into place measures that will mitigate such risks.

There is a lack of understanding regarding the types of internal control practices that are existing inside Rural and Community Banks, as well as how these practices influence the performance of these banks, despite the fact that there is an increasing trend in the implementation of internal control systems in financial institutions. In light of this context, the purpose of the study was to investigate the ways in which the practices of internal control influence the performance of rural banks located in the Central Region.

Purpose of the Study

The main aim of this study was to assess the effect of Internal Control Systems on performance of Rural Banks in the Central Region of Ghana.

Research Objectives

The specific objectives of the study are to;

1. Assess the nature of internal control practices of rural banks in central banks in Central Region.
2. Analyse the relationship between internal control practices and performance of rural banks in Central Region.

Research Questions

1. What is the nature of internal control practices of rural banks in central banks in Central Region?

Research Hypothesis

2. The is no significant relationship between Internal Control Practices and Firm Performance.

Significance of the Study

The present study makes two important contributions. First, it will provide literature on the internal control for rural banks in the country. The study also provides some important policy recommendations for regulators and stakeholders on how to restore confidence in the rural banking sector. The research attempts to ascertain whether internal control systems are well integrated in the sampled organisations operations. The findings provide important details on how these practices are upheld in the rural banking sectors in the Central Region. This provides stakeholders with action plans on how to formulate policies aimed at strengthening internal control systems.

Delimitation

The study was conducted on rural banks in the central region and was limited to three components of internal control; control environment, control activities, monitoring, risk assessment and communication and information. The three components were chosen from the five because they have direct relation to the financial performance of the organization whiles they also decide the behaviour of the other two components.

Limitation

Since internal control is practiced in all rural banks across the nation, it would have been ideal for the research to be conducted nationwide. The research was limited to rural banks and community banks in the Central Region due to financial, time and logistical constraints. Further, respondents were reluctant to provide information on the return on assets and total assets invested in their banks.

Organisation of the Study

The study is planned into five chapters. Chapter one consists of the background of the study, the statement of the problem, objectives of the study, significance of the study and limitation of the study. Chapter two is on a review of related literature. This chapter provides the fundamentals of the study and therefore help to shape the nature and direction of the study. Chapter three is on the research methods of the study. It covers the research design, the population and sampling procedures, data and data collection procedure, research instruments, as well as method of data processing and analysis. Chapter four is on results and discussion of the study whiles Chapter five is on the summary of the findings, conclusions and recommendations for the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter presents a review of related studies on the topic Effect of internal controls on performance of Rural Banks in the Central Region. The chapter is organized in various sections. First section presents a review of the theories of the study, the second section analyses the concepts underpinning the study. The third and fourth sections analysis the empirical and the conceptual framework of the study.

Theoretical Review

This section analyses the theoretical background of the study. The study centered on the agency theory and the contingency theory. These theories were used to analyse the relationship between internal control and performance of rural banks.

Agency theory

According to Connelly, Hoskisson, Tihanyi, and Certo (2010), Eisenhardt (1989), and Jensen and Meckling (1976), the agency theory investigates the most effective method for structuring interactions in which one party, the shareholder or the principal, specifies the work and another party, the manager or the agent, carries out the job. This type of partnership is one in which the principal hires an agent to carry out a task or conduct an endeavor that the principle is either reluctant to do or unable to execute. The shareholders, for example, are the principals of corporations. They are the ones who entrust the board of directors, who are the agents, with the responsibility of carrying out their duties on their behalf. According to Sarans and Abdolmohammadi (2011), this indicates that the assumptions of the agency theory are based on the choices and motives of natural human beings.

It has been suggested by Pratt and Zeckhauser (1985) that the separation of ownership and management may ultimately lead to conflicts between the goals of the principal and the agent. Furthermore, according to the concept, agents are autonomous and have a tendency to maximize their own benefits at the expense of principals (Sharma, 1997). This suggests that different people would be motivated by different things, and that they would make every effort to achieve those goals (Koch, Ostner, Peisner, & Schulke, 2009). Both the agent and the principal are motivated by their own self-interest, and as a result, they might not act in a manner that is congruent with each other's interests, according to the agency theory, which was proposed by Jensen and Meckling in 1976.

As a result of the separation of ownership and control, the agency theory also suggests that an information asymmetry problem may occur between the principal and the agent. This is something that Arnold and De Lange (2004) and Miller (2005) have pointed out. According to Lang (2006), information asymmetry occurs when one of the parties involved in a transaction holds more accurate data than the other party. According to Eilifsen, Messier, Glover, and Prawitt (2006), the agents are typically more knowledgeable than the principals regarding the day-to-day operations of the company which they are responsible for. Principals have no reason to expect that agents will operate in their best interests, according to the idea (Bonazzi, & Islam, 2007; Lan, & Heracleous, 2010). This is because of the knowledge asymmetry that exists between principals and agents, as well as the self-interest that agents have. Agency loss occurs when this alignment between the activities of the agent and the interests of the principal is not met. This, in turn, leads to a decline in the performance of the organization.

Asare (2006) emphasizes in his contribution that in order to reduce the likelihood of agency loss, individuals responsible for governance need to develop and implement internal controls in order to achieve the goals of the organization. In a similar spirit, Zimmerman (2011) asserts that in order to reduce the expenses of the agency, the interests of management must be aligned with those of the organization through the use of management controls such as monitoring systems and internal controls. Furthermore, El-Mahdy and Park (2013) say that robust internal mechanisms match the interests of agents with those of principals, hence reducing the possibility for information asymmetries and opportunistic behavior, which ultimately results in improved firm performance. This demonstrates that efficient internal control has a positive impact on performance when it motivates managers to participate in activities that are beneficial to shareholders.

Despite the fact that Arwinge (2013) acknowledges the significance of internal controls in lowering agency costs and improving performance, he emphasizes that the simple design or deployment of internal control systems does not result in a reduction in agency costs. According to Arwinge, the most important component is the commitment of those responsible for the implementation. COSO (2013) and Gyasi (2013) both come to the conclusion that an improvement in overall performance can be achieved through the successful design and implementation of internal control systems. Consequently, the only way for businesses to achieve their operational, financial reporting, and compliance goals is through the implementation of efficient internal control systems.

In a similar manner, the theoretical reviews and assumptions of the agency theory have been subjected to experimental investigation. The agency theory was utilized by Cao, Thi, Thanh and Cheung (2010), for example, in order to evaluate the quality of the reporting and accounting provided by the internal control system. It was brought to their attention that quality internal controls, which include quality reporting, help to decrease information asymmetries. A high level of internal controls increases the transparency of reporting and reduces expenses for the agency. Due to the fact that agency costs reduce returns, a reduction in those costs contributes positively to performance. A similar study was conducted by Njeri (2014), who used the agency theory as one of the theories to investigate the impact that internal controls have on the performance of manufacturing businesses in Kenya.

Some of the assumptions that the agency theory makes have been called into question by critics, despite the fact that the theory makes theoretical claims about the impact that internal control has on the performance of businesses. According to Bruce, Buck, and Main (2005), the premise that actors are acting in their own self-interest is an extreme one indeed. As a result of the self-interest assumption, they highlight the fact that goal congruence in principle-agent relationships is almost impossible to achieve. In a similar vein, De TSerclaes and Jollands (2007) argue that fluctuations in self-interest do not necessarily have to be regarded as negative, contrary to what the agency theory predicts. Additionally, they stated that self-interest may have positive results, highlighting the fact that self-interest is inevitable and that humans can be motivated by more than just money due to the fact that they exhibit desires for personal accomplishment, acknowledgment, and responsibility. Displays like these have the potential to boost the efficiency of enterprises.

Furthermore, critics of the agency theory argue that the theory fails to take into account the function of a corporation in relation to competitive realities, the different contexts in which they operate, and the requirement to transfer resources inside a firm in order to continue evolving (Foss, 1999). In addition, Lubatkin (2005) argues that the agency theory is incapable of explaining the difficulties that are encountered by businesses in the real world by firms. For the most part, businesses in the real world shift their attention away from the interests of shareholders and toward the concept of stakeholders, as well as the ways in which the business and the concept collaborate with one another.

Within the scope of this investigation, the agency theory, its underlying assumptions, criticisms, and the impact of the theory on the performance of corporations as a consequence of the implementation and operation of internal control systems have all been investigated. The following section begins with a description of the contingency theory, which transcends the agency theory and discusses how organisations may design their internal control systems to accommodate contingency conditions in order to boost the efficacy of control systems and performance.

Contingency theory (CT)

Based on the findings of Drazin and Van de Ven (1985) and Scott (1992), the contingency theory proposes that the optimal way in which a business ought to be organized is contingent, meaning that it is dependent on the kind of environment in which it operates. In accordance with the assertions of those who advocate for the contingency theory, the concept is based on two assumptions. In the first place, it suggests that there is no strategy that is universally better (Bergeron, Raymond, & Rivard, 2001; Venkatraman, 1989) and that there is no one way that is best for the structure of a firm (Donaldson, 2001). Regarding the second premise, the theory proposes that the selection of a method, structure, or control system is dependent on the contingency conditions that are present. These conditions include the environment, risk profile, strategy, size, organizational structure, and the activities that are most appropriate at the moment (Chenhall, 2003; Donaldson, 2006; Richard, 2003).

Regarding the second premise, Macintosh (1994), Hoque and James (2000), Chenhall (2003), and Pfister (2009) all emphasize that in order for an organization to function effectively and achieve its corporate objectives, the structure of the organization and the setting in which it operates must be compatible with one another. Jokipii (2009) provides evidence to back up this assertion by pointing out that a number of frameworks, like the COSO and Criteria of Control (CoCo), are of the opinion that diverse organizations are required to have different internal control systems that are based on the contingency characteristics of the individual organizations. The contingency theory, which says that every organization must select the most suitable control system by considering contingency characteristics (Fisher, 1995; Luft & Shields, 2003; Jokipii, 2009), is analogous to this concept: it states that each organization must select the best suitable control system.

The discussion that came before this one illustrates that two organizations should not have identical internal control systems unless such systems are similar to one another. Therefore, the requirement of internal control systems and the specifics of those systems may differ from one organization to another based on the circumstances of the organization. This line of reasoning, which is presented in the framework for internal control systems (COSO, 1994, page 18), is comparable to the contingency theory concept. In accordance with the findings of Drazin and Van de Ven (1985) and Donaldson (2006), the match, which is also known as fit, is the motivator that drives performance. Based on the findings of this study, it can be concluded that effective internal control systems and enhanced organizational performance are the result of successfully adapting control systems to the contingency features of the organization (Pock, 2007).

Concerning the constituents of the internal control system, there are certain aspects of the contingency theory that are connected. The fact that this is the case suggests that there is a connection between the structure of internal control systems and the contingency features that govern the structure of internal control systems (Donaldson, 2006). According to Dropuli (2013), changes in contingency variables need revisions to the structure of internal control systems in order to increase the effectiveness of these systems and, as a result, the performance of the organization.

To be more specific, the contingency theory proposes that businesses are not closed systems that can be developed without taking into account environmental conditions and the ways in which they influence the firm (Jokipii, 2006). Jopkpii emphasized that in order for enterprises to improve and maintain their performance, they need to continually examine the risk of interaction with the environment, the monitoring methods, and the organization's commitment to dealing with such occurrences. This demonstrates that the internal control system, which is a component of the structure or design of an organization, is not a fixed component. In addition, Eriksson-Zetterquist, Mullen, and Styhre (2011) believe that the theory helps to dispel the assumption that the best approach to manage a firm is to serve the goals of shareholders, which is a proposition that is proposed by the agency theory.

Equally, the consequence of fit and mismatch between the structure and the contingency variables on company performance helps managers obtain a comprehensive understanding of why constant modifications must be made to organizational design when contingency features continue to evolve (Gerdin & Greve, 2004). This is because the structure and the contingency variables are both influenced by the performance of the company. In addition, Donaldson (2006) is of the opinion that as organizations expand the extent of their internal control implementation or evaluate the controls, they continue to reduce the number of misfits to quasi-misfits, which ultimately leads to an improvement in performance.

Opponents of the contingency theory have argued that an organization does not need to react to its external environment (Hodges & Gill, 2014), despite the fact that the theory has been well-established in proving correlations between internal control systems and performance (Donaldson, 2001; Islam & Hu, 2012; Pock, 2007). According to what they said, it is not always a good idea for organizations to achieve a fit with their contingencies.

This is due to the fact that even though the company adjusts its structure to suit the current contingencies, the contingencies continue to evolve, and the change in organizational structure would not generate the intended fit. Therefore, it is possible that the organization will not achieve a full fit but rather a faux fit, which is a structure that only partially and not totally matches the eventualities. The conceptual concerns will be discussed in the following section.

Conceptual Review

This section analyses the concepts and constructs underpinning the study. The concept of internal control and Rural Banks effectiveness has been explained.

Internal control effectiveness

The definition of internal control is given by Committee of Sponsoring Organisations of the Treadway Commission (COSO), (2013), as a set of continuous process and procedures. This is so because the processes are not an end by itself but rather a means to an end. It constitutes the strategic polices developed by an organization through a collective effort and contributions by the people, from the board to the lower level, to ensure that they provide a reasonable assurance that objectives of the organization are met and that all the resources under the control of these organization including the people are protected and controlled in manner that will help realize the strategic goals (Li, Raman et al. 2015). The main objectives are, the controls should be able to help the organization achieve maximum operational efficiency, compliance with regulations, accounting process and practical follow ethical standards and reporting follows reliable format (Lawson, et al. 2017). Other definitions are the Basel Committee on Banking Supervision, also termed internal control as a responsibility of the board of directors to direct operations of the organization in an orderly legal and ensure activities take into account ethical considerations.

The impact of internal control on the performance of an organizations depends on a wide range of factors, including the understanding, implementation, supervising and applying suitable controls to required risks. In most where controls fail, there outcome has always been, management failure to apply the right controls. Additionally, internal control elements are inter-dependent on each other, therefore if the firms fail to ensure efficiency of each control component the entire system of control can be compromised while attempting to facilitate business processes (Nurhayati, 2016).

Ideally effective control systems are embedded in the business and organizational processes and form an integral part of the corporation. In order for controls to be effective and impact positively on performance, it has to be designed and made the responsibility of everyone, from the board, management and employees. Everyone within the organization is responsible for ensuring that internal controls function effectively.

Control environment

Control environments are the actual standards, processes and structures that provides the foundation for other internal controls throughout the organization (Archer, 2016). This may include the tone at the top, also means the attitude of top management. Example, the CEO's attitude towards internal control goes a long way to set a positive tone for the entire organization. Does the CEO see internal control as something that will actually drive the success of the organization, is it something that is vital or they are just being forced to comply with controls, but actually not committed to it (Basu 2016). If the CEO is an ethical person and takes internal control very seriously, that will affect the success of internal control right from the top to the bottom of the structure. Likewise, the top management, the control environment can be looked at from employee's commitment point of view, thus the attitude of employees towards controls.

Studies have suggested that, the positive or posture of the CEO, will affect the attitude of the lower employees (Boadu 2016). If the CEO or even the board does not demonstrate commitment to internal control, there is no way the lower employees will comply with it. This implies that, control environment is very important in setting the attitude of the entire organization as a cultural value as a support mechanism to other components of controls.

Adhikari and Gårseth-Nesbakk (2016), most scholar refers to control environment as the message management send across the organization about internal controls, such as issues bothering on integrity, ethical values, the operating philosophy, leadership tendencies of management overriding controls. The philosophy of management towards result-oriented policies is evident in the control environment, if only they possess high quality of competence as well encourage employees to also upgrade and become competent along with their increasing responsibilities (Gurd & Helliar, 2017).

There are several players within the control environment and that includes the audit committee of the board, who are required to demonstrate high level of competence, integrity and independence in ensuring effective internal control. The board itself and the sub-committees may be subject to integrity scrutiny such as looking at the ratio of executive and non-executive members discharging the strategic duties.

Risk assessment

Every organization is exposed to risk and it is the responsibility of management, internal and external auditors to help identify risk (Girardone et al. 2017). The organizational risk assessment process involves identification and managing any type of risk that the business faces. How this relates to auditors, financial statement, companies should be assessing the risk of financial statement fraud and that is going to be built around the company's internal control systems. Managing and identifying risk should be able to tell that this is the risk the organizational is willing and able to address with full consideration of the resource capacity (Aziz et al., 2015). Management must be able to identify risk, as it is one of the major principles underlined in the Sarbanes Oxley Act 2002.

Identifying factors that may increase risk and estimating the significance of the risk is very critical to control effectiveness. Aside that, assessing the likelihood of risk occurring and determining the required action is necessary to managing the risk. According (Prozan et al. 2015), managing risks, assessing policies and programs varies, but is closely related to the auditor's judgment. Management assesses risk related to designing and operating internal control in order to minimize errors and fraud. Auditors assess risk to decide the evidence needed in the audit. These are guidelines, prescribe by COSO and Sarbanes Oxley Act2002 which mandates firms to issue reports on internal controls and make public their financial statements timely (Agumba et al., 2016). The increasing involvement of external evaluators in the assessment of risk and internal control effectiveness, has encouraged firm not to demonstrate much commitment assessing their internal affairs with respect to risk.

Control activities

These are policies, procedures that are put in place to address risk that have been identified. They come along with policies like separation of duties, authorization, physical control access to company documents and installations, passwords etc., are good examples of control activities. Reconciliations of the cash account to the bank balance (Arslanalp & Liao, 2014). All these measures could be installed to address any form of irregularity in financial operations including fraud as well as errors and potential threats to accuracy of accounting records (Barton & Bruder, 2014).

Control activities are the actions taken based on auditors' recommendation and internal auditors' assessment of the state of controls. Most often these actions in the form of directives from the board to effect changes to operational policies and systems. Hayes, et al. (2014), controls activities include a set of policy such as adequate separation of duties, meaning two separate or related functions cannot be performed by one individual, and under certain circumstances processes that are jointly performed should not be assigned to close employee's example billing of customers, cashiering bank lodgment, deposits and withdrawals (Lawson, et al. 2017). These actions also ensures that proper authorization of transactions and financial records are put in place, for examples, granting credit facilities to customers and loans must be approved and monitored by designated superior (Dull et al., 2013).

Aside that, adequate documentation and recording of data are relevant aspects of control activities. Similar to this is access to vital information. Safeguarding assets is paramount responsibility of control activity, and it could be physical control over assets and records (Daniela & Attila, 2013). In a computerized accounting environment, passwords are required before entry to gain access to master files. At the same time, independent checks must be carried out and independently verified. In most cases, especially with the banks employees in custody of assets are separated from those in charge of authorization of transaction (Lawson, et al., 2017). Employees in charge of assets storage are separated from those in charge of book-keeping. At the same time, IT personnel are separated far away from all user departments.

Information and communication

This is an important critical element, tool for effective internal control, example if a company has an accounting system that is not providing quality financial information or seem to be unreliable, there would certainly be doubt about the recording of the data and transitions (Soin & Collier, 2013). The biggest risk is that, there may be losses, in assets and revenue leakages without proper traces and that would certainly make it difficult to measure performance of the organization at any given time (Sanders et al., 2014). It also an indication that the internal control responsibilities may not have been adequately communicated to those at the lower level who are actually doing the work, and therefore the quality of internal control does not reflect the responses in productivity.

More so communication and information are vital in creating the linkage between all the other elements of controls. It provides feedback on the effectiveness of each control component. Dănescu and Dogar (2012), found a positive impact of internal control on employee performance with the help of effective channels of communication, the establishment of effective mode of communication in an organization, and frequent assessment for consistent feedback from bottom up and vice versa. The purpose of accounting information is and communication is to initiate, record, process and report the entity's transactions and to maintain accounting for related assets.

Monitoring

Monitoring has the responsibility of evaluating performance of internal control to identify deviations and inefficiencies associated with the system of controls (Benaroch et al., 2012). Ideally, internal control should not be left unmonitored or assessed for effectiveness. Monitoring also verifies and ensures whether people are actually applying the internal control designed and if the designed controls are addressing specific risk that it's meant to address (Kim et al. 2013). However, the controls help management to identify any problems with the operating environment. Negative responses could imply that the controls systems are weak and ineffective. Monitoring controls require that, people in top management positions abreast themselves, especially the board with the concept of control system that is suitable for the organization and assess how the said controls address the interest of all parties (Tessier & Otley, 2012).

Board of directors are mandated to acquire requisite knowledge to be able to understand the level of risk the firm is exposed to and then create a risk program to address them. The board is also mandated to take part in monitoring, without their involvement it will be challenging for management alone to address the effectiveness of internal controls in any strange circumstances (Chtioui & Thiéry-Dubuisson 2011). Computerization of accounting systems have made it much easier for firms to monitor employees and accounting systems, however it is much of problem if the board is not abreast with new technologies that will support their oversight responsibilities (Ma & Ma, 2011). Likewise, the other elements of controls, monitoring also requires consistency and continuous process and ongoing procedures.

Performance measurements

Alosani, Yusoff and Al-Dhaafri (2020) describe performance measurement as measurements used to quantify and calculate the efficacy and efficiency of an action. According to Cheng (2008), performance measurements are ways by which companies monitor their operations and evaluate whether they are achieving their objectives. According to Adigbole, Osemene and Fakile (2019), performance measurement is important to any management control system. Effective performance measurement is vital for guaranteeing the effective implementation of a company's business plan. The objective of performance evaluation is not just to determine how well a business is functioning, but also to improve its performance so that it may better serve its customers, workers, owners, and other stakeholders

According to Xin, Teng & Chin (2018), appropriate performance measurements are those that enable companies to concentrate their efforts on achieving their strategic objectives. Specifically, performance measurements are metrics used to estimate the efficacy and efficiency of organisational action, according to Matos and Ensslin (2019). Yalico, Ortiz, Larco, Gallegos and Antonini (2020) concur that these explanations are accurate but fail to explain the concept known as performance assessment in contemporary literature and practice.

According to Bourne, Melnyk and Bitici (2018), performance measuring involves the application of a multidimensional collection of performance metrics. Multidimensional performance measures are those that incorporate both financial and non-financial key performance indicators (KPI) (Fitzgerald & Moon, 1996). Multidimensional performance measures have gained appeal in both research and practice, as they leverage on the advantages of single-dimensional measures while limiting their disadvantages. Internal and external measurements of performance are used to quantify present and future performance, according to the proponents of multidimensional performance measures (Cheng, 2008; Kotey & Meredith, 1997).

Researchers, such as Zuriekat, Salameh, and Alrawashdeh (2011), have employed self-assessment questionnaires using Likert scales to collect data for the purpose of combining multidimensional measures of performance. The building block concept is an illustration of multidimensional performance metrics.

Financial or quantitative performance indicators include operational profit, net profit, dividend yield, return on assets, cash flows, return on capital employed, residual income, and value-added income (Horngren, Datar & Foster, 2006). Financial performance, as described by Khan and Jain (2013) and Garrison, Noreen, and Brere (2011), may be relative or absolute. According to Horngren, Datar, and Rajan (2013), relative financial performance measures relate profit or return to the resources used to generate such profit. This method of measuring performance is advantageous since it permits inter- and intra-firm comparisons.

Absolute financial performance measurements, on the other hand, are based on absolute return or equal return (Garrison, Noreen & Brewer, 2011). Equivalent return implies many types of return, including profit after tax, profit before interest and tax, value contributed to the economy, and residual income. The absence of a correlation between return and the resources utilised to achieve return is used as an argument against absolute performance measurement by advocates of relative measures (Horngren et al., 2013).

Despite the vital role that financial success plays in performance evaluation, critics have asserted that, to begin with, these metrics are historical in nature, susceptible to manipulation, and lack predictive significance (Emmanuel & Otley, 1995; Kaplan & Norton, 1996; Smith, 2005; Venanzi, 2011). Secondly, managers may be tempted to make actions that boost short-term financial success but have a detrimental influence on long-term performance in order to obtain the desired financial outcome (Dallas, 2011; Kaplan, 2014). Thirdly, the use of these short-term financial performance indicators has limited benefits for the business since they do not provide a complete picture of the elements that drive the long-term performance of commercial organisations (Drury, 2012).

According to Agyei-Mensah (2009), non-financial or qualitative measures are performance indicators based on non-financial information that comes from and is utilised by cost and profit centres to monitor and regulate their activities without accounting input. The building block approach includes quality of service, flexibility, resource utilisation, innovation, and competitive performance as non-financial performance indicators (Kaplan, 2014). These metrics give managers with timely data centered on the causes and drivers of success and may be utilised to construct integrated assessment systems (Banker, Potter & Srinivasan, 2000; Kaplan & Norton, 1996; Woolf, 2014).

Qualitative indicators provide a comprehensive view of the aspects that generate long-term profitability (Fitzgerald & Moon, 1996; Hongren et tal., 2006). Qualitative performance indicators are primarily anchored to objectively establish performance objectives and are often measured using scales (Glancey, 1998). In addition, the accounting literature has empirical data supporting the reliability and validity of qualitative metrics (Abdel-Maksoud & Abdel-Kader, 2007; Kaplan & Norton, 1996). However, some argue that qualitative performance measurements are sometimes overly exhaustive (Kaplan, 2014).

Fitzgerald and Moon (1996) established a framework known as the building block model for the establishment of a multidimensional performance indicator for monitoring company performance in service sectors. According to them, the fundamental element consists of dimensions, standards, and incentives. Fitzgerald and Moon's dimensions are the business objectives for which performance indicators must be formulated. The model's aspects include competitiveness, financial performance, service quality, adaptability, resource use, and innovation. In contrast, standards are the indicators used to measure the goals (Woolf, 2014). They consist of market share, client base, profitability, liquidity, responsiveness, delivery speed, productivity, innovation, and innovation performance.

Fitzgerald and Moon (1996) assessed dimensions using different methods for gauging business objectives. The empirical data was gathered through a combination of in-depth interviews, an analysis of internal records, and the non-participatory observation of corporate operations, including in certain cases company meetings. Fifty persons were interviewed, representing a variety of professionals at the corporate, partnership, and business unit levels.

The assessment scale employed by Yeboah (2013) in his study titled Do auto-artisans practice entrepreneurial orientation? was analysed through the application of a cutoff point. Yeboah (2013) investigated the extent to which Cape Coast auto-artisans exhibited an entrepreneurial mindset. 114 auto-artisans completed a self-administered questionnaire to collect data. The measuring device was a five-point Likert scale. The entrepreneurial oriented components were characterised as low or high based on a scale of 1-2.9 and 3-5, respectively. In order to account for potential inaccuracies, the cutoff threshold was based on the mean score minus 0.1 points. The results of the study demonstrated that auto-artisans have a strong entrepreneurial mindset.

Empirical Review

This section examines the present condition of the topic. It gives evidence from previous research. The objective of this section is to identify existing gaps in the literature and to explain how the current study contributes to filling them. This section contains a variety of criticisms. This part also establishes the groundwork for comparing the outcomes of the present study to previous research. The complete analysis is provided below.

Mawanda (2008) evaluated the impact of internal control systems on the financial performance of a higher education institution by examining internal controls from the viewpoints of the control environment, control activities, and internal audit. Adopted financial performance metrics were liquidity, financial reporting, and accountability. Mawanda aimed to assess the functionality of its internal control system, the degree of its financial performance, and the link between the two. Mawanda (2008) applied both qualitative and quantitative research methods. The research employed a combination of correlational survey and case study methods. In order to combine the many units of financial performance, self-assessment questionnaires were used to collect primary data. A framework for interviews was also utilised to collect data from important informants. On the other hand, secondary data were acquired from available records and papers. Although the author omitted to identify the sample size of the study, Mawanda said that 75 percent of department heads and key accounting and finance professionals out of 270 full-time employees comprised the sample. With the use of Statistical Product and Service Solutions, the data were then analysed through regression analysis (SPSS). Other narrative analysis of qualitative data was offered.

The analysis revealed that the institution's administration is committed to internal control systems by actively supervising and monitoring University operations. Mawanda (2008) discovered a substantial association between financial performance and the system of internal control. Mawanda was unable to address all variables of the COSO framework for internal controls, despite the fact that all internal control factors demonstrated a substantial impact on performance. Mawanda advised that the institution build and administer an information management system to ensure that all parties have unfettered access to and use of official information.

Noel (2010) did a distinct study in Uganda on the relationship between liquidity levels and control environment in indigenous commercial banks. Examining the relationship between control environment and liquidity levels, analysing the correlation between monitoring, control environment, and accountability, and determining whether monitoring, control environment, and accountability factors have an impact on liquidity levels in indigenous Ugandan commercial banks were the specific aims of the study. Noel (2010) utilised competency levels, company culture, audit committee quality, and management integrity and ethics as the components of the control environment, and measured them on a 5-point Likert scale ranging from 1 to 5, where 1 indicates strongly disagree and 5 indicates strongly agree. Consequently, disclosures and openness were chosen as accountability components, whilst internal checks, reconciliations, and audits were utilised as monitoring constructs. Both monitoring and accountability were assessed using a 5-point Likert scale. In the study, the cash ratio and current ratio were used to determine the amount of liquidity.

Noel (2010) adopted a cross-sectional survey, a mixed research strategy, and a stratified sample procedure. The stratified sampling method was utilised to divide the sampling units into top management, middle or senior employees, and other staff, from which a purposive sampling method was used to pick a sample size of 284 from a population of 700 banking workers in four indigenous commercial banks in Uganda. Using questionnaires to collect data, descriptive, principal component analysis, correlation, and regression analyses were used to investigate the link between control environment and liquidity levels. The correlation study found a strong positive association between the control environment and liquidity levels (r =.293**, P-value 0.01). The findings of a regression study also indicated that the control environment, accountability, and monitoring had a substantial effect on liquidity level.

Noel (2010) discovered that the control environment, monitoring, and accountability together explained or predicted 19% of the variance in liquidity levels. Monitoring was the most important predictor among them. This means that around 81 percent of liquidity levels were explained by variables beyond the scope of the research. Noel said that in order to increase liquidity levels, Ugandan commercial banks must maintain and enhance their control environment and monitoring mechanism.

Despite the fact that Noel (2010) utilised a very large sample size and the required statistical analysis, the R-square was extremely low. The low R-square indicates that additional factors are required to explain the influence of internal controls on liquidity. For instance, according to the COSO (2013) internal control architecture, well-designed internal control systems should consist of five components. In Noel's study, however, just a controlled atmosphere and monitoring were utilised.

Siayor (2010) also investigated how the internal control system and risk management influenced the financial performance of DnB NOR ASA, a Norwegian financial services business, in separate research. The objectives of the study were to identify the risks that threaten the operations of DnB NOR ASA, determine whether these risks affected the financial performance of

DnB NOR ASA, identify the internal control and risk management systems implemented by DnB NOR ASA, and assess the impact of these control systems on DnB NOR ASA's performance.

According to Siayor (2010), the study utilised a mixed research technique with a case study as the particular design, despite the fact that case studies are qualitative research designs. There were both primary and secondary data used. Using questionnaires, primary data were collected from key informants at NOR ASA DnB. On the other side, secondary data were collected from audited annual reports of DnB NOR ASA. Although the author did not specify the size of the research population, he utilised a sample size of ten. Two respondents were selected from the internal audit, finance, insurance, human resources, and administration departments using a purposeful sample approach. The majority of the analyses of the outcomes consisted of descriptive analysis and narratives. The research findings suggested that the organisation has excellent internal controls and risk management mechanisms in place. It was also revealed that the robust internal control and risk management systems increased the overall performance and profitability of DnB NOR ASA. In addition, market risk, credit risk, and liquidity risk were identified as threats to DnB NOR ASA's operations by the research.

A critical analysis of Siayor's study reveals that the author employed a qualitative study technique, despite his assertion that a mixed research approach was utilised. Second, the primary data collection from DnB NOR ASA's key informants was conducted through questionnaire, although an interview guide could have been employed. Thirdly, unlike Noel's (2010) study, Siayor's sample size was confined to DnB NOR ASA and so cannot be extrapolated to the whole Norwegian banking industry. Siayor failed to assess the effect of internal control factors on profitability since no regression analysis was conducted.

Muraleetharan (2011) examined the influence of internal controls on the financial performance of Sri Lankan organisations from the Jaffna district. Muraleetharan modified COSO's five internal control aspects, namely control environment, risk assessment, control activities, information and communication, and monitoring. Indicators of profitability, efficiency, and liquidity performance were employed to measure financial performance. For the purpose of combining the financial performance indicators and testing the hypothesis, data were obtained via self-assessment questionnaires and personal interviews from 181 employees of 47 public and private organisations in the Jaffna area.

All utilised dimensions were found to be reliable, with Cronbach alpha (a) values exceeding 0.70. Statistical Product and Service Solutions was then utilised to analyse the data (SPSS). Chi square and regression were employed as statistical methods for analysis. The study indicated that internal control predicts performance with statistical significance. Important is the finding that internal controls predict financial performance, despite the fact that they are not statistically significant in comparison to control environment and information and communication. Muraleetharan (2010) suggests that emphasis should also be placed on developing an effective management information system and educating employees.

A close examination of Muraleetharan's (2011) work reveals that he evaluated all components of COSO's internal control variables. This makes

Muraleetheran's work far more extensive than that of Mawanda (2008) and Noel (2010). This indicates that Muraleetharan's work addresses the flaws in Mawanda and Noel's choice of internal control variables.

In a similar study, Ndungu (2013) used a mixed research technique to assess the impact of internal controls on income creation at University of Nairobi Enterprise and Services (UNES). The target population for the 2013 calendar year was UNES employees. A simple random selection approach was employed to choose 45 employees from the target population, with a response rate of 62%. The study employed a descriptive research approach, and primary data were gathered through the use of structured questionnaires. Secondary data were gathered through management reports and other public materials.

Control environment was evaluated based on the ethical principles, degree of integrity, and competence of individuals entrusted with establishing, administering, and monitoring the controls, whereas risk assessment was evaluated based on the acceptable level of risk to be maintained. Information and communication were evaluated based on how information is recognised, collected, and conveyed in the proper format and within the prescribed time limit. Measurement of control activities was based on the number of effective processes, rules, and mechanisms designed to ensure correct management instructions. The frequency with which the quality and efficacy of internal controls are checked and revised throughout time served as the metric for monitoring. The assessment tool employed was a 5-point Likert scale, with 1 indicating severe disagreement and 5 indicating strong agreement.

The examination of the data used descriptive and inferential statistics. Adopted were pie chart, bar chart, and linear regression tools. Ndugu found, based on the data, that the internal control systems of UNES impact revenue creation (R2 = 88.3%), despite the fact that risk assessment, control activities, information and communication, and monitoring were statistically insignificant with respect to financial performance. In addition, it was discovered that UNES had formal procedures and policies for each activity, which allowed for the achievement of healthy and efficient monitoring, communication, and control of activities, despite the fact that risk assessment, control activities, information, and communication had no statistically significant relationship with performance. The report suggests that UNES should foster integrity and ethical ideals among its staff and leadership.

In comparison to previous empirical research on the issue, the sample size obtained from the population in the preceding study is quite small. Similarly, the author forgot to reveal the study's population, making it difficult to assess the validity of the sample size. In addition, Ndugu's usage of the Likert scale of measurement is improper since the scale is not on the same dimension.

Similarly, Oyoo (2014) investigated the impact of internal control mechanisms on the financial performance of microfinance banks in Kenya's Kisumu Central Constituency. Internal controls were evaluated based on the control environment, control activities, and information and communication, whereas financial performance was evaluated based on liquidity. A five-point Likert scale ranging from strong agreement to severe disagreement was utilised. We chose descriptive and correlational study designs. The target population consisted of 18 microfinance organisations that were registered. Then, using convenience sampling, a total of seven institutions, representing thirty-five respondents, were selected. Self-administered questionnaires were used to collect primary data, while secondary data were extracted from the annual report and other sources.

Descriptive and inferential statistics were used to analyse the data. For inferential statistics, correlation was utilised instead of regression analysis. Oyoo (2014) revealed a favourable correlation between microfinance organisations' internal control and financial performance. It was suggested that microfinance institutions create more effective management information systems and tighten debt collection regulations.

A rigorous examination of the preceding study reveals that the influence of control systems on financial performance was not examined since the incorrect analytical instrument was employed. In addition, Oyoo (2014) should have employed a census because the sample size of 35 was insufficient for such a comprehensive examination.

Chebungwen and Kwasira (2014) assessed the impact of internal controls on the financial performance of Kenyan tertiary training institutions: a study of the African institute for research and development studies. To attain this purpose, the study was driven by the agency theory in order to experimentally examine the impact of internal control on financial performance in Kenyan postsecondary institutions. In addition, the purpose of the research was to assess the efficiency of the internal audit utilised by the African Institute for Research and Development's internal control effort. The target audience consisted of all 68 employees of the tertiary institution. A census was conducted because of the magnitude of the target population. Using structured questionnaires, data were collected.

Using Statistical Product for Service Solutions (SPSS) and descriptive statistics such as percentages, means, medians, modes, and standard deviations, the data acquired from the structured questionnaires were analysed. In lieu of a regression tool, the Pearson's Product Moment Correlation Coefficient (PPMC) was utilised to evaluate the type and strength of the link between the independent factors and the dependent variable. The study's analysis and findings suggested that internal audit reports of the institutions addressed internal control system shortcomings, hence boosting the financial performance of the institutions. In addition, the data suggest a connection between internal control system and financial success.

The report advised that Kenyan tertiary education institutions not only establish an internal audit department, but also guarantee that it is appropriately staffed and independent. This would guarantee that management influence with the work of the auditors is reduced and, if possible, eliminated, therefore decreasing the vulnerabilities in the internal control system in order to improve performance.

A critical examination of the research undertaken by Chebungwen and Kwasira (2014) reveals inconsistencies between the study's purpose and methodology, particularly the analytical tool. Chebungwen and Kwasira wanted to experimentally examine the impact of internal control on the financial performance of tertiary institutions in Kenya, but no target was established to do so. In addition, both Chebungwen and Kwasira utilised correlation, but no target was established to examine the link between internal control and financial success. According to Khan (2012), correlation measures the relationships between the variables. Therefore, regression analysis was the proper method for evaluating the effects of the internal control system on financial performance.

Ejoh and Ejom (2014) did a similar study in Nigeria to investigate the influence of internal control activities on the performance of tertiary institutions in Nigeria. The research was done at Akamkpa's Cross River State College of Education. Instead of developing a study hypothesis that examines the influence of the independent factors on the dependent variable, Ejoh and Ejom examined the link between internal control activities and financial performance.

Using structured questionnaires, primary data were collected, while secondary data were gathered from publications and other published sources. The design of the study was a cross-sectional survey, and stratified sampling was utilised to choose the sample units, which comprised department heads, school deans, internal audit employees, bursary staff, other academic personnel, and non-academic staff. We utilised a 4-point Likert scale ranging from strongly agree to strongly disagree. The data were subsequently analysed using straightforward percentages, tables, and correlation coefficients, excluding regression analysis. The analysis revealed that all activities at Cross River State College were initiated by the administration.

Regarding control operations, Ejoh and Ejom (2014) discovered that the institution's financial department has obvious function separation. The writers also discovered that the institution's financial accounts are annually audited by external auditors. However, it seemed likely that a single employee could access all sensitive financial data without the knowledge of other employees. Regarding financial management, the analysis indicated that the institution carefully adheres to the annual departmental budget and that measures are in place to prevent overspending. In addition, the study showed no correlation between internal control efforts and the financial success of the college.

Examining the research conducted by Ejoh and Ejom (2014) indicates a discrepancy. The topic was to examine the influence of internal control operations on financial performance, however the study hypothesis mainly focused on the link between the two. Since the authors formulated a flawed study premise, they also employed a flawed method of analysis: correlation analysis. The authors should have generated hypotheses examining the influence of internal control actions on financial performance in order to conduct regression analysis.

In addition, the study was very descriptive and narrative, making it extremely difficult to quantify the exact impact of internal controls. In Ejoh and Ejom's (2014) investigation, crucial factors such as the size of the target population and sample size were missing. Despite the fact that an organization's internal control structure impacts all personnel, this study relied solely on key informants.

Widyaningsih (2015) investigated the impact of internal control on accountability in research involving Bandung Elementary School in Indonesia. The internal control was evaluated utilising the COSO framework. Exploratory design was utilised to elucidate the link between variables through hypothesis testing. The target population consisted of all Bandung elementary schools. A sample size of 168 was drawn from the total population by using a technique of convenience sampling. Using questionnaires, primary data were obtained.

The tool for data collection was created using Likert scales. The data collected from the respondents was analysed inferentially. In particular, route regression analysis was employed. On the basis of the findings, it was determined that the internal control system considerably influenced or predicted the variation in responsibility. Statistically, risk assessment and information and communication did not predict the variance in responsibility. The application of internal control in elementary schools in Bandung was likewise found to be high, except for information and communication. A cross-examination of Widyaningsih's (2015) study reveals that the appropriate method for analysing the research subject was employed. Since Widyaningsih did not reveal the population size, it is extremely impossible to evaluate the representativeness of the sample size.

Oppong, Owiredu, Abedana, and Asante (2016) performed second research on the effect of internal control on performance utilising Ghanaian faith-based NGOs. Internal controls were evaluated based on the COSO framework, whereas performance reflected economy, efficacy, and efficiency. Using self-administered questionnaires, information was gathered for the study. According to the authors, 118 of the 150 participants in the sample participated in the study, despite the population size not being stated.

Statistical Package for Social Sciences was used to analyse the gathered data. In displaying the data, pie charts and bar charts were utilised. Internal controls considerably improve the effectiveness of faith-based NGOs in Ghana, according to the research. In addition, the analysis concluded that internal control systems functioned adequately in four of the COSO model's five components, with the exception of risk assessment, for which processes were judged to be extremely deficient.

The report advised that the management of faith-based NGOs implement comprehensive procedures to continuously evaluate their efficacy and operational effects. In order to increase efficiency, management should also implement a rigorous risk management framework capable of detecting every risk intrinsic to the internal control system.

A critical evaluation of the preceding study reveals that the authors forgot to disclose the population size, making it difficult to verify the sample size. Moreover, the researchers failed to analyse the influence of internal control systems on performance since they did not employ a regression technique.

Theoretical reasons for investigating the influence of internal control system on the performance of insurance businesses in Ghana have been established by the theoretical review. In addition to providing a basis for comparison, the empirical and conceptual assessments have helped to identify areas of consensus and substantial disputes. The subsequent phase is a conversation regarding lessons learned and knowledge gaps.

Conceptual Framework

The conceptual framework of this study was constructed from available literature based on the purpose and constructs adopted in this current study. The study bases three internal control variables on COSO internal control framework namely, control environment (CE); control activities (CA); information and communication (IC), risk management and monitoring. These constructs are interrelated and reflect the independent variables for this present study.

Performance, the dependent variable, is centered on a multi-dimensional performance indicator known as the building block model developed by Fiztgerald and Moon (1996). These performance indicators consist of return on asset, liquidity, customer base, quality of service, flexibility, resource utilisation and innovation.

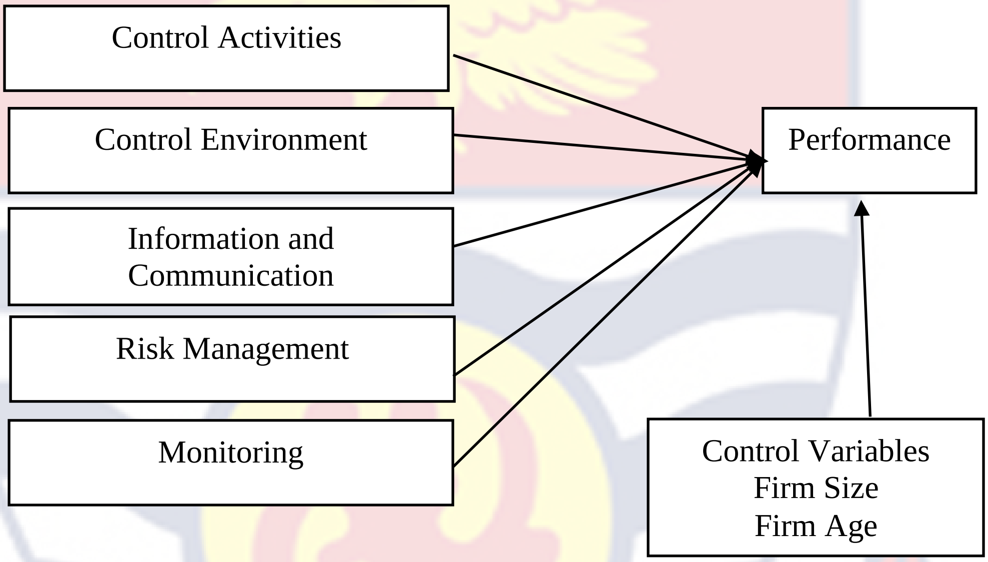

Figure 1: Conceptual Framework
Source: Author's Construct (2022)

The conceptual framework above depicts the positive linkage between internal controls and performance as well as the effect of internal controls on performance. This positive relationship is explained by the agency and contingency theories adopted for this study.

Chapter Summary

This Chapter analysed the theoretical framework, underpinning this research. The concept within the study was explained from other researchers' perspective. The empirical review of other researchers was also analysed in order to identify the results from other research on the subject matter.

CHAPTER THREE

RESEARCH METHODS

Introduction

The chapter discusses the methods employed for this research. The methodology consists of the design of the research, approach of the research, study population, research sample size, sampling technique, instrument for the survey, procedure for collecting data, and the statistical analysis employed for the research.

Research Paradigm

This study used Positivist research paradigm. Positivism posits that scientific method is the only way to establish truth or reality. Thus, from positivists point of view, every research should be scientific. According to Bogdan and Biklen (2003), positivist research paradigm fits well for establishing causes of a phenomena or to test theory.

Research Approach

Saunders, et al (2012) indicated that, research approach consists of quantitative and qualitative research approach. In qualitative research approach, data is gathered by spoken language or written procedure. In qualitative research numbers are not used to describe the data (Polkinghorne, 2005). Hence, such data can be gathered through observations, and interviews with participants. This makes it not appropriate for this study.

With respect to the quantitative research approach, hypothesis is tested by comparing the data collected with what is expected to occur theoretically. Quantitative research approach has the ability of enhancing the speed of the research. In addition, it gives large exposure to series of events which allows the combination of statistics in a large sample (Amarantunga & Baldry, 2002). More so, quantitative approaches enable the application of statistical method, hence, it makes it easy for generalising the results from the research. Also, quantitative approach takes the guesswork to a more concrete conclusion. This is because the results are usually based on quantitative measures instead of mere interpretation and hence enables future applications and comparisons with other studies. Based on the above analysis, the quantitative approach was employed in this study.

Research Design

There are three main types of research designs which includes the descriptive, explanatory and exploratory (Saunders & Lewis, 2013). The study claims that the explanatory survey design would help to better evaluate the effect of internal control system on performance of Rural Banks in the Central Region.

Study Area

In Ghana, rural banks play a crucial role in providing financial services to rural and peri-urban communities. They are often established to promote financial inclusion and support economic development in these areas. Rural banks in Ghana are regulated by the Bank of Ghana, and they operate under the umbrella of the ARB Apex Bank, which is an association of rural and community banks.

Population

Population is the focus group in which the investigator is involved in collecting data and drawing conclusions (Leedy & Ormrod, 2010). The study population is the subject of the initiative of a researcher (Ozili, 2018). The target population for this research consists of branch managers of rural banks in the Central Region. The population for this analysis comprised all 20 rural banks (ARB Apex, 2020 report). These twenty (20) rural banks had fifty-seven branch managers. This constituted the population of the study.

Sampling Procedure

The idea of sampling is based on the selection of some elements in a population usually due to the fact that population is too substantial for one particular researcher to attempt to study all the individuals (Cooper & Schindler, 2014). Purposive sampling technique was adopted for this study. The census approach was utilized since the population was enough to be analysed wholly.

Source of Data

Primary data constitute the major source of data used in this study. The primary data was collected through a survey instrument administered to staff of the various rural banks.

Data Collection Procedures

Modes of collecting primary data include observations, questionnaires and interviews guide. This study used questionnaires to gather primary data from respondents. As indicated earlier, this study focused on primary data which was be provided by the respondents. The researcher collected primary data by utilising questionnaires.

Coldwell and Herbst (2004) argues that questionnaires are more efficient and effective ways of collecting information in that they demand less time to organise, less costly and allows the gathering of information from a large number of populations. The research employed the used of questionnaires as the primary instrument for information collection because they allowed wider coverage of population for a short duration, and also improved privacy and confidentiality of data collected. Hox and Boeije (2005) stated that questionnaires are also convenient as most respondents are able to fill them at their own convenient and free time.

This study collected primary data using mainly close-ended questions in the questionnaire designation procedure. By using a closed ended question, the researcher was able to generate quantitative data relevant for this study. The questionnaire comprised a series of questions presented to respondents in a written format and in a manner the respondents were expected to answer in writing. A set of questionnaires was developed by the researcher based on the research questions and were reviewed by research supervisor to determine the propriety and fit for purpose in meeting the objectives of this research. Under this, the respondents were presented with a list of written items in which the respondents are required to responds to by ticking or picking the one they consider most appropriate. The researcher conducted a pilot test of the questionnaires so as to identify and remove possible ambiguity within the questionnaires. This was done to enhance the reliabilities and validity within the set of questionnaires. The set of questionnaires were administered on one-to-one basis with the respondents. The researcher used a variety of follow-up procedures and methods such as sending reminder notification to responders with the aim of getting the higher response rate.

Data Collection Instrument

Questionnaire was used to collect data from respondents. The questionnaire was demarcated into three areas. A section on the demographic information including age, gender, level of education etc. Section on Effectiveness of Internal: Control Environment, Risk Management, Control Activities, Information and Communication and Monitoring Activities. Final area on Firms Performance. The items for the questionnaires were adopted from Amissah (2017). In order to test of the reliability and validity of the instrument, the Cronbach alpha was used. The reliability of all items explaining each construct will be tested.

Data Processing and Analysis

All questionnaires collected will be edited and checked for completeness and correction of errors. Excel will be used for the quantitative data entry and exported to Statistical Package for Social Science (SPSS) for analysis. Quantitative analyses will be reported with reference to the study's objectives placing it in the context of the conceptual framework. Descriptive Statistics including mean and standard deviation was used to analyse the responses from the subjects whereas the Multiple Regression was used to analyse the objectives of the study.

Diagnostic Testing

Since multiple regression was used for the data analysis, diagnostics for the model was tested. The error term of the model was diagnosed. The autocorrelation between the independent variables and the error too was diagnosed using the Durbin Watson Model. VIF and tolerance was also used to diagnose whether there is multicollinearity existing between any of the independent variables. The coefficient of determination was also used to assess the percentage of the dependent variable which is been explained by the independent variables.

Ethical Issues

Credible evidence was provided by the researcher to suggest to the respondents that the information provided by them is for only academic purposes. This was communicated to the respondents. This was done by showing to the respondents the student Identity Card of the researcher to prove that the researcher was a student and undertaking such a program at UCC and for that matter the information gathered was purely for academic purposes. Confidentiality and respondent's anonymity was assured to the respondents. To ensure respondents confidentiality and anonymity, the respondents names were not required. Participating in the research by the respondents was optional. Besides, the participants were given enough time to answer the research questionnaire.

Chapter Summary

This chapter analysed the methodology employed in data collection and data analysis. The study employed the explanatory research design. The quantitative approach was employed in the data analysis. The structural equation model was employed to analyse the objectives of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The study sought to examine the effect of internal control practices on the performance of rural banks in the Central Region. The previous section provided information concerning the research methods that were employed in conducting this empirical study. This section provides information about the findings obtained for the specific objectives that were pursued in this study.

Demographic Characteristics

Demographic characteristics of the participants was descriptively measured with frequency and percentage because these tools as appropriate measures for central tendency and dispersion as informed by the level of measurement of the Variables-Nominal and ordinal levels. The findings are presented in Table 1.

Table 1: Demographics Characteristics

Variable	Options	Frequency	Percentage
Gender	Male	40	70.2
	Female	17	29.8
Working experience	1-5 years	7	12.3
	6-10 years	26	45.6
	11-15 years	20	35.1
	Above 15 years	4	7.0
Level of education	Basic	13	22.8
	Secondary	18	31.6
	Tertiary	26	45.6
Banking age	Less than 5 years	0	0.0
	More than 5 years	57	100
Job position	Internal Audit	22	38.6
	Branch manager	18	31.6
	Operations manager	17	29.8

Source: Field survey (2022)

The findings in Table 4.1 show both males and females were surveyed but most of the participants were male (70.2%). Most of the respondents have worked in their respective rural banks for 6-10 years, followed by those with 11-15 years of working experience. The majority of the participants have a tertiary level of formal education although quite a number have a secondary level of education. All the banks have more than five years of operating experience hence being regarded as old firms. Majority of the respondents were internal audits, followed by branch managers and then operations managers. The profile of the respondents proves they have the experience and knowledge in the field of research to provide accurate and reliable data on the phenomenon of the study.

Objective 1: Effective Implementation of Internal Control Practices

The first objective sought to examine the extent of effectiveness of the implementation of internal control practices among the rural banks in the Central Region. This objective was analyzed through the use of descriptive statistics of mean and standard deviation. The analysis was done for the individual items measuring the key constructs of the study. Therefore, the findings are presented in respect of the various components of budgeting and budgetary practices. The interpretation of the results was based on these criteria. 0-1.49 = Not at all effective; 1.5-2.49 = Slightly effective; 2.5-3.49 = Moderately effective; 3.5- 4.49 = Effective; 4.5-5.0 = Very effective.

Table 2: Control Environment Practices

Control environment	Mean	Std. Dev
The board of directors of this bank establishes structures reporting lines and appropriate responsibilities in the pursuit of objectives	3.4055	2.30048
Holding individuals accountable for their internal control responsibility	3.3929	1.18354
The board of directors of this bank demonstrates independence from management	3.3778	1.10248
Commitment to attract, develop and retain competent individuals	3.0630	1.06295
The bank demonstrates a commitment to integrity and ethical values	3.0554	1.07401

Source: Field survey (2022)

The mean of mean (M = 3.2589) was obtained for the control environment was suggest that the respondents perceived control environment practices as moderately effective in their implementation among the various rural banks in Central Region. At the individual indicator level for control environment practices, the study revealed that all the items were rated as being moderately effective in their execution among the rural banks in the Central Region given the thresholds of their respective mean scores. For instance, the claim that the board of directors of the banks establishes structured of reporting lines and appropriate responsibilities in the pursuit of objectives was considered moderately effective (M=3.4055; SD=2.30048).

Similarly, the claim that the banks hold individuals accountable for their internal control responsibilities was considered moderately effective (M=3.3929; SD=1.18354). All the remaining practices under control environment were considered as moderately effective in their execution at the various rural banks in the Central Region. However, none of the measures of control environment practices was considered as effective, very effective, slightly effective or not at all effective. Whilst these perceptions are not entirely desirable, they also seem not to be entirely bad for managerial responses by the various rural banks in the Central Region.

The conditions affecting the execution of these practices are not bearing the needed support, thereby signalling some weakness in the system of the internal controls undertaken by the rural banks that are operating in the Central Region. Of particular concern is the need for the demonstration of commitment to integrity and ethical values, the commitment to attract, develop and retain competent staff for internal control jobs by the banks and the independence of the board of directors in the discharge of their duties from management. These areas seemed deficient compared with other activities embedded in the control environment as conceptualized in the context of this empirical study.

Table 3: Risk Management Practices

Risk management	Mean	Std. Dev.
Identifying risks across the entity and analyzing them to determine how they should be managed	3.4358	1.22641
Effective expenditure controls	3.3149	2.87168
Identifying, evaluating and analyzing changes that could significantly impact the system of internal controls	3.2846	1.18794
Effective operating budgets	3.1637	1.19168
Regular physical audits	3.1058	3.81569
Considering the potential for fraud as a possible risk	3.0076	.98342
Specifying objectives with sufficient clarity to identify and assess risks	2.9824	1.15128

Source: Field survey (2022)

Analysis of the mean of means results proved that, holistically, workers among the various rural banks in Central Region that were surveyed perceived risk management practices as moderately effective (M=3.1850). at the individual item level, it can be seen that the practice identifying risks across the entity and analysing them to determine how such risks should be managed was perceived as moderately effective (M=3.4358; SD=1.22641). Similarly, the assertion that there is effective expenditure control at the various rural banks was perceived to be moderately effective (M=3.3149; SD=2.87168).

Also, the practice of identifying, evaluating and analysing changes that could significantly impact the system of internal controls among the rural banks in Central Region was perceived to be moderately effective in its execution from the perspective of the workers (M=3.2846; SD=1.18794). The respondents also disclosed that the operation of effective budgets is moderately effective (M=3.1637; SD=1.19168). However, the practice of specifying objectives with sufficient clarity to identify and assess risks was perceived as slightly effective (M=2.9824; SD=1.15128). All the remaining items were rated as being moderately effective given the nature of the threshold of the mean scores obtained as indicated in Table 3. The implication is that; the banks are somewhat efficient in practicing these dimensions of risk management as part of their internal control activities. However, they are not exceedingly effective in executing such practices thereby signaling some sort of deficiency in this regard. More needs to be done to improve the efficiency and effectiveness of these practices so as to make their implementation more effective.

Table 4: Control Activities

Control activities	Mean	Std. Dev.
Existence of an internal audit unit	3.3375	1.12453
Internal audit reporting	3.2997	.97873
Review of internal audit reports	3.1612	1.13672
Selection and development of control activities to mitigate risks	3.0756	1.14563
Selection and development of technology-dependent general control activities	3.0756	1.24289
Deployment of policies that define what is expected and procedures that implement them	3.0680	1.17116
Internal audit unit independence	3.0025	1.24418

Source: Field survey (2022)

The overall perception of the extent of effectiveness of the implementation of control activities among the rural banks in the Central Region was rated as moderately effective (M=3.1457). At the individual item level, the workers in the rural banks perceived the claim that the existence of an internal audit unit was moderately effective (M=3.3375; SD=1.12453). Internal audit reporting among the rural banks was perceived as moderately effective (M=3.2997; SD=0.97873). Similarly, review of internal audit reports was considered as moderately effective (M=3.1612; SD=1.13672). All the remaining variables were considered moderately effective in their state of execution.

None of the variables was rated as not at all effective, slightly effective, effective and very effective. With all the indicators perceived as moderately effective, it signals the conditions affecting the effectiveness of the execution of control activities conceptualized in this context are not efficient enough, requiring a relook by those in charge of administering such activities, particular interest is internal audit unit independence.

Table 5: Information and Communication Practices

Information and communication	Mean	Std. Dev.
External communication on matters affecting the conduct of internal control	3.4458	1.95923
Written procedures of operations	3.3904	1.14865
Obtaining and using relevant and credible information	3.3829	1.11668
Proper documentation	3.3098	1.08350
Effective communication	3.1914	1.12754
Internal communication by disseminating information internally	3.0806	1.14307

Source: Field survey (2022)

The findings in Table 5 show that, holistically, the respondents perceived information and communication practices as moderately effective (M=3.3002). Observing the perception of the individual items, it can be seen that the staff in the rural banks in Central Region perceived the practice of external communication on matters affecting the conduct of internal control as moderately effective (M=3.4458; SD=1.95923). Moreover, the claim that there are written procedures of operations was perceived as moderately effective (M=3.3904; SD=1.14865). Furthermore, the claim that workers obtain and use relevant and credible information was perceived as being moderately effective (M=3.3829; SD=1.11668).

All the remaining variables under information and communication practices were also considered as moderately effective in their execution. This finding provides the cue that the information and communication practices are not 100% effective in their implementation among the various rural banks but there are not also fully deficient in their execution either. With all the indicators perceived as moderately effective, it signals the conditions affecting the effectiveness of the execution of information and communication conceptualized in this context are not efficient enough, requiring a relook by those in charge of administering such activities.

Table 6: Monitoring Activities

Monitoring activities	Mean	Std. Dev.
Restricted access	3.5390	3.17369
Internal checks	3.2695	1.21039
Conducting continuous or separate evaluations	3.2267	2.18674
Regular internal checking activities	3.2040	1.46893
Evaluating and communicating deficiencies of internal control	3.1965	1.20884

Source: Field survey (2022)

Like the other constructs, the respondents perceived monitoring activities in the internal control system among rural banks in Central Region as being moderately effective (M=3.2871). at the individual item level, it was found that workers in the rural banks rated restricted access as effective (M=3.5390; SD=3.17369). On the other hand, all the other monitoring activities were perceived as moderately effective given the thresholds of the mean scores. For example, internal checks by the banks were perceived as moderately effective in its execution among the rural banks in Central Region (M=3.2695; SD=1.21039).

The activity of conducting continuous or separate evaluation by the banks was considered to be moderately effective in its implementation (M=3.2267; SD=2.18674). The remaining findings are presented in Table 6. None of the indicators was considered as not at all effective, slightly effective or very effective. The findings therefore show that the rural banks are moderately effective in carrying out monitoring activities embedded in the internal control system. This is quite encouraging although not the ultimate desired results, thus, not proving to achieve the degree of Very effective in the implementation. More rooms for managerial actions are therefore required to make the monitoring activities very effective in their execution among the rural banks in Central Region.

For example, the evaluation and communication of deficiencies inherent in the internal control among the banks seem to require immediate managerial attention as it registered the least extent of effectiveness. Similarly, there appears to be some deficiency in the regular internal checking activities undertaken by the rural banks in Central Region. Also, with effective implementation of restricted access to internal control records and activities, supportive environment was created for appropriate officials to carry their works without interference or fear. With internal checks perceived as moderately effective, management should be ready to tighten the conditions that make it more effective to undertake internal checks by the appropriate officials so that the overall purpose of such checks can be achieved for the rural banks.

Summary of Overall Perceptions on the Components of Internal Control Practices

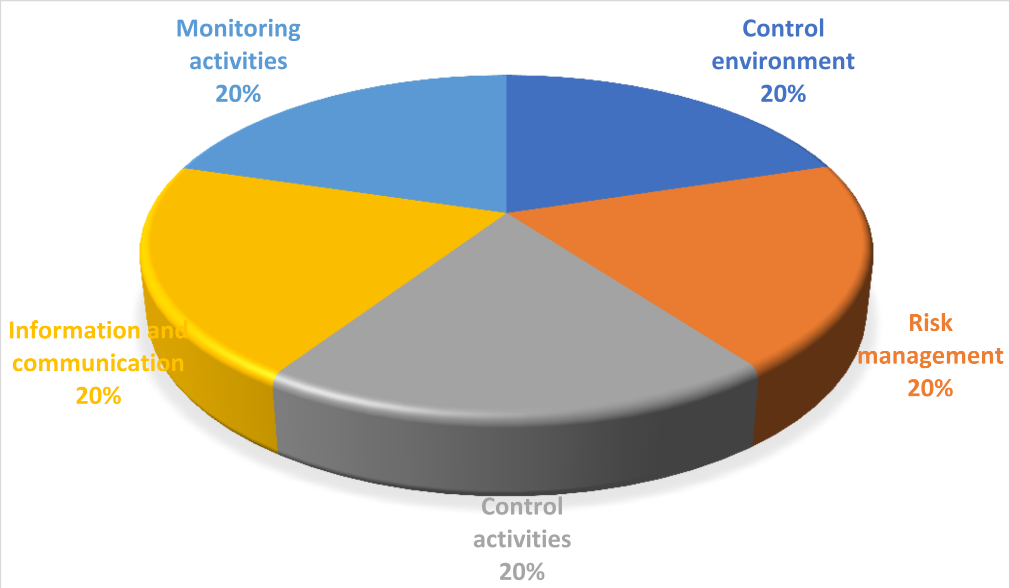

Figure 2: Summary of Overall Perceptions on the Components of Internal Control Practices
Source: Field survey (2022)

The findings in Figure 2 show the summary of the mean of means scores computed for the various dimensions of internal control practices among the rural banks. Holistically, all the dimensions of internal control practices were perceived as moderately effective regarding their implementation by the rural banks given the threshold of the mean of means scores obtained. The results prove, essentially, that there were no large differences regarding the overall perceptions of the effectiveness of the practice of various dimensions of internal controls among rural banks in the Central Region.

With moderate execution of the dimensions of internal control practices, it signals the management of the rural banks are not entirely achieving efficiency in the implementation of the internal controls. This is not encouraging because if the perception of the respondents on the items were rated as very effective, that would have signaled positive managerial insights. No wonder most of the dimensions of the internal control practices failed to produce any significant impact on the performance of the rural banks although there were statistically significant positive relationships between the dimensions of internal controls and firm performance.

Objective 2: Relationship between Internal Control Practices and Firm Performance

Pearson product-moment correlation matrix was computed to examine the nature of relationship between internal control practices and the performance of the rural banks in Central Region. This was done after data transformation had been carried out to obtain composite variables. The interpretation of the correlation results in terms of strength and direction among the variables was based on these thresholds as recommended by Pallant, (2011).

Small	r=0.10 to 0.29 or -0.10 to -0.29
Medium	r=0.3 to 0.49 or -0.3 to -0.49
Large	r=0.5 to 1.0 or -0.5 to -1.0

Table 7: Correlation Matrix

		Firm performance	Control environment	Risk management	Control Activities	Information and Communication
Control environment	Pearson Correlation	.496**	1			
	Sig. (2-tailed)	.000				
Risk management	Pearson Correlation	.475**	.818**	1		
	Sig. (2-tailed)	.000	.000			
Control Activities	Pearson Correlation	.571**	.776**	.854**	1	
	Sig. (2-tailed)	.000	.000	.000		
Information and Communication	Pearson Correlation	.398**	.750**	.829**	.761**	1
	Sig. (2-tailed)	.002	.000	.000	.000	
Monitoring activities	Pearson Correlation	.684**	.445**	.410**	.397**	.437**
	Sig. (2-tailed)	.000	.001	.002	.002	.001

Source: Field survey (2022)

The findings in Table 7 show that there was a positive, moderate and significant correlation between control environment and firm performance ($r=0.496$; $p=0.000$: $p<0.05$). Changes in scores for control environment is associated with changes in firm performance and such changes are not due to chance but due to a true scientific interaction among the variables in the model. Thus, a moderate significant higher score for control environment was associated with a moderate significant increment in firm performance. Contrary, a moderate significant lower score for control environment was associated with a moderate significant reduction in performance of the rural banks in Central Region.

The finding compared to some previous empirical studies (Al-Mashhadi, 2021; Liu, 2018) is in full support for the position held by these sources. The more effective control environmental practices are, the more there is moderate improvement in the performance of the rural banks in the Central Region. However, this finding does not suggest causation, thus it does not mean changes in control environment cause changes in the performance of rural banks operating in Central Region at this very moment.

Furthermore, it was found that there was a positive, moderate and significant correlation between risk management practices and firm performance ($r=0.475$; $p=0.000$: $p<0.05$). Changes in scores for risk management is associated with changes in firm performance and such changes are not due to chance but due to a true scientific interaction among the variables in the model. Thus, a moderate significant higher score for risk management was associated with a moderate significant increment in firm performance. Contrary, a moderate significant lower score for risk management was associated with a moderate significant reduction in the performance of the rural banks in the Central Region.

The finding compared to some previous empirical studies (Meinsausen, Richter, Blockeel & Huber, 2019; Eton, Murezi, Fabian & Benard, 2018) is in full support of the position held by these sources. The more effective risk management practices are, the more there is moderate improvement in the performance of the rural banks in Central Region. However, this finding does not suggest causation, thus it does not mean changes in risk management cause changes in the performance of rural banks operating in Central Region at this very moment.

Moreover, the study showed that there was a positive, moderate and significant correlation between information and communication practices and firm performance ($r=0.398$; $p=0.002$: $p<0.05$). Changes in scores for information and communication are associated with changes in firm performance and such changes are not due to chance but due to a true scientific interaction among the variables in the model. Thus, a moderate significant higher score for information and communication was associated with a moderate significant increment in firm performance. Contrary, a moderate significant lower score for information and communication was associated with a moderate significant reduction in performance of the rural banks in Central Region.

The finding compared to some previous empirical studies (Ajao, Oluwadamilola, 2020; Tenbele, 2019) is in full support of the position held by these sources. The more effective information and communication practices are, the more there is moderate improvement in the performance of the rural banks in Central Region. However, this finding does not suggest causation, thus it does not mean changes in information and communication cause changes in the performance of rural banks operating in Central Region at this very moment.

However, there was a positive, large and significant correlation between monitoring activities and firm performance ($r=0.684$; $p=0.000$: $p<0.05$). The large changes in scores for monitoring activities is associated with large changes in firm performance and such changes are not due to chance but due to a true scientific interaction among the variables in the model. Thus, a large significant higher score for monitoring activities was associated with a large significant increment in firm performance. Contrary, a large significant lower score for monitoring activities was associated with a large significant reduction in the performance of the rural banks in the Central Region.

The finding compared to some previous empirical studies (Tran, Ly & Nguyen, 2020; Odek & Okoth, 2019; Renaldo, Sudamo & Hutajuruk, 2020) is in full support of the position held by these sources. The more effective monitoring activities are, the more there is large improvement in the performance of the rural banks in Central Region. However, this finding does not suggest causation, thus it does not mean changes in monitoring activities cause changes in the performance of rural banks operating in Central Region at this very moment.

Similarly, the study proved that there was a positive, large and significant correlation between control activities and firm performance ($r=0.571$; $p=0.000$: $p<0.05$). The large changes in scores for control activities is associated with large changes in firm performance and such changes are not due to chance but due to a true scientific interaction among the variables in the model. Thus, a large significant higher score for control activities was associated with a large significant increment in firm performance. Contrary, a large significant lower score for control activities was associated with a large significant reduction in performance of the rural banks in Central Region.

The finding compared to some previous empirical studies (Loishyn, 2019; Alawaqleh, 2021; Frazer, 2020) is in full support of the position held by these sources. The more effective control activities are, the more there is large improvement in the performance of the rural banks in the Central Region. However, this finding does not suggest causation, thus it does not mean changes in control activities cause changes in the performance of rural banks operating in Central Region at this very moment.

The overall impulse of the correlation results is that monitoring activities have a large positive significant relationship with the performance of the rural banks and thus this signals the potential of monitoring activities for improving the state of firm performance. The impact analysis also confirmed such an expectation thereby informing users of the findings of this study there is an inherent cue on relying on correlation results to predicting a possible causal relationship between monitoring activities and rural banks' performance in Ghana. Also, another clue from the correlation results is that some constructs may have a significant relationship with the dependent construct but may not produce a significant impact on the result. This was the case of the relationships between risk management, control activities, control environment and information and communication all on one hand and the performance of the banks of rural banks. Conducting further studies to unravel why this situation occurred could resolve the mystery surrounding this context.

Descriptive Statistics of Firm Performance

It is customary to describe descriptive the dependent variable before impact analysis is done. A 5-point Likert scale was used to measure the perception of the respondents on the degree of improvement in the performance of their affiliate banks due to the internal control practices that have been implemented by such banks. Mean score and standard deviation were used to measure the descriptive features of the firm performance. These are the appropriate statistical tools for the testing of the central tendency and dispersion of the items that collectively measured the firm performance latent construct. The interpretation of the results was based on these subjective criteria.

0.1- 1.49 = Poor; 1.5 - 2.49 = Fair; 2.5 – 3.49 = Good; 3.5 – 4.49 = Very good; 4.5 – 5.0 = Excellent

Table 8: Descriptive Statistics of Firm Performance

Firm performance	Mean	Std. Dev.
Dividend payout	3.8791	4.92320
Loan growth	3.4836	1.29407
Return on assets	3.4106	1.24324
Interest income	3.3275	1.12751
Savings deposit	3.2922	1.13497
Net income growth	3.2897	1.10747
Profit after tax	3.2695	1.12833
Liquidity ratio	3.2519	1.22145
Market share	3.2292	1.23720
Returns on investment	3.1839	1.29838
Performing loan	3.1209	1.20416

Source: Field survey (2022)

The findings in Table 8 show that, holistically, the performance of the rural banks was considered as good given the mean of means scored for the construct (M=3.3398). Observing the individual scores, the study proves dividend payout was rated as very good (M=3.8791; SD=4.92320). However, all the remaining aspects of firm performance were considered as good based on the threshold of the mean scores obtained. For instance, loan growth (M=3.4836; SD=1.29407), return on assets (M=3.4106; SD=1.24324), interest income (M=3.3275; SD=1.12751), savings deposit (M=3.2922; SD=1.13497) and net income growth (M=3.2897; SD=1.10747). The results on the remaining items measuring firm performance are presented in Table 8.

Observing these results, one realizes the performance of the rural banks operating in the Central Region is good per the perception expressed by the participants. This finding provides some sort of relief for the rural banks, especially, after the aftermath of the banking sector clean-up exercise coupled with the double troubles of COVID19 and Russia-Ukraine that have devasted the Ghanaian economy of late. Recording good banking performance in such a situation also bolsters consumer confidence in the banking industry, an industry that offers very good dividend pay out to investors.

None of the indicators was considered as poor, fair, or excellent. This signals the need for the management of the rural banks to put in place measures including tightening up the efficiency of the execution of internal control practices so as to improve the performance of the rural banks to an excellent level. If this objective is achieved, the rural banks would be better position to contribute to the development of Ghana owing to their immense contributions in the fields of employment generation, revenue to the government, income to workers, financial services to businesses and their client base and many other feats.

Objective 3: Effect of Internal Control on Firm Performance

This objective was assessed via the structural equation modeling technique which is required for testing prediction-oriented hypotheses or objectives. The evaluation of the model was based on a the two-stage model evaluation method. Thus, measurement model was first done and when all the measurement criteria were certified and declared adequate, the structural model was then evaluated.

Measurement Model

Construct Reliability and Validity

Table 9: Construct Reliability and Validity

	Cronbach's alpha	aho_a	Composite reliability (rho_c)	Average variance extracted (AVE)
Control activities	0.862	0.888	0.899	0.641
Control environment	0.781	0.793	0.857	0.600
Firm performance	0.833	0.838	0.882	0.599
Information and communication	0.774	0.840	0.851	0.589
Monitoring activities	0.910	0.925	0.932	0.733
Risk management	0.904	0.911	0.924	0.637

Source: Field survey (2022)

The findings in Table 9 show the primary data collected via the use of the structured questionnaire were reliable given the scores for the constructs on Cronbach's alpha (>0.7), rho_a (>0.7) and composite reliability (>0.7). Also, convergent validity for the constructs was adequate for the measurement model (AVE>0.5).

Discriminant Validity

Table 10: HTMT ratio

	Control activities	Control environment	Firm performance	Information and communication	Monitoring activities
Control environment	0.957				
Firm performance	0.606	0.596			
Information and communication	0.901	0.888	0.455		
Monitoring activities	0.530	0.567	0.735	0.540	
Risk management	1.001	0.954	0.530	0.941	0.461

Source: Field survey (2022)

Discriminant validity was measured with the heterotrait and monotrait ratio (HTMT ratio). The findings are presented in Table 10. It was found that except for risk management and control activities that were slightly troubled with the threat of discriminant validity, all the remaining pairs of constructs were not threatened with the problem of discriminant validity (THMT ratio<1).

Table 11: Collinearity Statistics

	VIF
ca1	2.533
ca2	2.904
ca3	2.167
ca6	1.878
ca7	2.186
cn1	1.599
cn2	1.586
cn4	1.879
cn5	1.995
info1	1.651
info2	1.470
info4	1.633
info5	1.544
ma1	1.837
ma2	3.984
ma3	4.896
ma4	7.052
ma5	5.549
p2	1.676
p4	2.462
p5	2.149
p8	2.031
p9	1.866
rm1	2.981
rm2	2.163
rm3	2.399
rm4	1.906
rm5	2.137
rm6	2.982
rm7	2.048

Source: Field survey (2022)

The findings in Table 11 show there is no problem of multicollinearity in the estimated model (Outer VIF<5).

Common Method Bias

Table 12: Inner VIF

	Firm performance
Control activities	5.331
Control environment	2.949
Firm performance	
Information and communication	3.261
Monitoring activities	1.427
Risk management	6.608

Source: Field survey (2022)

Threat of common method bias was found to be with control activities and risk management activities (Inner VIF>5). However, in so far as the inner VIF scores are not above 10, such scores were deemed acceptable. There was no threat of common method bias for the remaining constructs.

Structural Model

Table 13: Outer Loadings

	Indicator loading	T statistics	P values
ca1 <- Control activities	0.798	13.523	0.000
ca2 <- Control activities	0.858	22.543	0.000
ca3 <- Control activities	0.788	8.174	0.000
ca6 <- Control activities	0.725	6.136	0.000
ca7 <- Control activities	0.829	15.574	0.000
cn1 <- Control environment	0.778	9.254	0.000
cn2 <- Control environment	0.807	15.000	0.000
cn4 <- Control environment	0.742	9.063	0.000
cn5 <- Control environment	0.770	7.947	0.000
info1 <- Information and communication	0.855	11.919	0.000
info2 <- Information and communication	0.745	4.003	0.000
info4 <- Information and communication	0.743	6.346	0.000
info5 <- Information and communication	0.718	4.369	0.000
ma1 <- Monitoring activities	0.782	11.804	0.000
ma2 <- Monitoring activities	0.884	34.671	0.000
ma3 <- Monitoring activities	0.914	31.739	0.000
ma4 <- Monitoring activities	0.873	13.006	0.000
ma5 <- Monitoring activities	0.821	10.617	0.000
p2 <- Firm performance	0.784	10.204	0.000
p4 <- Firm performance	0.828	15.924	0.000
p5 <- Firm performance	0.786	10.290	0.000
p8 <- Firm performance	0.759	7.890	0.000
p9 <- Firm performance	0.709	7.604	0.000
rm1 <- Risk management	0.856	14.079	0.000
rm2 <- Risk management	0.765	7.738	0.000
rm3 <- Risk management	0.844	19.441	0.000
rm4 <- Risk management	0.732	9.442	0.000
rm5 <- Risk management	0.754	9.335	0.000
rm6 <- Risk management	0.848	16.089	0.000
rm7 <- Risk management	0.776	12.093	0.000

Source: Field survey (2022)

Table 13 shows the indicator reliability as measured by the outer loading. Indicators with outer loading < 0.7 were deleted through the iteration procedure provided such deletions improved the measurement model of the reflectively specified model. The findings in Table 13 show all the indicators accurately measured the constructs they purported to be measuring (Loadings>0.7; p<0.5).

Table 14: Path Coefficient

	Beta	f^2	T statistics	P values
Control activities -> Firm performance	0.250	0.024	1.018	0.309
Control environment -> Firm performance	0.072	0.004	0.470	0.638
Information and communication -> Firm performance	-0.193	0.023	1.031	0.303
Monitoring activities -> Firm performance	0.537	0.414	4.730	0.000
Risk management -> Firm performance	0.133	0.005	0.534	0.593

Source: Field survey (2022)

The path analysis shows that only monitoring activities aspect of internal control among the rural banks in Central Region make a statistically significant positive prediction to causing the improvement in the performance of the rural banks when the other factors in the model are held constant (Beta=0.537; p=0.000: p<0.05). The effect size was large (f^2=0.414). Technically, it can be inferred that a 100% improvement in monitoring activities would cause 53.7% improvement in the performance of rural banks in Central Region.

On the other hand, a 100% reduction in scores for monitoring activities would cause 53.7% reduction in the performance of the rural banks. Thus, the moderate positive improvement in performance of the rural banks in Central Region is attributed to the degree of effectiveness of the practice of monitoring activities enshrined in the internal controls of such banks. Therefore, investments made in carrying out monitoring activities among the various rural banks are providing justification for such expenditure by the banks by the outcome it has on the performance of the banks.

This finding supports the position of the Agency theory. Comparatively, the finding also confirms the position of some previous studies that jointly acknowledge the significant causal relationship between monitoring activities and firm performance (Al-Mashhadi, 2021; Liu, 2018) especially the performance of rural banks (Tenbele, 2019).

However, control activities make some contribution to predicting the moderate improvement in the performance of the rural banks, but such contribution is not statistically significant (Beta=0.250; p=0.309: p>0.5) because the contribution is not scientifically justified. Therefore, it goes to discredit the earlier postulation that control activities in internal control systems improve firm performance as acclaimed by some studies (Tran et al., 2020; Renaldo et al., 2020). Also, the position that control activities in the internal control system do not cause any significant improvement in firm performance is confirmed (Frazer, 2020; Wali & Mashmoudi, 2020).

Similarly, the study shows control environment makes some contribution to predicting the moderate improvement in the performance of the rural banks, but such contribution is not statistically significant (Beta=0.072; p=0.638: p>0.5) because the contribution is not scientifically justified. Therefore, it goes to discredit the earlier postulation that control environment in internal control systems improves firm performance as acclaimed by some studies (Loishyn, 2019; Frazer, 2020). Also, the position that control environment in the internal control system does not cause any significant improvement in firm performance is confirmed (Mujenna, Artina &

Safriansya, 2019; Akmetsin, Vasiley, Mironov, Zatsarinnaya, Romanova & Yumasey, 2018).

Furthermore, risk management makes some contribution to predicting the moderate improvement in the performance of the rural banks, but such contribution is not statistically significant (Beta=0.133; p=0.593: p>0.5) because the contribution is not scientifically justified. Therefore, it goes to discredit the earlier postulation that risk management in internal control systems improve firm performance as acclaimed by some studies (Adeboyeun, Ben-Caleb, Ademola, Oladutire & Sodeinde, 2020). Also, the position that risk management in the internal control system does not cause any significant improvement in firm performance is confirmed (Tuan, 2020l; Dhar et al., 2022).

Finally, the study proves information and communication relate insignificantly to the performance of the rural banks in the Central Region (Beta=-0193; p=0.303: p>0.05) when the effects of the other remaining constructs in the model were controlled for. This result proves information and communication has the potential to negatively affect the performance of rural banks that are operating in Central Region. This situation is uncalled for, thereby requiring strong managerial emphasis and efforts to restore the potency of information and communication in improving organizational outcomes, particularly the performance of rural banks in Central Region.

Coefficient of Determination

The impact of changes in the components of internal control practices on performance of the rural banks was measured with the coefficient of determination. The threshold for classifying the impact was based on these criteria: R-square results above 0.67 are consider substantial, above 0.33 are moderate and those above 0.19 are rated as weak.

Table 15: R-square

	R-square	R-square adjusted
Firm performance	0.512	0.464

Source: Field survey (2022)

Observation of the r-square results proved internal control practices among the rural banks account for 51.2% improvement in the performance of the rural banks. This change can be regarded as being moderate change hence justifying the investments made in internal control practices by the banks. The aspects of the performance of the rural banks that were influenced by the internal control practices included performing loans, market share, savings deposits, loan growth and dividend payout. These indicators reliably measured the firm performance reflective as conceptualized in the study.

This finding goes to support the position of some previous studies that collectively found that internal control practices have the capacity to cause positive significant change in firm performance (Chalmers, Hay & Khlif, 2018; Chang, Chen, Cheng * Chi, 2019). It also goes to challenge the position of some previous studies that found that internal control practices do not improve firm performance.

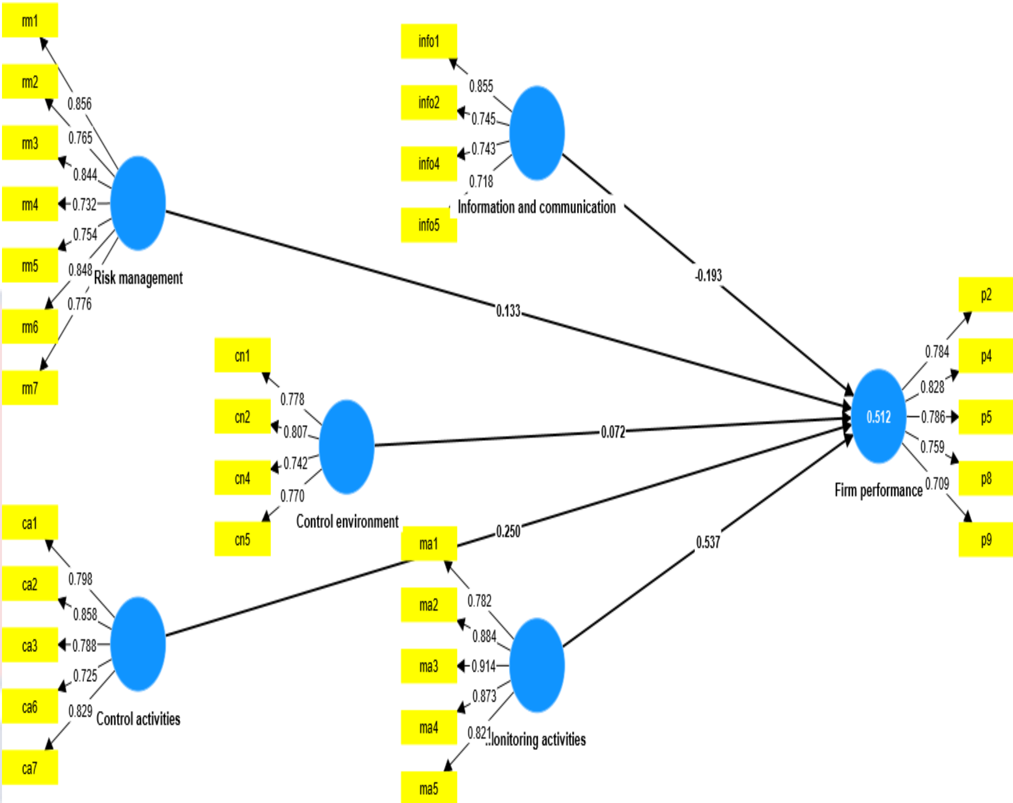

Figure 3: Structural Model
Source: Field survey (2022)

Chapter Summary

The study proves that essentially, the internal control practices among the rural banks in Central Region are moderately effective in terms of their implementation. There are statistically significant positive relationships between the components of internal control practices on one hand and the performance of rural banks in the Central Region. The impact analysis proves internal control accounts for a moderate improvement in the performance of rural banks in the Central Region. Only monitoring activities cause improvement in the performance of the rural banks that were surveyed. Risk management, control activities and control environment have the potential to improve firm performance. However, information and communication have the potential to limit the improvement in the performance of the rural banks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

It just so happens that this is the very last chapter of the research. In this chapter, we will go through the results and conclusions, as well as the policy implications and suggestions that stem from the research. In addition, the chapter provides some ideas for additional research.

Summary of the study

The study sought to examine the effect of internal control practices on the performance of rural banks in Central Region. The study applied the explanatory research design to conducting the study which perfectly supported the quantitative orientation used for the measurement of the constructs and the analysis of the objectives through inferential statistical means. Primary data was collected through structured questionnaire administration. This chapter provides information concerning the summary of the key findings as per the demands of the specific objectives, the conclusions drawn in respect of the findings in respect of the specific objectives and the recommendations based on the findings.

Summary of key findings

The first objective sought to examine the perception of the respondents on the degree of effectiveness of the execution of internal control practices among the rural banks in the Central Region. Holistically, all the dimensions of internal control practices including monitoring activities, control environment, risk management, control activities and information and communication were perceived as moderately effective regarding their implementation by the rural banks given the threshold of the mean of means scores obtained. None of the individual measures of the various components of internal control practices was perceived as not at all effective, slightly effective or very effective.

The second objective examined the nature of the correlation between the dimensions of internal control practices and the performance of the rural banks in the Central Region. It was found that there was a positive, large and significant correlation between monitoring activities and firm performance. Similarly, the study proved that there was a positive, large and significant correlation between control activities and firm performance. However, there was a positive, moderate and significant correlation between control environment and firm performance. Furthermore, it was found that there was a positive, moderate and significant correlation between risk management practices and firm performance. Finally, there was a positive, moderate and significant correlation between information and communication practices and firm performance.

The third objective examined the influence of internal control practices on the performance of the rural banks that are operating in the Central Region. Observation of the r-square results proved internal control practices among the rural banks account for moderate positive improvement in the performance of the rural banks. The path analysis shows that only monitoring activities aspect of internal control among the rural banks in Cape Central Region make a statistically significant positive prediction to causing the improvement in the performance of the rural banks when the other factors in the model are held constant. Control activities, control environment and risk management failed to make any significant contributions to the change in firm performance although their contributions were positive. However, information and communication made some negative insignificant contribution to predicting the change in the performance of the rural banks.

Conclusions

Essentially, the internal control practices among the rural banks in Central Region are moderately effective in terms of their implementation. There are statistically significant positive relationships between the components of internal control practices on one hand and the performance of rural banks in the Central Region. The impact analysis proves internal control accounts for a moderate improvement in the performance of rural banks in the Central Region. Only monitoring activities cause improvement in the performance of the rural banks that were surveyed. Risk management, control activities and control environment have the potential to improve firm performance. However, information and communication have the potential to limit the improvement in the performance of rural banks in Central Region.

Recommendations

Based on the findings of the study, especially as guided by the conclusions drawn on the specific objectives of the study, these recommendations are offered for the use and benefit of stakeholders that may deem the findings appropriate for their decisions and actions.

1. There is the need for the rural banks in the Central Region to intensify their system of corporate governance to ensure the effective implementation of internal control systems. This recommendation comes as a result of the fact that the various components of internal

controls were perceived as moderately effective in their implementation.

2. Management of the rural banks should provide adequate policies and regulations that would empower those in charge of executing internal controls to be apt in their actions and decisions on internal control activities. Proper in-service training could be carried out to all those stakeholders that are involved in internal control practices to re-orient them to be able to remain resolute and astute in the discharge of such responsibilities. Appropriate resources including security intelligence devises should be installed in their internal control systems to serve as check and backup for the safeguarding information required for the coordination of internal control activities. Officials responsible for the execution of internal controls should be up and doing. More diligence should be exercised on the discharge of their functions.
3. Appropriate control mechanisms should be provided to guide the action and behaviour of such official to induce strong compliance on the COSO framework. Management should promote strong sense of accountability and create supportive corporate culture that put internal control practices as number priority on corporate responsibility. Appropriate prescribed sanctions should therefore be meted out at officials who deliberately fail in their acts to promote effective and efficient execution of internal controls at the respective rural banks. Holistically, these actions could improve the conditions that affect the effective implementation of internal control practices among the various rural banks.

4. Again, the study proved there were significant positive correlation between all the components of internal control practices on one hand and that of firm performance on yet another hand. However, the impact analysis gave entirely different results as similar trend was expected. Therefore, there is the need for management and those in charge of corporate governance at the various rural banks to undertake internal re-engineering programme to examine why such components including risk management, control environment, control activities and information and communication failed to produce significant positive impact on the performance of these rural banks. Relooking at the systems and structures that support these dimensions of internal controls and meticulously re-engineering how such systems and structures could be modified to make such practices robust and result-oriented could bolster the confidence in the COSO framework among banking practitioners. Appropriate situational factors may be factored into the COSO framework during the re-engineering process to ensure fit in the practice of the framework among rural banks.
5. Rural banks in the Central Region in particular and those in Ghana in general should continue to adopt and implement the conceptualized internal control framework in this study because the study proved the internal control system has the capacity to improve the performance of the rural banks moderately. Holistically targeting all the dimensions of internal control practices would not give the desired result as thus, special attention should be focused on monitoring activities including the practice of evaluation and communication of deficiencies of

internal control, promoting restricted access where appropriate, carrying out internal checks, conducting continuous or separate evaluations and carrying out regular internal checking activities. These activities measured the monitoring activities reliably thereby confirming their collective role in causing the positive moderate variance in the performance of the rural banks. Therefore, managerial attention, resources and budgets should be directed as these monitoring activities in the internal control systems of rural banks if the focus is to improve the performance of the rural banks.

6. The study also proved that other dimensions of internal control practices such as risk management, control environment, control activities and information and communication failed to make any significant contributions to causing the moderate change in the performance of the rural banks. Unless these dimensions of the internal control system have implications for other organizational outcomes apart from firm performance, it is economically viable option for the rural banks to stop implementing these practices as part of the internal control mechanism in their operations. Investments in these aspects of internal control would not produce any benefit in terms of improved organizational performance among rural banks that are practicing these internal controls. The abysmal performance of these aspects of internal controls could also be attributed to weak support of the conditions that affect the implementation of these practices.
7. For policy purpose, rural banks adopting the COSO framework, should modify the existing framework for the internal control system by

focusing much on monitoring activities. The focus on monitoring activities is key because the study proved only monitoring activities caused a significant positive change in the performance of the rural banks. The study showed internal control practices influenced significantly, the level of improvement in the performance of the banks, hence the need to continue the adoption of the conceptualized internal control system in the context of this study, especially rural banks that do not apply this framework of internal control in their operations.

Suggestions for Further Research

The study focused on only rural banks in Central Region. Therefore, similar studies could be conducted by targeting micro-finance and commercial banks in Central Region and other parts of the country to see how internal control practices relate, if any, to firm performance. Furthermore, some qualitative studies could be conducted to unravel why risk management, control activities, control environment and information and communication components of internal controls failed to predict significant positive improvement in the performance of the rural banks although they positively related to firm performance in a significant manner.

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APPENDIX

RESEARCH QUESTIONNAIRE

Questionnaire on Effect of Internal Controls on performance of Rural Banks in the Central Region

Dear respondent,

The study is being conducted by Seth Amoah, a student of the University of Cape Coast, in partial fulfillment of the award of Master in Business Administration (Accounting Option). The study seeks to assess the effect of internal controls on the performance of rural banks in the Central Region of Ghana. Your candid opinions on the items in this structured questionnaire can affect the state of success of this study.

Thank you.

Demographic Characteristics (Please ☒Tick)

1. Gender a. Male ☐ b. Female ☐
2. Age range
   a. 20-25 years ☐
   b. 26-30 years ☐
   c. 31-35 years ☐
   d. 36-40 years ☐
   e. Above 40 years ☐
3. Job position
4. Working experience in the bank
   a. 1-5 years ☐
   b. 6-10 years ☐
   c. 11-15 years ☐
   d. Above 15 years ☐
5. Level of education
   a. Basic ☐

b. Secondary ☐

c. Tertiary ☐

6. Existence of banking operations

a. Less than 5 years ☐

b. 5 years and above ☐

Effectiveness of Internal Controls

7. To what extent do you rate the degree of effectiveness of the following aspects of internal controls in this bank?

Where: 1-Not effective; 2-Slightly effective; 3-Moderately effective; 4-Effective; 5-Highly effective [ ]

No	**Control environment**	**1**	**2**	**3**	**4**	**5**
1	The bank demonstrates a commitment to integrity and ethical values	☐	☐	☐	☐	☐
2	The board of directors of this bank demonstrates independence from management	☐	☐	☐	☐	☐
3	The board of directors of this bank establishes structures reporting lines and appropriate responsibilities in the pursuit of objectives	☐	☐	☐	☐	☐
4	Commitment to attract, develop and retain competent individuals	☐	☐	☐	☐	☐
5	Holding individuals accountable for their internal control responsibility	☐	☐	☐	☐	☐
No	**Risk management**	**1**	**2**	**3**	**4**	**5**
1	Specifying objectives with sufficient clarity to identify and assess risks	☐	☐	☐	☐	☐
2	Identifying risks across the entity and analyzing them to determine how they should be managed	☐	☐	☐	☐	☐
3	Considering the potential for fraud as a possible risk	☐	☐	☐	☐	☐
4	Identifying, evaluating and analyzing changes that could significantly impact the system of	☐	☐	☐	☐	☐

	internal controls					
5	Effective operating budgets	☐	☐	☐	☐	☐
6	Regular physical audits	☐	☐	☐	☐	☐
7	Effective expenditure controls	☐	☐	☐	☐	☐
No	**Control activities**	**1**	**2**	**3**	**4**	**5**
1	Selection and development of control activities to mitigate risks					
2	Selection and development of technology-dependent general control activities	☐	☐	☐	☐	☐
3	Deployment of policies that define what is expected and procedures that implement them	☐	☐	☐	☐	☐
4	Existence of an internal audit unit	☐	☐	☐	☐	☐
5	Internal audit unit independence	☐	☐	☐	☐	☐
6	Review of internal audit reports	☐	☐	☐	☐	☐
7	Internal audit reporting	☐	☐	☐	☐	☐
No	**Information and communication**	**1**	**2**	**3**	**4**	**5**
1	Obtaining and using relevant and credible information					
2	Internal communication by disseminating information internally	☐	☐	☐	☐	☐
3	External communication on matters affecting the conduct of internal control	☐	☐	☐	☐	☐
4	Proper documentation	☐	☐	☐	☐	☐
5	Written procedures of operations	☐	☐	☐	☐	☐
6	Effective communication					
No	**Monitoring activities**	**1**	**2**	**3**	**4**	**5**
1	Evaluating and communicating deficiencies of internal control	☐	☐	☐	☐	☐
2	Conducting continuous or separate evaluations	☐	☐	☐	☐	☐
3	Internal checks	☐	☐	☐	☐	☐
4	Regular internal checking activities	☐	☐	☐	☐	☐

5	Restricted access	☐	☐	☐	☐	☐

Firm Performance

8. How do you rate the performance of this bank in respect of the effective execution of internal controls?

Where: 1-Poor; 2-Fair; 3-Good; 4-Very good; 5-Excellent

No	**Performance Indicators**	**1**	**2**	**3**	**4**	**5**
1	Interest income	☐	☐	☐	☐	☐
2	Performing loan	☐	☐	☐	☐	☐
3	Net income growth	☐	☐	☐	☐	☐
4	Market share	☐	☐	☐	☐	☐
5	Savings deposit	☐	☐	☐	☐	☐
6	Returns on investment	☐	☐	☐	☐	☐
7	Profit after tax	☐	☐	☐	☐	☐
8	Loan growth	☐	☐	☐	☐	☐
9	Dividend payout	☐	☐	☐	☐	☐
10	Return on assets	☐	☐	☐	☐	☐
11	Liquidity ratio	☐	☐	☐	☐	☐