

## **A Descriptive Statistical Approach of Internal Control Systems and its Relevance to Managing Risks in the Banking Sector**

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**ABSTRACT:** *The aim of this study is to undertake a comparative analysis of the significance of adopting the tools of the internal control system by National Banks (NBanks) and International Banks (IBanks) in Sierra Leone using a descriptive statistical approach. A Robust survey of existing internal control systems of banking institutions was carried out. Five research questions were raised in order to achieve the aim of this study. Structured questionnaires were constructed to collect quantitative primary data to provide answers to these questions. The collected data were analysed with Statistical Package for Social Sciences version 23 software. The findings show that both Banks are largely implementing the internationally known tools of internal control systems in their operations. The study found that the control environment in these banks is fairly in place. The results of this study show that the Board of Directors and management make use of control activities to ensure that the policies and procedures are carried out by employees of the bank. It is vital to stress that a firm should establish a warning system to determine remote risks and take the necessary actions to remove or minimise such risks. The study recommends that the banks should periodically review the access and security of its Information Communication Technology environment and monitoring should aim at determining whether employees are carrying out or have carried out their tasks efficiently and effectively - given that Information Technology is the backbone of modern internal control systems.*

**KEYWORDS:** internal control in banks, banking sector in Sierra Leone, relevance of controls, financial institutions *and controls*

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### **INTRODUCTION**

Shih (2009) presented that Internal Control System and structures are focused on achieving a successful business operation. The Internal Control therefore refers to as the procedures adopted by the management in a view of preventing operational inconsistencies, like fraud or errors. A sound

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Internal Control Systems will create the right operational environment for banks to flourish and make profit (Kinney, 2000). According to Basel (1998), internal controls are set of procedures establish by board of directors and oversee my management across all sectors of a operations within a baking institution. Kaval (2005) and Frazier et al. (1996) pointed five fundamental concerns of internal controls, these include the control environment, risk assessment, control activities, information and communication and monitoring of activities. Research has proven that managing these five internal controls fundamentals will enhanced a significant role in the smooth operations of a corporate setting (Konrath, 1996).

Information and Communication within internal control function can be defined as the procedure used by an organisation to collect, processes and report genuine information in a timely manner to enable employees to perform their duties on time. The information and communication components of the control system enable timely achievement of reporting objectives by collecting and communicating relevant information within an appropriate time frame (Gaskill, 2002). Effective information and communication systems generate reports that include operational, compliance, and financial information that enables the operation and management of a company (Duramany-Lakkoh, 2021).

Monitoring is often defined as the process of assessing the quality of system performance over time. Continuous monitoring activities are integrated into the company's normal and frequent activities (Simmons, 1995). In a sense, the quality of internal control performance is measured through monitoring (Socol 2011; Petro et al., 2007). An effective internal control system is an important part of corporate governance and the foundation of an organisation's safe and sound operation (Petro et al., 2007). A weak internal control systems result in inefficient allocation of resources to specific priorities, ensuring that public spending is worth the money (Lawson et. al. 2006). Performance is described as a measure of the organization's actual performance compared to expected performance or goals (Goodwin Stewart and Kent, 2003). Considering the above, it is clearly established that the main purpose of internal control is to help and assist organizations in achieving their goals. It also confirms management's responsibility to set up internal controls (Flesher, 1996). For large organisations like banks, the need for strong internal controls is not only desirable, but very necessary. This is very important for this study. This paper focuses on the internal control system of banks owned by Sierra Leone referred to as National Banks (NBanks) in this study and foreign registered in Sierra Leone referred to as (IBanks) in this study).

### **Statement of the Problem**

Stanislav (2006) stressed that internal controls is becoming increasingly relevant because of the growing risks surrounding businesses. Sound Internal Control systems will prevent both financial and operational risks in banks and other financial institutions (Duramany-Lakkoh, 2020). Poor internal control results in substandard corporate governance systems, therefore creating room for losses. Institutions like Enron and WorldCom failed because of improper internal control (Kaplan, et. al., 2010). Ineffective control also impaired the ability of the company to detect fraud and encourage collusion and corruption. Company's management should be familiar with internal control procedures that ensure effective service delivery. In situations of misunderstandings, distractions, and power struggles among senior management, these tend to interfere with and disrupt

the effective functioning of internal control systems. The above issues are part of the area of interest that this study aims to understand.

Literature reviews show that there are internal control measures in place in NBanks and IBanks in order to ward-off potential risks thereby preventing fraud, embezzlement and the collapse of the banks with the main intention of increasing performance. However, there are growing concerns as to how effective the implementation and adherence of internal control measures in these banks are. As a result of the forgoing statements, this study is undertaken to highlight the effectiveness of internal control and its consequences on performance. Ultimately, the aim of this study is to carry out comparative analyses on the effectiveness of internal control systems that are implemented by both banks. In order to achieve this aim, five research questions were raised upon a thorough review of related and existing literature. The next section is a subject of discussion of the research question.

### **Aims and Objectives of the Research**

The purpose of this study is to perform a comparative analysis of internal control systems and their relevance to NBanks and IBanks performance. To achieve this goal, five research goals have been developed, research questions are required, and these research goals are as follows:

- To determine the results of an effective control environment on the achievement of the objectives of the banks
- To find out whether the risk assessment strategies adopted by the bank are effective in preventing failure and fraud
- To assess the factors which are responsible for effective control activities to be achieved by the banks
- To investigate whether management information system of the banks are arranged in a disciplined and responsive manner
- To find out the importance of effective monitoring activities on the performance of the bank

### **Research Questions**

The five research questions are:

- Can a pleasant control environment result in the achievement of the objectives of the banks?
- Are the risk assessment strategies adopted by the banks effective in preventing fraud and failure?
- What are the factors responsible for effective control activities to be achieved by the banks?
- Are the management information systems of the banks arranged in a disciplined and responsive manner?
- What is the significance of monitoring activities on the performance of the banks?

## **LITERATURE REVIEW**

### **Theoretical Literature**

Internal control has existed for a long time. Brink (2009) reported that Egypt during the Hellenistic period had a dual government, with one group of bureaucrats responsible for collecting taxes and another group responsible for tax oversight. Brink (2009) argues that control as an idea already existed as a substantive relationship. An internal control system is an integrated system built into

the management process to achieve the organization's overall goals. According to the Basel Committee on Banking Supervision, internal control is defined as "a process performed by the board of directors, senior management, and staff at all levels. This is not only a procedure or policy implemented at a particular point in time, but it is continuously implemented at the lowest level within the bank" (Basel, 1998). Anthony (2004) defined controls as processes that are affected by the organization's structure, work and authority processes, personnel, and management information systems to help organizations achieve specific goals or objectives. In his view, this is a way to manage, monitor, and measure an organization's resources.

Anthony (2004) states that internal control is a set of organisational policies and approvals developed by the management of an organization to achieve the management's primary goal of ensuring that the business is functioning properly. Claims to be an internal process (internal control). Furthermore, it is said that a company can be operated smoothly if it adheres to the management policy, protects the assets of the organization, and establishes a system that can stop and eliminate the operation of accounting information. Control is described as an in-place mechanism to prevent errors from entering the process or to detect them. Emile (1994) and Anthony (2004) argued that internal control affects different stakeholders in each organization at different levels.

### **Control Environment**

The control environment created by the management of an organization sets the tone of the organization and influences the control awareness of its employees (Whittington and Pany, 2001). This is the inspiration for all other components of control, providing discipline and structure. Anthony (2004) discovered that the management environment sets the tone of the organization and affects employee awareness. This is the foundation of all other internal control components. A management environment is an organization's awareness, an atmosphere that forces members of an organization to carry out their activities and responsibilities according to established management goals. Consistent with international best practices, an effective management environment is one in which competent individuals understand the limits of their responsibilities and powers, are knowledgeable, careful, and do the right thing and the right way. It is an environment to concentrate on. Jenny and Pamela (2006) argue that "the board and management improve the organizational management environment by establishing and effectively communicating written policies and procedures, ethical codes and standards of conduct. It also improves the management environment when acting ethically and producing a positive tone at best, and when requiring the same standard behavior for everyone in the organization (Okwach, 2000).

Spillane and Reimer, 2000 additionally mentioned that manage surroundings makes organisational participants aware of the paintings necessities and performance anticipated of them to keep out responsibilities that translate in the common organisational performance. Control surroundings refer to any or all elements which can be powerful in determining the growing or reducing effectiveness of policies, procedures, and techniques particular to a process. Strictly speaking, to manage surroundings may be perceived to be the focus of the senior management of an organisation to manipulate the business enterprise and employees (Duramany-Lakkoh, 2021).

### **Control Activities**

Control activities aim to form management directives designed to effectively implement various policies and procedures. Management activities are policies and procedures that help ensure that you follow management instructions. They help ensure that the necessary steps are taken to manage risk in order to achieve the company's goals. Administrative activities take place across the organization, at all levels, and at all functions. They include a variety of activities such as permits, approvals, reviews, adjustments, operational performance reviews, asset security, and segregation of duties (Kaval2005). Van Horne (2002) states that control activities are management and supervisory measures taken by management to keep the organization focused and careful and to enable members to be effective and efficient in performing tasks.

Management activities are actions supported by management objectives, procedures, and policies that enable managers to manage risk in a timely, effective, and efficient manner (Steeves, 2004). He calls management and control measures that are inherently active and prevent the occurrence of adverse events prophylactic management (Dublin, 1999; Van Horne, 2002). Many studies emphasize the need and importance of internal control in the banking system. Adeyemi and Adenugba (2011) argued that weak internal control systems often lead to undetected fraud and poor bank performance. The Basel Committee on Banking Corporation (1998), along with banking regulators around the world, is increasingly focusing on the importance of sound internal control. Internal Controls is not just a procedure or policy that is implemented at a particular point in time; it is continuously implemented at the lowest level within the bank.

### **Empirical Literature**

As mentioned earlier, control systems are an important component of organisational management and can be the basis for safe and sound operations (Drogalas et al., 2005). A study conducted by Angella and Eno (2009) found that some components of control systems were not properly implemented by some banks, leading to unfavorable achievement of corporate goals.

Akosile and Fasesin (2013) examined a comparative evaluation of the internal control systems of public and private universities in Nigeria. The results of the analysis show that there is no difference between public and private university control systems. The results show that there is a significant positive correlation between the effectiveness of internal controls and financial performance.

Wittaya poomat. et. at. (2011) conducted a survey of listed companies in Thailand. The results show that the effectiveness of internal controls has a positive impact on the reliability of financial information. It was concluded that risk management, quality of compliance, and adequacy of monitoring have a significant impact on the effectiveness of internal controls.

At Al-Sawalqa et at. (2012) investigate the relationship between internal control components and the effectiveness of Jordan's audit program. The research shows that risk assessment contributes significantly to the performance of audit programs.

A study on internal control information disclosure by Lend and Li (2011) examines the relationship between revenue quality and disclosure of internal control information. The results show that there

is a positive correlation between yield quality and the level of control information disclosure. This means that the larger the company's EPS, the better the company's performance.

Ewa and Udoayang (2012) investigated employee fraud in Nigeria and conducted a survey on lifestyles and banks' ability to detect fraud. It was concluded that the majority of Nigerian banks did not take the lifestyle of their staff seriously. In contrast, the majority of staff believed that efficient and effective control systems would help identify staff fraud in this particular sector, override the system and evaluate the performance of the system on a regular basis.

Olaoye (2009) discovered that internal control systems play an important role in the detection and prevention of fraud in the Nigerian banking sector. A research undertaken by Abbas and Iqbal (2012) discovers that a well-established and successfully implemented control system assists in proper utilisation of resources and a framework for operations of every kind of organisation. Furthermore, the results show that control systems generate reliable financial data which assist stakeholders in proper decision making.

Emmanuel and Agyapong (2013) point out that the efficiency of the control systems practised by the small business sector was quite low, with only 45% of the sample firms having satisfactory control systems. The findings of the research also suggested that small business should be encouraged and promoted to assist growth and expansion that will further enable increased efficiency of the internal control system. Bongani (2013) investigates the degree to which NGOs in Zimbabwe implement internal controls in their procedures.

## **METHODOLOGY**

This section describes the survey method used to perform this study. It outlines the techniques used to design the structured questionnaire used to collect primary data. We also explained the procedure for collecting secondary data required for the research. There was also a discussion of how the collected secondary and primary data were analysed and presented. The statistical tools used to analyse the collected primary data are shown here. The validity and reliability of the study was also outlined. Ethical questions from respondents were also addressed, along with the limitations encountered while collecting data for the survey.

### **Source of Information Collection**

The primary data source was selected to provide direct information about internal control procedures. With key data sources, surveys can not only focus on specific topics, but also give you more control over how information is collected. In this study, the primary data was primarily used to better understand the questions posed in this study. In the primary data collection, a questionnaire was created and conducted for both employees and non-employees of the enterprise. According to Bryman and Bell (2007), primary data is important for obtaining first-hand information relevant to understand baseline characteristics of an organisation. It should be noted that the basic method for collecting the primary data needed for this survey is a structured questionnaire. The secondary data was collected from internet sources, including books, articles, journals, publications, audited annual reports of the companies involved in this study, and related materials. The search for secondary data in this study began on the Internet.

There are several advantages regarding the use of secondary data. It takes less to acquire and costs less when compared to primary data. The data collected were also of high quality which helps during the data analyses, interpretation and discussion phases of this dissertation. The study relied on both primary and secondary data for the necessary information. The study was also guided by quantitative research methodology. There is also the need to use a quantitative approach especially in making a comparative analysis of the internal control system employed by the two banking institutions involved in the study. This study is explorative, descriptive and explanatory in nature as the researcher explores, describes and explains the topic of internal control systems of these banks in Sierra Leone.

### **Design and pretesting of Questionnaire**

After the design was completed, a structured questionnaire was tested in a pilot test. Respondents with the same characteristics as those targeted at the final population were used as respondents to the pilot test (Strauss and Corbin, 2000; Babbie, 2004). The purpose of the questionnaire pre-test was to ensure that respondents understood the question and to identify potential problems when filling out the questionnaire. After the exam, minor questions were identified and then the questionnaire was revised. The main validity check of the questionnaire was the validity of the content (Saunders et al., 2007). The questionnaire was piloted in two phases. First, it was administered to a small number of respondents (12). Respondents were encouraged to recognize the mistakes, the clarity of the question, and the time it took to complete the questionnaire. The errors reported by these respondents were fixed by removing some questions and paraphrasing some. Second, we submitted a questionnaire to an expert in internal control systems and banking services, asked them to confirm that the questionnaire was correct, and to make suggestions, comments and suggestions for appropriate corrections.

### **Research Sampling Techniques and Response Rate**

This study uses a convenience sampling method, which is a non-probability sample, as the sampling method for this study. It should be noted that there are problems related to non-probability sampling in the form of sampling errors and bias selection procedures. 127 questionnaires were distributed to the respondents. The target population consists of employees and non-employees of the two banks surveyed, Indegerios Bank and Subregional Bank.

In this survey, two major banking groups were selected: National Bank (Nbanks) and International Bank (Ibanks). However, in order to make comparative analysis more effective, a third group was included, this group consists of respondents who are outside of the two banks just mentioned above, and they are called Other Places of Work (OPW). Respondents for the OPW category were selected based on their customer or professional relationship with the bank and their understanding of some banking operations connected to the customers` satisfaction.

There are 13 Commercial Banks in Sierra Leone, with 3 Indigenous Banks, otherwise referred to as National Banks in this study and 10 International Banks. Respondents were drawn from all 3 National Banks and the 3 oldest International Banks in Sierra Leone. After the structured questionnaires were administered and collected upon completion by the respondents, they were checked for missing information. There were 127 questionnaires administered wherein 115 were collected. Thus the response rate =  $(115/127) * 100\% = 91.3\%$ . A response rate of this value is

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considered good for a study of this type. The achievement of this result can be attributed to the strategies used to construct the data collection instrument from the respondents. In addition, most of the questionnaires were completed in the presence of the researcher/questionnaire administrator and collected thereafter. After calculating the response rate, we checked the integrity and accuracy of the questionnaire. As a result, the six questionnaires were either missing or not filled out correctly. As a result, these questionnaires were deleted and 110 questionnaires were finally used for analysis.

### **Method of Data Analysis**

This section focused on how the collected data was analysed and finally discussed. This includes a discussion of the steps required to analyse the primary data collected from respondents through the survey. With the aim of achieving high quality and reliable results, this study reviewed relevant literature, carefully designed data acquisition equipment, structured questionnaires, and analysed the collected data. Anderson and Arsenault (2005) remind us that we need to get high quality data to get high quality results. In this regard, the data collected for quantitative part requires patience, caution and accuracy. After data was been collected, the next exploration step was to analyse the collected data.

The field survey questionnaire was first checked for missing information or misfiled questionnaires, then edited and computerised. We analysed field survey data using descriptive statistics such as frequency charts, bar charts, pie charts, and histograms. Mean, mode, median, and standard deviation were also used to better understand the results. The main purpose of these analyses is to derive inferences and generalise the results to the entire population. In addition, the data collected was analysed using the Social Scientist Statistics Package (SPSS) version 23 software and Microsoft Excel software.

### **Presentations and Analyses of Primary Data**

The presentation and analyses are carried out according to how the questions/statements are presented in the questionnaire. The questionnaire consists of six sections. Section 1 contains background information about the respondents regarding the study, whereas the remaining five sections contain variables which are designed to help in providing answers to the five research questions. Descriptive statistics like, cross tabulation and box plots were used to analyse the collected primary data. Also tables and charts are used to help in providing answers to the research questions raised for this study.

### **Presentations of Findings and Analysis of Data**

The structured questionnaire used to collect primary data for this study was designed with six (6) sections. Section 1, questions relating to the background of respondents were asked – this section consists of six questions. Sections 2, 3, 4, 5 and 6 are constructed with the following variables, respectively:

1. *Background Information of the Respondents*
2. *Control Environment and its Effects on Performance of Banks*
3. *Control Activities and its relevance to Performance*
4. *Information and Communication – Its Benefits to Banks*
5. *Risk Assessment - Its Significance to Survival of Banks*



## 6. Monitoring and Evaluation – Contribution to Performance of Banks

The second, third, fourth and sixth sections consist of eight statements with options, while the fifth section consists of nine statements with options. These variables were coded before they were entered into the SPSS version 23 software. The outcomes of these variables were discussed later in this chapter. Since this chapter is mainly designed to present and analyse primary data with the intention of providing answers to the five research questions, the second to the sixth sections of the questionnaire are designed in order to achieve this purpose. In the ensuing section of this chapter, the variables from the first section are presented and thoroughly analysed.

### Presentation & Analyses of Data from Section 1

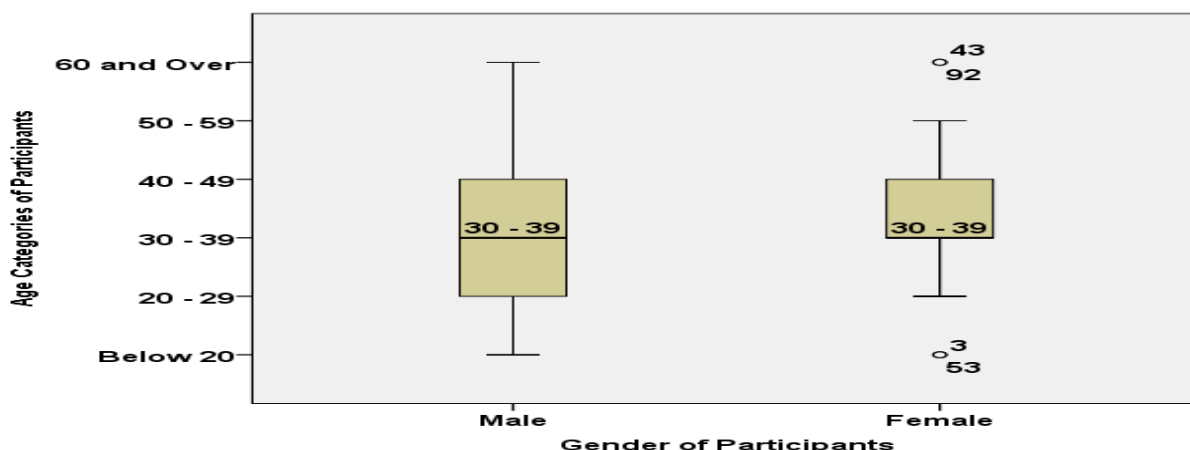
#### Background information of the respondents

There were six variables/questions constructed for this first section of the questionnaire. These questions were coded prior to entering them into the SPSS version 23 software for onward statistical calculations. The results of these variables are presented in the following six tables.

**Table 1: Age Categories of Participants**

	Frequency	Percent	Cumulative Percent
Below 20	4	3.6	3.6
20 - 29	27	24.5	28.2
30 - 39	40	36.4	64.5
40 - 49	24	21.8	86.4
50 - 59	12	10.9	97.3
60 and Over	3	2.7	100.0
Total	110	100.0	

Source: Research data



Source: Research data

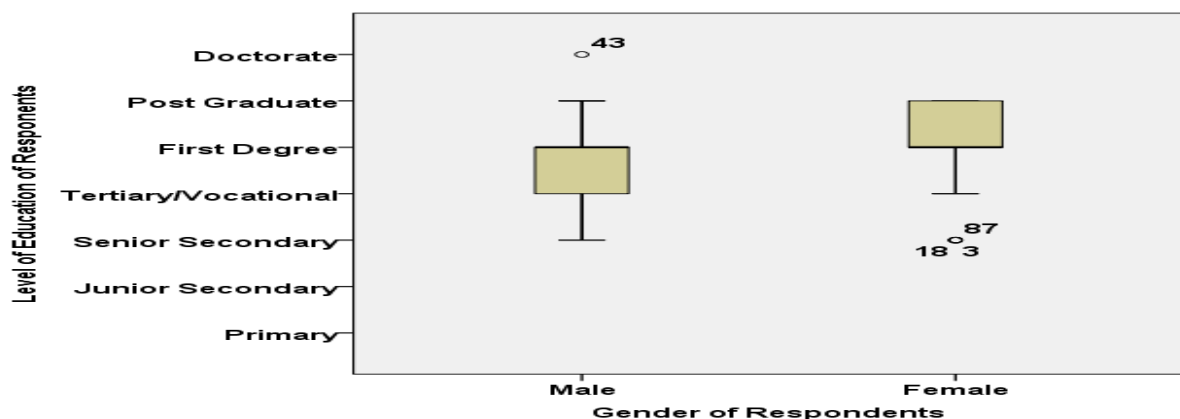
From figure 1, it is clear that the mean age group is 30 – 39. However, the figure shows that there are four outliers which are female. Respondents 3 and 53 are female respondents and they are below the age of 20 years, while respondents 43 and 92 are above 60 years.

**Table 2: Level of Education of Respondents**

	Frequency	Percent	Cumulative Percent
Senior Secondary	10	9.1	9.1
Tertiary/Vocational	19	17.3	26.4
First Degree	57	51.8	78.2
Post Graduate	23	20.9	99.1
Doctorate	1	.9	100.0
Total	110	100.0	

Source: Research data

**Figure 2: Level of Education of Respondents**



Source: Research data

Figure 2. shows a box and whisker plot between gender of respondents and level of education of respondents. The figure shows that there is one outlier, 43, for the male respondents. The number 43 means respondent number 43, this respondent is a doctorate degree holder. For the female respondents, respondents 87, 18 and 3 are outliers, and their level of education is junior primary. Therefore, figure 4.2 shows that the mean level of education is first degree, which is encouraging for this type of study.

**Table 3: Respondents' Knowledge on Internal Control system**

	Frequency	Percent
Yes	104	94.5
No	6	5.5
Total	110	100.0

**Source: Research data****Table 4: Whether Internal Control System can Improve Performance**

	Frequency	Percent
Yes	98	89.1
No	12	10.9
Total	110	100.0

**Source: Research data****Table 5: Respondents and place of work**

	Frequency	Percent	Cumulative Percent
NBanks	45	40.9	40.9
IBanks	45	40.9	81.8
OPWs	20	18.2	100.0
Total	110	100.0	

**Source: Research data**

The preceding six tables have not fully provided in-depth knowledge of the results. The results can be further understood when comparisons between some of the variables are carried out. In this regard, cross tabulation between some of the variables of interest were carried out below. It must be underscored that theories on cross tabulation were treated in section 3, research methodology of this dissertation. Table 5 shows cross tabulation between *place of work* and *level of education of respondents*. From the table, the three places of work are NBanks, IBanks and *other places of work* are on the columns, while level of education is on rows.

**Table 6: Cross Tab between Level of Education and OPW**

			Places of work			Total
			Nbanks	IBanks	OPOW	
LOE	Senior Secondary	Count	4	3	3	10
		% within LOE	40.0%	30.0%	30.0%	100%
	Tertiary/Vocational	Count	11	5	3	19
		% within LOE	57.9%	26.3%	15.8%	100%
	First Degree	Count	23	25	10	58
		% within LOE	39.7%	43.1%	17.2%	100%
	Post Graduate	Count	8	11	3	22
		% within LOE	36.4%	50.0%	13.6%	100%
	Doctorate	Count	0	0	1	1
		% within LOE	0.0%	0.0%	100.0%	100%
Total		Count	46	44	20	110
		% within LOE	41.8%	40.0%	18.2%	100%

**Source: Research data**

From table 6, there are only 10 respondents with senior secondary education, 4 for NBanks, 3 From IBanks and 3 from the other sectors. In addition, there are 19 respondents with tertiary/Vocational qualifications, with commercial banks constituting close to 60% of this group. In terms of first degree holders, NBanks has 23 while IBanks has 25. There are 8 and 11 post graduate degree holders in NBanks and IBanks respectively. It is interesting to note that the results in the table have provided more information than those provided by table 2 and 5. Table 7 below shows results from cross tabulation between place of work (POW) and internal control system (ICS). The results from this table show that over 90% of respondents from both NBanks and IBanks were of the opinion that internal control systems can contribute to the performance of a banking institution. While 75% of respondents from the other places of work do believe that ICS can contribute to the performance of a bank.

**Table 7: Cross Tab between POW and ICS and Performance**

			Internal Control and Performance		Total
			Yes	No	
POW	NBanks	Count	41	4	45
		% within POW	91.1%	8.9%	100%
	IBanks	Count	42	3	45
		% within POW	93.3%	6.7%	100%
	OPOW	Count	15	5	20
		% within POW	75.0%	25.0%	100%
Total		Count	98	12	110
		% within POW	89.1%	10.9%	100%

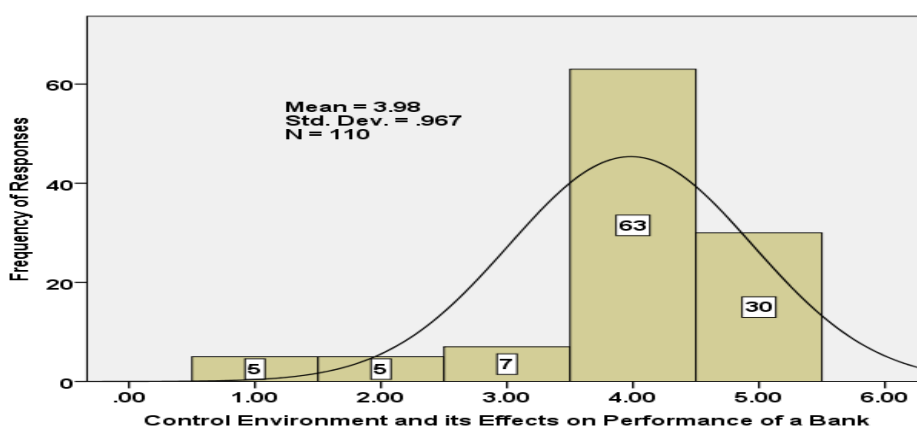
**Source: Research data**

## RESULTS OF ELEMENTS OF INTERNAL CONTROL SYSTEMS

### *Control Environment and its Effects on Performance of Banks*

Figure 3 below shows results obtained from responses for the control environment (CE) and its effects on performance of a bank. These results are depicted by a histogram with a normal curve. The mean response is 3.98 with a standard deviation of 0.967 – this can be interpreted to mean that majority of the respondents believe that strong internal control system is important for the survival of a bank, hence a skewed nature of the curve towards the strong and very strong option of the statements that were used to construct the variable. Thus, it is clear that respondents were of the opinion that the bank employed a strong internal control system.

**Figure 3: Control Environment and its Effects on Performance of Banks**



**Source: Research data**

Table 8 below shows cross tabulation between places of work and control environment and its effects on the performance of a bank. For NBanks, more than 84% of the respondents believe that the bank is employing a strong internal control system with regard to control environment, while close to 89% of the respondents from Ecobank do believe that strong control environment is observed by management. The results from table 8 and those obtained from figure 3 are in agreement - which means that employees of both banks were of the conviction that management is employing strategies that are geared towards effective control management with a view of improving performance.

**Table 8: Cross Tab between POW and Control Environment**

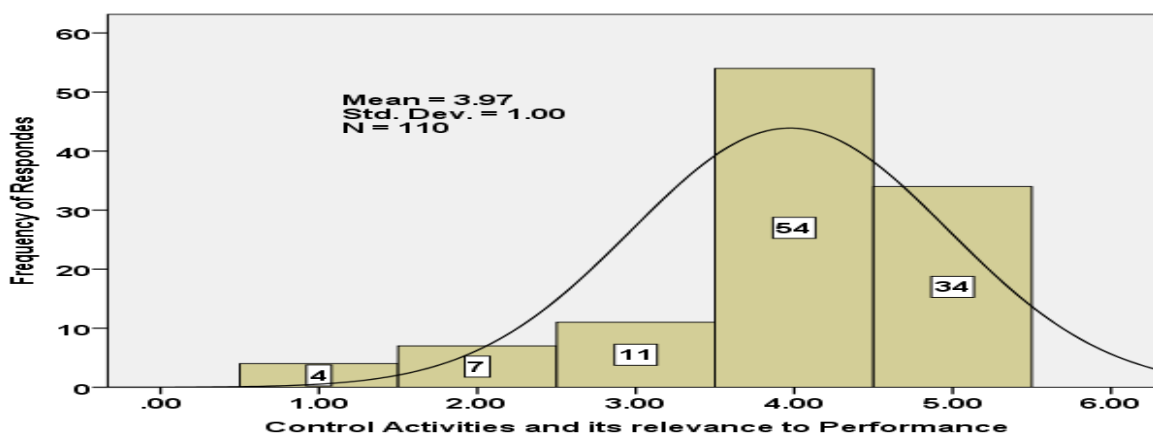
			Very Weak	Weak	Neither	Strong	Very Strong	Total
<b>POW</b> NBank	Count		2	2	3	24	14	45
	% within <b>POW</b>		4.4%	4.4%	6.7%	53.3%	31.1%	100%
IBanks	Count		2	2	1	24	16	45
	% within <b>POW</b>		4.4%	4.4%	2.2%	53.3%	35.6%	100%
OPOW	Count		1	1	3	15	0	20
	% within <b>POW</b>		5.0%	5.0%	15.0%	75.0%	0.0%	100%
Total	Count		5	5	7	63	30	110
	% within <b>POW</b>		4.5%	4.5%	6.4%	57.3%	27.3%	100%

Source: Research data

**Control Activities and its relevance to Performance**

Figure 4 below shows results obtained from responses for the control activities and its relevance to performance of a bank. These results are depicted by a histogram with a normal curve. The mean response is 3.97 with a standard deviation of 1.00 – this can be interpreted to mean that 89 of the respondents believe that strong control activities are essential for growth, hence the skewed nature of the curve towards the strong and very strong option of the statements that were used to construct the variable. Thus, it is clear that respondents were of the opinion that the bank employed strong internal control activities in the running of the respective banks.

**Figure.4: Control Activities and its relevance to Performance**



Source: Research data

Cross tabulation results between places of work and control activities and its relevance to performance are shown in table 9 below. For NBank, 80% of the respondents believe that the bank is employing strong and better control activities as part of its internal control system, 80% of the respondents from IBanks do believe that strong and better control activities are implemented by

management. The results from table 9 and those obtained from figure 4 are in agreement - this means that employees of both banks believe that management is employing strategies that are geared towards implementing controlled activities that are relevant to the performance of a bank.

**Table 9: Cross Tab between POW and Control Activities on Performance**

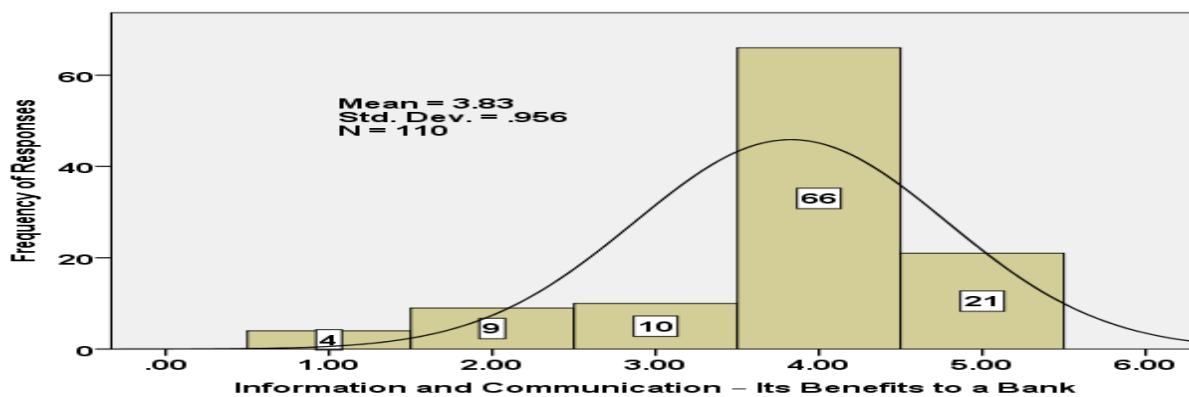
			Very Weak	Weak	Neither	Strong	Very Strong	Total
POW NBanks	Count		1	3	5	18	18	45
	% within POW		2.2%	6.7%	11.1%	40.0%	40.0%	100%
IBanks	Count		3	3	3	23	13	45
	% within POW		6.7%	6.7%	6.7%	51.1%	28.9%	100%
OPOW	Count		0	1	3	13	3	20
	% within POW		0.0%	5.0%	15.0%	65.0%	15.0%	100%
Total	Count		4	7	11	54	34	110
	% within POW		3.6%	6.4%	10.0%	49.1%	30.9%	100%

Source: Research data

**Information and Communication and its Benefits to Banks**

Figure 5 below shows results obtained from responses for the information and communication and its benefits to the banks. Histogram and a normal curve are used to portray the responses from respondents. A standard deviation of 0.956 and a mean of 3.83 were calculated for this variable. These just mentioned results show that the responses are biased towards the very precise option provided for this variable – it means that there are very precise communication and information strategies that were employed by the banks in order to improve efficiency of both management and employees.

**Figure 5: Information and Communication and its Benefits to Banks**



Source: Research data

Table 10 below shows cross tabulation between places of work Information and Communication and its Benefit to Banks. For NBanks, more than 78.8% of the respondents believe that information and communication are essential elements geared towards better performance of both employees and management of the bank. 86.7% of respondents from IBanks do believe that information and communication are vital for the performance of the bank. The results from table 10 and those obtained from figure 4 are in agreement - which means that employees of both banks were of the conviction that management is employing strategies that are required to improve the outlook of these entities.

**Table 10: Cross Tab between POW and Information and Communication Benefits to Banks**

							Total	
		Very Imprecise	Precise	Neither	Precise	Very Precise		
Place Of Work	NBanks	Count	1	4	5	30	5	45
		% within POW	2.2%	8.9%	11.1%	66.7%	11.1%	100.0%
	IBanks	Count	1	5	0	26	13	45
		% within POW	2.2%	11.1%	0.0%	57.8%	28.9%	100.0%
	OPOW	Count	2	0	5	10	3	20
		% within POW	10.0%	0.0%	25.0%	50.0%	15.0%	100.0%
Total		Count	4	9	10	66	21	110
		% within POW	3.6%	8.2%	9.1%	60.0%	19.1%	100.0%

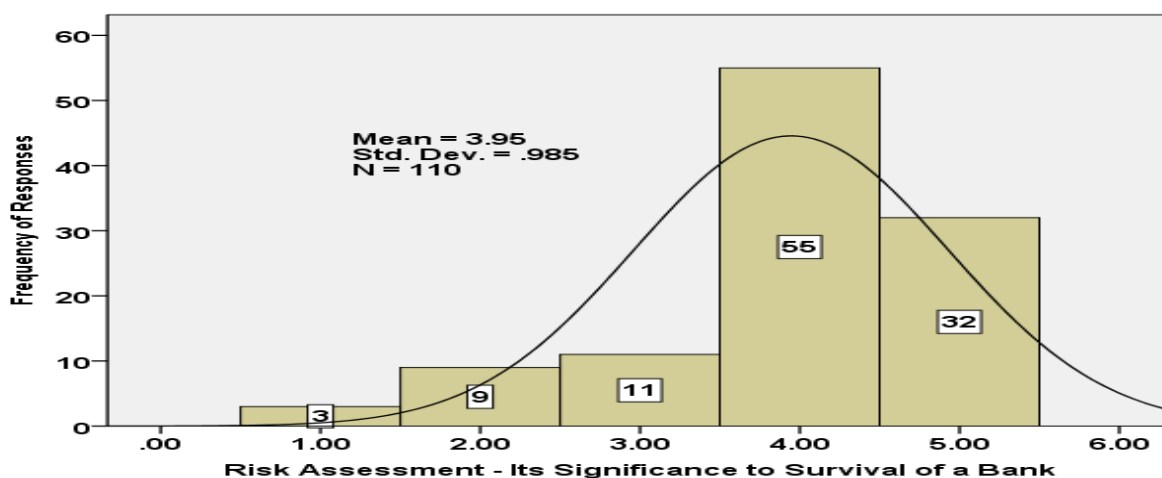
Source: Research data

### **Significance of Risk Assessment to the Survival of Banks**

The histogram and the normal curve, in figure 6 below, show results obtained for the responses for the fifth variable on the questionnaire, which is the called *significance of risk assessment to the survival of a bank*. The mean response is 3.985 with a standard deviation of 0.967 – this can be interpreted to mean that majority of the respondents believe that strong an effective assessment of risk is essential for the survival of the banks, hence a skewed nature of the curve towards the very accurate option of the statements that were used to construct the variable. Thus, it is clear that respondents were of the opinion that the bank employed an internal control system regarding risk assessments that are acute and geared towards the continued existence of the bank.



**Figure.6: Significance of Risk Assessment to the Survival of Banks**



**Source: Research data**

Cross tabulation results between places of work and Significance of Risk Assessment to the Survival of a Bank are shown in table 11. It is clear from the table that 77.8% of the respondents from NBanks support the perception risk assessment is significant to the survival of the bank. Results from IBanks show that 82.2% of participants do believe in the importance of risk assessment and management for the growth of a banking institution. Interestingly, results from table 11 and those obtained from figure 6 are in agreement, meaning that employees of both banks believe that management is expanding the required resources in order to achieve the benefits offered by effective risk management and assessment strategies.

**Table 11: Cross Tab between POW and Risk Assessment and Survival of Banks**

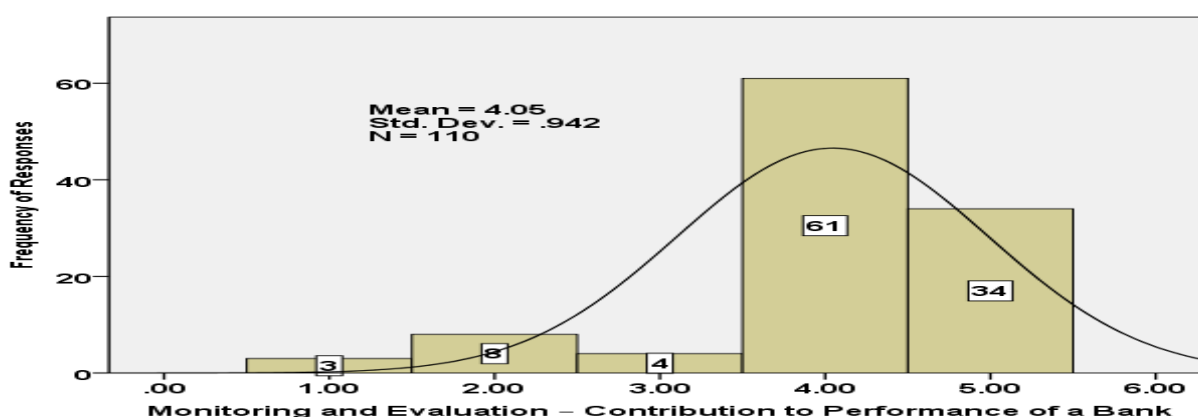
			RSKASTSIGSURBNK					Total
			Very Accurate	Inaccurate	Neither	Accurate	Very Accurate	
POW NBanks	Count		1	3	6	22	13	45
	% within POW		2.2%	6.7%	13.3%	48.9%	28.9%	100.0%
IBanks	Count		2	4	2	23	14	45
	% within POW		4.4%	8.9%	4.4%	51.1%	31.1%	100.0%
OPOW	Count		0	2	3	10	5	20
	% within POW		0.0%	10.0%	15.0%	50.0%	25.0%	100.0%
Total	Count		3	9	11	55	32	110
	% within POW		2.7%	8.2%	10.0%	50.0%	29.1%	100.0%

**Source: Research data**

### *Contributions of Monitoring and Evaluation to Performance of Banks*

Figure 7 shows results obtained from responses for the contributions of monitoring and evaluation to the banks. Histogram and a normal curve are used to portray the responses from respondents. A standard deviation of 0.942 and a mean of 4.05 were calculated for this variable. These just mentioned results show that the responses are biased towards the very precise option provided for this variable – it means respondents were of the opinion that monitoring and evaluation of performance and activities of both management and employees can contribute to the performance of a banking institution.

**Figure 7: Contributions of Monitoring and Evaluation to Performance of Banks**



**Source: Research data**

In the next section, the five tables show results for the responses for the five variables used to further provide answers to the five research questions developed for this study.

## **DISCUSSION, RECOMMENDATION, LIMITATION AND CONCLUSION**

### *Control Environment and its Effects on Performance of Banks*

In order to increase the comprehension of the discussion in this section, the first research objective is provided below:

**Obj.1: To determine the results of an effective control environment on the achievement of the objectives of banks**

Table 8 in shows cross tabulation between places of work and control environment and its effects on the performance of a bank. For NBanks, more than 84% of the respondents believe that the bank is employing a strong internal control system with regard to the control environment, while close to 89% of the respondents from IBanks do believe that strong control environment is observed by management.

Previous studies undertaken by Whittington and Pany (2001) on control environment as a component of internal control show that employees are the subjects of internal control in the

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organisation and control the implementation of their assignments. In addition, Anthony (2004) and Sarens (2006) suggest that the control environment sets the tone of an institution and influences the control consciousness of its people. It is interesting to note that the results of this study are in agreement with studies undertaken by Jenny and Pamela (2006) and Okwach (2000) wherein it was shown that a controlled environment makes organisational members aware of the job requirements and efficiency expected of them.

Kaval (2005) and Spillane and Reimer (2000) contend that a control environment can be perceived as a consciousness of the senior management to control the organisation and employees. This above finding is in harmony with the findings of this study. The results from this study show that employees of both banks were of the conviction that management is employing strategies that are geared towards effective control management with a view of improving performance. In this regard, it is sensible to state that the first research objective has been achieved.

#### ***Control Activities and its relevance to Performance***

The second research objective developed for this study is:

#### ***Obj2: To find out whether the risk assessment strategies adopted by banks are effective in preventing failure and fraud***

Cross tabulation results between places of work and control activities and its relevance to performance are shown in table 9. For NBanks, 80% of the respondents believe that the bank is employing strong control activities as part of its internal control system, 80% of the respondents from IBanks do believe that strong control activities are implemented by management. Control activities can lead to effective implementation of various policies and procedures of a firm by management (Dublin, 1999; Van Horne, 2002). Furthermore, the board of directors and management make use of control activities to ensure that the policies and procedures are carried out. The results of the aforementioned studies are in agreement with the results of this study.

Is it fascinating to state that studies carried out by Keskin and Ozturk (2013) in which the researchers point out that control activities occur throughout the organisation, at all levels, and in all functions. The results of this study are in consonant with studies undertaken by Steeves (2004) wherein they suggest that control activities are the administrative and supervisory actions that management engages in to keep the organisation focused. Moreover, control activities must be appropriate, consistent, cost effective, comprehensive, and directly relate to the control objectives (Anduuru, 2005; Craig (1999). The discussion of results from this study means that employees of both banks believe that management is employing strategies that are geared towards implementing controlled activities that are relevant to the performance of banks. As a consequence of the foregoing discussion, it is logical to state that the second research objective has been achieved.

#### ***Information and Communication and its Benefits to Banks***

In order to contribute to the achievement of the aim of this study, a third research objective was developed and it is:

***Obj3: To assess the factors which are responsible for effective control activities to be achieved by banks***

Table 10 shows cross tabulation between places of work Information and Communication and its Benefits Banks. For NBanks, 78.8% of the respondents believe that information and communication are essential elements geared towards better performance of both employees and management of the bank. 86.7% of respondents from IBanks do believe that information and communication are vital for the performance of the bank.

Interestingly, the findings of this study are consistent with findings by Petro et al., (2007). and Bazzoli et al. (2000) in which the researchers suggest that the transfer of relevant information from one employee to another is the basis of management activities. In addition, communication can translate abstract goals and plans into language that encourages employees. Previous study by Socol (2011) noted that the primary element of a good internal control system is to be able to obtain information and to ensure that communication among employees is smoothly done. The results of this study concur that Chen (2004) pointed out that management information systems should be arranged in a disciplined and responsive manner.

It is important to emphasise that the information communicated must be reliable, accurate, complete, specific, understandable, directed and relevant to the right people Petro et al., (2007): Uket and Joseph (2012). Moreover, interactions between management and subordinates are pivotal in motivating subordinates to achieve organisational performance (Semanda (2001) and Suzanne and Naidoo (2005). The just mentioned findings run parallel with the result of this study. The results from this study can be interpreted to mean that employees of both banks were of the conviction that management is employing strategies that are required to improve the outlook of these entities. The discussion of results in this section paves the way for the achievement of the third research objective.

***Significance of Risk Assessment to the Survival Banks***

The fourth research objective developed for this study is:

***Obj4: To investigate whether management information system of banks are arranged in a disciplined and responsive manner***

Cross tabulation results between places of work and Significance of Risk Assessment to the Survival Banks are shown in table 11. It is clear from the table that 77.8% of the respondents from NBanks support the perception risk assessments are significant to the survival of the bank. Results from IBanks show that 82.2% of participants do believe in the importance of risk assessment and management for the growth of a banking institution.

Jenny and Pamela (2006) and Miles (2012) believe that management ensures that risk detection should consider both internal and external factors and their impact on the achievement of objectives. Additionally, the identification of risks is important for the achievement of the organisation objectives. The results of this study are in agreement with the just mentioned results. Findings by Gleiling (2005) and Morris (2011) show that risk assessment is the identification of potential errors, and implements policies and procedures to reveal and prevent them.

It is vital to stress that a firm should establish a warning system to determine remote risks and take the necessary actions to remove or minimise such risks (Adeyemi and Adenugba (2011)). It is fascinating to note that studies carried out by Jianfei and Lu (2011) wherein they argue that banks should perform risk assessment of its operations to consider risk related to fraudulent activities and how they should be prevented. Moreover, banks should have systems in place to identify and react to risks presented by changes in regulatory, economic and operating factors. The results obtained in this study are in consonant with the aforementioned results. Interestingly, results from this study mean that employees of both banks believe that management is expanding the required resources in order to achieve the benefits offered by effective risk management and assessment strategies. As a consequence of the foregoing discussion, the fourth research objective has been achieved.

## CONCLUSION

This study recognises that Management environment sets the tone of the institution internal control and influences the management awareness of its employees. It was also identified that the control environment allows members of the banks to be aware of work requirements and the efficiencies expected from them. In addition, the control environment can be seen as management awareness to control the organisation and its employees.

The literature also reveals that Management activities can lead to effective management of various company policies and procedures. In addition, the board and senior management use management activities to ensure that policies and procedures are in place. Interestingly, management activities are conducted throughout the organisation with the goal of concentrating all efforts on achieving goals. The results of this study suggest that control activities are management and supervisory measures taken by management to maintain organisational concentration. In addition, control activities need to be proportional, consistent, cost-effective, inclusive, and directly related to control objectives.

The results of this study show that the transmission of relevant information from one employee to another is the basis of management activities. An important element of a good internal control system is to maintain information and facilitate communication between employees. It is important to emphasize that the information provided needs to be reliable, accurate, complete, concrete, understandable, targeted and relevant to the right people.

Management ensures that risk identification needs to take into account both internal and external factors and their impact on achieving goals. In addition, identifying risks is important to achieving your organization's goals. It is important to emphasize that enterprises need to set up alert systems to detect remote risks and take the necessary actions to eliminate or minimize such risks. Banks need to perform a business risk assessment to consider the risks associated with fraud and how to prevent them. Banks are always involved in projects undertaken to improve their performance. Responses from staff at both banks clearly show that monitoring and evaluation strategies are essential to the continuity of all projects carried out by banks. Banks need to regularly check access and security to their IT environment, and monitoring should be aimed at determining whether employees are performing their duties efficiently and effectively. In addition, continuous monitoring of internal control systems and identification of deviations are required to achieve the agreed goals.

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