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**EFFECT OF INTERNAL CONTROL SYSTEMS ON
PERFORMANCE OF BANKING SECTOR IN TANZANIA:
A CASE STUDY OF COOPERATIVE AND RURAL
DEVELOPMENT BANK, ARUSHA BRANCHES,
IN ARUSHA CITY****UPENDO SYOKINO MBAMAI**Jomo Kenyatta University of Agriculture and Technology (JKUAT)
Nairobi, Kenya**ABSTRACT**

This study aims at investigating the effects of internal control systems on performance of banking sector in Tanzania. The study will seek to achieve the following specific objectives; analyzing the extent of internal controls, effective internal control measures and the link between internal controls and performance of CRDB, Arusha branch. The study used a target population of 54 and the whole population was taken as a sample size. The research design employed for the study was descriptive research approach. The study used questionnaire as data collection technique which was a researcher made questionnaire. The questionnaire was validated through pilot study. Data was analysed through mean scores and presented in tables. The findings indicated that the bank was committed to ensure that control environment was effectively implemented as it has a direct impact on the bank's performance. The findings revealed the following as the role of risk assessment risk assessment procedure, existence of physical inspection of assets, reconciliation against assets register was done, auditing is conducted by the bank, and that threat analysis is performed regularly to protect the bank. The bank's efficiency, effectiveness and quality were found to be effective and efficient. The findings also indicated that there were

proper internal control systems. The study found that there were control activities which practiced at all levels within all levels and technological environment. Control activities may range from manual to automated activities such as segregation of duties, authorization, approvals, reconciliations, verification and performance reviews. The study recommended that CRDB bank management should continue to review control environment, risk assessment, effectiveness, efficiency and quality control. Future researchers should consider researching on internal systems in non-banking organizations.

DEFINITION OF TERMS

Internal control: Internal control refers to procedures and policies crafted and implemented by the board of directors, management and other staff to safeguard the assets of the organization and ensure that its objectives are attained (McNally, 2013). The main purpose is to control risks in order to ensure work ethics and achieve the purpose of the organization (Hamdani and Albar, 2016).

Audit: An audit refers to a systematic, independent examination of the evidences upon which financial statements have been prepared as well as non-financial disclosures to determine the truthfulness and fairness of presentation (Bragg, 2018).

Internal audit: Internal audit refers to the assessment of employees' compliance to corporate policies and procedures (Bragg, 2018).

Compliance audit: This refers to the entity's compliance to the rules and regulations of the governing agency (Bragg, 2018).

Performance: This is the ability of the firm to achieve its objectives efficiently and effectively including employee and customer satisfaction (Njeri, 2017).

Background of the Study

Internal control is important for organization performance due to agency-principal relationship that lead to separation of ownership from management (Davila, Gupta and Palmer, 2018). Internal control plays a key role on organization performance as well as safeguarding the resources of an organization both intangible (example reputation or intellectual property like trademarks) and physical resources (example buildings, motor vehicle, equipment, etc.). Internal controls are implemented in order to identify and control risks (Lanciluoto, Jokipii and Eklund, 2016).

Effective internal control is a key in the current arena of corporate governance due to a number of high-profile fraud cases (Palermo, 2011). Effective internal control assures that the organization operations are performed efficiently in accordance with mission and regulations or the organization and ensure the financial and other management reports are reliable (COSO, 2004). This has led to most corporations to implement various control measures in order to manage risks and safeguard the assets of the organizations. According to Sarbanes Oxley Act (2002), failure to have effective internal control leads to material weaknesses in the financial statements and all material weaknesses are mandate to be disclosed. Control is categorized into three categories that are: 1) Preventive, 2) Detective and 3) Corrective (Njeri, 2017).

Preventive is intended to prevent problems from happening. For example, a policy of ensuring every day accounting records are reported to the management. Example segregation of duties, approvals of transactions, verification and authorization of various payments (Njeri, 2017). Detective is intended to detect problems and alert managers when preventive measures fail. When accounting reports show a major variation, then management will detect the problems. These activities include audit, reconciliations and performance reviews (Moeller, 2005) cited in Njeri (2017).

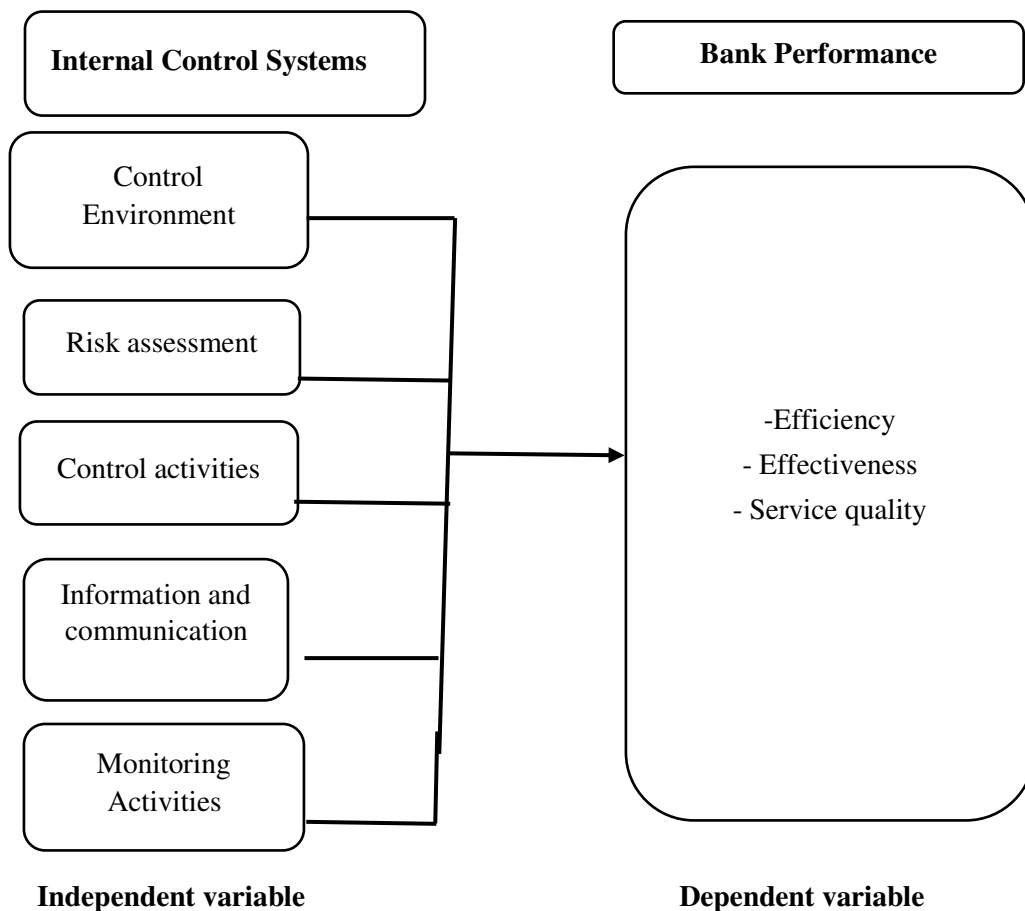
Corrective controls are procedures employed by the management to solve problems when they occur (Njeri, 2017). Corrective procures in case problems occur can be training programs.

COSO defines internal control as the procedures and policies set by board of directors, management and other organization team in order to ensure there is reasonable assurance for achievement of organization objectives in the areas of efficiency and effectiveness, reliability of financial statements and compliance to organization policies and rules. Internal control is affected by people not only the policies or manuals. That is why the definition states reasonable assurance and not absolute assurance.

Internal control is divided into financial control and non-financial (administrative) internal control (Deloitte, 2018). Financial internal control deals with financial activities and it is framed in controls of an organization’s receipts and payment (VASQUEZ, 2014). Non-financial internal controls deals with activities that are not directly financial in nature like personnel selection and administration (Deloitte, 2018).

Conceptual Framework

Conceptual framework is diagrammatic representation of the relationship between independent variable (Internal Control Systems (which includes control environment, risk assessment, control activities, information and communication, and monitoring variable and dependent variable (Bank Performance) which includes efficiency, effectiveness, and service quality as shown in figure 1 below. The independent variables cause the dependent variable to occur.



Source: COSO, 2004

Figure 1: Conceptual framework

Theoretical Literature Review

This part presents various theories and descriptions about internal control and performance.

Internal Control components

Components of Internal Controls

According to COSO (2004) the components of internal controls are control environment, risk assessment, control activities, information and communication & monitoring activities.



Source: VASQUEZ, 2018

Figure 2: Components of Internal Control

Control Environments

Under control environment, the organization is required to ensure that there is commitment to integrity and ethical values. The board should demonstrate a sense of independence from management and consider the overall development and performance of internal control (COSO, 2004). Management should ensure there is a structures, appropriate authority, reporting line and responsibilities (ibid). The organization should also have commitment to attract best employees, develop and retain them in order to achieve the organization objectives. Individuals should also be held accountable for their responsibilities (VASQUEZCPA, 2014).

The control environment includes the attitudes, awareness, and actions of management and directors, management and those charged with governance concerning the entity's internal control and their importance in the entity (Gamage et al., 2014, Mary, Albert, & Byaaruhanga, 2014).

Risk assessment

According to COSO (2004) organizations are required to ensure that, there is sufficient clarity of objectives to enable assessment and identification of risks. Also, it requires identification of how risks will be managed. Also, assessment requires assessment of fraud risks (VASCUEZCPA, 2014).

Control Activities

Control activities are the activities set in place to mitigate risks in order to achieve the objectives. These activities can be in terms of technology, general activities, procedures and policies required during various transactions (VASCUEZCPA, 2014). Control activities are the actions laid down through procedures and policies aimed at helping management to mitigate risks in order to achieve the objectives. Control activities are supposed to be practiced at all levels within all levels and technological environment. Control activities may range from manual to automated activities such as segregation of duties, authorization, approvals, reconciliations, verification and performance reviews (Deloitte, 2018).

Information and Communication

According to COSO (2004), an organization is required to acquire quality information that supports that operations and functionality of internal controls. The organization is also required to internally communicate the information about the objectives and responsibilities for internal controls necessary for effective internal controls. Furthermore, the organization should communicate with external parties the issues that might affect the effectiveness of internal controls (VASCUEZCPA, 2014).

Monitoring activities

Monitoring requires internal controls are evaluated to ensure that, management internal control processes are followed. This processes that need to be monitored are purchase orders, approvals, contracting, and so on. This will enable to identify whether management integrate controls with processes. Internal control deficiencies also need to be evaluated timely and parties responsible for corrective actions together with the top management and board and other employees do accordingly (VASCUEZCPA, 2014).

Performance

Performance will be measured in terms of profitability indicators, liquidity indicators, capital adequacy, operating efficiency indicators and growth indicators.

Theories

This study is constructed under agency and stakeholders' theories.

Agency theory

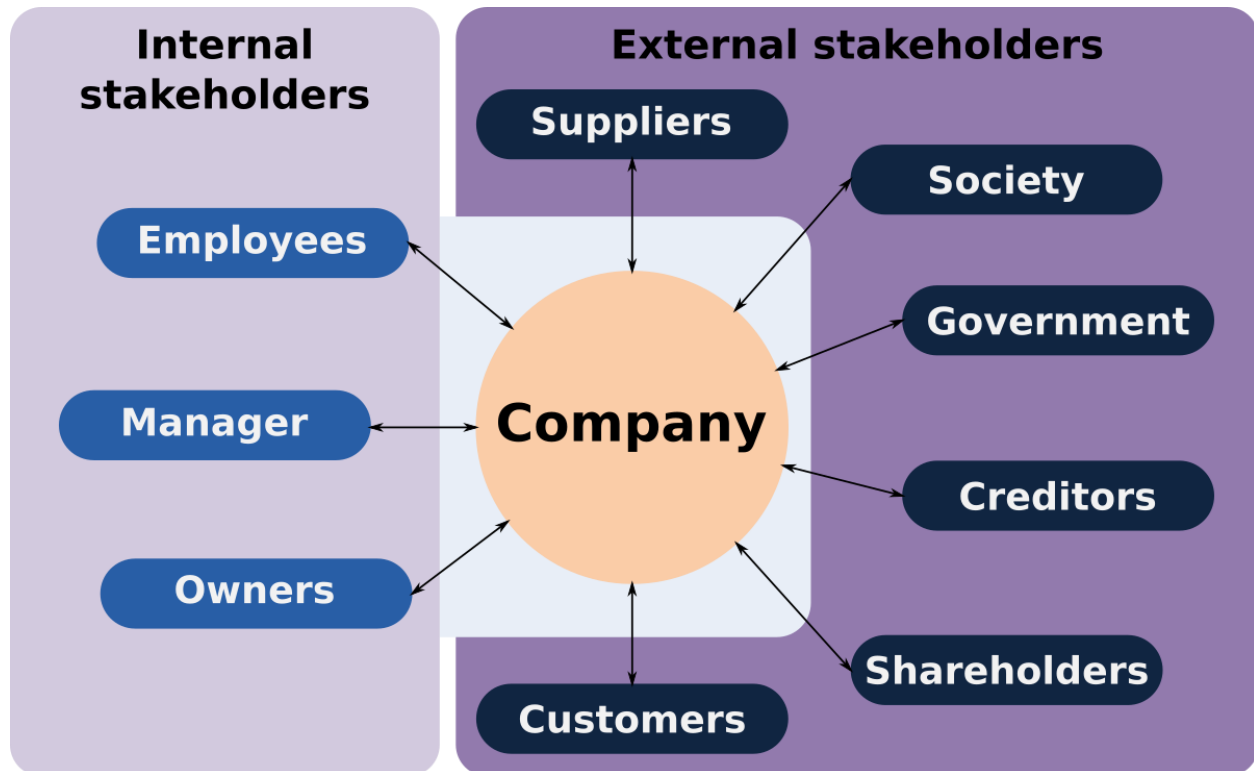
Agency theory explains the principal-agent relationship and was developed by Jensen and Meckling (1976). Agency theory is a model used to describe the relationship that prevails between agents (managers) and principals (owners). Principals recruit agents to run the business of their behalf. The agent represents the principals and it is anticipated to work on the best interest of the principals with no self-interest. In some instances, the interests of principals differ from the interest of management (Laiho, 2011).

The aim of a company is usually wealth maximization or market value maximization of the company. However, it is most often incompatible with the interests of managers (agents), since they may prefer to maximize their personal interests, even at the expense of the principals (owners). This incongruity results into agency conflicts and mostly severe in listed companies (Jensen-Meckling, 1976). Serious conflicts of interests are caused as a result of separation of ownership and control between shareholders (principal) and managers (the representatives) and creditors.

Principals have lack of access of information about the agent's performance. These agency problems have agency costs. This may make it difficult for principals to detect the differing interests due to information asymmetry (Deloitte, 2018).

These incompatible relationships lead to inefficiencies (VASQUEZ, 2014). As a result of these conflicts between principals and agents' continuous efforts by the business practitioners have been implemented to bring consensus.

In seeking to minimize these conflicts corporations need to design solid policies for internal controls (COSO, 2004). These controls include incentives, physical control, audit, rules to discourage moral hazards.



Source: Friedman, 2006

Figure 3: Stakeholders of the firm

Stakeholders refer to anyone who benefits or gets harmed because of the affairs of the business (Freeman, 1984). Stakeholders include the shareholders (stockholders), employees and management, suppliers, community and others. The theory holds that, firms should create value to all stakeholders. The theory was developed by R. Edward Freeman (1984). According to Friedman (2006), an organization is supposed to consider the interests of all the stakeholders and make sure there is no deficiencies depending on the interest of each group of stakeholders.

Shareholders are the owners of the business and they expect to maximize their wealth. Employees and management expect good remuneration, incentives and bonus. Suppliers expect to be paid on time. The community expect to be free from harm caused by pollution and so on. Given all these stakeholders with differing interests, it is important to have rules and procedures to ensure there is proper internal control that to not harm others or benefit one side more over the expense of the other (Freeman and Dmytriyev, 2017).

Purpose of Research

The purpose of this study is to explore the effect of internal controls systems on financial and non-financial performance of banking sector: A case of CRDB in Tanzania.

Specific Research Objectives

1. To determine the extent of internal control systems in banking sector at CRDB in Tanzania
2. To assess the strategies for effective internal control systems in banking sector CRDB Arusha branch in Tanzania.
3. To establish the role of risk assessment on internal control systems in the banking at CRDB Arusha branch in Tanzania.
4. To explore the effects of internal control systems on performance in banking sector at CRDB Arusha branch in Tanzania

Research Questions

1. What is the extent of internal control systems in banking sector in Tanzania?
2. What are the strategies for internal control systems in banking sector in Tanzania?
3. What is the role of risk assessment on internal control systems at CRDB bank, Arusha branch in Tanzania
4. What are the effects of internal control on performance in the banking sector in Tanzania?

Research Design

This study will apply descriptive research design whereby quantitative approach will be applied. Descriptive design will be applied in measuring the extent and strategies for internal control in CRDB.

Target Population

With regards to this study, target population refers to the people who will be studied (Newman, 2006). The population of the study will be the employees of two branches of CRDB Bank Arusha branch. The population will be composed of the managers, loan officers, customer relationship officers, bank tellers, human resource personnel and IT personnel.

Population Distribution

Table 1: Target population

	Employee category	Number	Percentage (%)
1	Managers	8	14.8
2	Loan Officers	6	11.1
3	Bank tellers	8	14.8
	Human Resource Personnel	6	11.1
	IT Personnel	8	14.8
4	Other staff	18	33.3
	TOTAL	54	100

Source: CRDB, 2019

Sampling Design

The study will apply total population sampling technique because the population is small, it is not big enough to draw a partial sample. Total population sampling uses the entire population, it has some characteristics of purposive sampling. The total population approach enables to derive deeper insights than would be in using samples. However, this is convenient when the population can easily be manageable, so does the population for this study. The total population sampling under this study has 54 respondents.

Data Collection Instruments and Procedure

A structured questionnaire will be used in gathering data from the respondents. Using questionnaire is appropriate because it will enable the researcher to collect data timely and with minimal costs.

Questionnaire Preparation

The questionnaire is constructed with four sections that are: part one with demographic information, part two with questions for measuring the extent of internal control and part three with questions for testing the effective methods of internal controls and part four for assessing the effects on internal controls on performance of banking sector.

The questionnaire will be framed with closed-ended questions only. Closed ended question will give choices of responses to the respondents. This will enable the researcher to finish the study timely. Also, it will avoid biasness of the researcher in interpretation of data collected from the field. The closed ended question will be answered based on a five-point Likert scales with the following ranges; 5-Strongly agree, 4-agree, 3-neutral, 2-disagree and 1-Strongly disagree.

Questionnaire Administration

The inquirer will distribute the questionnaire to the respondents and give them three days for filling the questionnaires. During the distribution of the questionnaire, cover letter will first be distributed to each respondent describing the aim of the questionnaire. The letter will tell the assurance of confidentiality and limit of use of the study findings.

Pre-testing and Reliability Testing

The questionnaire instrument will be tested in order to ensure reliability. Reliability of the questionnaire will be tested through pilot study. Pilot study will be conducted by pre-distributing the questionnaires to 30 respondents for testing the reliability. It will be tested using Crobach's alpha whereby ten respondents will be used for pilot study. These respondents will be drawn from CRDB but will not be notified that, it is pre-testing. Using this undeclared pretesting method will enhance seriousness of the respondents in filling the questionnaires. Pre-testing will enable the researcher to identify if there are weaknesses in the questionnaire in terms of format of the question, order, meaning and wording. Crobach's alpha will be determined to be reliable when the Coefficient is at least 0.7 or above. Crobach's Alpha will enable to test the consistency, repeatability and precision of the research instrument (Newman, 2006). This indicates that, there is consistency of measuring questions in the questionnaire. If a reliability coefficient of 0.7, then it is considered as acceptable and if it is above 0.8 it is regarded as very good (Madan & Kensinger, 2017).

Validity Testing

This is the extent to which research instrument contains all possible questions for measuring the phenomena (Creswell, 2014). Validity is the ability of the survey instrument to measure what is was intended to measure (Newman, 2006). This ensures that, the questionnaire contains sufficient questions and ingredients for achieving the study objectives. This will be tested by consulting the experts in order to get expert opinions. Validity of the research instrument will be established through expert opinions from experienced internal control practitioners and accounting and auditing lecturers. The researcher will consult five experts that are three managers and three lecturers in the field of auditing and accounting. These experts will be consulted because they have more experience in their practices that will enable to assess whether the questions are relevant.

Data Analysis Methods and Tools

To achieve the objectives of the study, data will be analyzed using descriptive and inferential statistics. Descriptive statistics will be applied in testing the extent of internal controls and strategies for internal controls. On the other hand, inferential statistics will be applied in testing the effects of internal control on organization performance in banking sector. Descriptive statistics was applied because it enables to describe variables (Newman, 2006). Descriptive statistics will apply percentages and mean scores in data presentation whereas inferential statistics will apply Pearson correlation analysis. Correlation analysis would be applied because it enables to measure the relationship between variables.

Introduction

This chapter presented the analysis and discussions on the findings from the field survey. In the first part, the chapter covered population profile of the study area. Data covered in this part include number of respondents in the study area and the sample size of the respondents as indicated in table 2 descriptive statistics for demographic profile of respondents, gender, age, designation, and experience. In the second part, the chapter analyzed and discussed data analysis, presentation, and discussion of data based on the research objectives.

Table 2: descriptive Statistics of demographic profile of respondents

	N	Mean	Std. Deviation
Gender	53	1.42	.497
Age	53	2.19	.652
Designation	53	3.13	.941
Education	53	3.83	.700
Experience	53	1.83	.893

Gender of the Respondents

Table 3 below presented the male and female who constituted the sample size. The table below indicated that the total number of respondents were 53 out of which the male respondents were 31 representing 58.5%. This implied that male respondents were more than the female respondents who were 22 out of 53 sample size. The female (22) represented 41.5%. This implied that the representation was almost equal in terms of gender representation.

Table 3: Presentation of Respondents' Gender

	Frequency	Percent
Male	31	58.5
Female	22	41.5
Total	53	100.0

Age of Respondents

Table 4 below presented the demographic profile of respondents in terms of their ages. The table showed that the highest frequency age group was between 25 – 34 years old with a frequency of 35 representing 66 percent of the total sample size. The second highest was the age group between 45 – 54 years old with a frequency of 11 representing 20.8 percent of the sample population. Table 4.2 further showed that another group of with a frequency of 5 fell within the age group between 18 and 24 years old representing 9.4 percent of the sample size and finally, it was indicated in table 4 that the oldest respondents were 55 years old and above with a frequency of 2 representing 3.8 percent making a total of 100 percent of the sample size. These data demonstrated that the sample size constituted many young people who were working in the bank.

Table 4: Presentation of Age of Respondents

	Frequency	Percent	Cumulative Percent
18 - 24	5	9.4	9.4
25 - 34	35	66.0	75.5
45 - 54	11	20.8	96.2
55 and above	2	3.8	100.0
Total	53	100.0	

Educational Level of Respondents

Table 5 below showed that most of the respondents were educated with different educational levels. Respondents with a degree level of education were the highest with a frequency of 45 representing 84.9% of the total sample size. This was followed by diploma holders with a frequency of 3 representing 5.7 percent of the sample size. The table further showed that respondents with primary education came third and were tied up with those with educational level which was not define with a frequency of 2 representing 3.8 percent respectively. Lastly, it was also indicated that respondents with secondary education came last with a frequency of 1 representing 1.9 percent of sample population.

Table 5: Presentation of Educational level of Respondents

Educational level	Frequency	Percent	Cumulative Percent
Primary	2	3.8	3.8
Secondary	1	1.9	5.7
Diploma	3	5.7	11.3
Degree	45	84.9	96.2
Others	2	3.8	100.0
Total	53	100.0	

Presentation of respondents' designation

Table 6 below presented respondents' characteristics in terms of their job designation in the bank. It is evident that majority of the respondents were under the designation of others with a frequency of 25 representing 47.2 percent of the total sample size. This implied that majority of the respondents portfolio was not defined. The loan officers appeared with a frequency of 14 representing 26.4 percent of the sample size. This implied that the second largest category of respondents were loan officers. Table 6 also indicated that bank tellers appeared with a frequency of 12 representing 22.6 percent. It is further indicated that managers appeared with a frequency of 2 representing 3.8 percent of the total sample size as shown in table 6 below.

Table 6: Presentation of Respondents' Designation

Designation	Frequency	Percent	Cumulative Percent
Manager	2	3.8	3.8
Loan Officer	14	26.4	30.2
Bank Teller	12	22.6	52.8
Others	25	47.2	100.0
Total	53	100.0	

Respondents' Experience

Table 7 below presented demographic profile of the respondents in terms of experience. The table showed that there was a tie between respondents with experience below five (5) years and respondents with experience of five to ten (5–10) years representing 41.5 percent and 41.5 percent respectively. It was further indicated that respondents with experience between 10 – 15 years were with a frequency of 5 representing 9.4 percent. And finally respondents with experience of 10 years and above appeared with a frequency of 4 representing 7.5 percent of the total sample size in the study. The analysis showed that respondents had the relevant experience in their area of expertise.

Table 7: Presentation Respondents' Experience

Range in experience	Frequency	Percent	Cumulative Percent
Below 5 years	22	41.5	41.5
5 -10 Years	22	41.5	83.0
10 - 15 Years	5	9.4	92.5
10 Years and above	4	7.5	100.0
Total	53	100.0	

DATA ANALYSIS

Score range	Interpretation
1.00 – 1.79	Strongly disagree
1.80 – 2.59	Disagree
2.60 – 3.39	Neutral
3.40 – 4.19	Agree
4.20 – 5.00	Strongly agree

Source: JCP, 2016

Table 8 below presented control environment as one of the internal control systems at CRDB bank in Arusha City. It presented the facts as provided by the respondents who strongly agreed with a mean score of 4.81 that the bank has financial management systems in place. This implied that the bank had strong financial management systems. Table 8 further showed a mean score of 4.77 representing respondents who strongly agreed with the statement that management of the organization was committed to control systems. Table 8 also indicated that respondents strongly agreed with the statement that there was close monitoring of control environment which earned a mean score of 4.66. This implied a strong commitment by the bank to observe and sustain control environment. Moreover, it was strongly agreed by respondents as represented by a mean score of 4.30 that feedback regarding control environment operation was communicated to junior staff for implementation, and that there was independence between the actions of the board and management as indicated by a mean score of 4.32 in table 8 below. On the overall, Table 8 indicated that control environment had an average mean score of 4.572 which implied that the bank was committed to ensure that control environment was effectively implemented as it has a direct impact on bank's performance.

Under control environment, the organization is required to ensure that there is commitment to integrity and ethical values. The board should demonstrate a sense of independence from management and consider the overall development and performance of internal control (COSO, 2004). Management should ensure there is a structures, appropriate authority, reporting line and responsibilities (ibid). The organization should also have commitment to attract best employees, develop and retain them in order to achieve the organization objectives. Individuals should also be held accountable for their responsibilities (VASQUEZCPA, 2014).

Table 8: Presentation of Control Environment

S/N	Questionnaire Items	Mean Score	Interpretation
1	The bank has financial management systems	4.81	Strongly Agree
2	The management of the organization is committed to control systems	4.77	Strongly Agree
3	There is close monitoring of control environment	4.66	Strongly Agree
4	Feedback regarding control environment operation is communicated to junior staff	4.30	Strongly Agree
5	There is independence between the actions of the board and management	4.32	Strongly Agree
	Average of Mean	4.572	Strongly Agree

Risk Assessment

Table 9 below presented data analysis on risk assessment by the CRDB branch in Arusha. The table 9 indicated that respondents strongly agreed with a mean score of 4.64 that there was risk assessment procedures that are followed by the bank. It was further noted that there exists physical inspection of assets of the bank. This denoted by a mean score of 4.53 implying that respondents strongly agreed that the bank was sensitive with physical inspection of its assets. Table 9 further showed that respondents strongly agreed with the statement which read that reconciliation against assets register was done. This was represented by a mean score of 4.32. Respondents also agreed strongly (4.74) that auditing is conducted by the bank, and that threat analysis is performed regularly (4.43) to protect the bank. However, respondents appeared to be neutral (2.91) on the point of the bank vulnerable in scanning. This implied that respondents were not sure whether vulnerability in scanning really existed or not. The respondents further agreed strongly that there was diligence evaluation (4.28) by the bank. Table 9 indicated that the bank scored an average mean of 4.28 on presentation of risk assessment which interpreted to mean strongly agreed. This implied that bank was keen on risk assessment.

According to COSO (2004) organizations are required to ensure that, there is sufficient clarity of objectives to enable assessment and identification of risks. Also, it requires identification of how risks will be managed. Also, assessment requires assessment of fraud risks (VASCUEZCPA, 2014).

Table 9: Presentation of Risk Assessment

S/N	Questionnaire Items	Mean Score	Interpretation
1	There is risk assessment procedures	4.64	Strongly Agree
2	There is physical inspection of the assets	4.53	Strongly Agree
3	Reconciliation against assets register is done	4.32	Strongly Agree
4	Auditing is conducted	4.74	Strongly Agree
5	Threat analysis is performed	4.43	Strongly Agree
6	There is vulnerability in scanning	2.91	Neutral
7	There is diligence evaluation	4.42	Strongly Agree
	Average of Mean	4.28	Strongly Agree

Presentation of Control Activities

Control activities were presented in table 10 below. Table 10 showed that respondents strongly agreed with the statement that there was segregation of duties (4.45). This implied that duties were segregated and no bank official could be assigned more than one duty at the same time. In addition, it was strongly agreed by respondents that there was clear approval and authorization of bank transactions (4.79). This implied that all bank transactions cannot be transacted before approval and authorization by the management. Moreover, table 10 showed that respondents strongly agreed with statement that records are properly verified (4.68). It was also evident from table 10 that access to organization's resources is properly controlled was highly rated by respondents with a mean score of 4.53 implying that organization's resources are properly controlled. Table 10 also indicated that respondents strongly agreed with the statement that there was a regular reconciliation of record with a mean score of 4.62, and that control activities of the company were reviewed from time to time which was also strongly agreed by the respondents with a mean score of 4.38. This implied that the control activities of the bank were kept up-to-date. The average mean of control activities were highly rated with a mean score of 4.575 representing strongly agreed. Findings by Kisanyanya (2018) on a study carried on in Kenya public Universities noted that, there is proper internal control depicted through segregation of duties, proper communication channels, supervision and commitment of management, clear policies and procedures and efficient internal audit management systems.

Control activities are the activities set in place to mitigate risks in order to achieve the objectives. These activities can be in terms of technology, general activities, procedures and policies required during various transactions (VASCUEZCPA, 2014). Control activities are the actions laid down through procedures and policies aimed at helping management to mitigate risks in order to achieve the objectives. Control activities are supposed to be practiced at all levels within all levels and technological environment. Control activities may range from manual to automated activities such as segregation of duties, authorization, approvals, reconciliations, verification and performance reviews (Deloitte, 2018).

Table 10: Presentation of Control Activities

S/N	Questionnaire Items	Mean Score	Interpretation
1	There is segregation of duties	4.45	Strongly Agree
2	There is clear approval and authorization	4.79	Strongly Agree
3	Records are properly verified	4.68	Strongly Agree
4	Access to organization's resources is properly controlled	4.53	Strongly Agree
5	There is regular reconciliation of records	4.62	Strongly Agree
6	Control activities of the company are reviewed from time to time	4.38	Strongly Agree
	Average of mean	4.575	Strongly Agree

Monitoring Activities

Table 11 analyzed and presented data on monitoring activities of the CRDB bank. The table showed that respondents strongly agreed with the statement that there was regular internal and external audit of the banking financial statements with a mean score of 4.68. The table also indicated that there was verification of transactions (4.70). The analysis also revealed that respondents strongly agreed the bank reviews transactions like travel expenditure (4.17). Respondents further agreed strongly that there were periodic reviews and implementation of

internal controls (4.60). Finally, table 11 showed that Performance of the organization is periodically checked (4.60). Presentation of monitoring activities of the bank scored an average mean of 4.55. These results implied that the bank's monitoring activities were effectively in operation.

Monitoring requires internal controls are evaluated to ensure that, management internal control processes are followed. This processes that need to be monitored are purchase orders, approvals, contracting, and so on. This will enable to identify whether management integrate controls with processes. Internal control deficiencies also need to be evaluated timely and parties responsible for corrective actions together with the top management and board and other employees do accordingly (VASCUEZCPA, 2014).

Table 11: Presentation of Monitoring Activities

S/N	Questionnaire Items	Mean Score	Interpretation
1	There is regular internal and external audit	4.68	Strongly Agree
2	There is verification of transactions	4.70	Strongly Agree
3	There is reviews of transactions like travel expenditure	4.17	Strongly Agree
4	Internal controls are reviewed and implemented periodically	4.60	Strongly Agree
5	Performance of the organization is periodically checked	4.60	Strongly Agree
	Average of mean	4.55	Strongly Agree

Measuring Efficiency

Table 12 presented analysis of data on measuring efficiency of CRDB bank in which respondents strongly agreed that records are well kept with a mean score of 4.28. Respondents also agreed strongly that resources are allocated based on the needs of the bank (4.04). It was also strongly agree by respondents that resources of the bank are well allocated to serve the customers (4.13) mean score. Table 12 further indicated that respondents agreed (3.72) with the statement that the number of staff was enough to serve customers, and finally it was also shown that respondents strongly agreed (4.36) that procedures are followed in various transactions that are undertaken by the bank. Table 12 showed that measuring efficiency scored an average mean of 4.106 implying which implied that measuring efficiency in terms of the bank's record keeping allocation of resources, adequate number of staff, and procedures were effective and operational.

Table 12: Measuring Efficiency

S/N	Questionnaire Items	Mean Score	Interpretation
1	Records are well kept	4.28	Strongly Agree
2	Resources are allocated based on the needs	4.04	Strongly Agree
3	Resources are well allocated to serve the customers	4.13	Strongly Agree
4	The number of the staff is enough to serve customers	3.72	Strongly Agree
5	Procedures are followed in various transactions	4.36	Strongly Agree
	Average of Mean	4.106	Strongly Agree

Presentation of Effectiveness

Table 13 presented data analyzed on bank's effectiveness. The showed that respondents agreed (3.83) with the statement that staff records customer service information timely. Table 13 further indicated that respondents strongly agreed (4.34) that transactions are recorded timely, and they also strongly agreed (4.00) that customers are visited easily. Furthermore, respondents strongly agreed (4.23) that bank staff serve customers at a reasonable time. Table 13 showed that respondents strongly agreed (4.09) with the statement that customer inquiries are responded to on timely basis. It is also evident from the table that respondents strongly agree (4.02) that complaints are attended to on timely basis. Table 13 indicated that on average, presentation of effectiveness scored an average mean of 4.085.

Table 13: Presentation of Effectiveness

S/N	Questionnaire Items	Mean Score	Interpretation
1	The staff record customer service information timely	3.83	Agree
2	Transactions are recorded timely	4.34	Strongly Agree
3	Customers can be visited easily	4.00	Strongly Agree
4	Bank staff serve customers at a reasonable time	4.23	Strongly Agree
5	Customer inquiries are responded timely	4.09	Strongly Agree
6	Customer complaints are attended timely	4.02	Strongly Agree
	Average of mean	4.085	Strongly Agree

Presentation of Quality

Table 14 below presented the quality services provided by the CRDB bank in Arusha. The table indicated that most respondents strongly agreed with a mean score of 4.51 with the statement that the bank tries its best to use good language to its clients, that the bank tries its best to respond to its clients in a good way with a mean score of 5.30 and finally respondents strongly agreed with a mean score of 4.25 that the bank customers are satisfied with services offered by the bank. This implied that CRDB bank prides to provide quality services to its customers.

Table 14: Presentation of Quality

S/N	Questionnaire Items	Mean Score	Interpretation
1	I try my best to have good language to the clients	4.51	Strongly Agree
2	I try my best to respond to clients' queries in a good way	5.30	Strongly Agree
3	Customers are satisfied with the services offered by the bank	4.25	Strongly Agree
	Average of Mean	4.69	Strongly Agree

Conclusion

The study made its conclusions based on the findings. The findings indicated that the bank was committed to ensure that control environment was effectively implemented as it has a direct impact on the bank's performance. The findings revealed the following as the role of risk assessment risk assessment procedure, existence of physical inspection of assets, reconciliation against assets register was done, auditing is conducted by the bank, and that threat analysis is performed regularly to protect the bank. The bank's efficiency, effectiveness and quality were found to be effective and efficient. The findings also indicated that there were proper internal control systems. The study found that there were control activities which practiced at all levels within all levels and technological environment. Control activities may range from manual to automated activities such as segregation of duties, authorization, approvals, reconciliations, verification and performance reviews.

Recommendation

The study recommended that CRDB bank management should continue to review control environment, risk assessment, effectiveness, efficiency and quality control. Future researchers should consider researching on internal systems in non-banking organizations.

Significance of the Study

This study is beneficial to the following stakeholders; managers, shareholders, bankers, bank employees, research field and policy makers.

Managers– this study will help the management of the bank to implement stable internal controls. Bank managers will get information on the link between internal controls and bank performance and the best methods for improving internal controls in banks.

Research field- this study will add to theoretical understanding and existing body of literature. Thus, researchers doing the same study will find already existing data on the topic under study.

Policy makers– Policy makers will get data about how internal control affects performance as well as the strategies for effective control systems in banking sector.

Scope of the Study

This study analyzes the effect of internal control on Performance of banking sector in Tanzania, a case of CRDB. The study will be conducted in Cooperative and Rural Development Bank Arusha branches The study will be conducted within a period of 6 months, March to September, 2019.

Limitations of the Study

The researcher expects the following limitations to be encountered during the study: methodology used

Methodological limitations

Methodological limitations include the sample size might be too small to statistically test the extent, causes and the effects of internal control on organization performance. Also, the researcher may lack reliable data during data collection. Further, there might be biasness in self-reported data that is to say that, respondents may present biased data during the time for filling the questionnaire. Biasness may lead to exaggeration of responses that limiting the reality of the final findings.

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Upendo S. Mbamai was born December 5, 1990, as the third fruit of the union between Syokino and Helena.in Longido District (Arusha Region), in the sweeping plains of West Kilimanjaro marking the borders of Kenya and Tanzania. Parents of mine are peasants (residing) in the village until today. Upendo persued Bachelor degree of Education (in Business Studies) from the University of Arushafrom 2011 to 2014, and commenced the teaching activities in 2015 to 2019. He teaches Mathematics and Economics, well known autstandingly for his high knowledge at those subjects.

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