IMPACT OF INTERNAL CONTROL SYSTEMS ON PERFORMANCE OF FINANCIAL INSTITUTIONS IN SOUTH SUDAN

A CASE STUDY NILE COMMERCIAL BANK JUBA

Submitted by

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A RESEARCH REPORT SUBMITTED TO THE FACULTY OF SCIENCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELORS DEGREE OF SCIENCE GENERAL (ECONOMICS AND STATISTICS)

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DEDICATION

I dedicate this book to my beloved uncle for the financial support he has given me since the day one and not forgetting his wives who have played a great role for my wellbeing in Uganda, lastly I dedicate this book to my Dad, mother and my elder brother and the rest of my siblings not forgetting Friends and Relatives who have tirelessly and generously supported me in one way or the other thank you so much for everything you have done to me.

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ACRONYMS

ACCA	Associate of the Charted Association of Certified Accountant
BAFIA	Banking and Financial Institution Act
CBSS	Central Bank of South Sudan
CIPFA	Chartered Institute of Public Finance and Accountancy
COSO	Committee of Sponsoring Organization
CPD	Corruption Prevention Department
EFQM	European Foundation for Quality Management
ERM	Enterprise Risk Management
ICS	Internal Controls System
IIA	Institute of Internal Auditors
ISA	International Standard of Auditing
MOFEP	Ministry of financial and Economic Planning
NBAA	National Board of Accountancy and Auditors
RSS	Republic of South Sudan
SPSS	Statistical Package for Social Science
CVI	Coefficient of Validity index
HRM	Human Resource Manager

ABSTRACT

Study was based on the impact of internal control systems on performance financial institutions case study of Nile Commercial Bank Juba South Sudan. The study was guided by the following objectives: To examine how financial records can lead to the performance of financial institutions, To examine how Nile Commercial Bank can ensure effective and efficient payments for proper performance of financial institutions and To ascertain the extent to which fraud and errors can be prevented or detected early on the performance of financial institutions. Questionnaire, and interview were used to collect data of 52 respondents, questionnaire were distributed to the respondents in Nile Commercial Bank in different departments such as Finance and accounting department, Human resource department, Procurement department, Administrator, auditors, line managers, risk managers and tellers. Data was analysed using frequency tables, Pie charts computer programs such as SPSS 16.0, Microsoft excel, Microsoft word and Epidata 3.0 software. The study found out that effective and efficient payment were not properly followed by Nile Commercial Bank this is in line with the findings which shows some respondents agreed, other were neutral and other strongly disagreed. Financial record were not minutely followed by the auditors which lead to disagreement of some respondents and fraud and errors in Nile Commercial Bank were seen as the majority obstacle to the achievement of the objectives with majority of the respondent agreeing that there fraud and errors in the Bank. The relationship between financial records and performance of financial institutions indicated a 0.211 which is a very weak positive relationship. The weak relationship attributed to the insecurity to the Bank and management, and also the relationship between effective and efficient payment and the performance of financial institutions have a very strong positive correlation 0.86 and this implies that the payment procedures were effective and efficient.

It is therefore recommended that the implementation of internal control system be reviewed especially in the area financial records and fraud and errors.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study was based on investigating the impact of internal control systems on the performance of financial institutions in South Sudan using Nile Commercial Bank as the case study, Internal control systems in this study will be measured by effective and efficient payments, fraud and errors and financial records.

Chapter one is made up of introduction to the study, Background to the study, Theoretical background to the study, Conceptual background, the contextual background of the study Problem statement The purpose of the study, Objectives of the study, Research Questions research, Hypotheses of the study, Justification of the study, Scope of the study, Conceptual framework and Definition of key terms in the study.

1.1Background to the study

Internal control systems are the foundation of safe and sound banking in all financial institutions. A properly designed and consistently enforced system of operational and financial internal control systems help a bank's board of directors and management safeguard the bank's resources, produce reliable financial reports, and comply with laws and regulations. Internal control systems also reduce the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

One of the basic instruments of financial control, whose implementation in modern economic conditions for achieving a competitive advantage over other enterprises is the creation of internal control systems. In the banking sector, the market is constantly changing, and this requires changing the attitudes to internal control systems from treating it only in the financial aspect to the management of the control process. Internal control systems as such become an instrument and means of risk control, which helps the financial institutions to achieve its goals and to perform its tasks. Only internal control systems in the financial institutions are able to help objectively assessing the potential development and tendencies of financial institutions' performance and thus to detect and eliminate the threats and risks in due time as well as to maintain a particular fixed level of risk and to provide for its reasonable security.

Hisham Ramez (Tuesday 21st October 2014)regulations of developing internal control systems in banking institutions, under which banks have to create independent departments for auditing, observing, credit risks, market, operations, processing and information. The rules stipulate that banking institutions are required to devise an annual plan for internal auditing and write a code of ethics for internal auditors, as well as obtain the approval of the central bank for appointing the directors of auditing, credit risks and observing departments.

(Ndamenenu K. Douglas 2011). Internal control systems are put in place to keep financial institutions on course towards profitability goals and achievement of its mission and to minimize surprise along the way. They enable management to deal with rapidly changing economic and competitive environment, shifting customer demands and priorities and restructuring for future growth. Internal control systems promote efficiency, reduce risks of asset loss and help to ensure the reliability of financial statements and compliance with laws and regulations Organization of the Tread way Commission (COSO, 2011). There are increasing calls for better internal control systems; internal control systems are looked upon more and more as solutions to a variety of potential problems (COSO 2011).

Reinford (2004) states that one of the main characters of the Internal Control Systems is internal auditing activity. Its mission states that it has to provide independent, objective assurance and consulting services designed to add value and improve the operations of financial institutions. It must also help the financial institutions to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Isibore O.N. (2006.) suggested a different definition for internal control system are as follows: “those steps taken by management that attempt to increase the likelihood that the objectives set down at the planning stage are attained and to ensure that all parts of the organization function in a manner consistent with organizational policies. He further defined internal control system as those sets of organizational activities which include: planning, co-ordination, communication, evaluation and decision making as well as informal processes aimed at enhancing the efficient and effective use of the organizational resources towards the achievement of the organizational objectives.

Basel (2004) internal control problems are common in the banking industry, and that allowed rogue traders to cause huge financial losses to these banks. In 2012 HSBC the largest financial institution in Europe, admitted having poor money laundering controls and was consequently fined \$ 1.9b after U.S senate investigations (BBC, 2012). Therefore South Sudan financial institutions are not without their share of bank failures. Muhumuza Brian (Nov 21st 2011) In early 2008 Nile Commercial Bank collapsed up to the extent of not even paying its customers the money they deposited, over six thousand customers who had accounts with Nile Commercial Bank were left stranded until it was bailed out by Central Bank of South Sudan which costs the government of South Sudan 102 million South Sudanese Pounds (\$42 million) in liquidation Sudan tribune (2009).

Internal control systems are the nerves centre of every organization, the breakdown of this leads to the failure of organizations. Internal control systems are crucial aspect of financial institution's governance system and ability to manage risk. It ensures the achievement of financial institution's objectives and creating, enhancing, and protecting stakeholders' value (IFAC, 2012). Precipitating the current global financial crises is the high profile corporate failures such as Enron and WorldCom in the USA, Parmalat in Europe, and similar cases of corporate collapse around the world (Amudo & Inanga, 2009). Failure of internal control systems and the eventual circumvention of internal control systems by company executives accounted for these corporate scandals. Organisations must ensure that their internal control systems remain relevant in today's business model. Business models have changed dramatically, including increased use of shared services, outsourced service providers, regulations have also intensified on companies, over reliance on technology, and increased stakeholders' expectation have increased business risks significantly (Mcnally, 2013).

(Grieves, 2000) an internal control system available to a firm consists of: management oversight and the control culture; risk recognition and assessment; control of activities and segregation of duties; information and communication and monitoring activities and correcting deficiencies

Chambers (2007), Ridley and Chambers (2004), internal control systems are systems comprising of the control environment and control procedures. They further state that the internal control systems include all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objective of efficient business conduct, it includes adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completion of the accounting records and timely preparation of reliable financial information. Successful financial institutions ensure that they attain and consolidate continue survival in a competitive environment Drucker

(2001). Thus successful of financial institutions set performance measures that focus attention that identifies and communicates the success.

The performance of financial institutions is measured in terms of customer satisfaction, profitability, market share through reduced customer complaints Kloot, L. and Martin, J. (2000) In order to be able to perform; financial institutions should critically look at customers and all stakeholders in business and know how best they can satisfy their needs.

Kloot, L. and Martin, J. (2000) adds that financial institutions should continuously improve their services through assets accumulation, create value, improved quality services and flexibility. Internal control system is intervened with financial institutions' operating activities and it is most effective when controls are built into the financial institutions' infrastructure, becoming financial institutions' part of the very essence of the financial institutions success in terms of continued improvement on performance standards as part of the competitive advantage of the financial institutions.

Globalization of financial institutions, technological advancement, increasing risk of financial institutions' failures, the grand and other misappropriation in financial institution around the world and South Sudan at large are essential for the proper maintenance of internal control systems, since a system of internal control systems is a critical component of financial institutions' management and a foundation for the safe and sound operation of banking institutions. Most management of the financial institutions within the developed countries strengthen the internal control systems especially after the collapse of the leaded companies for instance Enron, General Motor in USA and other. In America, the introduced the law called the Sarbanes Oxley Act of (2002), among other things requires the financial institutions to establish and maintain an adequate internal control systems. Structure and procedures for financial reports and maintain an assessment of the effectiveness of the internal control Systems and procedures. The internal control systems are among the important aspect in most financial institutions (banks) in both developed and underdeveloped countries, in order to have effective control and proper performance in financial institutions, South Sudan as a developing nation tries to strengthen the internal control systems, through their agencies such as the Central Bank, the Ministry for finance and Economic planning encourages the financial institutions to emphases on implementation of effective internal control systems. The board of directors of every financial institution shall approve proper policies and procedures, and adequate overall internal control systems, for monitoring and controlling the risks for each line of business and market served by such bank or financial institution, including credit, financial, market, operations, legal and any other risk affecting or likely to affect such banks or financial institutions (BAFIA, 2006).

1.2 Problem statement

Financial institutions worldwide have experienced significant bank failures and crises over the years. Bank failures are of great concerns to Central banks and governments because of its systematic nature and often exacerbate recessions and act as catalyst for financial crises Muhumuza Brian (Nov 21st 2011) pointed out in Active Nation Business news that Nile Commercial Bank collapsed up to the extent of not even paying its customers the money they deposited, over six thousand customers who had accounts with Nile Commercial Bank were left stranded. Nile Commercial Bank was bailed out by Central Bank of South Sudan which cost the government of South Sudan 102 million South Sudanese Pounds ($42 million) in liquidation Sudan tribune (2009), as such no accountability has been made for misappropriations and embezzlement of these funds that led to the bankruptcy of Nile commercial Bank so it’s a high time to set up policies that should be put in place in order to avoid poor management of financial records of financial institutions, as a result this provide a basis for research to be carried out in order to put financial institutions on track to avoid further losses in the near future.

1.3 Objectives of the study

1.3.1 Major objective

The main aim for the research is to find out the impact of internal control systems on performance of financial institutions (Nile Commercial Bank).

1.3.2 Specific objectives

I. To examine how financial records can lead to the performance of financial institutions

II. To examine how Nile Commercial Bank can ensure effective and efficient payments for proper performance of financial institutions

III. To ascertain the extent to which fraud and errors can be prevented or detected early on the performance of financial institutions.

1.4 Research Questions

I. Is there relationship between financial records and performance of financial institutions?

II. How Nile Commercial Bank has ensured effective and efficient payments on the performance of financial institutions?

III. How fraud and errors can be prevented or detected early on the performance of financial institutions?

1.5 Scope of the study

1.5.1 Content scope

The study is about internal control systems on performance of financial institutions in South Sudan case study of Nile Commercial Bank. The study focused on financial records, effective and efficient payment and fraud and errors.

1.5.2 Geographical scope

The study was conducted in Nile Commercial Bank headquarters in Juba adjacent to the Buffalo commercial bank Central Equatorial State South Sudan, Staff in different departments will be approached to give information about the study, coordinators and staff from other states will be contacted to give responses as well.

1.5.3 Time Scope

The research was based on five (5) years back that is from 2012-2016 for the data to be generated for the study.

1.6 Significance of the study

This research finding provides a conceptual frame work and standard against which corporations could assess their internal control systems and their effectiveness. Also the result of the study contributes to identify the gap within the system of internal control systems in financial institutions.

The study is of great significance in the assessment of the effectiveness of the internal control systems on the performance of financial institutions in south Sudan.

The findings and recommendations of the study will help the management of financial institutions in South Sudan to understand the anomalies in their operations.

The findings help the researcher understand why financial institutions perform the way they do, despite internal control systems are put in place for better results and accomplishment of the goals and objectives.

The findings help the policy maker in decision making and enable them put in place policies regarding the operations of financial institutions in the country.

The research is of great significance since it acts as one of the requirements for the fulfilment for the award of bachelors of Science General (economics and statistics).

The research findings will help students who wish to conduct their research exercise in the same field so that they guided properly and to ease the work for them.

1.7 Justification of the study

This study is justified because internal control systems in financial institutions are said to be an important drivers for the proper record keeping in banks in order to have its goals and objectives achieved, but due to poor internal control systems which can be shown by absence of proper records keeping and disappearance of customers deposits as well as the collapsed of Nile Commercial Bank in 2008 has put it in the mind of the researcher that if the study is not conducted, then government and other stakeholders of financial institutions will find it very hard and challenging in achieving their desired goals.

1.8 Definition of terms

Internal Control System

The Internal Control System refers to an organized amalgamation of functions and procedures, within a complete system of controls established by the management and whose purpose is the successful function of the business.

The Internal Control System is all the methods and procedures followed by the management in order to ensure, to a great extent, as much successful cooperation as possible with the director of the company, the insurance of the capital, the prevention and the detection of fraud, as well as the early preparation of all the useful financial information.

Financial institution is an establishment that conducts financial transactions such as investments, loans and deposits. Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loans and exchanging currencies must be done through financial institutions.

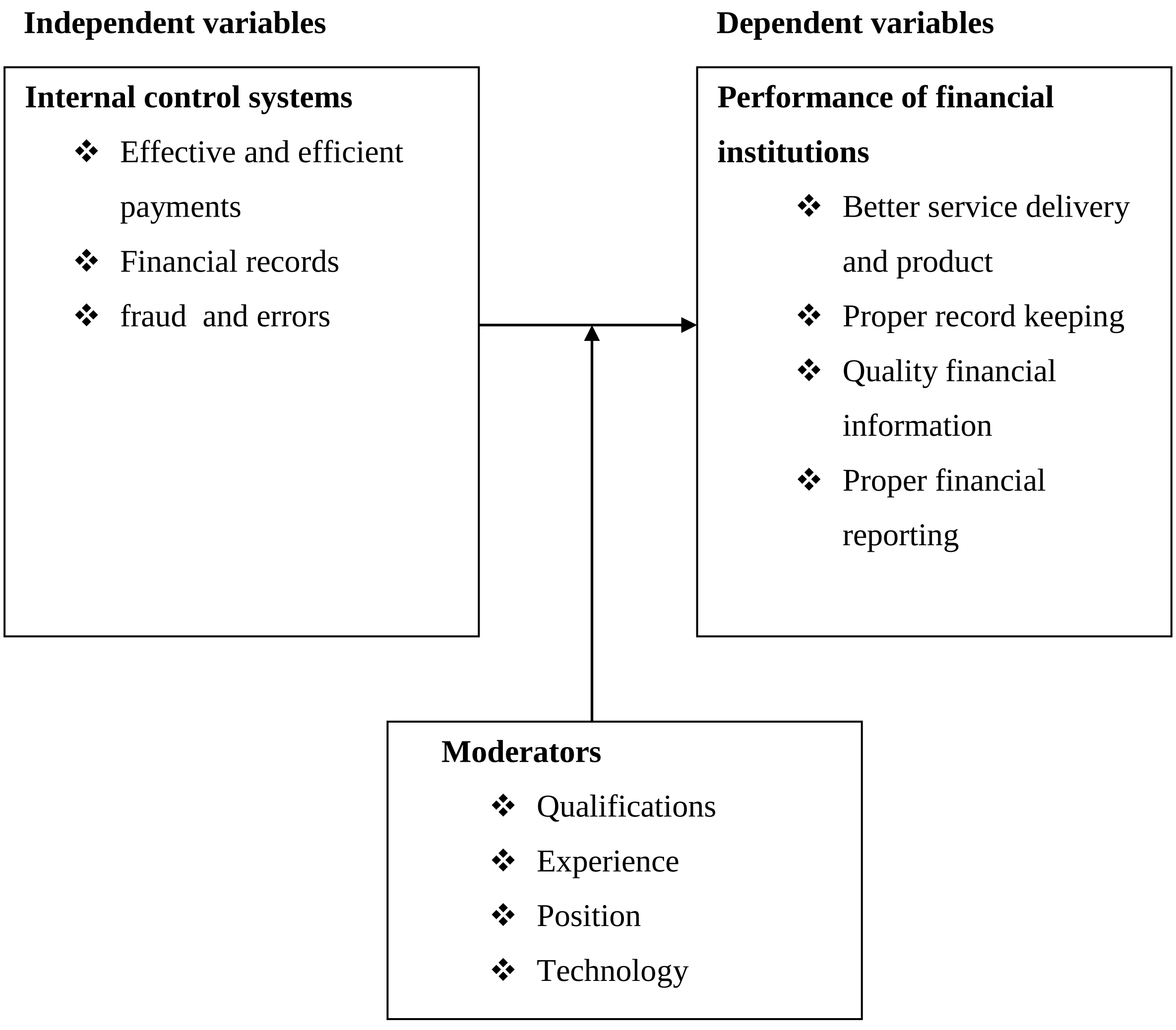
Financial institution is an institution that provides financial services for its clients or members. Probably the greatest important financial service provided by financial institutions is acting as financial intermediaries. Most financial institutions are regulated by the government.

Performance

Performance refers to the ability to operate efficiently, profitability survive grow and react to the environmental opportunities and threats.

1.9 Conceptual framework

The conceptual framework reflects the study variables which explain the research problem. In the framework below internal control system is independent variables performance of financial institutions is the dependent variable.



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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Chapter two looks at the related writings or literature from different sources, the literature can look at the impact of internal control systems on the performance of financial institutions, efficient and effective payments and financial records.

The main aim of this study is to document the positive findings regarding the research in order to strengthen the internal control systems in financial institutions.

The research is based impact of internal control systems on performance of financial performance on financial institutions. The review also examined performance of financial institutions and in particular focusing fraud and errors, financial records and effective and efficient payment for the purpose of the study.

2.1 Theoretical Literature

2.1.1Internal Control System

Internal Control System Under the committee of sponsoring Organization of the Treadway Commission (2011), defined as a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objective in financial institutions, effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations.

A.H Milichamp (2002), Internal Control System is defined as the whole system of control, financial and otherwise, established by the management in order to carry on the business of safeguarding the assets and secure as far as possible the completeness and accuracy of the records. Further analyses the redefinition as follows. The Financial and otherwise, the distinction is not important. Perhaps the financial would include the use of control accounts and otherwise may include physical access restrictions to computer terminal. Ensure adherence to management policies, management has express policies such as budget and the adherence of budget can be achieved through the procedure such as variance analysis. Also it is defined as the integrations of the activities, plans, attitude, policies and efforts, of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.

Internal Control systems are processes designed and affected by those in charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (Mwindi, 2008).

Touche (2004) notes that the traditional role of internal control systems is to keep the organization focused to the desired goals, bring values, and improve operations. In this current era of the Sarbanes-Oxley Act of 2002 (USA), it has the objective of assurance on financial control and Compliance. Some of the peak performance indicators are: reports issued on time, staff training and certifications, internal audit turnover, internal audit transfers, internal audit employees survey measuring professional staff satisfaction, internal audit staff utilization, and hours of training. They conclude that adaptability and flexibility will stand out as key characteristics of successful internal control system. An optimized internal control system will tailor its activities to areas of greatest risk and opportunities for greatest value. Such firms can then attain the benefits of sustainable compliance and enhanced competitiveness.

It is worth noting that internal control systems only provide reasonable but not absolute assurance to an entity's management and board of directors that the organization's objectives will be achieved. "The likelihood of achievement is affected by limitations inherent in all systems of internal control" (Hayes et al., 2005). Organizations establish systems of internal control to help them achieve performance and organizational goals, prevent loss of resources, enable production of reliable reports and ensure compliance with laws and regulations. An internal control system comprises the whole network of systems established in an organization to provide reasonable assurance that organizational objectives will be achieved.

Alan G. Hevesi, (2005). Beside, (ISA 400) also defined internal control systems, as all the policies and procedures (internal control) adopted by the management of an entity such as financial institutions and other organisations to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct its business, including of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The internal control systems extend beyond those matters which relate directly to the functions of the accounting systems and comprise; the control environment and control procedure.

Whittington and Pany (2001), attempt to explain the meaning significance and components of internal control, while they try to borrow the definition of the COSO. Whittington and Pany (2004), define internal control as "A process affected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following areas: reliability of financial reporting, effectiveness and efficiency of operation, and compliance with applicable laws and regulations.

They emphasize that internal control system is a process and not an end itself. And they note that internal control provides only reasonable assurance but not absolute assurance about the attainment of an entity's objective.

Gupta (2001) also acknowledges that internal controls can only provide reasonable assurance that management objectives will be achieved. According to Hayes et al, (2005) internal control comprises five components, such as the control environment, the entity's risk assessment process, the information and communication.

Gupta (2001), defines the internal control as "The plan of financial institutions and organizations and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

The Frame work for internal control system in Banking Organization place emphasis by defining the internal control system as "a process affected by the board of directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the bank.

The board of directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness ongoing basis. The main objectives of internal control process can categorized as in COSO (2011). Efficiency and effectiveness of activities (Performance Objective) reliability, completeness and timelines of financial and management information (information objective), and Compliance with applicable laws and regulation.

Hayes et al (2005), the management objectives comprise: effective operations, financial reporting and compliance. Effective operations are about safeguarding the assets of the organization. The physical assets like cash, non-physical assets like receivables and records of the company can be stolen, misused or accidentally destroyed unless they are protected by appropriate controls. The goal of financial control requires accurate information for internal decision because management has a legal and professional responsibility to ensure that information is prepared fairly in accordance with applicable accounting standards.

Ridley. J, (2008) defined internal control systems as comprising of the internal control environment and control of procedures. They further state that the internal control systems includes all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objective of ensuring as far as practicable, the orderly and efficient conduct of the business, including allowance to internal policies, the safe guarding of assets, the prevention and detecting of fraud and error, the accuracy and completeness of the accounting records and timely preparation of reliable financial information. It is therefore expected that the proper internal control system will be ensured. Completeness of all transactions, the safeguarding the entity assets, the good reputation to the customers and other stakeholders, the transactions in the financial statements do exist, that all the assets presented in the corporate financial statements are recoverable.

Entity's transactions are presented in the appropriate manner according to the applicable reporting framework (ACCA Audit and Assurance Service). Ridley. J, (2008).

(CIPFA 2002), financial statement comprises of external reports of a general nature that relate to the organization's financial position, annual accounts are the most obvious example, but other examples might include the organization's budget and periodic reports on financial performance.

Jensen (2005) found external control mechanisms such as external audits are intended primarily to enhance the reliability on performance of financial institutions, either directly or indirectly by increasing accountability among information providers. On the contrary as defined before internal control system has a much broader purpose and cannot be superseded by external control processes.

Rotenberg et al (2005) found subjects having an interest in the effectiveness of a company's internal control systems include manager board of directors, the audit committee, internal and external auditors, regulators, suppliers and customers, investors and lenders. There will be the following possibilities to the likelihood that the financial institutions has addressed significant risks and can address them in the future and the likelihood that in terms financial data for decision making.

2.1.2 Performance of Financial institutions

Stoner (2003), performance refers to the ability to operate efficiently, profitability survive grow and react to the environmental opportunities and threats, performance is measured by how efficient the financial institutions are in use of resources in achieving its objectives. It is the measure of attainment achieved by individual, financial institutions believes that low performance is the result of poorly performing assets. Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years.

The performance of financial institutions refers to the act of performing financial activity. In broader sense, performance of financial institutions refers to the degree to which financial objectives is being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Financial Performance Analysis Conceptual Frame Work).

Measures of Performance of Financial institutions

The Performance Financial institutions analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the statement of financial position and statement of comprehensive income. In the performance of financial institutions, the following indicators for analysis assess organization's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, efficiently performance. (Conceptual Frame work)

Dixon et al (2014) appropriate performance measures are those which enable financial institutions' to direct their actions towards achieving their strategic objectives. Hilt, et al (2001) mention accounting based performance using three indicators; return on assets (ROA), return on equity (ROE) and return on sales (ROS). Each measure was calculated by dividing net income by total assets, to common equity, and total net sales, respectively.

Liquidity

It measures the ability of financial institutions' to cover their short term obligation.

Hilt, et al (2001) mention current ratio as a standard measure of liquidity in financial institutions. Fiegener et al., (2000) also emphasized the importance of current ration as a measure of financial institutions' liquidity. Liquidity ratios are the ratios that measure the ability of company to meet its short term debt obligations. These ratios measure the ability of company to pay off its short- term liabilities when the fall due. The liquidity ratios are a result of dividing cash and other liquid assets by the short term borrowings and current liabilities. They show the number of times the short term debt obligations are covered by the cash and liquid assets. A company must possess the ability to release cash from cash cycle to meet its financial obligations when the creditors seek payment.

Accountability

Hayes, et al, (2005), Managers need regular financial reports so as to make informed decision. Reporting (particularly, financial reports) is one way through which managers make accountability for the resource entrusted to them. As the primary users of financial reports, members of the public may be less financially sophisticated than users of other types of financial reports. They likely have less access to intermediaries, such as investment analysts, who can interpret the financial reports for them. Therefore, financial reports must place great emphasis on the understanding of the information reported in them. The financial reports cannot exclude complex transactions nor simplify complex transactions such that their substance is misleading but the emphasis on understanding would need to be considered in determining the reporting of items in financial reports. The concern people who prepare financial reports should assume that users have a reasonable understanding of economic activities and accounting, together with a willingness to study the information with reasonable diligence.

Reporting

Whittington and Pany (2001), emphasize on internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and

Compliance with laws, and regulations. They further note that "Internal control also

Includes the program for preparing, verifying and distributing to the various levels of management those current reports and analysis that enable the executive to maintain control over the variety of activities and functions that are performed in a large organization". The mention internal control devices to include use of budgetary techniques, production standards.

2.3Effective and efficient Payment

Gazzada (2009) asserts that a valid authorization of any payment includes a full approvable signature; initials or "Okay to Pay" Payments without approvable signature do not represent a proper authorization. Signatures should be legible or include the printed name below the signature. Proper approval for any payment request should be provided using a Payment. If an alternate form such as a note, letter, or memo is attached to a payment request, it must include: Name of Person/Vendor to be paid, account number to be charged, amount of payment being approved, purpose of payment being approved, and signature authorization. Some departments that process a higher volume of regular vendor invoices make use of an approval stamp and attaching a Payment Order Form for each invoice.

The biggest challenge that Financial Institutions are facing in South Sudan is Lack of knowledge and inability to understand the importance of some of these internal control procedures by the people employed some of whom are employed on the basis of technical know how but not because of qualifications and some of them might be employed base on relationships with top people in the Banks.

Wedhon (2002) argued that in order to ensure strong control over receipts, when cash is received, it should be acknowledge by means of printed receipt which should have a counterfoil or a carbon receipt. The receipt should be consecutively numbered. The unused receipt should be cancelled and must not be removed from the counterfoil. No blank counterfoils should be accepted. As soon as cash is received, it should be entered in a rough cash book or dairy. Internal audit activities help employees abide by corporate policies and regulatory guidelines.

Arko-Adjei et al., (2005) states that when it comes to matters concerning payment the managing director or deputy director (Director Finance and Administration) should be the one to authorize or approve the payment of funds. All checks are signed by the Senior Accountants if any. All payments should be supported by relevant documentations (Invoices, Way Bills, etc.) The deputy Director (Finance and Administration) can certify the payment for procurement by imprest.

2.4Financial records

Accounting involves the creation of financial records of business transactions, flows of finance, the process of creating wealth in an organisation, and the financial position of a business at a particular moment in time. A number of users make use of accounts for different purposes:

Shareholders read accounts to examine the health of business, and the returns (dividends) that they can expect to make. Employees read accounts to see how safe their jobs are; Suppliers read accounts to check that the company they supplied with goods on credit will be able to pay the money owed when it becomes due. In a typical large business the accounting function might be organised in the following way:

Financial accounting is concerned at one level with book-keeping i.e. recording daily financial activities, and at a more advanced level with preparation of the final accounts e.g. the profit and loss account and balance sheet.

Management accounting is concerned with providing managers with management information such as information about costs, and forecasts of future costs and revenues.

Financial information can be fed to those who require such information for decision-making and record-keeping purposes. For example, managers need information in order to manage the business efficiently and constantly to improve their decision-making capabilities.

Shareholders need to assess the performance of managers and need to know how much profit of income they can take from the business.

Suppliers need to know about the company's ability to pay its debts and customers wish to ensure that their supplies are secure.

Shandia (2004) states that internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organizations operations. It helps an organization to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The definition recognizes two roles for Internal auditing, namely: to provide an independent assurance service to the board, audit committee and management, focusing on reviewing the effectiveness of the governance, risk management and control processes that management has put in place; and to provide advice to management on governance risks and

Internal audit function helps an organization improve operations, detect key problems in important mechanisms or processes and correct major problems. An internal evaluation also aids top management in ensuring that employees comply with corporate policies, such as human resources procedures. An audit director plans testing activities at the beginning of the year, allocates resources to specific areas and assigns tasks to staff and junior auditors.

2.5 Errors and fraud

Allyne & Howard (2005), define fraud as “intentional deception, cheating and stealing”. Some common types of fraud include creating fictitious creditors, “ghosts” on the payroll, falsifying cash sales, undeclared stock, making unauthorized “write-offs”, and claiming excessive or never-incurred expenses.

Lin, Z. & Chen, F. (2004) regards fraud as a “deliberate misrepresentation, which causes one to suffer damages, usually monetary losses”.

Allyne & Howard (2005) classified fraud into “employee embezzlement, management fraud, investment scams, vendor fraud, customer fraud, and miscellaneous fraud”. Fraud also involves complicated financial transactions conducted by white collar criminals, business professionals with specialized knowledge and criminal intent.

Leung, P. & Chau, G. (2001) fraud also means “taking advantage over another person by providing false, misleading suggestions or by suppression of the truth”. Therefore, fraud is not restricted to monetary or material benefits. It includes intangibles such as status and information.

Dixon, R. & Woodhead, A. (2006) fraud is described as “…inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing, with the object of obtaining money or other benefits from or by evading a liability".

From a legal point of view, according to the definition given by Mr. Alexandru Boroi in his Dictionary of Criminal Law", fraud is defined as cheat, misguidance, and delusion for profit purposes by inducing damage.

Mr. Mircea N. Costin, in his "Dictionary of Civil Law", defines fraud as an intentional violation by the parties of the mandatory provisions of the legislation in force, often by using perfidious means, at the conclusion or execution of a legal act.

Accounting errors and fraud are serious issues for all financial institutions, but they are especially challenging for small companies where cash is always a top concern. Errors and fraud undermine decision making, lead to financial losses and in some cases even force companies to lay off staff or shut their doors. Unfortunately, both accounting errors and fraud are common problems for the performance of financial institutions.

The difference between errors and fraud is a question of intent. Errors are unintentional and typically result from the misapplication of accounting standards. Recent research by Indiana the University of Utah suggests that the majority of financial system errors result from "simple bookkeeping deficiencies or misapplication of easily understood accounting standards", The research also notes that accounting errors (as measured by financial restatements) are on the rise; increasing by 220% over the last few years. While unintentional, accounting errors can lead to poor decision making as well as monetary losses resulting from the penalties and interest charges associated with misstated tax filings.

In contrast to accounting errors, fraud is intentional and results from a malicious attempt to conceal theft. Research by the Association of Certified Fraud Examiners (ACFE) suggests that fraud is also a serious problem for the performance of financial institutions. In fact, a recent study estimates that more than one third of all fraud occurs in financial institutions.

Despite fraud getting more exposure in the media, accounting errors and fraud create similar problems for the performance of financial institutions. When simple, honest mistakes are made the consequences include financial losses stemming from theft or budget overruns as well as faulty decision making based on inaccurate financial data. External issues resulting from accounting errors and fraud are equally, if not more, severe.

Enron: In 1990s of the 20th century, Enron was one of world's leading companies doing business in energy. Its business had been highly efficient. However, at the end of the 20th century, its business results were more and more declining. The late 6 months in 1999, the company's profit was 325 million dollars while the late 6 months in 2000 its profit was just 55 million dollars. To maintain trust of the public, Enron had exaggerated its profit in its financial statements. The fraud was not only made by one person or some people but it was the collusion of many people including members in the Board of Management. The group making fraud was the Governance of the Company and even the auditing company.

Although the financial statements announced loans which were declining, in fact during early 9 month in 2000 its debt due increased dramatically. During that time, Enron had borrowed additional 3.9 billion dollars, raising total debt by September of 13 billion dollars; ratio of due debt over total working capital accounts for 50%, instead of 39% in 1999.

Besides high declaration of its income and concealing its expenses, Enron also on its own initiatives change information about energy market in Texas, in California and bribe Government of foreign countries in wining energy contract in foreign countries.

Worldcom: In Mart 2002, this Company was accused of making fraud though capitalization of an operating cost of 3.8 billion dollars and thus making up a respective profit by U.S Securities and Exchange Commission, public prosecutor in New York. In addition, there was an illegal fraud of its founder – Mr. Bernard Ebber who had borrowed an amount of 400 million dollars which had not been recorded and declared in its financial statements.

Xerox: In June 2000, U.S Securities and Exchange Commission accused Xerox of declaring wrong information in its financial statements for 5 years, high declaring an income of 1.5 billion dollars. To correct its fault, Xerox agreed to pay a fine of 10 million dollars for U.S Securities and Exchange Commission and re-prepared its financial statements from the year 1997 honestly and transparently. Board of Directors of the Company also committed to obey requirements of Securities Law and ensure there would have no fraud and error in its financial statements.

Nicor Energy LLC: In July 2002, this Company made fraud in its financial statements but the independent auditor had not discovered. Its fraud was mainly high declaration of revenue and missing out costs. After that, Nicor Energy LLC adjusted its financial statements and currently it has established a reliable accounting system.

A FSN & Oracle White Paper (2009) Fraud appeared in early the 21st century, this means that together with the development of the economy, fraud techniques are more and more developed, more sophisticated and made by collusion of many people. While before the year 2000, fraud was mostly embezzlement made by some members in Board of Directors or staff of company, in recent years there have emerged new forms of fraud which are fraud in financial statements. People making fraud are not one person or some people but a group of people including Board of Directors, Board of Management and Auditing Companies. Adverse impacts of fraud are much greater and on many people in the society.

Fraud is behaviours which intentionally make mistakes to economic and financial information implemented by many people in the organization or the third party, exerting influences on audited subject.

In finance and accounting, fraud can simply be the behaviour of intentionally violating property, embezzling public funds, embezzlement and corruption, etc. Violating property often attaches with distorting accounting information such as incorrectly recording operations, faking or repairing vouchers, concealing documents and covering up clue.

A FSN & Oracle White Paper (2009), Errors are non-intentional mistakes influencing on financial statements such as missing out an amount of money or not declaring information in financial statements. Common examples about errors are ones in data collection and processing and its presence in financial statements, errors in estimations or application of underestimated accounting principles. Errors can be very serious such as violating regulations about finance and accounting, repeated errors or errors of big scale…however they are non-intentional.

The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement in the financial statements is intentional or unintentional. Unlike error, fraud is intentional and usually involves deliberate concealment of the facts. Error refers to an unintentional misstatement in the financial statements, including the omission of an amount or disclosure.

Misstatements in the financial statements can arise from fraud or error. Although fraud is a broad legal concept, the auditor is concerned with fraudulent acts that cause a material misstatement in the financial statements.

We should consider the risk of misstatement from fraud or error of each significant account balance, recognizing the material classes of transactions included therein, in order to identify specific risk.

In addition, if a material misstatement is found due to the possibility of fraud, it may cause us to question management's integrity and the reliability of evidence obtained from management in other areas of the audit.

An audit does not guarantee that all material misstatements will be detected due to the inherent limitation of an audit. Therefore, we can obtain only reasonable assurance that material misstatements in the financial statements will be detected.

The risk of not detecting a material misstatement due to fraud is higher than that of not detecting misstatements resulting from error because fraud may involve sophisticated and carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor. Such attempts at concealment may be even more difficult to detect when accompanied by collusion.

There are very many factors which affect the incidence of fraud and error. Organizational culture and business change, size and complexity of its operations, and industry all have a significant bearing on the ease with which fraud and error can arise. Fraud, for example, is rife within financial services and the soft under-belly of the public sector makes it an easy target as well. But the networked economy, greater automation, new methods of systems deployment and the stretching of global supply chains and increasingly outsourced business processes all play a part in the risk profile.

Fraud and error is on the increase, fuelled by economic difficulties, increased globalization and a more aggressive regulatory regime which expands the realms of what is unacceptable corporate behaviour.

Although some sectors of the economy are more susceptible to fraud and error than others, no organization is immune to the risks and it is a risk-based approach that holds the key to the efficient allocation of resources when it comes to tackling the problem.

2.6 Empirical Literature

Empirical literature review involves citing researchers and recent books and journals or recent time observations and experiments. Some of the studies that have been conducted on internal control system include information and communication as one of the internal control systems compact, which result the performance of financial institutions. Smooth flow of information and communication across and within the financial institutions is influenced by the nature of the working relationship within the financial institutions at all levels.

(Steinhoff 2001) COSO framework (2005), try to show little relation between the two variable (internal control systems and performance financial institutions), is the major function of internal control system that plays an important role in preventing and detecting fraud and protecting the financial institutions' resources.

According to Ndamenenu K. Douglas, (2011), express the topic of internal control systems has little relation with performance of financial institutions by recommending internal audit units for each branch across the country, so that there shall always be the availability of internal audit personnel's to ensure compliance to the internal control systems that exist in financial institutions. This is to make the internal audit part of the daily activities of financial institutions to ensure daily compliance to the internal control systems but should not wait till at the end of the month. As much as possible, this office should be part of the branch management team. In doing so, they will report directly to the country management team. The internal audit personnel should also be rotated at regular intervals to avoid any form of malpractices.

Internal control system is a critical component of an organization's management and a foundation for its safe and sound operations (Douglas 2011) internal control comprises five components; the control environment, the entity's risk assessment process, the information and communication systems, control activities and the monitoring of controls.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The main purpose of chapter three is to find out different methods used in collecting and gathering relevant data of information regarding the research exercise in document form for the study, the methods used in undertaking the research exercise adopts the following structure; Research design, Area of study, Study population, Sampling procedures, Data collection methods and instruments, Quality control methods, Data management and processing, Data Analysis, Ethical considerations and limitations of the study**.**

3.1 Research Design

The research was based on quantitative research methods reason being, the researcher collected, described, analysed and interpreted the findings of the study, the results of the study were in terms of numbers, figures, and scientific measures with a mix of qualitative approaches. The researcher used cross-sectional design which helped in finding out the predominance of an observable fact by choosing the cross-section of the population when gathering the information, in that sense the researcher was in position to collect information in abundance. The researcher collected data from primary and secondary data using questionnaires, text books, reports magazines, journals from organisations and internet for the appropriate data for the study.

3.2 Area of study

The research exercise was carried out in Nile Commercial Bank headquarters in Juba adjacent to the Buffalo commercial bank Central Equatoria State South Sudan, the Bank started in 2003 by South Sudanese individuals. The number of customers grew up to 1,700 individuals and the bank's branches grew to over twenty (20) countrywide with services such as money transfer and banking services to the population, the company employs different type of employees ranging from top management to the lower ones.

The people contacted for findings were staff of Nile Commercial Bank to give reliable responses for the study.

3.3 Study population

The management of Nile Commercial Bank is made up of different departments where 65 employees were selected to give data for the studies. The target population for the research findings were some selected employees from all the departments of Nile Commercial Bank. They include managers, human resource manager, accountants, controllers and others for the study.

Table 1: A table showing the Classification of employees

Category	**Number of employees**	**Percentage (%)**
Cashiers/ tellers	7	10.8
Administrative staff	58	89.2
TOTAL	**65**	**100**

Source: ***Primary data 2016***

3.4 Sampling procedures

3.4.1Sample size determination

The sample size used was got from the total population of 65 employees out of which 58 were administrative staff and 7 were tellers. So the sample size that the researcher used consists of managers, human resource manager, accountants, customer care, controllers and Non administrative staff. This sample size will be determined by the formulae by Yamane(1967)

$$\boldsymbol{n = \frac{N}{1 + Ne^2}}$$

$$\boldsymbol{n = \frac{65}{1 + 65(0.05)^2}}$$

$$\boldsymbol{n = 55.914}$$

n = 55.914 employees approximately 56 employees

Where

n -is the sample size

N -is the total number of employees from Nile Commercial Bank

e -represents the error which can be either 0.05 or 0.01

The number of employees the researcher will use to collect data from are categorised as below

$$\text{Adminstrativestaff} = (\frac{58}{65})56$$

Administrative staff = 50 employees

$$\text{cashiers/tellers} \quad = (\frac{7}{65})56$$

Cashiers/tellers = 6 employees

3.4.2 Sampling techniques

The sampling technique that the researcher used in the study was simple random sampling techniques since the respondents for the study were selected from all the departments of the Bank in order to get data in figures and numbers. Simple random sampling techniques helped the researcher to have all the responses from different workers of the Bank without discrimination based on their gender, religion and positions held by each and to ensure equal inclusively of the members of the target population in the sample. The selected sample sizes of 56 workers used by the researcher were from different departments of the Bank in order to get the reliable findings for the study.

3.5 Data collection methods and instruments

3.5.1 Data collection methods

The researcher used both secondary and primary methods of data collection in order to the get the required information for the study, secondary data is the one that has been collected and already used by other persons for different purposes. The information for secondary data is got from books, dissertations, publications, journals and reports from international organisations Primary data is fresh or first-hand information collected with respect to the research purpose. Sources of primary data contain a full research report including specific details relevant to the study. Some of the primary sources of data include; Questionnaire interviews and focuses group discussions.

3.5.2 Data Collection instruments

In selecting the data collection instruments the researcher identified the types which is suitable for the study and for better results for the study. The best instruments the researcher used were questionnaires and interviews for data collection of primary data and document analysis for secondary data.

Questionnaire; This is used to collect data from respondents by designing a list of questions and send to the people who can answer them and send them back to the researcher for data analysis and presentations, the researcher used both close-ended and open-ended questionnaires in extraction of reliable data required for the study. The questionnaires are developed based on the objectives of the study and the questions should be easy for respondents to interpret.

Interview; the research used interviews in primary data from respondents for the study, it involves a researcher asking questions for an interviewees to answer. In this regard the researcher was asking questions relevant to the study in order to extract findings from the respondents to enrich the study. The interview exercise was face to face between the interview and the interviewees.

Document analysis; the researcher used this instrument to collection of secondary data from publications, reports of the companies, text books, internet and newspapers to extract reliable findings for the study.

3.6 Quality control methods

3.6.1Validity of the data

Amin (2005 Validity is the ability to produce findings that are in agreement with theoretical or conceptual values. The validity of the methods was determined by the use of pretesting/piloting methods in order to allow the researcher get actual facts to solve the problem under study since this method is used to see how accurate the response in the questionnaires are. The validity was pre-tested using the coefficient of validity index (CVI) and the research tools used in questionnaires, interview guides and observation, Where by the researcher used items which were relevant to calculate CVI for the study.

$$\textbf{CVI} = \left(\frac{\textbf{Items rated relevant}}{\textbf{Total number of items}}\right)\textbf{100}\%$$

A CVI ≤ 50% is rated unreliable while one rated ≥ 50 %is reliable.

3.6.2 Reliability of the Data

The primary goal of reliability is to minimize the risk of having error and avoid biasness in the study. To ensure the reliability of this study, the researcher cautiously interpreted all data or information that was gathered throughout the entire research. The reliability was pre-tested using the chronbach alpha and the research tools used were questionnaires, interview guides and observation in collecting data for the study.

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum_{i=1}^{K}\sigma_{Y_i}^2}{\sigma_X^2}\right)$$

Where σ_X^2 is the variance of the observed total test scores, and $\sigma_{Y_i}^2$ the variance of component *i* for the current sample of persons.

3.7 Data management and processing

After data collection, data was sorted, organised and questionnaires are classified to ensure accuracy and completeness. The researcher then summarised the coded data using the Statistical Package for Social Sciences (SPSS), Microsoft Excel Computer Software and STATA statistical packages.

3.8 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of collected data. The data collected was analysed using quantitative method.

Data was collected through questionnaires and quantitatively analyzed using descriptive data analysis, that is to say, by use of graphs, cross tabulations and inferential statistic. Data analysis focused on the actual analysis and discussions of the data collected. This involves discussion of the steps involved in analyzing the data collected from the questionnaire. The researcher did a literature review, questionnaire design and data analysis in order to get good results. A thorough and systematic examination is important in order to accomplish a good results and the main technique used in quantitative method of analysis.

3.9 Ethical considerations

The research exercise was carried out in an ethical manner. An introductory letter was given by the faculty to the researcher requesting Nile Commercial Bank for data collection. Each respondent was given an opportunity to consent whether to provide information or not. The researcher assured all respondents that the information provided was treated with confidentiality and only for the purpose of the study. The researcher assured the respondents that information provided is for research report purposes without disclosing respondent's identity anywhere.

For the researcher to be ethical in the study, the researcher underwent by keeping privacy and confidentiality of the responses from the respondents so that the details of the respondents are hidden from the public for security reasons.

3.10 Limitations of the study

The major constraints in this study include the conservational nature of organization and their apathy towards providing information, especially with respect to their internal operation policies.

Human errors and biasness are other limiting factors for this study. This is because some data obtained through discussions and interviews therefore there is the possibility of human error of omitting some vital information.

Respondent may also exaggerate important information in order to give their organization a positive credit for fear of what seems an invasion into the organization's privacy. Time and finance is also a limiting factor.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THEFINDINGS

4.0 Introduction

This chapter focuses on the presentation, analysis and interpretation of results in connection with the study objectives. Questionnaires were used to collect the data. The findings are summarized in tables showing percentages. The chapter further presents the sample characteristics of the respondents and descriptive statistics of the items under.

The presentation was guided by the following research objectives;

To examine how financial records can lead to the performance of financial institutions.

To examine how Nile Commercial Bank can ensure effective and efficient payments for proper performance of financial institutions.

To ascertain the extent to which fraud and errors can be prevented or detected early on the performance of financial institutions.

4.1 Demographic characteristics of respondents

The respondents demographic characteristics include; Age, Gender, education level marital status, duration worked in Nile Commercial Bank and Position held by each respondent.

4.1.1 Response rate

The study involved 56 respondents in all, both males and females sampled from accountants, Human recourse managers, auditors, credit officers, managers, administrators and directors who were well versed with internal control systems in Nile Commercial Bank. 52 respondents of all the selected 56 respondents participated fully in the study by providing responses to the questionnaire. This made a response rate of 92.9% out of the actual percentage.

$$\frac{\textbf{No of questionnaires returned} \times 100}{\textbf{Total given out}}$$

52/56×100

= 92.9%

4.1.2 Position held by the respondents

Table 4.1.2: Shows the position held by the respondents

		Frequency	Percent	Cumulative Percent
Valid	ACCOUNTANT	4	7.7	7.7
	ADMINISTRATION OFFICER	2	3.8	11.5
	ASSISTANT MANAGER	2	3.8	15.4
	ASSISTANT PROCUREMENT OFFICER	1	1.9	17.3
	AUDITOR	6	11.5	28.8
	BRANCH HRM	3	5.8	34.6
	BRANCH MANAGER	7	13.5	48.1
	CREDIT OFFICER	1	1.9	50.0
	CREDIT OFFICER	5	9.6	59.6
	DIRECTOR OF FINANCE	2	3.8	63.5
	LINE MANAGER	2	3.8	67.3
	MANAGING DIRECTOR	1	1.9	69.2
	MARKETING MANAGER	2	3.8	73.1
	PROCUREMENT OFFICER	2	3.8	76.9
	RECEPTIONIST	2	3.8	80.8
	RISK MANAGER	3	5.8	86.5
	TELLER	7	13.5	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

Table 4.1.2 shows that 52 respondents took part in the study majority of the respondents were 7(13.5%) were branch managers and tellers with 7(13.5% of the respondents while the least were assistant procurement officers, managing director and credit officer with 1(1.9%) of the respondents

4.1.3 Gender of respondents

The researcher sought to establish the gender and age composition of the respondents and the findings were presented in Table 4.1.3 below

Table 4.1.3: Showing gender of respondents

		Frequency	Percent	Cumulative Percent
Valid	FEMALE	23	44.2	44.2
	MALE	29	55.8	100.0
	Total	**52**	**100.0**	

Source: *Primary Data 2016*

Table 4.1.3 shows that majority of respondents were males with 29(55.8%) compared to 23(44.2%) who were female. This implied that more males 55.8% participated in the study than females 44.2%. This therefore implies that the most dominant working group of employees in Nile Commercial Bank were males.

4.1.4 Age of the respondents

The distribution of the respondents by age was presented in the study as shown in table 4.1.4

Table 4.1.4 showing distribution of age of the respondents

		Frequency	Percent	Cumulative Percent
Valid	25 YEARS OR LESS	5	9.6	9.6
	26-35 YEARS	28	53.8	63.5
	36-45 YEARS	15	28.8	92.3
	46 AND ABOVE	4	7.7	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From Table 4.1.4 the respondents were required to indicate their ages and the study revealed that the largest numbers of respondents were in the age group of 26-35 years 28(53.8%) and the smallest number were those in the range of 46 years and above with 4(7.7%).

4.1.5 Marital status

Table 4.1.5: showing marital status of the respondents

		Frequency	Percent	Cumulative Percent
Valid	MARRIED	31	59.6	59.6
	SINGLE	21	40.4	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

Table 4.1.5 shows that respondents of different marital status working in different offices of Nile Commercial Bank were freely and willing to contribute towards giving the accurate data for the study. The majority of the respondents were married with 31(59.6%) and single employees were 21(40.4%).

4.1.6 The Level of Education of Respondents

The respondents were asked about their level of education in order to determine whether they understood the internal control systems on performance of financial institutions. The findings indicated some of the respondents in the targeted group have relevant knowledge to read, interpret and answer the questionnaires as shown below.

Table 4.1.6 showing level of education of the respondents

		Frequency	Percent	Cumulative Percent
Valid	CERTIFICATE	1	1.9	1.9
	DEGREE	21	40.4	42.3
	DIPLOMA	4	7.7	50.0
	POSTGRADUATE	26	50.0	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

Table 4.1.6 results show that majority of the respondents were postgraduates with a contribution of 25(50%) and 1(1.9%) contributed to certificate which is the lowest of all the education levels. This implied that the highest percentage was attained by postgraduate level who have better skills and adequate knowledge concerning internal control systems on performance of financial institutions as well as the interpretation of questionnaire correctly and accurate for reliable findings.

4.1.7 Duration worked in Nile Commercial Bank

Respondents were asked by the researcher about the period spent on their jobs to find out their experience about the internal control systems on performance of financial and whether they had acquired experiences in all the years they have spent working in Nile Commercial Bank.

Table 4.1.7 showing the duration worked by respondents in Nile Commercial Bank.

		Frequency	Percent	Cumulative Percent
Valid	5-10 YEARS	25	48.1	48.1
	LESS THAN 5 YEARS	17	32.7	80.8
	OVER 10 YEARS	10	19.2	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

Table 4.1.7 findings indicated that 48.1% of the respondents that had served for 5-10 years, were the majority with 25(48.1%) and least where those that had served for over 10 years, with 10(19.2%) this implies that respondents were knowledgeable enough about internal control systems being reflected by the time spent by employees working in the same financial institution.

4.2.0 Identification of officials in charge of the Risks facing Nile Commercial Bank

Respondents were given options by the researcher to tick the officials in charge of risks identification in Nile Commercial Bank and if necessary to specify

Table 4.2.0 showing the officials in charge of risks identification facing Nile Commercial Bank

		Frequency	Percent	Cumulative Percent
Valid	CHIEF EXECUTIVE OFFICER	10	19.2	19.2
	DIRECTOR OF FINANCE	9	17.3	36.5
	EXECUTIVE MANAGEMENT TEAM	4	7.7	44.2
	INTERNAL AUDITOR	14	26.9	71.2
	LINE MANAGER	3	5.8	76.9
	RISK MANAGER	12	23.1	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

According to table 4.2.0, the findings revealed that internal auditors in Nile Commercial Bank are responsible for identifying risks facing the Bank with the highest percentage of 14(26.9%) and line manager with the lowest of 3(5.8%), this implies that the internal auditor to work very hard in order to combat the problems of internal control systems in Nile Commercial Bank.

4.2.1 Tools and techniques that are used by Nile Commercial Bank in identifying risks

Table 4.2.1shows tools and techniques that are used by Nile Commercial Bank in identifying risks

		Frequency	Percent	Cumulative Percent
Valid	AUDITS OR PHYSICAL INSPECTION	37	71.2	71.2
	EXAMINATION OF LOCAL	15	28.8	100.0
	Total	52	100.0	

From table 4.2.1 the findings revealed that Nile Commercial Bank uses audits and physical inspection in identify risks, this is shown by the majority of respondents 37(71.2%) who responded in favour of audits and physical inspection and examination with lowest percentage of 15(28.8%) according to the responses.

4.2.2 Problems associated with internal control system in Nile Commercial

4.2.2 Table showing common problems associated with internal control system in Nile Commercial

➢ Transactions not being executed with the standards of banking institutions
➢ Borrowing without collateral by some government officials and businessmen
➢ Frequent change of employees in the Bank
➢ Work overload of the employees without additional pay for the extra work done
➢ Lack of proper machines for the control of bank activities

The above points listed in the table 4.2.2 are the most common problems associated with Nile commercial Bank in the fulfilment of its objectives and goals.

4.2.3 Possible solutions that can be done to improve on internal control system in Nile Commercial Bank

The table 4.2.3 shows possible solutions that can be done to improve on internal control system in Nile Commercial Bank

➢ Training of employees on the internal control system so that banking standards are followed when recording transactions
➢ Always get clear and well defined collateral before giving out loan
➢ Nile commercial Bank should learn how to keep employees in order to avoid different management styles
➢ Workers should be paid for extra work done so as to put in much interest when he/ she has been tasked to extra work.
➢ Nile Commercial Bank should try its best to buy machines that will help in internal control systems and the management as a whole

Table 4.2.3 shows a summary of all the possible solutions if worked upon can push the performance of Nile Commercial Bank to better level.

4.3 Financial records

4.3.0 Nile Commercial Bank has an internal audit function which performs review

The respondents were asked whether Nile commercial Bank has an internal audit function which performs review and the findings are in the table below.

Table 4.3.0 shows responses on whether Nile commercial Bank has an internal audit function which perform review

		Frequency	Percent	Cumulative Percent
Valid	AGREE	29	55.8	55.8
	DISAGREE	3	5.8	61.5
	NEUTRAL	11	21.2	82.7
	STRONGLY AGREE	8	15.4	98.1
	STRONGLY DISAGREE	1	1.9	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.3.0 shows that majority of the respondents agreed with 29(55.8%) andleast responses were got from 1(1.9%) which strongly disagreed. This implies that Nile Commercial Bank has an internal audit function which performs review and this is according to the results in the table 4.3.0.

4.3.1 Proper review over receipts are performed in Nile Commercial Bank

The researcher asked the respondents whether there is an existing proper review on receipts in Nile Commercial Bank and the findings are in the table 4.3.1 below.

Table 4.3.1 shows responses on whether proper review over receipts are performed

		Frequency	Percent	Cumulative Percent
Valid	AGREE	21	40.4	40.4
	DISAGREE	10	19.2	59.6
	NEUTRAL	9	17.3	76.9
	STRONGLY AGREE	12	23.1	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the findings above, majority of the respondents with 21(40.4%) agreed, and a low number of the respondents disagreed with 10(19.2%).

4.3.2 Nile Commercial Bank Audit staff is easily compromised

The researcher wants to establish, if audit staff at Nile commercial Bank can easily be compromise to make a dealt and with a conflict of interests and the finding was in the table 4.3.2 below.

Table 4.3.2 shows responses on whether audit staff are easily compromised

		Frequency	Percent	Cumulative Percent
Valid	AGREE	15	28.8	28.8
	DISAGREE	7	13.5	42.3
	NEUTRAL	16	30.8	73.1
	STRONGLY AGREE	9	17.3	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the findings above, a large number of the respondents were neutral with 16(30.8%) while 5(9.6%) strongly disagreed about the audit staff being easily compromised.

4.3.3 Nile Commercial Bank has enough internal audit staff to make reviews

Respondents were asked whether Nile commercial bank has got enough internal audit staff to perform reviews. The results obtained are shown in the table 4.3.3 below

Table 4.3.3 shows responses on whether there are enough audit staff to perform reviews

		Frequency	Percent	Cumulative Percent
Valid	AGREE	14	26.9	26.9
	DISAGREE	6	11.5	38.5
	NEUTRAL	9	17.3	55.8
	STRONGLY AGREE	5	9.6	65.4
	STRONGLY DISAGREE	18	34.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the findings in table 4.3.3 above, majority of the respondents18(34.6%) strongly disagreed and 5(9.6%) strongly agreed. This means that Nile commercial Bank do not have enough audit staff to make reviews and to carry out spot check on financial records.

4.4 Effective and efficient payment

4.4.0 Payments are properly documented

Respondents were asked whether payment procedures in Nile commercial Bank were properly followed and documented. The findings in table 4.4.0 below showed that there was no proper payment procedures followed.

Table 4.4.0: Shows responses on whether payment procedures were properly documented

		Frequency	Percent	Cumulative Percent
Valid	AGREE	11	21.2	21.2
	DISAGREE	4	7.7	28.8
	NEUTRAL	6	11.5	40.4
	STRONGLY AGREE	15	28.8	69.2
	STRONGLY DISAGREE	16	30.8	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.4.0 above, the findings shows that majority of the respondents strongly disagreed with 16(30.8%)that payments were properly documented while 4(7.7%) of the respondents disagreed with the majority that payments were properly documented.

4.4.1 Originals of payment vouchers are certified in fully by the responsible officer

The researcher asked the respondents whether original payment vouchers certified by the responsible by the authorized officers in Nile Commercial Bank. Findings revealed that there was a better improvement in certifying payment vouchers.

Table 4.4.1 showing the responses on whether payment vouchers were certified

		Frequency	Percent	Cumulative Percent
Valid	AGREE	17	32.7	32.7
	DISAGREE	9	17.3	50.0
	NEUTRAL	7	13.5	63.5
	STRONGLY AGREE	15	28.8	92.3
	STRONGLY DISAGREE	4	7.7	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the table 4.4.1above, concerning whether originals of payment vouchers were certified; the majority of the respondents 17(32.7%) agreed that the payment voucher were certified, and lowest number of the respondents with 4(7.7%) strongly disagreed. This implies that original payment vouchers were properly certified.

4.4.2 Payments are supported by vouchers in a prescribed form

Respondents were asked if all payments were supported by the vouchers in a prescribed form. The findings revealed that payments were not supported by the vouchers and other supporting documentations require for completing the payment process.

Table 4.4.2 Showing the responses on whether payments were supported by the vouchers

		Frequency	Percent	Cumulative Percent
Valid	AGREE	17	32.7	32.7
	DISAGREE	5	9.6	42.3
	NEUTRAL	4	7.7	50.0
	STRONGLY AGREE	7	13.5	63.5
	STRONGLY DISAGREE	19	36.5	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.4.2 above, the findings discovered that majority of the respondents with 19(36.5%)strongly disagreed with the statement while 497.7%) of the respondents were neutral and this implies that all payment vouchers were supported by vouchers in a prescribed form as reflected in the table 4.4.2 above.

4.4.3 Payment vouchers are filed in numerical order

Respondents were asked if all payments vouchers were filed in number order. The findings are shown in the table below.

Table 4.4.3 shows responses on whether payments vouchers were filed in numerical order

		Frequency	Percent	Cumulative Percent
Valid	AGREE	25	48.1	48.1
	DISAGREE	7	13.5	61.5
	NEUTRAL	8	15.4	76.9
	STRONGLY AGREE	5	9.6	86.5
	STRONGLY DISAGREE	7	13.5	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

According to table 4.4.3 above, a big number of the respondents with 25(48.1%) agreed that payment vouchers were filed in numerical order meanwhile smaller number of the respondents with5(9.6%) strongly disagreed that payment vouchers were not filed in numerical order.

4.4.4 Payment procedures undertaken by Nile commercial bank affect its performance

The researcher asked the respondents whether payments procedures undertaken by Nile commercial bank affect its performance. The findings are shown in table 4.4.4 below.

Table 4.4.4 shows responses on whether payments procedures undertaken by Nile commercial bank affect its performance

		Frequency	Percent	Cumulative Percent
Valid	AGREE	19	36.5	36.5
	DISAGREE	9	17.3	53.8
	NEUTRAL	10	19.2	73.1
	STRONGLY AGREE	11	21.2	94.2
	STRONGLY DISAGREE	3	5.8	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the above table, majority of the respondents, 19(36.5%) agreed meanwhile 3(5.8%) which is the lowest of all the percentage strongly disagreed with the statement.

4.5 Fraud and errors

4.5.0 Whether it is the responsibility of auditor to report all omissions and frauds in auditor's report

The findings in table 4.5.0 below show that it is the auditor's responsibility to reports omissions and frauds in his/her report

Table 4.5.0 Shows responses on whether omissions and frauds are auditor's responsibility

		Frequency	Percent	Cumulative Percent
Valid	AGREE	19	36.5	36.5
	DISAGREE	3	5.8	42.3
	NEUTRAL	2	3.8	46.2
	STRONGLY AGREE	28	53.8	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.5.0 above shows that majority of the respondents with 28(53..8%) strongly agree that it is the responsibility of the auditor to report all the omissions and frauds in his/her report while 2(3.8%) of the respondents were neutral and no respondents on strongly disagree.

4.5.1 Whether there should be an audit standard that would make auditors responsible for detecting and reporting frauds?

The respondents were asked where should be an audit standard that would make auditors responsible for detecting and reporting frauds, the results revealed that majority of the respondents agreed with the researcher's question.

Table 4.5.1 showing whether there should be an audit standard that would make auditors responsible for detecting and reporting frauds

		Frequency	Percent	Cumulative Percent
Valid	AGREE	29	55.8	55.8
	DISAGREE	1	1.9	57.7
	NEUTRAL	2	3.8	61.5
	STRONGLY AGREE	19	36.5	98.1
	STRONGLY DISAGREE	1	1.9	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the table 4.5.1 above, concerning whether there should be an audit standard that would make auditors responsible for detecting and reporting frauds; the majority of the respondents 29(55.8%) agreed that auditors should have audit standards that will make them responsible in detecting and reporting frauds while the lowest are1(1.9%) disagreed and 1(1.9%) of the respondents strongly agreed.

4.5.2 Whether the auditor is responsible for any material weaknesses of the bank's internal control system?

The findings on whether the auditor is responsible for any material weaknesses of the bank's internal control system are shown in the table 4.5.2 below

Table 4.5.2 shows responses on whether the auditor is responsible for any material weaknesses of the bank's internal control system

		Frequency	Percent	Cumulative Percent
Valid	AGREE	13	25.0	25.0
	DISAGREE	10	19.2	44.2
	NEUTRAL	13	25.0	69.2
	STRONGLY AGREE	6	11.5	80.8
	STRONGLY DISAGREE	10	19.2	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.5.2 above, the majority of the respondents were in 13(25%) agreed with the statement, 13(25%) were neutral whether the auditor is responsible for any material weaknesses of the bank's internal control system or not and the low respondents strongly agreed 6(11.5%).

4.2.3 Whether fraud a major concern in Nile commercial bank in South Sudan?

Respondents were asked by the researcher whether fraud is a major concern in Nile Commercial Bank. Below are the findings given by the respondents regarding fraud in Nile Commercial Bank.

Table 4.5.3 showing whether fraud a major concern in Nile commercial bank in South Sudan

		Frequency	Percent	Cumulative Percent
Valid	AGREE	16	30.8	30.8
	DISAGREE	12	23.1	53.8
	NEUTRAL	8	15.4	69.2
	STRONGLY AGREE	15	28.8	98.1
	STRONGLY DISAGREE	1	1.9	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.5.3 above shows a good number of respondents agree with 16(30.8%) of the total respondents meanwhile 1(1.9%) of the respondents strongly disagreed with the statement. Therefore, this implies that the majority of the respondents agreed that fraud is a major concern in Nile commercial bank in South Sudan which is affecting its performance in achieving its goals and objectives in serving the nation therefore, the management should take a proper attention in addressing frauds in the bank for better services.

4.5.4 Whether it is the responsibility of the auditor to prevent fraud and errors

The researcher asked the respondents whether it is the responsibility of the auditor to prevent fraud and errors and the findings are in the table below

Table 4.5.4 shows whether it is the responsibility of the auditor to prevent fraud and errors

		Frequency	Percent	Cumulative Percent
Valid	AGREE	16	30.8	30.8
	DISAGREE	7	13.5	44.2
	NEUTRAL	15	28.8	73.1
	STRONGLY AGREE	9	17.3	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

Findings indicated that majority of the respondents 16(30.8%) agreed that auditors should take the responsibility to prevent fraud and errors in Nile Commercial Bank, 5(9.6%) which is the lowest strongly disagreed that not only the auditors should be responsible in preventing fraud and errors in the bank.

4.5.5 Auditors should perform additional procedures in their attempt to uncover fraud?

The table below shows the results of the findings from the respondents in line with auditor performing additional procedures in their attempt to uncover fraud.

Table 4.5.5 shows whether auditors should perform additional procedures in their attempt to uncover fraud

		Frequency	Percent	Cumulative Percent
Valid	AGREE	23	44.2	44.2
	DISAGREE	5	9.6	53.8
	NEUTRAL	6	11.5	65.4
	STRONGLY AGREE	12	23.1	88.5
	STRONGLY DISAGREE	6	11.5	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

The results in table 4.5.5 above show that majority of the respondents 23(44.2%) agreed, 5(9.6%) disagreed with the statement that auditors should perform additional procedures in their attempt to uncover fraud, since highest number of the respondents agreed with the statement, auditors in Nile Commercial Bank are required to perform additional procedures in order to uncover fraud.

4.5.6 Whether auditors should assess the activity of the internal control department related to fraud detection

Respondents were asked whether the auditors should assess the activity of the internal control department related to fraud detection, the findings in the table below shows what the respondents gave concerning this particular question.

Table 4.5.6 shows whether auditors should assess the activity of the internal control department related to fraud detection

		Frequency	Percent	Cumulative Percent
Valid	AGREE	25	48.1	48.1
	DISAGREE	1	1.9	50.0
	NEUTRAL	6	11.5	61.5
	STRONGLY AGREE	15	28.8	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.5.6 above, the findings indicated that majority of the respondents 25(48.1%) agreed that auditors should assess the activity of the internal control department related to fraud detection, 1(1.9%) disagreed with the statement.

4.5.7 Whether auditors should develop additional audit procedures to enable identification and review of all transactions with related parties

In order to establish whether auditors should develop additional audit procedures to enable identification and review of all transactions with related parties, respondents were asked to give responses. The table below show the findings of the respondents

Table 4.5.7 showing whether auditors should develop additional audit procedures to enable identification and review of all transactions with related parties

		Frequency	Percent	Cumulative Percent
Valid	AGREE	23	44.2	44.2
	DISAGREE	7	13.5	57.7
	NEUTRAL	4	7.7	65.4
	STRONGLY AGREE	14	26.9	92.3
	STRONGLY DISAGREE	4	7.7	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

According to the table 4.5.7 above, the researcher's findings revealed that majority of respondents 23(44.2%)agreed that auditors should develop additional audit procedures to enable identification and review of all transactions with related parties meanwhile 4(7.7%)of the respondents were neutral and 4(7.7%) strongly disagreed, 4(7.7%) corresponds the lowest number of respondents according to the table 4.5.7 above.

4.6 Performance of financial institution

4.6.0 Nile Commercial Bank carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives.

Respondents were asked to give their opinions about Nile Commercial Bank carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives, and below are the findings gathered from the respondents regarding this statement in table 4.6.0.

Table 4.6.0 showing whether Nile Commercial Bank carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives.

		Frequency	Percent	Cumulative Percent
Valid	AGREE	23	44.2	44.2
	DISAGREE	3	5.8	50.0
	NEUTRAL	10	19.2	69.2
	STRONGLY AGREE	14	26.9	96.2
	STRONGLY DISAGREE	2	3.8	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From the above table 4.6.0, the findings revealed that majority of the respondents 23(44.2%) agreed, and 2(3.8%) which is the lowest strongly disagreed with the statement that Nile Commercial Bank carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives.

4.6.1 The services of Nile Commercial Bank are satisfactory to the customers

respondents were asked to give their views about the services offered by Nile Commercial Bank and their responses are reflected in the table below.

Table 4.6.1 showing whether services of Nile Commercial Bank are satisfactory to the customers.

		Frequency	Percent	Cumulative Percent
Valid	AGREE	20	38.5	38.5
	DISAGREE	1	1.9	40.4
	NEUTRAL	14	26.9	67.3
	STRONGLY AGREE	12	23.1	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

From table 4.6.1 above, the findings revealed that Nile Commercial Bank offers services which are satisfactory to the customers with majority of respondents agreeing according to the results in the table. 20(38.5%) of the respondents agreed, while the lowest is 1(1.9%) of the respondents.

4.6.2 Profit maximization is the main aim of Nile Commercial Bank

The researcher wants to establish, if Profit maximisation is the main aim of Nile Commercial Bank and the findings are in table below.

Table 4.6.2 showing whether Profit maximization is the main aim of Nile Commercial Bank

		Frequency	Percent	Cumulative Percent
Valid	AGREE	20	38.5	38.5
	DISAGREE	1	1.9	40.4
	NEUTRAL	14	26.9	67.3
	STRONGLY AGREE	12	23.1	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

The findings indicated that most of the respondents are found to have agreed with the statement of profit maximisation with 20(38.5%) agreed, and 1(1.9%) of the respondents strongly disagreed. This implies that the main aim of Nile Commercial Bank is profit maximisation since majority of the respondents that were asked to give responses agreed as per the table above.

4.6.3 Commercial Bank has made lots of development due to increased profits

In order to ascertain the lots development made by Nile commercial due to increased profits respondents were asked to give their ideas and the results are as shown in table 4.6.3.

Table 4.6.3 showing whether Commercial Bank has made lots of development due to increased profits

		Frequency	Percent	Cumulative Percent
Valid	AGREE	22	42.3	42.3
	DISAGREE	5	9.6	51.9
	NEUTRAL	9	17.3	69.2
	STRONGLY AGREE	11	21.2	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

Table 4.6.3: findings indicated that majority of the respondents 22(42.3%) agreed 5(9.6%) of the respondents disagreed and 5(9.6%) of the respondents strongly agreed which are the lowest of all the percentages in the table. This implies that Nile Commercial Bank has made lots of development from its increased profits, development made by Nile Commercial Bank include expansion of its operation to all the ten states of south Sudan and other major towns as well as providing loan schemes to farmers.

4.6.4 Nile Commercial Bank's profits have grown over the years

Respondents were asked whether they have grown profits over the years, the findings below shows whether there was a profit or not in Nile commercial Bank.

Table 4.6.4 showing whether Nile Commercial Bank's profits have grown over the years

		Frequency	Percent	Cumulative Percent
Valid	AGREE	20	38.5	38.5
	DISAGREE	6	11.5	50.0
	NEUTRAL	13	25.0	75.0
	STRONGLY AGREE	9	17.3	92.3
	STRONGLY DISAGREE	4	7.7	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

The results in the table 4.6.4 shows that a big number of the respondents 20(38.5%) agreed, and 4(7.7%) is the lowest which strongly disagreed. This shows that Nile Commercial Bank's profits have grown over the years which lead to expansion and employment of more people but it nearly collapse in 2011 due to poor management and poor loaning systems and was later revived by the government.

4.6.5 The workers are awarded according the level of profits earned by Nile Commercial Bank

The respondents were asked whether workers are awarded according the level of profits earned by Nile Commercial Bank, the results of the findings are presented in the table 4.6.5 below.

Table 4.6.5 showing whether workers are awarded according the level of profits earned by Nile Commercial Bank

		Frequency	Percent	Cumulative Percent
Valid	AGREE	19	36.5	36.5
	DISAGREE	9	17.3	53.8
	NEUTRAL	11	21.2	75.0
	STRONGLY AGREE	8	15.4	90.4
	STRONGLY DISAGREE	5	9.6	100.0
	Total	52	100.0	

Source: *Primary Data 2016*

The findings revealed that majority of the respondents during the study were found out to have agreed with statement of workers being awarded according the level of profits earned by Nile Commercial Bank, with 19(36.5%) and 9.6% of the respondents strongly disagreed which is the percentage of the lowest. This implies that Nile commercial Bank award workers high in order to maintain them and as a way to motivate them to work very hard towards achieving the goals and objectives of the bank.

4.7 To examine how financial records can lead to the performance of financial institutions

Findings on how financial records can lead to the performance of financial institutions

Table 4.7.0 shows Correlations between financial records and performance of financial institutions

Correlations

		Financial records	**Performance of financial institutions**
Financial records	Pearson Correlation	1	.211
	Sig. (2-tailed)		.133
	N	52	52
Performance of financial institutions	Pearson Correlation	.211	1
	Sig. (2-tailed)	.133	
	N	52	52

*. Correlation is significant at the 0.05 level (2-tailed).

Results from the table above shows that there is a weak positive correlation between financial records and performance of financial institutions ($r = 0.211$, $p<0.05$) whereby, p value = 0.133. This means financial records is associated with performance of financial institutions. In conclusion, the printouts indicate that the strength of association between the variables is positive ($r = 0.211$), and that the correlation coefficient is positively significant higher than zero.

4.8 To examine how Nile Commercial Bank can ensure effective and efficient payments for proper performance of financial institutions

The findings on effective and efficient payment on the performance of financial institutions are shown in the table 4.8.0 below;

Table 4.8.0 shows Correlations between effective and efficient payment and performance of financial institutions

Correlations

		Performance of financial institutions	**Effective and efficient payment**
Performance of financial institutions	Pearson Correlation	1	.086
	Sig. (2-tailed)		.542
	N	52	52
Effective and efficient payment	Pearson Correlation	.086	1
	Sig. (2-tailed)	.542	
	N	52	52

*. Correlation is significant at the 0.05 level (2-tailed).

Findings further shows that there is very weak positive correlation effective and efficient payment and the performance of financial ($r = 0.086$, $p > 0.05$) whereby p value = 0.542. This means that undertaking Effective and efficient payment was associated performance of financial institutions. In conclusion, the printouts indicate that the strength of association between the variables is high ($r = 0.086$, and that the correlation coefficient is not significantly different from zero ($P > 0.05$.

4.9 To ascertain the extent to which fraud and errors can be prevented or detected early on the performance of financial institutions

The findings on fraud and errors on the performance of financial institutions are shown in the table 4.9.0 below;

Table 4.9.0 shows Correlations between fraud and errors and performance of financial institutions

Correlations

		Fraud and errors	Performance of financial institutions
Fraud and errors	Pearson Correlation	1	.270
	Sig. (2-tailed)		.053
	N	52	52
Performance of financial institutions	Pearson Correlation	.270	1
	Sig. (2-tailed)	.053	
	N	52	52

*. Correlation is significant at the 0.05 level (2-tailed).

From the Table above, findings revealed that there is a weak positive relationship between fraud and errors and the performance of financial institutions ($r = 0.27 > 0.05$). This means that undertaking fraud and errors was associated with performance of financial institutions. In conclusion, the table indicates that the strength of association between the variables is high ($r = 0.27$), and that the correlation coefficient is significantly weak different from zero ($P < 0.05$). I can say that, variation in fraud and errors is explained by similar variation performance of financial institutions in the same direction, That is if fraud and errors improves, performance of financial institutions also intend to improve in the same proportion.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of findings, conclusions, policy recommendation, and areas for further study. The study was sought to determine the impact of internal controls on performance of financial institutions in South Sudan.

5.2 Summary of findings

The summary of the findings is based on the four study objectives that included: to establish policies for better financial records on the performance of financial institutions, to examine how Nile Commercial Bank can ensure effective and efficient payments for proper performance of financial institutions and to ascertain the extent to which fraud and errors can be prevented or detected in financial institutions.

5.2.1 Financial Records

As per the objective financial records can either have positive or negative impact on the performance of Nile Commercial Bank depending on how they are being applied. The findings indicated that the majority of the respondents agreed that Nile Commercial Bank had performed well in ensuring that financial records are subjected to internal audit this is reflected by the positive response to the questions answered in the questionnaire by the selected respondents, it is only on the issue of adequacy of the number of staff, where all the respondents disagreed that there wasn’t enough audit staff respondents were also neutral on audit staff being easily compromised. This indicated that internal auditing had a positive impact on the performance Nile Commercial Bank.

From the correlation aspect the findings on the relationship between financial records and performance of financial institutions revealed a weak positive correlation ($r=0.211$, $p<0.05$) whereby p value=0.133.

5.2.2Effective and efficient payment

The study established that effective and efficient payments procedures were being followed. In summary and basing on the findings from the respondents the majority agreed that to some extend proper financial payments procedures were being followed. It can then be concluded that effective and efficient payment procedures when undertaken well affect financial performance of Nile Commercial Bank positively.

Findings on examining the relationship between effective and efficient payment on the performance of financial institutions revealed a very weak positive relationship at Pearson correlation coefficient ($r=0.086$, $p>0.05$) whereby p value = 0.542. Effective and efficient payment can lead to proper performance of financial institutions because all the transactions are well managed.

5.2.3 Fraud and errors

According to the findings, auditors' have the capacity to assess the books of accounts of Nile Commercial Bank, use audit standards in order to uncover the errors and fraud that may exist in the Bank, as such auditors should reveal errors and fraud in an audit of Financial Statements makes it clear to the management for early alleviation.

The auditor must therefore seek sufficient appropriate audit evidence that any fraud or error which may be material to the financial statements have not occurred. If it has occurred, the auditor must ensure that the effect of fraud is properly reflected in the financial statements or the error is corrected. The findings give auditors fully responsibility to detect errors and fraud Findings on to ascertain the extent to which fraud and errors can be prevented or detected early on the performance of financial institutions, Findings on examining the relationship between fraud and errors and performance of financial institutions revealed a weak positive relationship at Pearson correlation coefficient ($r=0.27$, $p<0.05$) whereby p value = 0.542

5.2.4 Performance of financial institution

Based on the findings, there was an indication that proper performance of financial institutions has led to a better services delivery, with majority of the respondents agreeing, the results also pointed out that performance of financial institutions especially Nile Commercial Bank is based on the satisfactory of the customers who are either to make business grow or to make it collapse, nevertheless Nile Commercial Bank has used a strategy of out competing its competitors by awarding the employees adequate which motivates them and as such it made profits over the years that led to its continuous existence according to the findings.

5.3 Conclusion

The study is to find out the impact of internal control systems on the performance of financial institutions in South Sudan a case study of Nile Commercial Bank and the study was based on the objectives which include, to establish policies for better financial records on the performance of financial institutions, to examine how Nile Commercial Bank can ensure effective and efficient payments for proper performance of financial institutions and to ascertain the extent to which fraud and errors can be prevented or detected early in financial institutions.

Therefore, Internal Control systems involve internal auditing, administrative and other accounting controls set-up by the management in order to ensure achievement of its planned objective. These entails keeping of appropriate records, ensuring adherence to the management policies and ensuring that actions are in line with plane as a result internal control systems has an impact on the performance of financial institutions this could be positive or negative depending on how it has been carried out.

5.4 Recommendations

The study further recommends that the governing body, possibly supported by the audit committee, should ensure that the internal control systems are periodically monitored and evaluated. The actual assessment can be executed by the bank's management. A staff person who is sufficiently independent from those responsible for the system, such as the internal auditor, could provide additional assurance on the effectiveness and cost efficiency of the internal control systems.

The study recommends that both internal and external auditor should be constantly updated and well-informed on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues.

There should be a continuous internal check and audit on the part of management and low level of management to ensure adequate internal control system.

There should be adequate motivation such as bones, incentives to the employees/officers to avoid financial fraud.

There should be effective use of information technology to enhance the high level of security check in the various departments and competent team of experts to work out the logic of standard internal control.

5.5 Areas for Further Research

Contribution of internal control systems on productivity of commercial banks

The roles of internal control systems on the performance government institutions

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APPENDICES

APPENDIX I: QUESTIONNAIRE

QUESTIONNAIRE

Dear respondent,

My name is Martin Mabior, a student of Uganda Martyrs University Nkozi, pursuing Bachelor of Science in Economics and Statistics. I am carrying out a research on the impact of internal control systems on the performance of financial institutions in South Sudan. You are among the respondents randomly selected to answer the questions. The information given will be treated with at most confidence & for academic purpose only.

Please fill in the blank space provided
General information

1 Position held by the respondent
………………………………………………………………………………………..

Please tick your choice in the appropriate box provided below
2 Gender
a) Male ☐ b) Female ☐

3 Age group

a) 25 years or less ☐ b) 26-35 ☐ c)36-45 ☐ d) 46 and above ☐

4 Marital status

a) Married ☐ b) single ☐ c)cohabiting ☐ d)Divorced ☐

5 Education level

a) Certificate ☐ b) Diploma ☐ c)Degree ☐ d) postgraduate ☐

6 Duration worked in Nile Commercial Bank

a) Less than 5 years ☐ b) 5-10 years ☐ c) Over 10 years ☐

7 Who is responsible for identifying the risks facing your organization: Tick all that apply

a) Chief Executive Officer? ☐

b) Board/Executive Management Team? ☐

c) Director of Finance? ☐

d) Internal Auditor? ☐

e) Risk Manager? ☐

f) Line Managers? ☐

g) other(specify below)

…………………………………………………………………………………………….
…………………………………………………………………………………………….

8 What tools and techniques are used by Nile Commercial Bank in identifying risks: Tick all that Apply

a) Audits or physical inspection? Brainstorming? ☐

b) Examination of local/overseas experience? ☐

c) Others (specify below)

....
....

9 What are some of the problems associated with internal control system inNile Commercial Bank?

a) ....
b) ....
c) ....
d) ....
e) ....

10 What do you think can be done to improve on internal control system in Nile Commercial Bank?

a) ....
b) ....
c) ....
d) ....
e) ....

Please tick your appropriate choice in the space provided using the keys given below

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly disagree

Financial Records	1	2	3	4	5
11. Nile Commercial Bank has an internal audit function which performs review					
12. Nile Commercial Bank has an internal audit function which performs review					
13. Proper review over receipts are performed in Nile Commercial Bank					
14. Nile Commercial Bank Audit staff is easily compromised					
15. Nile Commercial Bank has enough internal audit staff to make reviews					
Effective and efficient Payment					
16.Payments are properly documented					
17.Originals of payment vouchers are certified in fully by the responsible officer					
18.All payments are supported by vouchers in a prescribed form					
19.All payment vouchers are filed in numerical order					
20.Payment procedures undertaken by Nile Commercial Bank affect its performance					
Fraud and error					
21. Is it the responsibility of the auditor to report all omissions and frauds in the auditors' report?					
22. Do you consider that there should be an audit standard that would make auditors responsible for detecting and reporting frauds?					
23. Is the auditor responsible for any material weaknesses of the bank's internal control system?					
24. Is fraud a major concern in Nile commercial bank in South Sudan?					

25. Is it the responsibility of the auditor to prevent fraud and errors?					
26. Do you believe that auditors should perform additional procedures in their attempt to uncover fraud?					
27. Do you believe that auditors should assess the activity of the internal control department related to fraud detection?					
28. Do you believe auditors should develop additional audit procedures to enable identification and review of all transactions with related parties?					
Performance of financial institution					
29. Nile Commercial Bank carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives.					
30.The services of Nile Commercial Bank are satisfactory to the customers					
31.Profit maximisation is the main aim of Nile Commercial Bank					
32. Nile Commercial Bank has made lots of development due to increased profits					

APPENDIX II: WORK PLAN

Activity	Duration	Place	Personnel
Topic approval	1week	UMU premises	Supervisor
Literature review	1 week	UMU library	Researcher
Developing research instruments	1 week	UMU library	Researcher
Distributing questionnaires	2 weeks	Researcher field	Researcher
Data collection	1 week	Researcher field	Researcher
Data organization	1 week	Researcher field	Researcher
Data analysis	3 weeks	UMU premises	Researcher & supervisor
Report writing	2 weeks	UMU premises	Researcher & supervisor

APPENDIX III: BUDGET

Item	**Quantity**	**Cost**	**Amount**
Stationary	2 reams 4 pens & 2 pencils 1 file	15000	30000 3000 2000
Air time			10000
Transport			150000
Printing& binding			20000
Pocket money			50000
Accommodation			100000
TOTAL			360000