



ASSESSING THE FUNCTIONALITY OF INTERNAL CONTROL SYSTEM IN KIBOKO ENTERPRISES LIMITED

ABSTRACT

The study examines the functionality of internal control system at Kiboko Enterprise Limited (KEL), challenges and identifying strategies for strengthening the system. A cross-sectional study design quantitative in nature was adopted using a population of all staff of KEL from which 40 were selected. Data was collected using a questionnaire and was analysed using mean and standard deviation. The study found that the internal control environment in KEL was not well functioning in relation to tone at the top, ethical standards, functional policies and procedures. In relation to risk assessment, the study notes that KEL did not observe risk assessment best practices requiring use of a set of methods to identify, assess likelihood and impact, and mitigate for potential events that if they occur will affect its business performance. The internal control activities manifested material gaps in areas of segregation of duties, approval, authorization and verification to prevent fraudulent financial and non-financial transactions. The information and communication component of internal control system manifested material weaknesses in areas of top-down, bottom-up communication that constrained information sharing in the company. Monitoring component was equally malfunctioning, as KEL did not undertake to evaluate if the internal control system was responsive and fulfilled its objectives. The study notes that the low management commitment to internal control system in the company, irregular reporting, lack of training in internal controls, limited resources for instituting modern internal control mechanism and poor communication were the most

constrains to a well funding internal control system in KEL. To strengthen the internal controls in KEL and related Small and Medium size Enterprises(SMEs), the study recommends that the management of the SMEs should benchmark with similar SMEs and automate its transaction processes using an Enterprise Resource Planning (ERP) system; set monthly and annual performance targets, review and reward performance using a performance management system such as balances score card to ensure internal controls are implemented by each officer at their level as a key result area; Identify internal control training needs and design appropriate on and off the job training to equip staff with necessary knowledge and skills in internal controls.

