

**Effect Of Internal Control On The Performance Of Organizations In Centenary Bank Limited Kiboga Branch**

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**Abstract**

The study examined the effect of internal control on organizational performance at Centenary Bank Limited, Kiboga Branch. The research employed a cross-sectional survey design with mixed methods to collect data from 98 respondents comprising bank management, operational staff, internal auditors, and supervisory personnel. Primary data were gathered through structured questionnaires and semi-structured interviews, while secondary data were obtained from bank performance reports, audit reports, and operational records covering the period 2021-2023. The study utilized correlation and regression analysis to determine the strength and nature of relationships between internal control components (control environment, risk assessment, control activities, and monitoring systems) and organizational performance indicators (operational efficiency, financial performance, compliance levels, and service quality). The findings revealed a significant positive relationship between internal control and organizational performance ( $r = 0.784$ ,  $p < 0.01$ ). Control environment demonstrated the strongest correlation with performance ( $r = 0.792$ ,  $p < 0.01$ ), followed by control activities ( $r = 0.758$ ,  $p < 0.01$ ), monitoring systems ( $r = 0.731$ ,  $p < 0.01$ ), and risk assessment ( $r = 0.706$ ,  $p < 0.01$ ). The regression model indicated that internal control variables explained 61.5% of variance in organizational performance ( $R^2 = 0.615$ ,  $F = 37.24$ ,  $p < 0.001$ ). Organizations with stronger internal control systems demonstrated 48% better operational efficiency, 42% improved financial performance, 56% higher compliance levels, and 39% enhanced service quality compared to baseline measurements. The study concluded that internal control significantly influenced organizational performance at Centenary Bank Limited, Kiboga Branch. Effective control environments, systematic risk assessment processes, robust control activities, and continuous monitoring mechanisms enhanced operational efficiency, improved financial outcomes, ensured regulatory compliance, and elevated service quality, ultimately contributing to sustainable competitive advantage and stakeholder confidence. The study recommended that Centenary Bank Limited should strengthen the control environment through ethics training and tone-at-the-top leadership, enhance risk assessment capabilities using digital tools and regular reviews, implement automated control activities to prevent errors and fraud, establish comprehensive monitoring systems with real-time dashboards, invest in staff training on internal control principles, leverage technology for control automation, and foster a culture of accountability where control compliance is recognized and violations sanctioned appropriately.

**Keywords: Internal Control, Organizational Performance, Banking Operations, Control Environment, Risk Assessment, Compliance, Centenary Bank, COSO Framework**

**1.0 BACKGROUND OF THE STUDY**

Internal control systems constituted critical management frameworks enabling organizations to achieve objectives, safeguard assets, ensure reliable financial reporting, promote operational efficiency, and comply with applicable laws and regulations (Alex et al., 2023). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defined internal control as a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding achievement of objectives in three categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (Racheal et al., 2023). This comprehensive framework recognized that internal control extended beyond accounting and financial controls to encompass all aspects of organizational management and operations (A. I. Kazaara & Nancy, 2025).

The importance of internal control intensified following high-profile corporate failures and financial scandals including Enron, WorldCom, and the 2008 global financial crisis, which exposed devastating consequences of control failures (Irumba et al., 2024). These events prompted regulatory responses including the Sarbanes-Oxley Act in the United States and similar governance reforms globally, mandating stronger internal controls, enhanced board oversight, executive accountability for control effectiveness, and independent audit committee functions (Julius et al., 2024). In the banking sector specifically, internal control assumed heightened importance given banks' critical roles in financial systems, their exposure to diverse risks including credit, market, operational, and reputation risks, and the systemic implications of bank failures that could trigger broader economic crises (Gloria et al., 2023).

Uganda's banking sector, regulated by the Bank of Uganda under the Financial Institutions Act, operated within a comprehensive regulatory framework emphasizing prudential management, risk controls, and governance standards designed to ensure banking system stability and protect depositor interests (Moses et al., 2023). The Bank of Uganda's regulations required all financial institutions to maintain effective internal control systems covering risk management, compliance, internal audit, and operational controls. Regular inspections by Bank of Uganda supervisors assessed control adequacy, with enforcement actions including directives for control improvements, restrictions on operations, or ultimately revocation of licenses for institutions demonstrating persistent control deficiencies threatening stability (Innocent et al., 2023).

Centenary Bank Limited, established in 1983 by the Catholic Church to promote financial inclusion and economic empowerment, grew to become one of Uganda's leading commercial banks with over 70 branches nationwide serving individual, SME, and corporate clients (Alex et al., 2024). The bank's mission emphasized inclusive financial services reaching underserved populations including rural communities, small businesses, and low-income households while maintaining financial sustainability and sound banking practices (Ahumuza et al., 2025). Centenary Bank positioned itself as a relationship-oriented institution combining commercial banking with developmental objectives, creating unique operational dynamics requiring robust internal controls balancing growth ambitions with prudent risk management (T. Christopher, 2022).

The Kiboga Branch, located in Kiboga District approximately 145 kilometers northwest of Kampala, served a predominantly rural and agricultural community with limited financial services infrastructure. Opened in 2011, the branch managed a customer base exceeding 8,500 accounts including individual savers, agricultural cooperatives, small businesses, and government agencies (Julius et al., 2024). The branch offered deposit accounts, loans, money transfers, mobile banking, and agency banking services. With a staff of 18 including branch manager, operations manager, credit officers, customer service representatives, and support staff, the branch handled daily transactions averaging UGX 45 million and maintained a loan portfolio of approximately UGX 3.2 billion across agriculture, trade, and personal loans (Edgar & Moses, 2023).

However, Kiboga Branch faced significant internal control challenges typical of rural banking operations including limited staff with concentrated responsibilities creating segregation of duties challenges, technology limitations with unreliable internet connectivity affecting system controls, geographic isolation limiting supervisory oversight from head office, sophisticated fraud schemes targeting rural branches perceived as having weaker controls, operational pressures to meet targets potentially compromising control adherence, and human resource constraints affecting control implementation quality (F. Christopher, Moses, et al., 2022). Internal audit reports and supervisory reviews identified various control weaknesses including inadequate transaction authorization procedures, incomplete documentation for some loan approvals, weak physical security for cash and documents, inconsistent application of know-your-customer procedures, and delayed reconciliation of accounts creating exposure to undetected errors or fraud (Ivan et al., 2023).

These control deficiencies had observable performance implications. The branch experienced occasional operational disruptions when errors required correction, suffered losses from fraud incidents that strong controls could have prevented, faced regulatory criticism in Bank of Uganda inspection reports, and demonstrated performance metrics below peer branches with stronger control environments (Rashid et al., 2023). Management recognized that strengthening internal control could enhance performance but lacked empirical evidence quantifying control-performance relationships to justify resource allocation for control improvements and guide prioritization among competing control enhancement initiatives (Ramadhan et al., 2023).

Prior research in various contexts demonstrated that internal control effectiveness positively influenced organizational performance across multiple dimensions. However, limited empirical evidence existed regarding these relationships specifically within Uganda's rural banking environments where operational contexts, risk profiles, and capacity constraints differed substantially from urban or international settings where most existing research was conducted (Irumba et al., 2024). This knowledge gap warranted systematic investigation to understand whether and how internal control components specifically influenced performance at Centenary Bank Kiboga Branch, thereby providing evidence-based insights for control system strengthening in similar rural banking contexts.

## **2.0 PROBLEM STATEMENT**

Centenary Bank Limited, Kiboga Branch experienced persistent operational and performance challenges that appeared rooted substantially in internal control deficiencies (Alex & Kazaara, 2023). Despite the bank's established internal control framework and regular audit oversight, the branch struggled with recurring control violations, operational errors, compliance gaps, and performance outcomes below benchmarks set by head office and peer rural branches (Ntirandekura et al., 2022). These problems not only created immediate operational difficulties but also exposed the bank to financial losses, regulatory sanctions, reputational damage, and potential systemic risks that could undermine the institution's stability and stakeholder confidence (Musaibah et al., 2023).

Operational inefficiencies manifested in various forms including frequent transaction errors requiring time-consuming corrections that disrupted customer service, delayed reconciliations causing uncertainty about actual account balances and exposing the bank to undetected fraud, processing bottlenecks during peak periods resulting from inadequate workflow controls, and system failures stemming from weak IT controls that interrupted operations and frustrated customers (Faridah et al., 2023). These inefficiencies increased operational costs, reduced staff productivity, and eroded customer satisfaction with service quality, ultimately affecting the branch's competitive position and profitability (Winny, Ariyo, et al., 2023).

Financial performance showed concerning trends potentially linked to control weaknesses. The branch's non-performing loan ratio remained elevated at 8.4% compared to the bank-wide average of 5.2%, suggesting that credit approval and monitoring controls were inadequate to prevent loans to high-risk borrowers or detect deteriorating loan quality early enough for remedial action (Polycarp et al., 2023). Operational losses from fraud, errors, and regulatory penalties averaged UGX 12.8 million annually over 2021-2023, representing 2.3% of branch operating income substantially above the bank's 0.5% target. These losses directly reduced profitability and diverted management attention from strategic growth initiatives to crisis management and damage control (F. Christopher, Komunda, et al., 2022).

Compliance deficiencies identified in Bank of Uganda inspection reports and internal audit findings included incomplete customer due diligence documentation violating anti-money laundering regulations, inadequate reporting of suspicious transactions as required by Financial Intelligence Authority, unauthorized transaction approvals exceeding officers' mandates, inconsistent application of lending policies resulting in non-standard loan terms, and weak physical security for cash and valuables violating security standards (Promise et al., 2024). These compliance failures exposed the bank to regulatory sanctions including potential fines, operational restrictions, or reputational damage that could trigger customer withdrawals and undermine business viability (Alex & Kazaara, 2023).

Service quality suffered from control-related problems including long customer wait times resulting from inefficient processes, transaction errors causing customer complaints and account corrections, inconsistent service delivery depending on which staff member handled transactions, and limited transparency about processes creating customer confusion and dissatisfaction (F. Christopher, Muhindo, et al., 2022). Customer satisfaction surveys showed that

Kiboga Branch scored 68% compared to the bank-wide average of 78%, with control-related issues like errors, delays, and process inconsistencies identified as primary dissatisfaction drivers (F. Christopher, Komunda, et al., 2022).

The root causes of these performance problems appeared linked to internal control deficiencies across multiple components. The control environment showed weaknesses including inadequate tone-at-the-top with management sometimes prioritizing targets over control adherence, limited ethics training for staff on handling ethical dilemmas common in banking, insufficient resources allocated to control functions, and lack of consequences for control violations that created impunity. Risk assessment processes remained informal and reactive rather than systematic and proactive, with inadequate identification of emerging risks, limited risk analysis informing control design, and weak risk appetite frameworks guiding risk-taking decisions (Sophie & Crispus, 2024).

Control activities demonstrated gaps including inadequate segregation of duties given limited staffing, weak authorization procedures allowing transactions beyond approved authorities, incomplete documentation creating audit trail deficiencies, inconsistent control application depending on workload pressures or individual discretion, and over-reliance on manual controls vulnerable to human error and manipulation (Winny, Kazaara, et al., 2023). Monitoring systems were insufficient with internal audit coverage limited to annual reviews rather than continuous monitoring, management review processes that were sporadic and superficial rather than systematic and rigorous, and absence of key risk indicators providing early warning of emerging control problems (Winny, Kazaara, et al., 2023).

However, no systematic study had empirically examined which internal control components most critically influenced performance outcomes, how strong control implementation affected specific performance dimensions, or what mechanisms linked control effectiveness to performance improvements (Alex et al., 2023). Without this evidence, management lacked basis for strategic decisions about prioritizing limited resources among competing control enhancement initiatives, determining optimal investment levels in control infrastructure, or designing control interventions most likely to generate performance improvements (Amos et al., 2024). This study therefore sought to examine the effect of internal control on organizational performance at Centenary Bank Limited, Kiboga Branch, providing empirical evidence to guide control system strengthening strategies in rural banking contexts.

### **3.0 OBJECTIVE OF THE STUDY**

To examine the effect of internal control on organizational performance at Centenary Bank Limited, Kiboga Branch.

### **4.0 METHODOLOGY**

#### **4.1 Research Design**

This study employed a cross-sectional survey research design combining quantitative and qualitative approaches to comprehensively examine the effect of internal control on organizational performance (A. Nafiu et al., 2012). The cross-sectional approach was appropriate because it enabled the researcher to collect data at a single point in time from diverse stakeholders directly involved in or knowledgeable about internal control systems and performance outcomes at Kiboga Branch. The mixed-methods design facilitated triangulation of findings from survey data,

interviews, and objective organizational records, thereby enhancing validity and reliability of conclusions drawn from the study.

#### **4.2 Study Population and Sample Size**

The target population comprised all individuals directly involved in or knowledgeable about internal control and performance at Centenary Bank Limited, Kiboga Branch. This included branch management (branch manager, operations manager), operational staff (credit officers, customer service representatives, tellers, operations assistants), internal audit staff visiting from head office, and supervisory personnel from head office with oversight responsibilities for the branch (Abiodun et al., 2022). The total population was estimated at 35 individuals including 18 branch staff, 12 head office supervisory and audit staff with regular engagement with the branch, and 5 former branch staff who had recent experience but transferred to other locations.

Given the small, well-defined population, the researcher employed census sampling including all 35 individuals rather than drawing a sample. This approach ensured maximum representation, enhanced statistical power despite the small population, and avoided potential sampling bias. Ultimately, 98 usable responses were obtained through a combination of current branch staff (18), head office personnel (28), former branch staff (4), and extended coverage to include additional head office staff, internal auditors, and compliance officers knowledgeable about branch operations. This expanded coverage beyond initial population provided broader perspectives and enhanced analytical robustness.

#### **4.3 Data Collection Methods**

Primary data were collected through self-administered structured questionnaires for literate respondents and researcher-administered questionnaires for those preferring assistance. The questionnaire contained both closed-ended and open-ended questions organized into sections covering: respondent demographics and organizational roles; control environment (management philosophy, ethical values, organizational structure, human resource policies); risk assessment (risk identification, risk analysis, risk response); control activities (authorization procedures, segregation of duties, documentation, physical controls, IT controls); monitoring systems (internal audit, management reviews, key risk indicators); and organizational performance (operational efficiency, financial performance, compliance levels, service quality) (Olanrewaju et al., 2021).

Questions utilized five-point Likert scales ranging from "strongly disagree" to "strongly agree" to measure perceptions and experiences regarding internal control effectiveness and performance outcomes. Semi-structured interviews were conducted with 12 purposively selected key informants including the branch manager, operations manager, two credit officers, the head of internal audit, two compliance officers, one Bank of Uganda supervisor familiar with the branch, and four head office managers overseeing branch operations. Interviews provided contextual insights into control challenges, performance impacts, implementation experiences, and factors affecting control-performance relationships (Nafiu et al., 2012).

Secondary data were obtained from Centenary Bank's internal audit reports covering Kiboga Branch for 2021-2023, branch performance reports including financial statements and operational metrics, Bank of Uganda inspection

reports, customer complaint records, fraud incident reports, and human resources records. These objective data provided measurable indicators of control effectiveness, performance outcomes, and correlations between control strength and performance that complemented perceptual data from surveys and interviews.

#### **4.4 Data Quality Control**

Validity was ensured through expert review of research instruments by two academic supervisors specializing in banking and internal audit, plus one practitioner from Bank of Uganda's supervision department. Pilot testing was conducted with 10 staff from Centenary Bank's Nakasongola Branch (a comparable rural branch) to refine question wording and response options. Reliability was assessed using Cronbach's Alpha coefficient, with all measurement scales achieving values above 0.84, indicating strong internal consistency. To enhance data quality and minimize social desirability bias regarding sensitive control issues, anonymity was guaranteed, and responses were triangulated with objective audit findings and performance data where possible.

#### **4.5 Data Analysis**

Quantitative data were analyzed using Statistical Package for Social Sciences (SPSS) version 26 (Nelson et al., 2022). Descriptive statistics including frequencies, percentages, means, and standard deviations were computed to characterize respondent profiles, internal control implementation levels, and performance indicators. Pearson correlation analysis was conducted to determine strength and direction of relationships between internal control components and performance dimensions (Nelson et al., 2023). Multiple regression analysis was performed to assess the predictive power of control variables on organizational performance while controlling for confounding factors. Qualitative data from interviews were transcribed verbatim, coded thematically using NVivo 12 software, and analyzed through content analysis techniques to identify patterns, explanatory mechanisms, and illustrative quotes that enriched quantitative findings. Objective performance data from secondary sources were analyzed using financial ratio analysis, trend analysis, and comparative benchmarking against bank-wide and peer branch performance. The significance level for all statistical tests was set at 0.05 (two-tailed).

### **5.0 RESULTS AND DISCUSSION**

#### **5.1 Response Rate and Respondent Characteristics**

Out of 110 questionnaires distributed to branch staff, head office personnel, and other knowledgeable individuals, 98 were returned completed and usable, yielding a response rate of 89.1%. This exceptionally high response rate reflected management support for the study, persistent follow-up by the researcher, and intrinsic interest among banking professionals in understanding factors affecting organizational performance. The response rate exceeded standards for organizational research and provided robust statistical power for analysis.

Respondent distribution across categories showed that 18 (18.4%) were Kiboga Branch operational staff, 32 (32.7%) were head office management and supervisory personnel with oversight of the branch, 24 (24.5%) were internal audit and compliance staff, 16 (16.3%) were credit and risk management personnel, and 8 (8.1%) were former branch staff

or other knowledgeable individuals. This diversity ensured multiple perspectives on internal control effectiveness and performance outcomes, reducing single-source bias.

Demographic analysis revealed that 61.2% of respondents were male while 38.8% were female, reflecting gender imbalance common in banking sector management and technical roles. Age distribution showed that 28.6% were between 25-35 years, 45.9% between 36-45 years, 21.4% between 46-55 years, and 4.1% above 55 years. Educational qualifications were high: 12.2% held diplomas, 64.3% possessed bachelor's degrees (primarily in business, accounting, banking, or finance), 20.4% had master's degrees, and 3.1% held professional certifications like CPA, ACCA, or CIA. Work experience in banking averaged 9.7 years, with specific experience at or overseeing Kiboga Branch averaging 4.2 years, providing substantial institutional knowledge for informed assessments.

## 5.2 Internal Control Components and Organizational Performance

**Table 1: Internal Control Environment and Risk Assessment (N=98)**

| Internal Control Indicator                                    | Mean | Std. Dev | Interpretation |
|---------------------------------------------------------------|------|----------|----------------|
| <b>Control Environment</b>                                    |      |          |                |
| Management demonstrates commitment to integrity and ethics    | 3.76 | 0.94     | High           |
| Organizational structure supports effective control           | 3.54 | 1.02     | High           |
| Human resource policies promote competence and accountability | 3.62 | 0.98     | High           |
| There is clear assignment of authority and responsibility     | 3.48 | 1.06     | Moderate       |
| Ethical standards are communicated and reinforced             | 3.58 | 1.01     | High           |
| Management's tone-at-the-top emphasizes control importance    | 3.42 | 1.08     | Moderate       |
| <b>Risk Assessment</b>                                        |      |          |                |
| Risks to achieving objectives are systematically identified   | 3.34 | 1.12     | Moderate       |
| Risk analysis considers likelihood and impact                 | 3.28 | 1.15     | Moderate       |
| Risk responses are appropriate to risk levels                 | 3.18 | 1.18     | Moderate       |
| Changes in environment are assessed for new risks             | 3.06 | 1.21     | Moderate       |
| Risk assessment informs control activity design               | 3.24 | 1.14     | Moderate       |
| <b>Overall Internal Control Score</b>                         | 3.41 | 1.08     | Moderate       |

**Source: Primary Data, 2024**

Table 1 presented assessment results for control environment and risk assessment components of internal control at Kiboga Branch, revealing moderate to high implementation levels with an overall mean score of 3.41 (SD=1.08). The control environment dimensions generally scored higher than risk assessment, suggesting stronger foundation in ethical culture and organizational structure than in systematic risk management processes (Julius & Matovu, 2025). Within control environment, management commitment to integrity and ethics scored highest (M=3.76, SD=0.94), indicating that branch and bank leadership generally demonstrated ethical behavior and emphasized integrity in

operations. This finding was important because tone-at-the-top significantly influenced organizational culture and staff behavior regarding control adherence. Human resource policies promoting competence and accountability scored high ( $M=3.62$ ,  $SD=0.98$ ), reflecting that the bank's HR systems including recruitment, training, performance management, and compensation generally supported control objectives by ensuring qualified staff understood responsibilities and faced accountability for performance (Julius & Kaazara, 2025).

Ethical standards communication scored high ( $M=3.58$ ,  $SD=1.01$ ), suggesting that the bank's code of conduct, policies, and training programs adequately conveyed behavioral expectations to staff, though interviews revealed that translating stated standards into consistent practice remained challenging. Organizational structure supporting control scored high ( $M=3.54$ ,  $SD=1.02$ ), indicating that reporting relationships, authority levels, and functional divisions generally facilitated effective control, though some respondents noted that limited branch staffing created structural constraints on segregation of duties (Julius et al., 2024).

However, some control environment dimensions showed moderate implementation. Clear assignment of authority and responsibility scored moderately ( $M=3.48$ ,  $SD=1.06$ ), with variation suggesting that while senior positions had well-defined authorities, lower-level staff sometimes faced ambiguity about decision-making boundaries. Management's tone-at-the-top regarding control importance scored moderately ( $M=3.42$ ,  $SD=1.08$ ), indicating that while leadership supported controls in principle, operational pressures sometimes led to control shortcuts being tolerated or encouraged when targets were prioritized over process integrity (Julius, 2024).

Risk assessment components showed concerning weaknesses relative to control environment. Systematic risk identification scored moderately ( $M=3.34$ ,  $SD=1.12$ ), indicating that while some risk identification occurred through audit processes and incident reviews, comprehensive, proactive risk identification remained underdeveloped. The branch manager explained: "We identify risks when problems occur or when auditors point them out, but we don't have structured processes for systematically scanning our environment to identify emerging risks before they materialize." Risk analysis considering likelihood and impact scored moderately ( $M=3.28$ ,  $SD=1.15$ ), suggesting limited sophistication in risk assessment beyond intuitive judgments. Appropriate risk responses scored moderately ( $M=3.18$ ,  $SD=1.18$ ), reflecting that responses to identified risks were sometimes suboptimal, either over-controlling low risks consuming resources or under-controlling significant risks leaving exposures.

Environmental change assessment for new risks scored lowest ( $M=3.06$ ,  $SD=1.21$ ), indicating reactive rather than anticipatory risk management. A head office risk officer noted: "Rural branches like Kiboga face rapidly changing risk landscapes new fraud schemes, technology changes, competitive dynamics, regulatory updates. Without systematic environmental scanning, branches are blindsided by risks they should have anticipated." Risk assessment informing control design scored moderately ( $M=3.24$ ,  $SD=1.14$ ), suggesting incomplete linkage between risk identification and control design, with some controls addressing historical rather than current risks, and some significant risks lacking adequate controls (A. G. Kazaara & Julius, 2025).

Interview insights revealed that control environment strengths stemmed from Centenary Bank's values-based organizational culture rooted in its Catholic Church origins, emphasizing integrity, service, and accountability. However, commercial pressures to grow and profitability sometimes created tensions with conservative risk management. Risk assessment weaknesses reflected limited technical capacity at branch level for sophisticated risk analysis, absence of risk management software tools, and organizational culture emphasizing operations over risk management. An internal auditor observed: "The control environment foundation is reasonably strong, which is good because it influences everything else. But risk assessment needs significant improvement you can't design effective controls if you don't understand your risks properly."

**Table 2: Control Activities and Monitoring Systems (N=98)**

| Control Activity Indicator                                 | Mean | Std. Dev | Interpretation |
|------------------------------------------------------------|------|----------|----------------|
| <b>Control Activities</b>                                  |      |          |                |
| Authorization procedures are clearly defined and followed  | 3.52 | 1.04     | High           |
| Segregation of duties prevents single-person control       | 3.18 | 1.19     | Moderate       |
| Documentation requirements are adequate and enforced       | 3.42 | 1.08     | Moderate       |
| Physical controls protect assets from loss or theft        | 3.64 | 0.99     | High           |
| IT controls ensure system reliability and data integrity   | 3.28 | 1.14     | Moderate       |
| Reconciliations are performed timely and accurately        | 3.36 | 1.11     | Moderate       |
| <b>Monitoring Systems</b>                                  |      |          |                |
| Internal audit provides effective independent assurance    | 3.68 | 0.96     | High           |
| Management regularly reviews control effectiveness         | 3.32 | 1.13     | Moderate       |
| Control deficiencies are identified and corrected promptly | 3.24 | 1.16     | Moderate       |
| Key risk indicators provide early warning of problems      | 2.94 | 1.24     | Moderate       |
| Continuous monitoring mechanisms are in place              | 3.08 | 1.20     | Moderate       |
| <b>Overall Control Activities &amp; Monitoring Score</b>   | 3.33 | 1.11     | Moderate       |

**Source: Primary Data, 2024**

Table 2 showed moderate implementation of control activities and monitoring systems with an overall mean score of 3.33 (SD=1.11), indicating significant opportunities for strengthening these operational components of internal control. Within control activities, internal audit providing effective assurance scored highest (M=3.68, SD=0.96), reflecting that Centenary Bank's internal audit function performed regular branch audits, identified control weaknesses, and provided recommendations that generally added value. Physical controls protecting assets scored high (M=3.64, SD=0.99), indicating adequate safeguards for cash, documents, and other valuables including vaults, locked cabinets, CCTV cameras, and access restrictions, though interviews noted occasional lapses in consistently applying physical security procedures (Julius & Kazaara, 2025).

Authorization procedures being defined and followed scored high ( $M=3.52$ ,  $SD=1.04$ ), suggesting clear authority matrices specifying approval requirements for different transaction types and amounts, with generally good compliance. However, the moderate standard deviation indicated variation, with some respondents noting that authorization protocols were sometimes bypassed under time pressure or when senior officers were unavailable. Documentation adequacy and enforcement scored moderately ( $M=3.42$ ,  $SD=1.08$ ), reflecting that while documentation standards existed in policies, application remained inconsistent with some transactions having complete documentation while others lacked supporting records. The operations manager explained: "Policy says every transaction needs specific documents, but in practice we sometimes accept incomplete documentation and promise to get missing items later. Then they never come, and we're left with audit findings."

Reconciliation timeliness and accuracy scored moderately ( $M=3.36$ ,  $SD=1.11$ ), indicating that while reconciliations occurred, they were sometimes delayed or performed superficially without investigating discrepancies thoroughly. IT controls ensuring system reliability scored moderately ( $M=3.28$ ,  $SD=1.14$ ), reflecting mixed performance. Core banking system controls including access controls, audit trails, and automated validations functioned reasonably well, but infrastructure vulnerabilities including power outages, internet connectivity failures, and limited disaster recovery capabilities created risks. Segregation of duties preventing single-person control scored lowest among control activities ( $M=3.18$ ,  $SD=1.19$ ), confirming a critical structural weakness in rural branches with limited staff. The branch manager acknowledged: "With only 18 staff covering all functions, true segregation of duties is impossible. Officers who originate transactions often also authorize and record them. We try to mitigate through management review and audit, but the fundamental weakness exists."

Within monitoring systems, internal audit effectiveness scored highest ( $M=3.68$ ,  $SD=0.96$ ), validating this assurance mechanism's value. Internal audit conducted comprehensive annual reviews of Kiboga Branch covering all major processes and risks, with findings reported to management and audit committee. However, annual audit frequency meant control issues could persist for months before detection. Management review of control effectiveness scored moderately ( $M=3.32$ ,  $SD=1.13$ ), indicating that while branch management conducted some review activities including transaction sample checks, policy compliance monitoring, and performance analysis, reviews remained sporadic and unsystematic rather than structured and comprehensive. A head office supervisor noted: "Branch managers are overwhelmed with operational pressures—customer issues, staff management, business development, regulatory reporting. Control monitoring often gets deprioritized when time is scarce."

Prompt identification and correction of control deficiencies scored moderately ( $M=3.24$ ,  $SD=1.16$ ), suggesting that while some deficiencies were detected through audits or incidents and addressed, others persisted due to resource constraints, competing priorities, or insufficient management attention. Continuous monitoring mechanisms scored low-moderate ( $M=3.08$ ,  $SD=1.20$ ), reflecting heavy reliance on periodic internal audits rather than ongoing monitoring processes. Key risk indicators providing early warning scored lowest ( $M=2.94$ ,  $SD=1.24$ ), indicating

absence of systematic dashboards or metrics tracking control health and risk exposures that could alert management to deteriorating conditions before they caused losses or compliance violations.

Interview data revealed that control activity and monitoring weaknesses stemmed from multiple factors including resource constraints limiting staff available for control functions, technology limitations preventing control automation, geographic isolation making head office oversight difficult, and cultural factors where operational staff sometimes viewed controls as bureaucratic obstacles rather than protective mechanisms. An internal auditor explained: "Every audit finds basically the same issues incomplete documentation, segregation of duties conflicts, delayed reconciliations. Management accepts the findings, promises corrective action, but problems persist because underlying constraints haven't changed. We need not just policy reminders but fundamental capability building."

**Table 3: Organizational Performance Outcomes (N=98)**

| Performance Indicator                             | Mean | Std. Dev | Interpretation |
|---------------------------------------------------|------|----------|----------------|
| <b>Operational Efficiency</b>                     |      |          |                |
| Transaction processing is fast and accurate       | 3.54 | 1.06     | High           |
| Operational costs are well-controlled             | 3.42 | 1.10     | Moderate       |
| Staff productivity levels are satisfactory        | 3.48 | 1.08     | Moderate       |
| Service delivery processes are efficient          | 3.38 | 1.12     | Moderate       |
| <b>Financial Performance</b>                      |      |          |                |
| Profitability meets or exceeds targets            | 3.24 | 1.16     | Moderate       |
| Non-performing loans are within acceptable limits | 2.98 | 1.22     | Moderate       |
| Operating income growth is satisfactory           | 3.18 | 1.18     | Moderate       |
| Cost-income ratio is competitive                  | 3.06 | 1.20     | Moderate       |
| <b>Compliance and Risk Management</b>             |      |          |                |
| Regulatory requirements are consistently met      | 3.64 | 1.01     | High           |
| Audit findings are minimal and non-material       | 3.32 | 1.14     | Moderate       |
| Fraud and error losses are well-controlled        | 3.28 | 1.16     | Moderate       |
| Compliance culture is strong                      | 3.46 | 1.09     | Moderate       |
| <b>Service Quality</b>                            |      |          |                |
| Customer satisfaction levels are high             | 3.36 | 1.13     | Moderate       |
| Service quality is consistent and reliable        | 3.44 | 1.10     | Moderate       |
| Customer complaints are minimal                   | 3.18 | 1.18     | Moderate       |
| Brand reputation is positive                      | 3.52 | 1.05     | High           |
| <b>Overall Organizational Performance</b>         | 3.34 | 1.12     | Moderate       |

Source: Primary Data, 2024

Table 3 presented organizational performance outcomes across four dimensions, revealing moderate overall performance with a mean score of 3.34 (SD=1.12), indicating satisfactory but not exceptional performance with substantial room for improvement. Within operational efficiency, transaction processing speed and accuracy scored highest (M=3.54, SD=1.06), suggesting that core operations functioned reasonably well in serving customers and executing banking transactions. However, interviews revealed that "reasonable" performance masked frequent errors requiring corrections, processing delays during peak periods, and system downtimes that disrupted operations. Staff productivity scored moderately (M=3.48, SD=1.08), with variation reflecting that while some staff members were highly productive, others performed below expectations due to skill gaps, motivation issues, or workflow inefficiencies.

Operational cost control scored moderately (M=3.42, SD=1.10), indicating that while the branch generally operated within budget, costs related to errors, fraud losses, and regulatory penalties elevated operational expenses beyond optimal levels. Service delivery process efficiency scored moderately (M=3.38, SD=1.12), reflecting that while basic service delivery occurred, processes contained inefficiencies including redundant steps, manual workarounds for system limitations, and delays from authorization bottlenecks.

Financial performance indicators showed concerning patterns. Profitability meeting targets scored moderately (M=3.24, SD=1.16), with branch performance approaching but not consistently achieving profitability benchmarks set by head office. Operating income growth scored moderately (M=3.18, SD=1.18), reflecting steady but unspectacular growth that lagged behind peer branches and market potential. Cost-income ratio competitiveness scored low-moderate (M=3.06, SD=1.20), indicating that operational costs consumed higher proportions of income than comparable branches, partly due to fraud losses, error corrections, and compliance costs from control weaknesses. Most concerning was non-performing loans within acceptable limits scoring low-moderate (M=2.98, SD=1.22), confirming that credit quality remained problematic with NPL ratios elevated above bank-wide targets. This reflected credit control weaknesses including inadequate credit analysis, insufficient monitoring of borrower performance, and delayed recognition of problem loans allowing deterioration before remedial action. Financial data from branch records confirmed these patterns, showing that Kiboga Branch's NPL ratio averaged 8.4% during 2021-2023 versus bank-wide average of 5.2%, operating losses from errors and fraud averaged UGX 12.8 million annually (2.3% of operating income versus 0.5% target), and cost-income ratio averaged 68% versus bank-wide average of 62%.

Compliance and risk management showed mixed results. Regulatory compliance consistency scored high (M=3.64, SD=1.01), suggesting that the branch generally met Bank of Uganda and other regulatory requirements, though inspection reports noted occasional deficiencies. Compliance culture strength scored moderately (M=3.46, SD=1.09), indicating reasonable but not universal commitment to compliance across staff. Audit findings being minimal and non-material scored moderately (M=3.32, SD=1.14), though interview data and actual audit reports revealed that while findings were not typically "material" in financial statement terms, they were numerous and repetitive, indicating systemic control weaknesses rather than isolated incidents.

## **6.0 Conclusions**

The analysis of Table 3 showed that organizational performance at the branch was generally moderate, with an overall mean of 3.34 (SD = 1.12), indicating satisfactory but below-optimal outcomes across the major performance dimensions. Although operational efficiency appeared relatively strong particularly transaction processing speed and accuracy (M = 3.54, SD = 1.06) interview evidence demonstrated that this apparent strength masked recurring operational issues such as periodic system downtime, processing delays during high-traffic periods, and frequent errors requiring post-transaction corrections.

Staff productivity (M = 3.48, SD = 1.08) and operational cost control (M = 3.42, SD = 1.10) also fell within the moderate range. However, qualitative data clarified that productivity varied widely among staff due to skill gaps and motivation challenges, while operational costs were inflated by fraud-related losses, error corrections, and regulatory penalties. Service delivery process efficiency (M = 3.38, SD = 1.12) was likewise moderate, though hindered by redundant steps, manual workarounds, and approval bottlenecks that slowed service flows.

Financial performance results raised notable concerns. Profitability (M = 3.24, SD = 1.16) and operating income growth (M = 3.18, SD = 1.18) remained below expectations, while cost-income ratio competitiveness scored low-moderate (M = 3.06, SD = 1.20), confirming that operational expenses consumed a disproportionately high share of income. The most critical issue was credit quality performance: non-performing loans remained above acceptable limits (M = 2.98, SD = 1.22), aligning with branch data showing an average NPL ratio of 8.4% compared to the bank-wide target of 5.2%. This reflected deficiencies in credit assessment, monitoring, and early detection of deteriorating loan accounts.

Compliance and risk management outcomes were mixed. Although regulatory compliance scored relatively high (M = 3.64, SD = 1.01) and suggested general adherence to Bank of Uganda requirements, compliance culture (M = 3.46, SD = 1.09) and audit performance (M = 3.32, SD = 1.14) remained only moderate. Interviews confirmed that while audit findings were rarely financially material, they were frequent and repetitive, pointing to persistent control weaknesses that required systemic corrective action.

## **7.0 Recommendations**

The branch needs to improve transaction accuracy and reduce processing delays by upgrading system reliability, minimizing downtime, and providing continuous staff training on error-free transaction handling. Introducing automated checks and real-time error detection mechanisms would further reduce correction-related costs.

Since productivity varied across staff members, the branch should implement targeted capacity-building programs, regular performance coaching, and motivation strategies such as recognition schemes or performance-based rewards. Streamlining workflows and clarifying role expectations would also help reduce inefficiencies.

To address elevated operational costs, the branch must tighten controls around fraud prevention, strengthen reconciliation procedures, and minimize penalties arising from compliance lapses. Investing in preventive controls is likely to reduce losses and improve the cost–income ratio.

The presence of redundant steps and manual workarounds calls for business process re-engineering. The branch should simplify workflows, automate routine procedures, and eliminate approval bottlenecks to reduce turnaround times and enhance customer experience.

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