



Effectiveness and efficiency of internal control system and internal audit function over cash operation in Cooperative Bank of Oromia

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Abstract

The major objectives of this research is to examine effective and efficient internal control system over cash operations in CBO and reviewing its current states, by such factors, as operating and financial control, custody of asset, and record keeping, personal policies and procedures, and internal audit function in some branches of the bank. The study has employed the descriptive research methods in order to describe factors that affect effective and efficient internal control system in CBO. Analysis of the data collected shows that combination of cash operation functions and some personal relationships; lack of integrity, competence, knowledge and experience by employees working around cash operations; inadequate communication of proper information for decision making; misappropriation of cash; unsatisfactory verifications and weak internal audit functions in the bank which affects effective and efficient internal control systems in the bank. To improve the effectiveness and efficiency of internal control systems in CBO, the following measures are recommended. Establishing encouragement bonus, disciplinary actions, chained follow-up where all employees monitor each other, diverse and continues training and orientation, surprise audit and verification, serious regular reporting periods and maintaining independence of internal auditor

Key Words:-Effectiveness, Efficiency, Internal Audit function, Internal Control

Introduction

Of all company's assets, cash is the most liquid and, hence, potentially the most attractive to defaulters. Because of its high liquidity, the cash account balance should always receive the auditor's careful consideration. It also needs a continuous follow up through a system of effective and efficient internal control. The internal control process which historically has been a mechanism for reducing instances of fraud, misappropriation, and errors has

recently more become extensive, addressing all the various risks by any organization. It is now recognized that internal control is critical to organization's ability to meet its established goals and objectives, and to maintain its financial viability (Basle committee, 1998).

All financial institutions, especially banks operate on risky activities. These activities are more related with financial assets and cash. Cash is the most important and sensitive assets in the



bank. Therefore, there should be a continuous follow up and preventive and detective measures against risk that should be taken. These are achieved by establishing adequate, effective and efficient system of internal control and making a series of follow ups and monitoring by management and internal auditors for its proper implementations by responsible personnel.

Objectives of the Study

This study was specifically aim at the following objectives in areas under the study:

- To examine the effective and efficient ICS over cash operation in the bank.
- To review the current status of internal control system over cash operation in the bank.
- To review the operating and financial controls; personal policies and procedures; and
- To review internal audit functions, in the areas of cash operation in some branches of the bank.

Research Methodology

In this study both primary and secondary source of data was used. As

primary data collection instrument questionnaires and observation were used. Questionnaires were distributed to staffs (management, tellers, cashiers, clerks, accountants and loan officers) in four branches of the bank those located in Addis Ababa, to assess how interplay among the operating and financial controls; personnel policies and procedures; custody of assets, and record keeping; and internal audit functions, shape effectiveness and efficiency of ICS. In the study both qualitative and quantitative or mixed methods were applied.

Sampling Techniques

Oromia Cooperative Bank has 38 branches that already start its operation. The researcher selected 4 branches that located in Addis Ababa. These are Qarsa (main branch), Finfine, Merkato, Sheger. There are total of 94 employees in these four branches.

Data Presentation and Analysis

Personal profile of sample Respondents: In the following table demographic information of sample respondents were presented and analyzed. These include sex, age category, educational background, and work experience and job descriptions of sample respondents.



Table: 1 Respondents by Sex, Age Group, Education, Work Experience and Job Description (position)

SN	Item	Responses	
		Frequency	Percent
1	Gender		
	Male	23	67.6
	Female	11	32.4
2	Age Group		
	Under 25	5	14.7
	25-34	20	58.8
	35-44	4	11.8
	45-54	5	14.7
	55 and above	-	-
3	Position		
	Manager	8	23.5
	Accountants	4	11.8
	Loan officer	4	11.8
	Teller	5	14.7
	Clerk	5	14.7
	Cashier	4	11.8
	Auditor	4	11.8
4	Educational qualification		
	Certificate - 0		
	Diploma	16	47
	BA/BSc. Degree	18	53
	Master Degree	-	-
	Doctoral Degree	-	-
5	Experience		
	1-2 years	17	50
	2-4 years	11	32
	4-6 years	1	2.9
	6-8 years	1	2.9
	Above 8 years	4	11.9
	Total	34	100%

Source: Field survey, 2010.

As it can be seen from Table 1, S.N 1, out of 34 sample respondents, 23

(67.6%) are male and the remaining 11 (32.4%) are female. When we see the age group of respondents, S.N 2, out of 34 respondents, five (14.7%) are under 25 years, twenty (58.8%) are under category of 25-34, four (11.8) are under 35-44 category, five (14.7%) are under age group of 45-54 and no respondents are above 55 years old. From Table 2, S.N 3, we can observe that out of 34 respondents, eight (23.5%) are managers, four (11.8%) are accountants, loan officers and cashiers for each and five (14.7%) are tellers and clerks for each. The table also show educational qualification of respondents, S.N 4, indicating that, out of 34 respondents, sixteen (47%) have diploma, and the remaining all i.e. eighteen (53%) have BA degree. As to this, out of 34 respondents, seventeen (50%) have an experience of 1-2 years, eleven (32.3%) have 2-4 years, one (2.9%) has 4-6 years, one (2.9%) has 6-8 years and the remaining four (11.9%) have an experience of 8 and above years. 38 As there are diploma holders even in senior positions and most of the employees have less than two years' experience, this may indicate a problem in personal qualification and experience considering the bank is new and most employees are young with the age of 25-30. Perhaps this is deliberate to provide opportunity to the young to grow up with the bank.

Characteristics of Effective and Efficient Internal Control System over Cash Operation

Effective and efficient ICS are shaped by many factors or principles. These



principles cover operating and financial control, personal policies and procedures and internal audit function for this paper. These principles were applied over cash operations i.e. responses of questions related to cash receipt, payment and transfer are analyzed.

Financial and Operating Control over cash Payments

Table 2 below show, employees' responses for questions related to segregation of responsibility, authorization and recording transactions, documentation, access control and financial reporting over cash payments.

Table:2 Operating and financial control over cash payment

S N	Items	Responses									
		1		2		3		4		5	
		f	%	f	%	f	%	F	%	F	%
1	Authorization, signature, verification – separate	20	69.5	2	7.7	3	11.5	1	3.9	-	-
2	Employees functions Combined	9	60	2	13	4	27	-	-	-	-
3	Employees relationship lead to collusion	1	7	5	33	3	20	4	27	2	13
4	Adequate documentation for cash payment	30	88	3	9	1	3	-	-	-	-
5	Summary of cashpayment reported regularly	10	38	2	3	1	4	59	-	-	-
6	Access to cash allowed	20	59	1	9	2	6	-	-	-	-
	Total	Number of total sample					34				
		Percent					100				

Source: Field survey, 2010

Where, 1=yes, 2=somewhat, 3=not always, 4=I don't know, 5=No f=frequency

As it can be observed from Table 2, S.N 1, out of 26 sample respondents, twenty (76.9%) agreed that functions of authorization, signature, and verification over cash payments are separate and the other 2(7.7 percent) somewhat agreed that these functions

are separate. The remaining 3 (11.5%) and 1 (3.9%) said not always these functions separate and I don't know respectively. From majority responses, it can be concluded that in CBO it seems that various functions such as authorization, signature, and



verification over cash payments are separate. As a result the possibility of errors and fraud for cash payment may be greatly reduced. In addition, this may also increase controls of one employee over the others which may enhance overall efficiency of operations in the bank (This is supported by theories as it presented on page

Table 2, S.N 2, shows, out of 15 respondents, 9(60%) said that employees working around cash payments combine their functions, 2 (13%) said somewhat employees combine their functions. Similarly, 4 (27%) said not always employees combine their functions, and no one said I don't know and no. From the table S.N 3, whether employees' relationship leads to collusion, out of 15 respondents, 1 (7 percent) said yes and 5 respondents constituting 33 percent said somewhat to mean there are employees' personal relationships which lead to collusion in CBO. Whereas, 3 (20 percent) said not always that employees have personal relationships. 4 (27 percent) said I don't know and 2 (13 percent) said that there are no personal relationships which lead to collusions in CBO.

From majority sample responses, it can be concluded that employees working around cash payment combine their functions and employees have personal relationship which may lead to collusion. Thus, there may be probability of fraud and likelihood of unintentional errors in the accounting data for cash payment in CBO. Besides, as they have personal relationships, they may hide

irregularities made by each other at the time of cash payments. These are also supported by theories as it presented in page 6 above.

From Table 2, S.N 5, we also observe whether summary of cash payment reported regularly, for this question, out of 26 respondents, 10 (38 percent) agreed that in CBO, summaries of cash payments are prepared and reported regularly like daily, monthly, quarterly, semiannually, and annually. While the other 2 (3 percent) said somewhat these summaries are prepared and reported regularly, and the remaining 14 constituting 59 percent said not always that summaries of cash payments are prepared and reported regularly.

. As it can be seen from Table 2 S.N 6, access control, out of 34 respondents, 20 (59 percent) agreed that there are unauthorized people that have access to checks and other cash payment documents. The other 5 which constitutes 15 percent said somewhat unauthorized people have access to cash and cash payment documents, and the remaining 9 (26 percent) said sometimes unauthorized people have access to cash and cash payment documents, and no respondents said I don't know and no. From majority sample responses, it can be concluded that there are unauthorized people that may have access to checks and other cash payment documents in CBO. Thus, in CBO, employees may get chance to steal cash and they could also change accounting records in very sensitive



documents in favor of them self which affects effective and efficient operations of the bank. As it supported by the theory page 8 above, in the bank there is possibility that an employee can conceal a misappropriation of cash by altering the accounting records for cash payments. Besides, persons handling cash payments have access to, or responsibility for updating accounting records, preparing bank reconciliation or

posting transactions to the general ledger.

Operating and financial Control over Money Transfers

Table 3 below show, employee response for questions related to segregation of responsibility, authorization and recording transactions, documentation, access control, and financial reporting over money transfer among the bank branch.

Table: 3 Financial and Operating Control over Money Transfer

SN.	Items	Responses										
		F	%	F	%	f	%	f	%	f	%	
1	Authorizing, signature, approval and verification-separate	19	73	2	8	4	15	1	4	-	-	
2	Summary of money transfer reported regularly	15	57	1	4	2	8	-	-	8	31	
3	Access to cash allowed	12	35	4	11	8	23.5	-	-	10	29.7	
4	Cash periodically counted, verified and compared to records	5	33	4	27	6	40	-	-	-	-	
5	Authorization, record keeping and custody of cash-separate	7	32	2	11	10	57	-	-	-	-	
6	Have you trustful guards	43	37.5	-	-	5	62.5	-	-	-	-	
7	Attempt of theft	5	62.5	-	-	-	-	-	-	3	37.5	
	Total	Number of total sample					34					
		Percent					100					

Source: Field survey, 2010

As it can be observed from Table 3, S.N 1, concerning separation of functions such as authorization, signature and

verifying, out of 26 respondents, 19 (73 percent) said functions of authorization, signature and verification over cash



transfers are separate and similarly 2 respondents constituting 8 percent said somewhat this functions are separate. While the other 4 (15 percent) said not always these functions are separate and the remaining 1 (4 percent) said I don't know.

From Table 3, S.N 2, we can see the responses in relation with regularity of report, out of 26 respondents, 15 respondents constituting 57 percent said that summary of money transfers are reported regularly like monthly, quarterly, semiannually and annually to concerned organ, the other 1 which constitute 4 percent of total respondents said some what it is reported regularly and the remaining 2 (8 percent) said although it is regular, not always. For this question no one said I don't know, and the remaining 31 percent of the respondents said that summaries of money transfer do not reported regularly. From majority of sample respondents, it can be concluded that summaries of money transfers seems to be reported regularly like monthly, quarterly, and annually to concerned organ in CBO.

Thus, this could help senior managers in getting information that may assist them to make an important business decisions and take necessary actions on any irregularities and errors on money transfers in the bank. This could also supported by theories as it presented on page-7 which states that the board and senior management of should receive information of sufficient quality to make good business decisions,

meet their regulatory obligations and take corrective actions. From Table 3, S.N 5, it can be seen, out of 15 respondents (cashier, teller, clerk), 5 which constitutes 33 percent of total respondents agreed that cashes are counted, verified and compared to records on the book for cash transfer daily, monthly and annually in the bank, and the other four (27 percent) said some what it is counted verified, and compared to records periodically. The remaining 6 respondents constituting 40 percent said not always that cash periodically counted, verified and compared to amounts on records.

From majority of sample respondents, it can be concluded that functions of authorization, recordkeeping, and custody of cash are not fully separate for money transfer in CBO which may initiate potential for errors and irregularities. As it is supported by weygandt 1999, a basic principle of IC is assigning responsibility for a task to one person. This involves assigning different individuals the responsibility for related activities and assuming different individuals the responsibility for record keeping and physical custody of the assets in order to reduce the potential for errors and irregularities.

From this it can be concluded that although the amount is not that much significant, there is an attempt of theft on some branches of the bank. Although this theft has no significant effect on the image of the bank, it implies as there is limitation in access controls. As the



opinion of managers imply, this is a deliberate as the theft could affect efficient and effective internal control systems of the bank and successful achievements of its objectives in general.

Personnel Policies and Procedures over cash operation

The responses concerning knowledge of established policies and procedures. As it can be seen, out of 19 respondents, five (26 percent) said the employees have good knowledge of established policies and procedures, ten (53 percent) said the employees have somewhat knowledge of established policies and procedures; two (10.5 percent) said not always that employees of the bank have knowledge of established policies and procedures, and the other two (10.5%) said that employees have no knowledge of established policies and procedures. This can also be proved from personal information of the respondents, which indicates low educational qualification and mostly below 2 years working experience in current position. This can be strengthened by personal observation also, as it observed by the researcher employees working around cash operation has low confidence on what they do and sometimes confused on what they should do also.

As it can be seen that concerning employee screening, out of 19 respondents, seven (37 percent), agreed that prospective employees are carefully screened to assume only qualified people are employed in the bank. The other 6(32.1 percent) said somewhat

prospective employees are screened carefully in CBO and 2 respondents constituting 10.2 percent said not always, I don't know and no for each of the options.

To conclude, prospective employees are carefully screened in CBO to assure only qualified people are

From majority of sample respondents, it can be concluded that employees working around cash operations are not fully competent enough to carry out their activities. Therefore, this implies that the employees of CBO have no skills and knowledge to analyze the risks on cash operations of the bank. Besides, employees of the bank may not perform their duties with care and understanding as well as all aspects of the system of internal control may not be operating more effectively and efficiently. Moreover, internal control is rendered inoperative; consequently, inefficiency error, and fraud will occur in the bank.

From majority of sample respondents, it can be concluded that employees working around cash operations have no full integrity on their duties and responsibilities in CBO. Thus, employees of CBO will not perform their duties with care and understanding as well as all aspects of the system of IC will not be operating more effectively and efficiently. Besides, IC is rendered inoperative; consequently, inefficiency error, and fraud will occur in the bank. From majority of sample respondents it can be concluded, in CBO, employees working around cash operations are



compensated or insured what is called cash indemnity. This implies that there are effective human resource policies and procedures that enhance the bank's control environment. In addition, employees working around cash operation may not made fraud to get extra advantages in the bank as a result of such compensation which may encourage employees in achieving their activities effectively and efficiently.

As it can be concluded from majority of the respondents, managers and other supervisors have no full professional knowledge and competence.

Findings, Conclusions, and Recommendations

Findings and Conclusion

Operating and Financial controls (over cash operations)

The survey shows that different functions of authorization, signature, approval and verification of cash receipt transactions are distinctly separate in CBO. So, if this is so in actual way, it reduces the possibility of error and omissions of recording transactions and permit segregation of functions which will contribute to the overall efficiency of operations of the bank. In my opinion, this may also increase controls of one employee over the others which may enhance overall efficiency of operations in the bank.

In CBO, it is said that some people combine their functions. Besides, there are some personal relationships among some employees which might lead to

collusion. As a result of these, there may be probability of fraud and likelihood of unintentional errors in the accounting data in the bank for cash operations. Besides, as they have personal relationships, they may hide irregularities made by each other in achieving their duties and responsibilities.

As the response of survey shows, there are adequate policies, procedures, directives and other documents in CBO for cash operations, of which more than 60% generated internally. Thus, this may help employees working around cash operations to work as per these documents. Besides, as it is supported by the theory, all cash operating documents are applied consistently by all staffs and the bank will not suffer unnecessarily by the departure of knowledgeable employees.

As it was said by the respondents, summaries of money transfers are prepared and reported regularly to concerned organ in CBO. Therefore, this implies that decision making organs of the bank could get necessary information that may be required for a critical business decisions that related to money transfer. Additionally, the board and senior management of the bank receive information of sufficient quality to make good business decisions, meet their regulatory obligations and take corrective actions for any deviations from money transfer principles and rules

As it was implied by the survey and observed by the researchers, in CBO there is unauthorized access to cash and



cash operation documents which may expose for misappropriation of cash through theft and altering accounting records. So this is a dangerous act to the bank as cash is very risky asset and easily carried by peoples and on the other way, sensitive documents could be changed by such employees. This indicates that there is weak access controls in the bank. In addition to these, employees working around cash operation may get a chance to steal cash and they could also change accounting records in very sensitive documents in favor of them self which affects effective and efficient operations of the bank.

As it was implied in the results of the survey, cash drawers of the Cooperative Bank of Oromia's branches have 3 keys that are kept by assistant managers and main cashiers. Although, having cash drawer key is not the surprise act for banks, as of the response and supported by the theory, it could be generalized that CBO seems to have good access controls.

In CBO, as the opinions of the respondents' show, cash are counted, verified and compared to amounts on records periodically by assistant managers, tellers and internal auditors. Moreover, the overall cash balances are compared monthly. Therefore, this may reduce errors and omissions by employees of the bank that are working around cash operations. Besides, this also indicates as there are continuous follow up and daily pre-audit tests in CBO which may reduce possibility of

fraud by employees working around cash operations.

As it was implied in the survey, sometimes cash operating functions such as authorization, record keeping, and custody of cash are not separate. But, these may give employees potential for irregularity and frauds and additionally it may lead to misappropriation of cash by employees working around cash operations which may be one of the implications for weak internal control system in the bank.

The results of the survey show that some branches of CBO have no trustful guards. For example, as it was reported in the bank's website, there is an attempt of theft on Kersa main branch with the help of guard. As it was implied by the management of the bank, the amount of this theft ranges between br. 45,000 and br. 50,000 and most of them said that it has no significant effect on the image of the bank. But, as any theft could affect successful achievement of the bank's objectives, the result of the survey indicates as there are weak controls and carelessness which may affects efficient and effective internal control systems in the bank.

Personnel Policies and Procedures

As the responses to the survey show, it is indicated some employees of CBO working around cash operations have no required knowledge of established policies and procedures. Besides, the survey also shows some of them are incompetent and have no full integrity on their duties and responsibilities to



carry out their activities. Therefore, this indicates that some employees of CBO may have no skills and knowledge to analyze the risks on cash operations of the bank. Besides, employees of the bank may not perform their duties with care and understanding, and the whole aspects of the system of internal control may not be operating effectively and efficiently.

As there are diploma holders even in senior positions and most of the employees have less than two years' experience, this may indicate a problem in personal qualification and experience considering the bank is new and most employees are young with the age of 25-30. Perhaps this is deliberate to provide opportunity to the young to grow up with the bank.

As per the respondents' opinion, to assure that qualified people are employed, prospective employees are carefully screened in CBO. So, this may indicate that there is no problem in relation with employee screening and it may provide good system of control even without the formal documents as these peoples could have required knowledge and experience. Additionally, there will be good set of accounting records; useful and reliable accounting statements would be produced in the bank.

As of the survey result, all managements of CBO have positive and supportive attitudes towards internal control system. So, this may contribute to adequate and effective internal control systems and all managements of the bank could ensure that a proper

internal control structure is instituted, reviewed, and updated to keep it effective.

Even though staffs should perform their duties and responsibilities with care and understanding, as it was implied in the survey, in CBO, some employees working around cash operation did not perform their duties with care and understanding. So, the system of internal control may not be operating effectively and efficiently to help in achieving cash operation objectives of the bank. Besides, with such carelessness and misunderstanding, the bank's cash operation may face failure in generating expected profits and there may also unnecessary loss of resources by the bank.

As per the opinions in survey, there are job descriptions on file for each employee who handle cash operations in CBO. Thus, there may be low or no errors and misunderstandings on duties and responsibilities of employees in the bank.

As it was implied by the respondents, some managers and other supervisors of CBO sometimes have no personal and professional integrity. Besides, some of them have no required knowledge, experience and competence as it was observed by the researcher and supported by survey. Therefore, control environment would not be effective, and management and other supervisors may have no standard of behaviors. Besides, they may have no skills and knowledge to assess risks that help to ensure effective and efficient performance, and



an understanding of internal control sufficient to effectively discharge their responsibilities.

As of the survey results, employees who perform cash operation did not receive adequate training in CBO. Besides, trainings were not provided continually and all trainings were given only by external parties. Therefore, employee development and numbers of persons who are available to assume greater responsibility would not be accelerated through training in the bank. Additionally, employees working around cash operations will not perform their duties and responsibilities with care and understanding and internal control system rendered would be inoperative; consequently, inefficiency error, and fraud would occur in the bank.

Internal audit functions (over cash operations)

As it was implied in the opinions of the respondents, in CBO, audit reports are frequent, and prepared and reported semiannually and annually. The reports are reported to branch managers and copies of the reports are submitted to internal control department and other branch operations. Thus, in CBO, audit reports are reported regularly to managers and other concerned departments of the bank namely, control department to take corrective action and this implies that audit functions of the bank could contribute to the effective operations of the bank. But, as the response show, there is no surprise cash count in the

bank which indicates somewhat weak status of internal controls in the bank in relation to internal audits.

As per the survey result to opinions, in CBO, some internal auditors have not that much integrity in achieving their duties and responsibilities effectively. As a result, internal auditors may perform their duties without care and understanding which will be resulted in inefficiency of the bank's operations and it may also enhance fraud and irregularities in the bank. Thus, all aspects of the system of internal control are operating ineffectively and inefficiently. On the other hand, with such dishonest members of internal auditors, the internal controls may be rendered inoperative; consequently, inefficiency error, and fraud will occur in the bank.

As a result of the survey for questions related to whether internal audit functions contribute to effective and efficient ICS or not and, in what ways it so shows, all of them said that it contributes to effective and efficient internal control systems by engaging in daily business transactions that may help them as a pre-audit test to simplify the audit works and reporting any irregularities and errors immediately in CBO.

The results of the survey show, some managements of CBO sometimes does not promote the independence of internal auditors. Thus, as internal auditors have no full freedom to exercise their duties and responsibilities, the functions of internal audit may not



operating in accordance with audit rules and principles which may affect the effective and efficient system of internal control. Additionally, managements do not promote independent audit functions as a key part of the internal control structure. They also place some restrictions on auditors in meeting established objectives.

As it was implied in the survey result, in rare cases managements of CBO do not select an experienced, well-qualified, and competent person and provide adequate resources to carry out audit functions. Therefore, with such deficiencies in qualifications, experience and competence of internal auditors, and adequate resources, the quality of internal audit functions may be affected and effectiveness and efficiency of the bank's operation also. Besides, the overall operations of the bank and internal control system may be ineffective and inefficient.

Recommendations

To improve the effective and efficient internal control system and internal audit functions over cash operations in CBO, problems and deficiencies that were observed here above in the finding should be looked carefully. Thus, some recommendations are forwarded to modify or alleviate them here under:- Separating employees functions such as authorization, signature, approval and verifications of cash operation transactions should be continued to maintain the overall efficiency of operations in CBO. On the other hand, to reduce probability of

fraud and likelihood of unintentional errors in the accounting data for cash operations, it is advisable to the management of the bank to follow up and take corrective actions on employees' combination of functions and unnecessary personal relationships.

To help the board and senior management in receiving information of sufficient quality to make good business decisions, meet their regulatory obligations and take corrective actions for any deviations from cash operation principles and rules in CBO, it is better for the bank if the board and senior managements set regular reporting periods and measures that should be taken for any delay and irregularity of reports. Moreover, as information is back bone of the bank, for any delay and irregular reports, it is advisable that necessary disciplinary action should be taken and employees should be informed before and training must be provided continually.

To have good access controls and reduce misappropriations such as theft, it is good to have surprise cash counts and verifications by internal auditors and employing trust full guards and continually monitoring them. Moreover, to enhance good access control and reduce potential for irregularity and frauds, management and other employees should maintain functions of authorization, record keeping, and custody of cash separate in the bank.

The frequency of audits are encouraging in CBO which should be continues with past trend, whereas it is



better if there would be a surprise cash count and visits to the branch's cash operating activities which may also increase integrity of employees working around cash operation and reduce carelessness by some employees. Besides, even though internal auditors are representatives of top management, there should be continuous monitoring by the Board and senior Management of the Bank but without interference till independence of internal auditors affected.

To maintain effective and efficient internal control system in the bank, management of CBO should select experienced, well-qualified and competent persons to internal audit and should not also put unnecessary restrictions on their activities to carry out audit functions. In addition, it is better if the bank provides internal auditors with necessary resources that are required to carry out audit functions.

Lastly, it is recommended that further research is required by using the outcomes of this research as inputs. This is because the other components of ICS, namely risk assessments, information and communication, and monitoring which also used to measure effective and efficient internal control system are not covered and even some issues from the two components are not included. Besides, some of the findings depend on opinions of the respondents. So, looking in to some points for actual

implementation of those principles through further research is important. For example, internal auditors' independence and related issues need further study for their actual implementation through personal observation, interview and further observations.

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