

The Effectiveness of Internal Control Systems and Perception of Employee Work Performance: A Case of Asia-Pacific International University

Rey Mom*

Asia-Pacific International University, Thailand

Email: rey@apiu.edu

*Corresponding Author

Paluku Kazimoto

Asia-Pacific International University, Thailand

Email: kazimoto@apiu.edu

Received: 21/09/2021, Revised: 08/12/2021, Accepted: 09/12/2021

ABSTRACT

This study aimed to investigate the factors of an effective internal control system at Asia-Pacific International University (AIU) in terms of the control environment, risk management, information and communication, activity control, and monitoring, as well as to assess employee work performance at Asia-Pacific International University. In addition, the study also attempted to investigate the relationship between internal control factors and the perception of employee work performance. The sample for this study was taken from 39 permanent employees at Asia-Pacific International University in Thailand. Descriptive statistics such as frequencies, percentages, and means were used for analysis. The findings showed that AIU has internal control efficacy for operations. It was also concluded that control of the environment was the only internal control factor that increased the self-perception of the employee on work performance at AIU. The findings of this research can be used to encourage AIU management to prioritize internal control effectiveness.

Keywords: AIU, Internal Control System, Employee work performance

1. Introduction

The increasing reformation of markets in today's economies has become a joint function that requires forceful internal control to facilitate the achievement of goals and organizational performance. Efficiency has a key role to play for an organization implementing an internal control system. The stability, growth, and competitiveness throughout all industries depend on how effective organizations are at internal control system implementation to secure their market environment (Kumuhinidevi, 2016).

Efficient internal controls contribute to the reduction of risk and inconsistencies and help to identify fraud and errors so that organizations can operate efficiently. However, according to Turedi and Celayi (2018), developing an internal control structure alone does not mean success. This study also supports the idea that the internal control system should use a systematic and collaborative strategy that addresses all layers of personnel, with executives first and then lower-level employees.

The operative internal control system is the one that discourages dishonesty and reinforces rational standards for organizational management (Financial Reporting Council, 2014). Miller and Chen (2017) argued that managers believe that some threats cannot hinder operations when corporate performance is successful compared to its aspirations. Bure and Tengeh (2019) suggested that there is a need for a structured approach to organizational risk management and internal control systems in order to enhance organizational performance over time. Ensuring effective internal control practices adds organisational values in terms of growth and business sustainability (Turedi & Celayi, 2018).

Owusu-Ansah (2019) stated that there is a lack of mutual understanding regarding the successful functioning of internal control structures. The destruction of internal controls in the public sector, particularly in local government systems, predetermines the need for standard features of new efficient internal control systems to promote efficiency, effectiveness, and compliance with rules and regulations. Tenbele (2019) studied the effectiveness of the internal control system in higher learning institutions in Nairobi, Kenya, and indicated that institutional internal controls were moderately effective. This research also suggested that despite an institution's extensive development of its control environment, its rules and procedures were not applied and monitored on a large scale.

Moreover, other researchers have tried to assess internal control in the banking sector, such as Sharma & Senan (2019), who found that internal control systems were highly effective. There was a positive relationship between internal control components and the effectiveness of the internal control system. Inadequate internal control mechanisms may become a prime breeding ground for fraud and scandal perpetration. This research would identify deficiencies in the operation of internal control

mechanisms and assist the management of Asia-Pacific International University in resolving these shortcomings.

Asia-Pacific International University (AIU), as a private higher education institution operating in Thailand, has set standards for operational processes and organizational structure based on the Seventh-day Adventist Accounting Manual. The internal control processes specifically described in Chapter 3 of the accounting manual (General Conference of Seventh-day Adventists, 2011) show the characteristics, methods, and detailed guidelines for assessing internal control within Seventh-day Adventist organizations and institutions. Although there is a rigorous control system at AIU, this study will investigate the following research objectives:

1. To assess the factors of an effective internal control system in terms of the control environment, risk management, information and communication, control of activities, and monitoring and evaluation at AIU.
2. To analyze the self-perception of employee work performance at AIU.
3. To establish the relationship between internal control factors and the self-perception of employee work performance at AIU

2. Review of Related Literature

2.1 Control Environment

In organizations, the main components of an effective management environment include a demonstration of commitment to integrity and ethical values. The importance of the board of directors, organizational structure, dedication to personnel performance, and development of expertise, authority, and clearly defined responsibilities support effective policies in an organization (Committee of Sponsoring Organizations of the Treadway Commission, 2013). Management needs to support an organizational environment and culture for internal control to yield positive organizational performance. In other words, management is responsible for setting the tone of organizational culture (Sarbanes-Oxley Act, 2002). The control environment represents the overall board and management efforts to provide the required discipline and effective mechanisms to ensure adequate internal control of a company's activities.

Many researchers (Tenbele, 2019; GamageLow & Keving, 2018; Thao, 2018; Frimpong, et al., 2012; Ofori, 2011; Ayagre, Appiah-Gyamerah, & Nartey, 2014) have studied the effectiveness of internal control systems and found that the control environment had a significant impact on the effectiveness of these systems. However, Kumuhinidevi's (2016) study of the effectiveness of the internal control system on the private banks of Trincomalee discovered that the control environment had only moderate effects on internal control systems. Even though many studies have produced inconsistent results, evaluating Asia-Pacific International University's control

environment and how it influences the effective internal control system is important for this study.

2.2 Risk Assessment

Risks are part of an organization's growth process. Internal control management is a key to properly recognizing risks and mitigating them. Gramling et al., (2010) showed that a successful management system is to check the efficacy of internal control periodically to reinforce the avoidance of risk. For Kumuhinidevi (2016), management needs to incorporate strategies to find, analyze, and manage risks, both internal and external, which could occur and prevent the achievement of company goals. Kumuhinidevi (2016) and Tenbele (2019) found that risk assessment was only moderately effective for internal control systems.

However, several studies (GamageLow & Keving, 2018; Thao, 2018; Frimpong, et al., 2012; Ofori, 2011) have shown that risk assessment is one of the factors that influence the effectiveness of internal control systems. Because earlier research yielded disparate results, this study tried to investigate risk assessment as one of the factors that influence the effectiveness of the internal control system at Asia-Pacific International University.

2.3 Sharing and Communication about Control Risk

An organization must efficiently share information and communicate with its team members about restrictions and risks (Gramling et al., 2010). The communication system with management and subordinates is successful if it is disciplined, responsive, and shares goals and a clear vision of the organization (Umar & Dikko, 2018). Control of information ensures team members have a clear understanding of the organization's operational processes. Information should be shared from top to bottom within a specific timeline to achieve organizational goals (Umar & Dikko, 2018). In other words, the control environment must be shared through organizational activities, risk information, and institutional strategy.

According to (Hayali et al., 2013; Pecht et al., 2016) sharing information can reduce and prevent fraud in organization operations. This shows that using correct information increases trust and integrity and helps employees to be committed to their tasks. For Kumuhinidevi (2016), efficient and transparent communication within an organization tended to prevent fraud through mechanisms that supply data directly and indirectly to accounting and management systems and help relevant stakeholders to exercise their risk control responsibilities better. This study aims to evaluate how Asia-Pacific International University shares and communicates information, and how this influences a successful internal control system.

2.4 Control Designed

According to Gramling et al., (2010), organizations try to design, enforce, and support effective controls to implement their activities. Control activities are policies and procedures enforced by the company to reduce fraud in financial operations and reporting. Control activities usually include a management summary and an overview of operations. Moreover, according to Richard et al., (2020), management needs to develop control policies, procedures, and practices to ensure organizational goals and the execution of risk mitigation strategies are applied. Kumuhinidevi (2016) claimed that management practices are those that allow the board and managers to control risks that adversely affect the activities and efficiency of the company.

Control activities can be carried out at various stages within the corporate framework, including risk management by comparing the organization's current financial performance and predictions (Kumuhinidevi, 2016). The research of GamageLow and Keving (2018); Thao, (2018); Frimpong et al., (2012); and Ofori, (2011) has proven that control design is one of the elements that impact the effectiveness of internal control systems in the areas that were researched. This study aimed to evaluate Asia-Pacific International University's control design and how it influences the internal control system.

2.5 Monitoring Internal Control

Monitoring is the organizational mechanism that assesses how well internal control management is working. Management should constantly review its internal control systems to ensure the proper functioning and make further modifications to them as considered necessary (Kumuhinidevi, 2016). Management handles selecting, implementing, and executing ongoing monitoring and fraud management systems to ensure that each of the five principles is present and working successfully (Pecht et al., 2016).

According to (Umar & Dikko, 2018; Kumuhinidevi, 2016), organizations select, set up and carry out ongoing and separate evaluations to decide on the internal control components in operations and apply the ongoing monitoring and necessary regular review of internal control system performance. The ongoing process is designed to find control failures, often by finding unexpected or inconsistent activities and outcomes that are outside of standards or not compatible with management goals. Separate evaluation, another form of monitoring, is usually controlled by internal auditors and administrative staff, and supplies feedback on the other internal control processes (Gramling, Rittenberg, & Johnstone, 2010).

Prior studies such as GamageLow & Keving, (2018); Thao, (2018); Frimpong, et al., (2012); & Ofori, (2011) discovered that checking these controls was effective for

internal control systems, but Tenbele, (2019) and Kumuthinidevi (2016) found it to be only moderately effective. The purpose of this research is to assess Asia-Pacific International University's monitoring of its controls and their effectiveness.

2.6 Effective Internal Control

Internal control is constituted of a system that is interconnected with processes that work in conjunction with an organization's policies and procedures to protect and guarantee its activities and operations (Gramling, Rittenberg, & Johnstone, 2010). Internal control is an organization's technique for safeguarding organizational wealth, delivering correct and trustworthy reporting, boosting organizational success, enforcing management practices, and following applicable laws and regulations (Committee of Sponsoring Organizations of the Treadway Commission, 2013).

According to (Sarbanes-Oxley Act, 2002; Lynn, 2012), management handles setting up and keeping internal controls. Management handles developing and sustaining organizational control to meet the goals of successful and sustainable procedures, correct financial reports, and compliance with relevant laws and regulations. To meet each internal control goal and assess internal control effectiveness, management should consistently apply internal control guidelines. Besides this, in its quality and accountability reports, management should annually provide assurances about internal control, including specific assurances about internal control of financial reporting, along with information on recorded material defects and corrective measures.

Internal control is a very significant factor influencing an organization's productive and effective working conditions. An effective organization must have reliable internal controls.

2.7 Perception of Employee Work Performance

In today's environment, managers must not only evaluate employee performance but also be evaluated by their employees. Effective employee performance is a key factor in organizational growth (Razack & Upadhyay, 2017). The study also indicated that organizations should take a systematic approach to build reliable management systems to continuously improve employee commitment and performance. It is also known as an approach that creates an atmosphere in which individuals can perform to the best of their ability to achieve the highest-quality work most productively and successfully. This study aimed to improve the level of employee work performance and the relationship between the internal control systems and employee performance.

3. Research Methodology

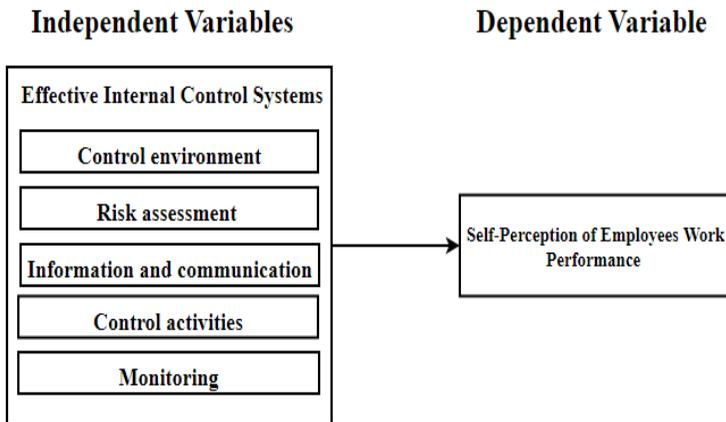
3.1 Sampling and Data Collection

The sample for this study was collected from Asia-Pacific International University in Thailand. The questionnaire was structured and given to 42 permanent employees working in the financial department, deans, directors, supervisors, and staff at the Asia-Pacific International University. Those respondents were chosen because they are familiar with internal control systems and are involved in the organization's internal control system development and implementation. They can be a budget manager, check authorizers, and members of the university's financial committee. The data obtained from the respondents were analyzed using a computer software package. The result showed that 39 of the 42 respondents who took part were able to supply feedback on the survey. More than half (20) were female and 19 were male. Respondents were classified as follows: 18 department heads, 12 other staff members, and 9 accounting personnel. The majority of respondents (30) had worked more than ten years, three of them had worked for more than seven years, three of the respondents had worked for more than one year, two of them worked for more than four years, and only one had worked for less than a year. Moreover, 19 respondents had a master's degree, 15 of them had a bachelor's degree, and only 5 had a PhD degree.

The questionnaire had two parts, A and B. Part A covered the general information of the employees, and part B had information on effective internal control systems and the perception of employee work performance. It used a five-point Likert Scale, ranging from 5 (Strongly agree) to 1 (Strongly disagree). The questions about effective internal control systems were adopted from Kumuhinidevi (2016), who studied effective internal control in the banking sector. The questions of accessing employee work performance were adopted from Bakele et al., (2014). The survey was distributed using a Microsoft Form that was sent to respondents via email. Descriptive statistics such as frequencies, percentages, and means were used, and results were organized in tables for analysis. The mean scores were interpreted based on the following scale: <1.60= Strongly disagree, 1.61-2.40=disagree, 2.41-3.20=Not sure, 3.21-4.00=Agree, and 4.01-5.00= Strongly agree. Regression analysis was used to predict the effect of independent variables on the dependent variable.

3.2 Research Framework and Models

Figure 1: The Effectiveness of Internal Control Systems and Self-Perception of Employee Work Performance.



To understand the effectiveness of internal control systems and perception of employee work performance, the linear regression model presented in equation (1) was adopted for this study.

$$(Model\ 1)\ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \mathcal{E} \dots \dots$$

Where:

Y= Perception of employee work performance

β_0 = Intercept (Constant)

$\beta_1 - \beta_5$ = Measures of sensitivity of variable X to variable Y

X_1 = (EC) Control Environment

X_2 = (RM) Risk Management

X_3 = (RM) Information and Communication

X_4 = (IC) Control Activities

X_5 = (M) Monitoring

\mathcal{E} = Error term for the model

4. Analysis of findings

4.1. Factors for Internal Control Effectiveness

4.1.1 Control Environment

The respondents were required to give feedback on their level of agreement regarding the effectiveness of the AIU control environment. The findings in Table 1 show a positive and high level of agreement on organizational values and decision making (mean=4.38), followed by well-defined and appropriate objectives, (mean=4.18), well-stated roles and responsibilities of employees (mean=4.10), and clear job descriptions for employees (mean=4.03). The respondents agreed that the AIU board, management, and employees were committed to competence and integrity (mean=4.0), had an active and independent audit committee (mean=3.92), had an effective accounting and financial management system (mean=3.72), that the Board of directors and its sub-committees were independent of the management team (mean=3.63), and that powerful and effective internal control systems (mean=3.44) were in place.

Table 1: Control Environment

Control Environment	Mean	Std. Deviation	Interpretation
1.Asia-Pacific International University has powerful and effective internal control systems.	3.44	.852	Agree
2.Asia-Pacific International University has an effective accounting and financial management system.	3.72	.793	Agree
3.Asia-Pacific International University has promoted honesty and ethical values for all decision making.	4.38	.711	Strongly Agree
4.Asia-Pacific International University has an objective, independent and active audit committee.	3.92	.839	Agree
5.Asia-Pacific International University has clearly written job roles and responsibilities.	4.03	.903	Strongly Agree
6.The Board of Directors and its sub-committees are independent of the management team.	3.63	.751	Agree
7.The board, management, and employees are all committed to competence and integrity.	4.00	.795	Agree
8.Asia-Pacific International University has well-stated roles and responsibilities for employees.	4.10	.852	Strongly Agree
9.Asia-Pacific International University has an effective collaboration atmosphere.	4.03	.778	Strongly Agree
10.Asia-Pacific International University has defined appropriate objectives for the organization.	4.18	.790	Strongly Agree
Overall Mean	3.94		Agree

4.1.2 Risk Assessment

The finding in Table 2 of risk assessment factors shows that respondents agreed that AIU had a mechanism to continuously monitor internal risks that may affect its activities and objectives (mean=3.44), identify risks that affect the achievement of

objectives in a timely manner (mean=3.38), and had criteria to ascertain its most critical risks (mean=3.34).

Table 2: Risk Assessment

Risk Assessment	Mean	Std. Deviation	Interpretation
1. Asia-Pacific International University identifies risks that affect the achievement of objectives in a timely manner.	3.38	.673	Agree
2. Asia-Pacific International University has criteria to ascertain its most critical risks.	3.34	.708	Agree
3. Asia-Pacific International University has a mechanism to continuously monitor internal risks that may affect its activities and objectives.	3.44	.754	Agree
Overall Mean	3.38		Agree

4.1.3 Control Activities

Control activities results in Table 3 show the agreement of respondents on procedures for internal control of activities at AIU. Respondents reported strongly agreeing that the financial statements are regularly audited by an external audit firm (mean=4.49) at AIU. They agreed that AIU had a clear separation of duties (mean=3.77), that personnel had no access to important information without the permission of their superiors (mean=3.77), and a lower level of agreement (mean=3.46) that the staff were well trained to implement accounting and financial management systems.

Table 3: Control Activities

Control Activities/ Procedures	Mean	Std. Deviation	Interpretation
1. Asia-Pacific International University has a clear separation of duties	3.77	.777	Agree
2. Every employee's work is checked by other employees	3.56	.821	Agree
3. The staff is well trained to implement accounting and financial management systems.	3.46	.822	Agree
4. Corrective action is taken to address weaknesses.	3.55	.795	Agree
5. Asia-Pacific International University has a well-organized chart of accounts.	3.71	.694	Agree
6. Personnel have no access to important information without the permission of their superiors.	3.77	.902	Agree
7. Controls are in place to check on incurring expenditures more than allocated funds	3.72	.686	Agree
8. Departments undertake budget reviews, and variance from budgeted expenditures are explained	3.67	.662	Agree
9. Asia-Pacific International University has placed a reliable security system that identifies and safeguards Asia-Pacific International University assets.	3.51	.914	Agree
10. Asia-Pacific International University's financial statement is regularly audited by an external audit firm	4.49	.644	Strongly Agree
Overall Mean	3.72		Agree

4.1.4 Information and Communication

For information and communication findings in Table 4, respondents agreed that AIU has identified individuals who are responsible for coordinating various internal activities (mean=4.00). The organizational structure spells out all the responsibilities of each department (mean=3.90), that AIU communication helps to evaluate how well

guidelines and policies (mean=3.90) are implemented, sufficient information is identified and communicated promptly to enable people to perform their responsibilities (mean=3.59). Lastly, all employees understand the concept and importance of internal control, including division of responsibility (mean=3.59).

Table 4: Information and Communication

Information and Communication	Mean	Std. Deviation	Interpretation
1.Asia-Pacific International University has identified individuals who are responsible for coordinating various internal activities.	4.00	.562	Agree
2.All employees understand the concept and importance of internal control, including division of responsibility.	3.59	.751	Agree
3.Communication helps to evaluate how well the guidelines and policies of the Asia-Pacific International University are working and implemented.	3.90	.598	Agree
4.The organizational structure spells out all the responsibilities of each department in the Asia-Pacific International University.	3.90	.754	Agree
5.Sufficient information is identified and communicated promptly to enable people to perform their responsibilities.	3.59	.751	Agree
Overall Mean	3.79		Agree

4.1.5 Monitoring

The findings in Table 5 show that respondents agreed that monitoring by AIU helps to assess the quality of performance (mean=3.79), that responsibility for the timely review of audit reports and the solution of any non-compliance items noted in them is assigned (mean=3.72). AIU has independent processes, checks and evaluation of control activities on an ongoing basis (mean=3.69) and has an internal review of the implementation of the internal control system in the respondent's department

periodically to ascertain its effectiveness (mean =3.58). Finally, management is closely monitoring the implementation of internal control systems (mean =3.41).

Table 5: Monitoring

Monitoring	Mean	Std. Deviation	Interpretation
1.Asia-Pacific International University has been assigned responsibility for the timely review of audit reports and the solution of any non-compliance items noted in them.	3.72	.857	Agree
2.There are independent processes, checks and evaluations of control activities on an ongoing basis.	3.69	.893	Agree
3.Monitoring has helped in assessing the quality of performance of the Asia-Pacific International University over time.	3.79	.767	Agree
4.An internal review of the implementation of the internal control system in my department is conducted periodically to ascertain its effectiveness.	3.58	.889	Agree
5.Management is closely monitoring the implementation of internal control systems in our university.	3.51	.854	Agree
Overall Mean	3.66		Agree

4.1.6 Perception of Employee Work Performance

The findings in Table 6 show that respondents’ perception of employee work performance had mean scores between 4.41 and 3.31. The respondents agreed that they intentionally expend a great deal of effort to carry out their jobs (mean=4.41), expend extra effort in carrying out the job (mean=4.21), also felt that their performance was reflective of their abilities and tried to work as hard as possible (mean=4.00). The respondents always reached the performance target (mean=3.79), always performed better than what can be characterized as acceptable performance (mean=3.72), often performed better than what can be expected (mean=3.64). The respondents also indicated the quality of the performance was superior (mean=3.46), a very good

performance overall (mean=3.38), and the performance was better than that of the average employee in the organization (mean=3.31).

Table 6: Self-Perception of Employee Work Performance

Employee Work Performance	Mean	Std. Deviation	Interpretation
1. I always perform better than what can be characterized as acceptable performance.	3.72	.686	Agree
2. I often perform better than what can be expected.	3.64	.707	Agree
3. I always reach my performance target.	3.79	.875	Agree
4. I consider performance better than the average employee in this organization.	3.31	.731	Agree
5. I am a very good performance, overall.	3.38	.877	Agree
6. I feel that my performance reflective of my abilities.	4.00	.607	Agree
7. I often expend extra effort in carrying out my job.	4.21	.664	Strongly Agree
8. I try to work as hard as possible.	4.00	.697	Agree
9. The quality of my work is superior.	3.46	.720	Agree
10. I intentionally expend a great deal of effort in carrying my job.	4.41	.677	Strongly Agree
Overall Mean	37.92		Agree

4.2. Correlation between Demographic Characteristics and Employee Perception Regarding Work Performance

The findings in Table 7 show that age had a positive influence on what can be characterized as acceptable performance for employees ($r=.443$), compared to position, which had a very significant and negative influence ($r=-.44$). It was also observed that position had a considerable and negative influence on the ability of the employee to perform better than what was expected in the organization ($r=-.351$). Employee position had a very significant and negative influence on performing better

than the average employee in the organization ($r=-.515$); however, education level had a significant positive influence on performing better than the average employee ($r=.376$). Thus, the position of the respondent in the organization showed a very significant and negative correlation with overall good performance in the organization ($r=-.491$). The age of the respondent had a significant positive influence on the extra effort in carrying out the job in the organization ($r=.383$), and a significant positive influence on the self-perceived quality of work ($r=.334$). The position of respondents had a very significant negative influence on the quality of work for the organization ($r=-.655$).

Table 7. Correlation between Demographic Traits and Employee Perception of Work Performance

	Age of Respondents	Education Level of Respondents	Position of Respondents
1. I always perform better than what can be characterized as acceptable performance.	.443**		-.440**
2. I often perform better than what can be expected.			-.351*
3. I consider performance better than the average employee in this organization.		.376*	-.515**
4. I am a very good performance, overall.			-.491**
5. I often expend extra effort in carrying out my job.	.383*		
6. The quality of my work is superior.	.334*		-.655**

* Correlation is significant at the 0.05 level ** Correlation is significant at the 0.01 level

4.3. Effect of Internal Control Efficacy on Perception of Employee Work Performance

Regression analysis was used to find out the level of influence of internal control efficacy factors on employee perception of their work performance. The results in Table 8 indicated that 13.8% of employees’ perception of their work performance was explained by the internal control environment and efficacy of their organization. This assumed that all internal control factors were present in the workplace. The most

appropriate factor for internal control effectiveness that boosted employee perception of their performance was control of the environment.

Table 8. Effect of Internal Control Efficacy on Perception of Employee Work Performance

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics				
					R ² Change	F Change	df1	df2	Sig. F Change
1	.401 ^a	.161	.138	.485	.161	7.102	1	37	.011

a. Predictors: (Constant), CE

4.4. Coefficient for Effect of Internal Control Efficacy on Self-Perception of Employee Work Performance

The unstandardized coefficient indicated that for each unit increase in control of the environment, employee performance would increase by 36.1% as shown in Table 9. This finding showed that control of the workplace environment is the most important factor of internal control effectiveness that influences the perception of employee work performance at AIU.

Table 9: Coefficients for Effect of Internal Control Efficacy on Perception of Employee Work Performance

Model		Unstandardized Coefficients		Beta	Std. Error	Sig.	Standardized Coefficients	
		B					t	
1	(Constant)	2.454	.538				4.564	.000
	CE	.361	.136	.401			2.665	.011

a. Dependent Variable: PEWP

b. Predictors in the Model: (Constant), CE

5. Discussions and conclusions

5.1 Factors for Internal Control Effectiveness

Based on the findings, respondents agreed that AIU has internal control efficacy for operations. The factors considered for internal control effectiveness at AIU were control environment, risk assessment, information and communication, control activities, and monitoring. These research findings aligned with Tenbele, (2019), GamageLow & Keving, (2019), Thoa, (2018), Frimpong et al. (2012), and Ofori (2011), who found that all these elements influenced internal control systems.

5.2 Correlation between Demographic Characteristics and Employee Perception of Work Performance

Findings revealed that age was positively and highly correlated with perceptions of acceptable performance, and moderately correlated with employees making extra effort to carry out their jobs and perform good quality work. This implies that older individuals in the organization were more conscientious regarding their work performance than younger individuals. These findings are consistent with those of Gellert and Schalk (2012), who indicated that age had a significant influence on work performance. According to Burlacu (2012), younger individuals are more interested in information that will benefit them in the future, whereas older adults are more concerned with information that communicates a favourable connection with their supervisors.

Compared to age, education was moderately and positively correlated with employees' average work performance. This means that a high level of education provides employees with the ability to know how much work they have to do in an organization. This means that the greater a person's educational degree, the better their knowledge of their work performance. Thakur's (2017) study showed that education qualifications highly influence performance at work. Education qualifications are a highly emphasized factor when jobs are advertised, indicating that they are a key driver in performance.

In addition, the position of employees had a negative significant correlation with the quality of work, average work performance, overall work performance, acceptable performance, and a moderate negative correlation with performing better than what can be expected. This means that the position lessens the level of attention that employees pay to their performance. This implies that the higher one's position in the organization, the lower was the consideration of work performance. Position leads employees to consider themselves with a certain authority and ignore work performance. According to Yin, (2016), an organization's success is determined not by

departments or positions, but by all the relationship flows, which include information flows, matter flows, finance flows, human flows, and so on. This researcher also mentioned that organizations should concentrate on the flow of information across roles within an organization.

5.3 Effect of Internal Control Efficacy on Self-Perception of Employee Work Performance

The internal control environment and its efficacy influenced 13.8% of the perception of workplace performance. This means that, regardless of what a company does in the workplace, the most important aspect to consider for internal control effectiveness that improves employees' perception of performance is control of the environment. In line with these results, Gramling et al., (2010) concluded that organizational enforcement and maintenance of effective controls are the keys to reduce fraud in financial reporting. Kumuhinidevi (2016) stated that the corporate control framework predicts employee performance in an organization. And the research of GamageLow & Keving (2018); Thao (2018); Frimpong, et al., (2012); & Ofori, (2011) supports that control design is one of the elements that impact the effectiveness of internal control systems for employee performance.

It was concluded from the findings that control of the environment was the only internal control factor that increased the perception of employee work performance at AIU. To improve AIU's control environment, the governing board and management should first maintain and effectively communicate written rules and procedures, as well as a code of ethics and standards of behaviour. Employee duties, power limitations, performance requirements, control methods, and reporting connections should all be clearly defined. Secondly, management should discuss ethical concerns with employees if employees need extra guidance or issue departmental rules of conduct. Management also needs to ensure that staff follow the Conflict-of-Interest Policy and declare any possible conflicts of interest. Thirdly, an adequate staff training program is also important for AIU. Fourthly, management should make sure that employee performance evaluations are done regularly, and good performance should be appreciated and rewarded. Lastly, ensure that appropriate disciplinary action is taken when an employee fails to comply with rules and procedures or behavioral standards.

5.4 Limitations of the Study

The following are some of this study's limitations: The dependent variable consisted solely of perception of work performance. Because the study was conducted as a case study, only a small number of respondents were chosen to participate in the research. Further research might look at other aspects, including organizational performance and long-term growth. Researchers might also explore this issue in other sectors, such as banking or health care.

References

- Ayagre, P., Appiah-Gyamerah, I., & Nartey, J. (2014). The Effectiveness of Internal Control Systems of Banks. The Case of Ghanaian Banks. *International Journal of Accounting and Financial Reporting*, 4(2). doi:10.5296/ijafr.v4i2.6432
- Bekele, A. Z., Shigutu, A. D., & Tensay, A. T. (2014). The Effect of Employees' Perception of Performance Appraisal on Their Work Outcomes. *International Journal of Management and Commerce Innovations*, 2(1). Retrieved from https://www.researchgate.net/publication/332874560_The_Effect_of_Employees'_Perception_of_Performance_Appraisal_on_Their_Work_Outcomes
- Bure, M., & Tengeh, R. K. (2019). Implementation of internal controls and the sustainability of SMEs in Harare in zimbabwe. *Entrepreneurship and Sustainability Issues*, 7(1), 201-218. doi:10.9770/jesi.2019.7.1(16)
- Burlacu, G. (2012). Employee Age Differences in Formal Performance Feedback Reactions: Examining the Effects of Perceived Valence, and Delivery. *PDXScholar*. doi:<https://doi.org/10.15760/etd.35>
- Committee of Sponsoring Organizations of the Treadway Commission. (2013). Internal Control Integrated Framework. *American Institute of Certified Public Accountants (AICPA), Durham*.
- Financial Reporting Council. (2014, June 15). *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting*. Retrieved from <https://www.frc.org.uk/getattachment/d672c107-b1fb-4051-84b0-f5b83a1b93f6/Guidance-on-Risk-Management-Internal-Control-and-Related-Reporting.pdf>
- Frimpong, E. g., Boadi, I. D., Blay, E., Frimpong, R., Akligo, B. E., & Angmor, B. A. (2012). *CSUCSpace*. Retrieved from <http://ir.csuc.edu.gh:8080/xmlui/bitstream/handle/123456789/78/APPRAISAL.pdf?sequence=1>
- GamageLow, C., & Keving, L. T. (2018). Impact of Internal Control Components and Effectiveness of Internal Control System with the Moderating Effect of Corporate Governance of Peoples' Bank in Sri Lanka. *INTERNATIONAL JOURNAL OF ACCOUNTING AND TAXATION*, 6(2). doi:10.15640/ijat.v6n2a7

- Gellert, F. J., & Schalk, R. (2012). Age-related attitudes: the influence on relationships and performance at work. *Journal of Health Organization and Management*, 26(1), 98-117. doi:DOI 10.1108/14777261211211115
- General Conference of Seventh-day Adventists. (2011, January). *Seventh-day Adventist Accounting Manual - GCAS*. Retrieved from <https://www.gcasconnect.org/seventh-day-adventist-accounting-manual.pdf>
- Gramling, A. A., Rittenberg, L. E., & Johnstone, K. A. (2010). *Auditing*. South-Western, Cengage Learning.
- Hayali, A., Ding, Y., Sarili, S., Dizman, A. S., & Gundondu, A. (2013). *Importance of Internal Control system in Banking Sector: Evidence from Turkey*. Retrieved from https://www.academia.edu/36067341/IMPORTANCE_OF_INTERNAL_CONTROL_SYSTEM_IN_BANKING_SECTOR_EVIDENCE_FROM_TURKEY
- Hendrawijaya, A. T. (2019). Demographic Factors and Employee Performance: The Mediating Effect of Employee Empowerment. *Media Ekonomidan Manajamen*, 34(2). doi:DOI: <http://dx.doi.org/10.24856/mem.v34i2.962>
- Kumuhinidevi, S. (2016). A Study on Effectiveness of Internal Controls System in the Private Banks of Trincomalee. *International Journal of Scientific and Research Publications*, 6(6), 600-612. Retrieved from https://www.academia.edu/27118710/A_Study_on_Effectiveness_of_the_Internal_Control_System_in_the_Private_Banks_of_Trincomalee
- Lynn, F. (2012). Manager's Responsibility for Internal Control. *Kansas Society of CPAs*. Retrieved from https://www.kscpa.org/writable/files/Self-Study/FGE/updated_managers_responsibility_for_internal_control_article.pdf
- Miller, K. D., & Chen, W.-R. (2017). Variable Organizational Risk Preferences: Tests of The March-Shapira Model. *Academy of Management Journal*, 47(1), 105–115. doi:<https://Doi.Org/10.5465/20159563>
- Ofori, W. (2011). EFFECTIVENESS OF INTERNAL CONTROLS: A PERCEPTION OR REALITY? THE EVIDENCE OF GHANA POST COMPANY LIMITED IN ASHANTI REGION. *A thesis submitted to the institute of distance learning, Kwame Nkrumah University of*. Retrieved from

<http://dspace.knust.edu.gh/bitstream/123456789/4435/1/WILLIAM%20OFO RI%20FINAL%20THESIS%202011.pdf>

- Owusu-Ansah, E. (2019). Study on the effectiveness of internal control systems in Ghana public sector: a look into the district assemblies. *RUDN Journal of Public Administration*, 6(3), 193-212. doi:10.22363/2312-8313-2019-6-3-193-212
- Pecht, G. G., Oakes, M. T., Stokes, P. A., & Meltzer, R. (2016, October). *COSO's new fraud risk management guidelines: What companies need to know*. Retrieved from Norton Rose Fulbright: <https://portaldagestaoderiscos.net.br/wp-content/uploads/2021/05/20161201-cosos-new-fraud-risk-management-guidelines-what-companies-need-to-know-145012.pdf>
- Razack, S. S., & Upadhyay, A. (2017). Employee Perception of Performance Management Systems in the UAE: An Analysis. *SSRN*. doi:DOI:10.2139/ssrn.2910808
- Richard, V. J., Chang, C. J., & Smith, R. (2020). *Accounting Information Systems, 3rd Edition*. McGraw Hill.
- Sarbanes-Oxley Act. (2002). *Sarbanes-Oxley Act of 2002*. Retrieved from https://pcaobus.org/About/History/Documents/PDFs/Sarbanes_Oxley_Act_of_2002.pdf
- Sharma, R. B., & Senan, N. A. (2019). A Study on Effectiveness of Internal Control System in Selected Banks in Saudi Arabia. *Asian Journal of Managerial Science*, 8(1), 41-47. Retrieved from <https://www.trp.org.in/wp-content/uploads/2019/03/AJMS-Vol.8-No.1-January-March-2019-pp.41-47.pdf>
- Tenbele, N. T. (2019). Effectiveness of internal control system in higher learning institution, in Nairobi, Kenya. *Global Journal of Business, Economics and Management*, 9(3), 143-155. doi:<https://doi.org/10.18844/gjbem.v9i3.4399>
- Thakur, G. (2017). The influence of demographic characteristics on performance of academic employee in Kenyatta University. *Proceedings of the Thirteenth Asia-Pacific Conference on Global Business, Economics, Finance and Banking (API7Singapore Conference)*, (p. 1.16). Retrieved from http://erepository.uonbi.ac.ke/bitstream/handle/11295/94948/Thakur_The+In

fluence+of+Demographic+Characteristics+on+Performance+of+Academic+Employees+in+Kenyatta+University.pdf?sequence=3

- Thao, N. P. (2018). Effectiveness of the Internal Control System in the Private Joint-Stock Commercial Banks in Thai Nguyen Province, Vietnam. *The 5th IBSM International Conference on Business, Management and Accounting* (pp. 19-21). Hanoi University of Industry, Vietnam.
- Turedi, H., & Celayi, D. (2018). Role of Effective Internal Control Structure in Achievement of Targeted Success in Businesses. *European Scientific Journal*, 14(1), 1-18. doi:<http://dx.doi.org/10.19044/esj.2018.v14n1p1>
- Umar, H., & Dikko, M. (2018, June). The effect of internal control on performance of commercial banks in Nigeria. *International Journal of Management Research & Review.*, 8(6). Retrieved from https://www.researchgate.net/publication/330169329_THE_EFFECT_OF_INTERNAL_CONTROL_ON_PERFORMANCE_OF_COMMERCIAL_BANKS_IN_NIGERIA
- Yin, G. (2016). The Study of Position Performance Appraisal Based on Total Relationship Flow Management Theorems. *Journal of Human Resource and Sustainability Studies*, 4(2). doi:DOI: 10.4236/jhrss.2016.42013