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Internal Control Strategies on Financial Performance of Rushere Savings and Credit Cooperative Organization in Kiruhura District, Uganda

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Abstract

Savings and Credit Cooperative Societies (SACCOs) play a crucial role in attaining the development goals of many nations. SACCOs contribute to financial inclusion by providing access to financial services for individuals who may not have access to traditional banking systems. This aligns with the broader goal of increasing financial inclusion, as outlined in Uganda Vision 2040. By providing financial services, including savings and credit facilities, SACCOs empower individuals and communities to lift themselves out of poverty. This aligns with the poverty reduction objectives of Uganda Vision 2040. SACCOs are often community-based and member-owned institutions. This model promotes a sense of ownership and empowerment within the community, aligning with the vision of building a society where citizens actively participate in their development. Consequently, effective internal controls are crucial for the financial performance of loans within the SACCOs. Challenges in internal controls impact various aspects of loan management, potentially leading to financial losses, increased risk exposure, and reputational damage. The purpose of this study was to assess the effect of internal strategy on the financial performance of Rushere SACCO in Kiruhura District in Western Uganda. The study was specifically conducted to establish the extent to which internal control strategies affect the financial performance of Rushere SACCO. The research questions focused on physical controls, authorization and approvals, documentation and record keeping, internal auditing, technology control, and training and awareness. A quantitative research approach was used. The study was underpinned by the Agency Theory. This study utilized a descriptive research design in which respondents' opinions were statistically described in quantifiable terms. In this study, a target population of 160 was considered from which a sample size of 127 respondents was selected using the Yamane formula. Individual respondents were selected randomly using simple random sampling techniques. Primary data was collected using self-administered questionnaires with open questions framed on a Likert scale. The collected data was analyzed by the use of inferential statistics with the aid of Statistical Package for Social Scientists (SPSS) version 24.0. This study established a significant positive relationship between internal control strategy and financial performance ($p=0.000<0.05$). The study concluded that there is a strong positive relationship between the internal control strategy and the financial performance of Rushere SACCO.

Keywords: Internal Control, Performance, Strategy, SACCOs

INTRODUCTION

SACCOs, as components of MFIs, provide financial services to individuals and communities, especially in regions where traditional banking infrastructure is limited. By offering savings and credit facilities, SACCOs help bring people into the formal financial sector, promoting financial inclusion on a global scale. SACCOs often focus on providing microfinance services, offering small loans and financial assistance to entrepreneurs and small businesses to empower them economically. However, sufficient internal controls are critical for ensuring the effectiveness, efficiency, and reliability of SACCOs' operations [1].

These require efficient documentation, authorization and approvals, monitoring and oversight as well as information technological controls. In the world today, cooperative financial institutions hold a considerable market share, with the IMF estimates that across all banking sector assets in developing countries, the market share of cooperative finance was equivalent to 24 percent in 2014 [2]. Globally, therefore, SACCOs have remained outstanding in uplifting the economic status of nations. Their significance has been brought into the economic moonlight after the global financial crisis of 2007/8. Since then, they have provided financial intermediatory in the economic market [3]. While attempting to promote financial inclusion and financial deepening, SACCOs have stepped firmly in an attempt to offer financial services to the less privileged income earners and marginalized population of the world. These initiatives have been successfully implemented in many nations including Colombia, India, Brazil and USA [4]. The **financial** innovations of SACCOs are fundamental to Africa in its fight against poverty as enshrined in Sustainable Development Goals 1 and 2. Africa contributes to around 48 percent of poverty level globally [5]. In Africa, effective financial performance of SACCOs reflected management effectiveness and efficiency in making use of organization's resources. In Ghana, SACCOs are mandated to preserve an amount ranging between 10% of savings deposits and 20% in liquid accounts as well as reduce the proportion of liquidity that is idle closely to zero so that they comply with the World Council of Credit Unions (WOCCU) as a mechanism of managing risks of liquidity with a purpose of boosting the financial performance of SACCOs [6]. In Ethiopia, currently, there are about 20,463 SACCOs, with 4. 5 M members mobilized savings of around 21 billion birrs and provided 16.5 -billion-birr loans for investment. Furthermore, SACCOs in Ethiopia and the Tigray region play a significant role in people's economic growth by providing saving and credit facilities, teaching members how to save properly, and then borrowing for production and welfare purposes [7]. Despite their benefits and roles, evidence suggests that SACCO's performance is poorly understood; the government and other stakeholders have paid little attention to it. As a result, they have encountered lots of challenges in their development [8]. The main problems of SACCOs in Ethiopia are poor participation of members and insufficient supervision of cooperatives. In most cases, insufficient financial sources for loan provision, poor entrepreneurial skills, lack of service delivery, and weak financial management systems also pose challenges to SACCO's performance Moreover, it was also observed problems in increasing the size of membership, and savings and loan products are also restricted rather than required [7, 9]. In Kenya, SACCOs have financially performed well. This has led to continuous growth of the financial sector hence leading to economic growth in the country [10]. This has been necessitated by sufficient policies that have been put in place. The government of Kenya has established measures that require effective management of SACCOs in the country. To ensure effective financial performance, SACCOs are requested to preserve 15% of their savings deposit and short-term liabilities in liquid assets as a requirement of liquidity risk management practice. On the same note, the SACCOs in Kenya are advised not to obtain external borrowings in excess of 25% of the total assets unless the limit is waived by the authority [11]. Such measures have enhanced the financial performance of SACCOs in the country. Consequently, in the Kenyan context, SACCOS contribute 45% of the country's GDP and that the sector has effectively managed to mobilize Ksh 200 billion deposits and assets worthy Ksh 210 billion [12]. In Uganda, Savings and Credit Cooperatives (SACCOs) remain the most essential players in the provision of financial-related services and have broader outreach than some other financial sectors [13]. SACCOs constitute financial organizations that offer comparative if not similar items like banks and the greater part of them were shaped long time back before most commercial banks, yet their performance is quite wanting compared to other businesses in the same sector. They face financial management and capital levels challenges as they struggle to serve their member's financial needs. SACCOs in Uganda face several challenges which have affected their operations since some of them have failed to meet their obligation due to lack of sufficient liquidity and low risk management which results into poor credit worthiness and loss of member's confidence [14]. In Uganda, SACCOs remain the most essential players in providing of money related services and have broader outreach than some other financial sectors. There are 10,800 SACCOs with a participation of 6 million members in the country. Therefore, the government of Uganda continues to use SACCOS as a strategy to alleviate and reduce poverty in the community. However, reports indicate that a significant proportion of SACCOs in Uganda has failed to improve on its financial performance due to lack of sufficient liquidity and poor liquidity risk management practices which has consequently led to the loss of member's confidence. The poor financial performance of SACCOs in the country may also be attributed to poor investment decisions, poor risk management, and illiquidity among SACCOs [15]. It is against this background that this study sought to determine the extent to which internal control strategies affect financial performance of Rushere SACCO in Kiruhura District in Uganda.

Statement of the Problem

SACCOs play a significant role in the national development of Uganda across various sectors. They promote financial inclusion by providing accessible and affordable financial services to individuals and communities, especially in rural areas where traditional banking services may be limited. This inclusion helps to bring a larger segment of the population into the formal financial sector. SACCOs often engage in educational initiatives to enhance financial literacy and business skills among their members [16]. This capacity-building helps individuals make informed financial decisions and manage their resources effectively. They encourage a culture of savings among their members. Mobilizing savings is crucial for financial stability at both individual and community levels, providing a foundation for investment and economic growth. Despite these positive developments, SACCOs in Uganda are deficient of sufficient internal control strategies hence affecting their smooth performance. If immediate measures are not taken, most SACCOs, including Rushere SACCO, will encounter financial problems that will hinder their operations. There is need to carry out a study that would recommend desirable measures to curb this situation. It is against this background that this study was conducted to assess the extent to which internal control strategies affect the financial performance of Rushere SACCO in western Uganda [24].

Specific Objective

The specific objective of this study was to establish the extent to which internal control strategies affect financial performance of Rushere SACCO in Kiruhura District in Uganda.

The study was also based on the following null hypothesis: **H_0** There is no statistically significant relationship between internal control strategies and the financial performance of Rushere SACCO in Kiruhura District in Uganda.

Underpinning Theory

The agency theory was proposed by [17] to separate ownership and control of an organization [18] between the Principal and the Agents. The agency theory therefore determines the agent relationship between two parties, one is the principal party that delegates duties and responsibilities while the other is the agent. In this context, the principals are the owners of the organization while agents are the people who manage the organization on behalf of the owners. Agents therefore run the business on behalf of the owners [19]. They make the decisions aimed at increasing shareholder's wealth. This theory, therefore, suggests the existence of a relationship between principals who are the shareholders and the agents who are the SACCO executives. [17], posit that theory studies the relationship between the principal and the agent when one performs some activities or services on behalf of the other. The principal delegates duties to the agent, the theory suggests a strong separation of ownership and control since both parties are utility maximizers. The principal-agent conflict is what is referred to as the agency problem. The solution to agency problems has given rise to agency costs such as monitoring expenses and risk assessment. According to [20], the theory addresses the problem that exists when the objectives or the goals of the principal contradict those of the agents and also when the principal and agents differ in opinion and attitude on how to address the risk the SACCOs are likely to involve in agency problem. Agency problems may be solved by effective internal control by minimizing agency costs and doing away with information asymmetric that occurs between the principal and agent. The theory suggests that principals cannot be involved in profit-maximizing behaviors (financial performance) without strictly being monitored by the shareholders. This theory is of importance to the current research because it directs the variable on control activities. [20], opined that the theory provides richer and more meaningful research in the internal control of financial institutions. The agency problem cannot only explain the chances of the occurrence of internal control but also explain how the components of internal control work to realize the proper financial performance of SACCOs. [21], believes that internal controls are related to improved income management. Based on this theory, the study endeavored to establish strategies put in place by the management of Rushere SACCO to manage resources efficiently and effectively to the satisfaction of both clients and owners.

Internal Controls on the Performance of SACCOs

[22], studied the relationship between internal controls and the financial performance of SACCOs in the Wakiso district. It was directed by the specific goals of evaluating the connection between the control setting and financial performance, risk evaluation and financial performance, regulatory activities, and financial achievement, tracking operations and financial achievement, communication and knowledge and financial performance, as well as evaluating the combined relationship between

internal controls and financial results of SACCOs in Wakiso district. The investigation employed a cross-sectional research methodology, and SPSS version 25 was used to tabulate quantitative data to better comprehend and analyze the relationship between the study variables. The study successfully collected data from 210 out of the 226 respondents in the sample, yielding a response rate of 92.9%. Together with the statistical analysis of correlation and regression analysis, principal component analysis was also used in the study. Also, the validity and reliability of the questionnaire instrument were evaluated to guarantee that the study variables returned the minimal acceptable benchmark of 0.7, as recommended by [23]. According to the results, there was a significant and favorable correlation between the regulatory environment and financial achievement, risk evaluation and financial results, control operations and financial performance, monitoring activities, and financial achievement, as well as communication and knowledge sharing and financial results among SACCOs. Additionally, it was discovered that of the five factors that affect financial performance, checks, and balances have a higher predictive power for the variations in financial results than the other four internal management aspects of risk analysis, control environment, monitoring activities, plus communication and information. [24], investigated the impact of internal controls on SACCO performance in Rukiga district, Uganda using a case study of Rukiga SACCO. The study's goals were to examine the impact of the segregation of duties on Rukiga SACCO's performance, determine the impact of independent checks on that performance, and assess the impact of risk management on the organization's financial performance. The study used a cross-sectional survey design and data was collected from 135 respondents, and data was analyzed using both quantitative and qualitative analysis. Descriptive analysis was used and data was presented using frequency tables. The bivariate correlations between the predictor components and the dependent variable were examined using the Pearson correlation matrix. A linear regression model was used to fit the data. According to the results from the regression model, segregation of duties (R=762), independent checks (R=676), and risk management (R=899) have a significant influence on the performance of Rukiga SACCO. It was concluded that the performance of Rukiga SACCO is greatly impacted by internal control (risk management, separation of roles, and independent checks). [25], examined the effect of the internal control system on the financial performance of Savings and Credit Cooperative Societies in Kenya. The specific objectives of the study were to establish the effect of control environment and risk assessment on the financial performance of Savings and Credit Cooperative Societies in Tharaka Nithi County. The study adopted a descriptive research design on the target population of 208 members of staff from ten Savings and Credit Cooperative Societies within Tharaka Nithi County. The study employed a non-probabilistic purposive sampling technique to come up with a sample of 69 members of staff. The study used both primary and secondary data. The questionnaires were pre-tested to ensure validity and reliability. The study used secondary data for four years (2013-2016). Multiple regression analysis was used to determine the relationship between dependent and independent variables. A t-test and F-ratio were applied to test the hypothesis and overall significance of the regression model at a 5% significance level. The findings of the study indicated that control environment and risk assessment had a positive and significant effect on the financial performance of Savings and Credit Cooperative Societies. This implies that the internal control system is a major determinant of the financial performance of Savings and Credit Cooperative Societies as proposed in the theory. The study recommends that Savings and Credit Cooperative Societies should put in place effective policies to ensure proper implementation and management of the internal control system. [26], assessed the effects of internal controls on the financial performance of SACCOs in Meru County. This study evaluated the effect of the control on the financial performance of SACCOs in Meru. The objectives of the study were to establish the effect of communication on the financial performance of SACCOs; to determine the effect of risk assessment on the financial performance of SACCOs; to find out the effect of control functions on the financial performance of SACCOs; and to assess the effect of monitoring on the performance of SACCOs in Meru County. The theories underpinning the study were agency theory, attribution theory, and contingency theory. Questionnaires with open and closed-ended questions were administered to collect primary data among credit managers, finance managers, and an auditor in 24 SACCOs in Meru County. The research philosophy of the study was positivism. The study adopted a cross-sectional mixed-design method. The study targeted a sample size of n=96 respondents by multiplying 4 respondents in the 24 SACCO as a basis of analysis. The data was analyzed both quantitatively and qualitatively using (SPSS V 23). The output was presented descriptively by use of mean, standard deviation, frequencies, and percentages. Inferential statistics such as correlation coefficient β, coefficients of determination R, and P-values were used from a multiple regression equation to measure the direction, strength, and significance of the relationship between control activities and financial performance of Sacco Banks. ANOVA was utilized to verify the goodness of fit of the model. The results upon testing the hypotheses indicated that all four independent variables; communication, risk assessment, control functions, and monitoring had a significant relationship with the dependent variable while tested independently. Further, the variables were tested together and the results revealed that only communication and risk assessment had a significant relationship with the financial performance of SACCOs in Meru County. The study concluded that all four independent variables needed to be emphasized since they influenced the financial performance of SACCOs in Meru County. The study recommended that SACCOs should adopt internal control systems that best fit their kind of operations while emphasizing communication and risk assessment as these two seemed to have more influence on the financial performance. [1], conducted a study to find out the effect of internal control systems on the financial performance of SACCOs in the Pallisa district. The study was guided by three main objectives; to establish the effect of a control environment on the financial performance of SACCOs in the Pallisa district, to determine the effect of monitoring on the financial performance of SACCOs in the Pallisa district, and to determine the effect of control activities on financial performance of SACCOs in Pallisa district. A study population of 30 SACCOs was used to extract a sample of 28 SACCOs [27]. The researcher also adopted a cross-sectional study design with a quantitative approach. Data was collected using a structured questionnaire and analyzed using SPSS V 22. Correlation and regression results showed that the control environment has a positive association with financial performance. Also, monitoring has a positive and significant relationship with financial performance. The study also found that control activities posted the least association with financial performance. The researcher therefore concluded that internal control systems' dimensions (control environment, monitoring, and control activities) have a positive and significant effect on the financial performance of SACCOs. Therefore, management should always provide a conducive control environment with good management philosophies and organizational structures as this can improve the monitoring and implementation of control activities and hence improve the financial performance of SACCOs. [28], investigated the influence of the internal control system on the financial performance of deposit-taking Savings and Credit Cooperative Societies in Makueni County. The specific objectives of the study were; to examine the influence of monitoring on the financial performance of deposit-taking Savings and credit cooperatives in Makueni County, to establish the influence of control environment on the financial performance of Deposit taking Savings and credit cooperatives in Makueni County, to determine the effect of control activities influences the financial performance of deposit taking Savings and credit cooperatives in Makueni County, to investigate the effect of risk assessment on the financial performance of Deposit Taking Savings and credit cooperatives in Makueni County and to determine the influence of information and communication influences the financial performance of deposit taking Savings and credit cooperatives in Makueni County. The study was anchored on reliability, Contingency, agency, stewardship, shareholders cost management, and efficiency theory. The study further adopted the census technique due to the low number of deposits taking savings and credit cooperatives numbering 17. Data was collected using Semi-structured questionnaires using the drop-and-afterward method. Data was analyzed using Statistical Packages for Social Sciences version 26.0 software. The results were presented in tables, frequencies, median, mean scores, and standard deviation. From the analysed data the researcher derived conclusions and made recommendations. This study has highlighted the importance of the internal control system on the financial performance of deposit-taking Savings and Credit Cooperatives. Effective internal control systems are those that encourage staff to embrace high financial integrity with great diligence on values of financial propriety and high observance of ethics. This also requires the staff to have the prerequisite competence and capacity to enhance productivity through adequate segregation of duties, frequent job rotations, and adequate processes to do internal checks, for example, authorizations and verifications for each transaction. Therefore, the management of deposit-taking Savings and credit Cooperatives should thoroughly concur with the commendations of our internal audit report, making each effort to make sure that all the financial books are orderly for external audit. Additionally, the management should make sure their organizations have installed appropriate Information Communication Technology controls, like, password access and pertinent software to control information access to permitted people only.

RESEARCH METHODOLOGY

Research Design

The study adopted a descriptive research design. Using this design, the opinions of respondents were sought on internal control strategies and financial performance of Rushere SACCO. Thereafter these responses were described statistically in numerical terms. The study was therefore based on a quantitative approach in which data collected was analyzed and presented figuratively. This study was carried out in Rushere SACCO in Kiruhura District in Western Uganda. This was a case study research design in which the unit of inquiry was a single organization. The target population was composed of 160 participants drawn from employees, customers, supervisory committee and board members in different proportions as shown in Table 1. These were chosen purposively because they were assumed to have sufficient experience and knowledge to respond to the research questions.

Table 1: Target Population

Category	Target Population
Employees	28
Customers	120
Supervisory committee	5
Board members	7
TOTAL	**160**

Source: (SACCO Annual Report, 2022)

A sample size of 115 was obtained from the target population of 160 using the [29] formula as shown below:

$$N = \frac{N}{(1+N(e)^2)}$$

Where;
n= sample size
N= target population
e= margin of error (5%)
n= 115

Table 2: Sample Size

Category	Target Population	Sample size
Employees	28	20
Customers	120	86
Supervisory committee	5	4
Borad members	7	5
TOTAL	**160**	**115**

Source: (Researcher Computation, 2023)

From this sample, the study utilized stratified sampling to select respondents from each group equitably. This was done by use of proportionate stratified sampling. From the lists presented to the researcher, individual respondents from each group were then selected randomly to provide equal opportunity for all subjects to participate in the study. This was done through simple random sampling with the aid of computer-generated random numbers. The chosen respondents then became units of analysis. Primary data for this study was obtained by the use of self and researcher-administered structured questionnaires. The closed-ended questions were based on the research objectives and framed on a Likert scale of 5. Secondary data was collected from journals and published reports. The information from these sources was useful in the theoretical and empirical review of the literature as well as in the discussion of findings. For quality control, the research questionnaires were tested for validity and reliability using content analysis and Cronbach's alpha coefficients respectively. This was intended to reduce errors in the research instruments. The correct procedures were used to collect primary data from the field based on procedure and ethics in conducting the study. The collected data was edited, organized, and coded for analysis. Descriptive statistics were used to obtain responses from the respondents on the demographic of the respondents. This involved the use of percentages and frequency distribution tables. Inferential statistics was utilized to establish the relationship between the independent variable (internal control strategies) and the dependent variable (performance of Rushere SACCO). Linear regression analysis was used for this purpose. The hypothesis was tested at a 5% confidence level. Finally, the results were displayed using suitable tables based on APA format version 6.

RESULTS

Response Rate

Out of the 115 given out to collect primary data, only 95 were collected. This indicated a response rate of 83%. This was considered adequate for this research. This response rate was considered adequate for the study [30].

Linear Regression Analysis

Linear Regression analysis was used to measure the effect of internal strategies on financial performance as shown in Table 3.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.970[a]	.941	.940	.20418

a. Predictors: (Constant)

Source: Field Data (2023)

The coefficient of determination (R^2) and correlation coefficient (R) show the degree of correlation between internal control strategies and financial performance of Rushere SACCO. The results of this linear regression analysis show that $R^2 = 0.941$ while $R = 0.970$. The R-value = 0.970 shows that there is a strong linear relationship between internal control strategies and the financial performance of Rushere SACCO. The R^2 value of 0.941 indicates that 94.1% of internal controls explain the variation in financial performance of Rushere SACCO when other factors are held constant. The analysis indicates the existence of a strong relationship between internal controls and the financial performance of SACCO.

Table 4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	82.591	1	82.591	1981.181	.000[b]
	Residual	5.211	125	.042		
	Total	87.802	126			

a. Dependent Variable: Financial Performance

B. Predictors: (Constant), Internal Controls

Source: Field Data (2023)

The F-value in Table 4 signifies the importance of all the variables in the equation, confirming the overall significance of the regression. The ANOVA results confirms that the model fit is appropriate for this data. The calculated p value of 0.000 is less than the critical value of 0.05. This means there is a positive significant relationship between Internal controls and the financial management of Rushere SACCO. The F-statistics of 1981.181, reflects that the results are highly significant ($P<0.000$) and it was very unlikely that they were computed by chance. The results show that the model fit is significant and improves the ability to predict the outcome. The study further established the regression model coefficients to be used in the regression equation as shown in Table 5.

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.261	.081		-3.209	.002
	MIR	.943	.021	.970	44.510	.000

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Internal Controls

Source: Field Data (2023)

The findings of this analysis revealed that there is a positive linear effect of internal controls on financial performance. Since (β_1=-.261, p=0.000<0.05), the study established that there is a significant relationship between internal controls on the financial performance of Rushere SACCO. The findings show that an increase in risk management increases the financial performance of the SACCO by units 0.943. From this analysis, the coefficients generated the regression equation as expressed by; $Y = -.124+0.943 X_1$

Hypothesis Testing

The null hypothesis was tested using the inferential statistics above. This was done to verify if internal control strategies influence the financial performance of Rushere SACCO.

Decision Rule

The null hypothesis is rejected if the calculated p-value is less than the table value of 0.05 and vice versa. From Table 4 it is clear that the calculated p-value of .000 is less than the critical value of 0.05. Consequently, the null hypothesis was rejected and the alternative hypothesis was adopted which stated that there is a significant relationship between risk management and financial performance of Rushere SACCO.

DISCUSSION OF FINDINGS

The linear regression analysis revealed that there is a significant relationship between the internal controls and financial performance of Rushere SACCO since the p-value obtained is 0.000, less than the critical value of 0.05 as shown in Tables 4 and 5. These findings comply with [22] who established a significant and favorable correlation between the regulated environment and financial achievement, control operations and financial performance, monitoring activities and financial achievement, as well as communication and knowledge sharing and financial results among SACCOs. The findings discovered that checks and balances have a higher predictive power for the variations in financial results. The results of this study are in line with [24] who established and concluded that the performance of SACCOs is greatly impacted by internal control strategies -risk management, separation of roles, and independent checks. Furthermore, the findings concur with [25] who indicated that the control environment had a positive and significant effect on the financial performance of Savings and Credit Cooperative Societies. This implies that the internal control system is a major determinant of the financial performance of Savings and Credit Cooperative Societies as proposed in the theories. This study is also in agreement with [1], who identified that internal control systems' dimensions (control environment, monitoring, and control activities) have a positive and significant effect on the financial performance of SACCOs. Due to this, therefore, management should always provide a conducive control environment with good management philosophies and organizational structures as this can improve monitoring and implementation of control activities and hence improve the financial performance of SACCOs. The research results agree with [26] who observed that internal control systems encourage staff to embrace high financial integrity with great diligence on values of financial propriety and high observance of ethics. This also requires the staff to have the prerequisite competence and capacity to enhance productivity through adequate segregation of duties, frequent job rotations, and adequate processes to do internal checks, including authorizations and verifications for each transaction. Based on this, the management should make sure their organizations have installed appropriate Information Communication Technology control software to control information access to permitted people only.

CONCLUSION

This research study established a strong relationship between the internal control strategies and the financial performance of Rushere Savings and Credit Cooperative Societies (SACCOs). The implication of this is would suggest that effective internal control measures in the auditing process contribute significantly to the improved financial performance of SACCOs.

Recommendations

Ensuring effective internal control systems is crucial for the performance of Rushere SACCO to safeguard its assets, maintain accurate financial records, and achieve its objectives. If properly adopted, internal control strategies would help prevent fraud, errors, and inefficiencies. Based on the research questions, the study recommends the following:

- **Physical Controls:** Implement physical security measures for safeguarding cash and other physical assets. This includes secure storage areas, surveillance systems, and regular reconciliations.
- **Authorization and Approvals:** Establish clear policies and procedures for the authorization and approval of financial transactions. Ensure that only authorized individuals are allowed to approve transactions.
- **Documentation and Record Keeping:** The SACCO should develop and document comprehensive policies and procedures for key processes, including financial transactions, procurement, and human resources. The management should ensure

that employees are aware of and understand these policies through training programs. Ensure that employees are aware of and understand these policies through training programs.

- **Internal Auditing**: Establish an internal audit function or engage external auditors to conduct regular reviews of internal controls. Use audit findings to identify and address weaknesses. Ensure that the internal audit function is independent and has the necessary skills and resources.
- **Technology Control:** Implement strong IT controls to protect against cybersecurity threats. This includes firewalls, antivirus software, regular software updates, and secure data backup procedures. Regularly update and patch software systems to address security vulnerabilities.
- **Training and Awareness:** Provide ongoing training for staff on internal controls, ethics, and compliance. Ensure that employees are aware of their roles in maintaining effective internal controls.

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