

# THE ROLE OF INTERNAL CONTROL INTEGRATION IN ENHANCING ORGANIZATIONAL PERFORMANCE

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## Abstract

Enhancement of internal control is a relevant and ongoing process in organizational performance. This process involves the systematic design, application and monitoring of an organization's internal control measures to achieve its objectives, minimize errors and financial losses as well as to comply with legal requirements. Enhanced integration of internal control into the efficiency of organizational performance not only helps to identify and control risks, but also ensures the efficient use of resources, improves the quality of performance processes and promotes the responsibility and integrity of employees. The aim of this study is to analyze how the internal control integration contributes to the improvement of organizational performance and to identify success factors and areas for improvement. The study results reveal that most employees are actively involved in the processes of internal control, but some of them lack information or a clear understanding of these processes. Communication and training improvements are necessary for better role clarity. While the organization's structure is valued, there is insufficient information about its meaning and ethical principles. Although managers focus on staff performance quality, there are still communication gaps and a lack of strategic focus. The organization's communication culture needs development, with a greater emphasis on open dialogue and psychological safety. Training opportunities are limited, and some staff members lack clarity about their roles and internal procedures. There are also significant communication gaps related to risk management, control procedures, and technology integration, which affect overall effectiveness and transparency. This points to the need for enhanced communication and training to improve staff understanding of their roles and responsibilities. Although the organization has a clear structure, there is a lack of information on its meaning and principles of ethics. In addition, there are weaknesses in communication and a lack of focus on strategic aspects. The study shows that clearer dissemination of communication on internal procedures, control procedures and the use of technology needs to be ensured to achieve greater efficiency and transparency. The study provides valuable insights into the impact of internal control system integration on the efficiency, transparency and competitiveness of organizational performance. It contributes to the optimization of control processes and the development of scientific knowledge on internal control.

Research methods: analysis of scientific literature, data collection, comparison, synthesis, survey, and graphical data visualization. The collected data is organized and processed using MS Excel software.

**Keywords:** internal control system, performance efficiency, integration, COSO framework.

**JEL Classifications:** G32, L21, M21.

## Introduction

Rapidly growing organizations and continuous changes in the business environment pose new challenges for internal control systems. The traditional understanding of internal control, mostly focused on financial aspects, is no longer sufficient to ensure the longevity and competitiveness of an organization. This requires a new approach to internal control, where it becomes an integral part of an organization's management system, involving all phases of performance: from strategic planning to operational execution. Wu, Zeng (2022) emphasize that internal control is an

essential factor in the development process of an organization and directly affects its performance. An organization's high quality internal control can contribute to the quality of its financial disclosures, ease financing difficulties, help to obtain more financial support for corporate investment and innovations. Moreover, it can optimize organization's management capacity and lead to more successful implementation of innovation. Internal control is understood as a process that helps the management of an organization to achieve the organization's goals:

performance efficiency, effectiveness, reliability of reporting, compliance with applicable laws and regulations (COSO, 2013). Therefore, internal control must cover not only the accuracy and correctness of financial reports, but also compliance with all laws and regulations, the quality of staff performance, risk management and innovation management. The organization's internal control system must be oriented towards operational management to ensure continuous improvement of processes, compliance with established standards and organization's strategic goals. Organizations that successfully apply internal control have a competitive advantage by being able to react more quickly to market changes, better manage risks, ensure quality service delivery and achieve higher performance efficiency. Such control not only helps to maintain transparency, but also builds trust with stakeholders – shareholders, customers and partners alike. In this context, enhancement of the internal control system becomes an important factor to ensure organization's long-term growth, competitiveness and ability to adapt to the changing business environment. This requires application of not only traditional control measures, but also continuous evaluation and improvement of the process in order to adapt quickly to new challenges and achieve better results.

In recent years, research on internal control factors has become very important for scholars and practitioners alike, as internal control is essential to ensure efficiency of organizational performance, compliance with legal acts and sustainable growth. As noted by Wang, Bu et al. (2022), internal control factors include a variety of aspects that have a direct impact on organizational performance and organization's ability to adapt to changing circumstances. These studies include the analysis of conditions in organizations, the assessment of financial performance and the effectiveness of organizational management systems; they also consider how internal control can promote the implementation of green innovation solutions. According to Hazzaa, Abdullah et al. (2022), an effective control system ensures that organization's objectives are achieved in a timely and efficient manner. This not only ensures the success of organizational performance, but is also

an important factor that contributes to long-term value creation. This is particularly important in today's global market, where organizations are exposed to a wide range of risks, both internal and external, and where the ability to quickly react to challenges can be the key to an organization's long-term success. Business risks, transactional complexity, increasing use of IT and globalization determine the need for internal control to ensure effective management of companies (Tunji, 2013). It helps to identify potential threats that may affect organizational performance and to ensure that the risks taken are at an acceptable level. As Wang, Bu et al. (2022) put it, research on internal control factors includes the analysis of conditions in organizations, financial performance and organizational management and their potential impact on green innovations. Properly implemented internal control can help organizations to implement sustainable innovations and improve their environmental performance by allowing control over both financial and performance aspects. This is particularly relevant for organizations seeking to contribute to environmental and social responsibility objectives.

Presently, many organizations emphasize the importance of internal control as a key tool to achieve organizational goals and maintain competitive advantage. However, Giriūnas and Mackevičius (2014) argue that the problem of designing a clear and simple internal control model is becoming more and more relevant. A clear and simple internal control model can help organizations to better manage their processes, to increase the level of accountability and transparency and to ensure that all employees and managers understand and follow the established control procedures. Simpler and clearer internal control reduces the likelihood of errors, ensures faster decision-making and helps to manage resources more efficiently. There are several models available for assessing internal control in an organization, but each of them uses different methods and underlines different aspects. The most widely known are: COSO, CoCo, Cadbury. According to Simonaitytė (2015), based on the COSO model, internal control is understood as a process involving the organization's board, management and other

staff to ensure that goals of the organization are achieved. The model mostly focuses on the reliability of financial reporting. The Cadbury model includes the monitoring and assessment of corrective actions for the control environment, priorities and aims of the control of risk identification, control actions. These models are structured into five similar areas, with minimal differences in interpretation. They can be summarized under the title CRIME which covers the assessment elements of control actions, risks, information, monitoring and environment. In addition, ISO standards, Japanese quality and deep learning frameworks are used. The methods are different, but focused on the same goal – presenting the aspects to be improved to increase the effectiveness of the organization (Simonaitytė, 2014). Other models usually focus on risk management systems which may be less applicable to the implementation of the internal control process. For this reason, it is very important to choose the right model that is universal and able to cover all components of internal control, ensuring both effectiveness and compliance with the requirements. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) model, which is considered to be one of the best and most widely used tools for assessing and managing internal control, has been selected for this study. The COSO model is comprehensively structured to help organizations systematically assess and control risks while ensuring efficiency of performance, financial compliance and legality. The main features of the COSO model include the control environment, risk assessment, control actions, information and communication systems, as well as continuous monitoring.

In addition to helping to assess risks, the COSO model promotes the organizational culture that continuously strives to improve management and control practices. This contributes to greater confidence from employees, better decision-making and organizational transparency. Such approach is crucial for the long-term growth and sustainability of the organization, as it not only ensures the compliance with legal acts, but also the ability to react quickly to changes and to

manage the challenges that the organization has to deal with.

**The aim of the study** is to analyze how the integration of the internal control system contributes to the improvement of an organization's performance and to identify success factors and areas for improvement.

This study is useful because it provides the organization with valuable insights into the importance of integration of the internal control system and its impact on performance efficiency. By revealing success factors and potential areas for improvement, the study helps to optimize internal control processes, improve risk management and ensure higher transparency and competitiveness of an organization. In addition, the study extends the knowledge on the role of internal control systems in organizational performance, contributes to the academic literature in the field and provides new theoretical insights on the impact of internal control integration on organizations and future research.

### Literature Review

The assessment of internal control significantly contributes to assurance of the effectiveness, transparency and reliability of an organizational performance. To achieve these objectives, organizations must continuously review and improve their internal control systems. This is essential for their competitiveness and adaptability to the changing business environment. Regular assessment and improvement of internal control systems are the key aspects in seeking long-term success. Based on Perez (2024), a narrow interpretation of internal control focuses primarily on financial reporting, ensuring the accuracy, reliability, and compliance of financial statements. This perspective aligns with traditional audit functions, regulatory requirements, and financial transparency, aiming to prevent fraud and misstatements in financial records. However, a broader perspective of internal control extends beyond financial reporting to encompass strategic management, organizational governance, and risk mitigation. This approach views internal control as a dynamic process embedded within decision-

making and operational processes to enhance business performance and value creation. Recent research highlights the increasing importance of strategic internal controls in today's complex business environment. Organizations are shifting toward integrating internal controls with risk management, corporate governance, and sustainability initiatives. Emerging trends indicate that internal controls now play a central role in digital transformation, cybersecurity, and regulatory compliance beyond financial reporting. Businesses must reassess their internal controls to adapt to evolving risks, technological advancements, and global regulatory changes (Sweet, A. 2024). According to the COSO (2011) framework, performance goals depend on the choices made by the management and are focused on the organization's strategic goals: innovation and quality improvement, cost and lead time reduction. Reporting objectives include the preparation of accurate and reliable reports and the preparation of financial, non-financial, internal or external reports. The striving for compliance objectives is the compliance of organizational performance with laws and other regulations, as well as keeping to them. All these three components should be connected together as they help to ensure effectiveness of an organization. Assessment of organization's internal control and control risk is an essential element of the audit process. This is determined by specific reasons: consistency of audit performance, the need to inform the management about the state of internal control, and the short- and long-term saving of audit resources. The identification of the root causes of control risk assessment is followed by a search for effective ways of assessing internal control that will reduce the subjectivity and complexity of the currently performed assessment. It would leave no room for interpretation, inappropriate auditor's judgements, but, at the same time, it would ensure that the assessment does not change the consistency of the audit, provides a possibility to inform the organization's management about weaknesses, elements for improvement and results in resource savings (Simonaitytė, 2015).

Under conditions of competitive and dynamic business environment, an effective internal control system is essential for managers

who ensure effective leadership and achieve the company's goals. The financial state of an organization, its performance and its potential for growth and continuity depend directly on the effectiveness of this system. The increasing dynamism and uncertainty of the business environment requires organizations to continuously improve their internal control systems in order to be able to react appropriately to risks and to ensure the stability of their performance (Giriūnas, Mackevičius, 2014). Effective internal control can help manage the flows and movement of an organization's resources through components related to decision-making, incentives, constraints, value creation, supervisory risk management and performance evaluation. Effective internal control can help ensure timely anticipation, mitigation of business risks and provide appropriate measures to cope with risks (Jingweng, 2022). According to Tang, Tian et al. (2015), an effective internal control system ensures reliable, accurate financial information and protects organization's assets and other significant resources such as intellectual capital and reputation. The management of risk has become an essential focus in decision-making, particularly within the realm of accounting. Researchers highlight the significance of accounting in providing critical information that aids organizations in making informed decisions and managing risks effectively (Henk, 2020). Moreover, financial reporting quality directly predicts the usefulness of accounting information, acting as a mediator. It shows that the relationship between internal controls and financial reporting is crucial in enhancing decision-making by providing accurate and timely data (Monteiro et al., 2021). One of the potential successful ways to manage an organization, which needs to be ensured by the top management, is the implementation of internal control into the organization's management and decision-making processes (Radovic, Vitomir et al., 2021). El Junusi (2020) emphasizes that internal control includes the involvement of all members of the organization, from the management and the board to employees. Its objective is to ensure that the company achieves its goals in terms of performance efficiency, accuracy of financial reports and compliance with legislation and

internal policy. According to Giriūnas, Mackevičius (2014), an internal control system comprises procedures planned and executed by the top management, executives and other employees to ensure that the organization's goals related to reliability of financial reporting, performance efficiency and compliance with legislation are achieved. All companies need a system of internal control because it allows identifying errors and prevents fraud, includes rules, procedures and policy that are designed to manage risks, ensure the accuracy of financial reporting, monitor compliance with legislation and the organization's policy (Navikienė, 2022). Internal controls over financial reporting are essential for ensuring the accuracy, reliability, and transparency of financial information. These controls help organizations mitigate key risks, such as fraud, errors, and misstatements, by enabling the timely identification, evaluation, and management of risks that could significantly impact business operations (Lai et al., 2020). The integration of digital tools has further enhanced internal control systems, allowing for more proactive risk management. Automation technologies, such as artificial intelligence (AI) and machine learning (ML), can identify patterns and anomalies in financial data much faster and more accurately than traditional methods, enabling businesses to take swift corrective actions (Ghfar et al., 2024). Giriūnas, Mackevičius (2014), Feng, Li, McVay et al., (2015), Lai, Li et al., (2017), Chang, Chen et al. (2019), Buslepp, Legoria et al. (2019), Chan et al. (2020), Wang, Bu et al. (2022), Liu et al. (2025) analyze the internal control of an organization from various perspectives and conduct empirical research. Giriūnas and Mackevičius (2014) point out that all elements of organization's internal control perform certain functions that help the organization achieve its goals. The researchers designed an original model of an organization's internal control using the octagram method. The model contains seven components: external environment, information system, control actions, internal environment, monitoring of control procedures, and coordination. Lai, Li et al. (2017) investigated the impact of weaknesses of internal control on

organizational performance. The research results showed that weaknesses of internal control had a negative impact on organizational performance. This impact depends on each element of internal control. The largest negative impact on performance is caused by weaknesses in information technology, accounting documents, its policy and the structure of control. Delay in taking action to eliminate these weaknesses further affects the organization's financial performance. Feng, Li, et al. (2015) study assesses the internal control of companies facing reserve problems. It has been found that organizations with such weaknesses have lower stock turnover rates and rates of stock value decrease are more common. After correcting the weaknesses, organizations achieve higher performance results. According to Chang, Chen et al. (2019), the internal audit function helps the management to improve organization's internal control, as it relates to financial reporting. The results revealed that internal audit and the compliance with and effectiveness of internal control had a reciprocal effect on an organization's financial reporting. Compliance with internal control can determine organization's performance results.

Given a large body of research on the impact of poor internal control on the quality of financial reporting, decision-making and auditing, Buslepp, Legoria et al. (2019) have developed an alternative indicator to measure the quality of internal control. The results of the empirical study show that organizations that misclassify audit-related fees are more likely to report significant deficits, less likely to report on time and pay higher audit fees. Misclassification of audit-related fees is linked to the poor quality of organization's internal control. Chan et al. (2021) analysed the impact of internal control and its five components on corporate innovation in Chinese firms using the COSO model. The magnitude of the effect on innovation was found to depend on the components of internal control. The impact of control environment, control activities and information and communication on innovation is larger than that of risk assessment and monitoring. Wang, Bu et al. (2022) carried out a study on effectiveness of internal control and

corporate green innovations to assess whether it contributes with reciprocal benefits for companies pursuing economic development and environmental protection results. These studies are based on resource-based theory and high-order theory. The results show that internal control can significantly improve the level of green innovations in companies. This is significantly reflected in the mandatory disclosure of information on internal control. In addition, internal control can promote green innovations by reducing corporate risk and financing constraints, mitigating mediation conflicts and improving the feasibility of investments in innovation. Recent studies highlight that digital finance improves the quality of corporate audits and that internal controls have a positive impact on the quality of corporate audits. The impact of internal control on audit quality does not differ significantly between loss-making and profitable firms (Liu et al., 2025).

Assessment of the effectiveness of internal control ensures that the organization's objectives are achieved (Yan, 2016), identifies potential risks, ensures compliance with legal acts and regulatory requirements and improves the organization's performance efficiency (Kalinauskaitė, 2020; Tang, Tian, and Yan, 2015). Internal control plays a key role not only in ensuring the continuity of organization's performance, but also in building trust in the eyes of investors, partners, and other stakeholders (Chalmers, Hay, and Khlif, 2019). Its effectiveness often depends on strategies and procedures that focus on long-term return growth, increase of performance efficiency and achieving business goals (Nanzala and Ingabo, 2021). Internal control processes need to be continuously evaluated and adjusted to achieve effective results. Control measures help to prevent errors and inappropriate actions that could harm the company. Internal control management ensures that measures work effectively to protect the company from risks. When problems arise, corrective measures are taken to retain quality (AuditBoard, 2023). The effectiveness of internal control is closely linked to the achievement of control objectives. In other words, the effectiveness of internal control is a guarantee to achieve business goals.

Despite extensive research on internal control systems and their impact on organizational performance, financial reporting, and compliance, several scientific gaps remain. Most studies focus on financial aspects and risk management, but there is limited research on how to objectively assess internal control system effectiveness. Further, there is also insufficient focus on how internal control influences non-financial aspects such as corporate social responsibility, employee behavior, and organizational culture. Addressing these gaps would improve the understanding of internal control effectiveness and support the development of more objective assessment frameworks.

### **Methodology**

In this study, purposive sampling was applied to ensure the selection of respondents with adequate knowledge and experience related to the subject matter. Purposive sampling is particularly valuable in exploratory and applied research, ensuring that the sample aligns closely with the study's objectives. This approach allows researchers to focus on participants who are most capable of providing relevant and reliable information, enhancing the precision of the findings (Etikan et al., 2016). Similar views are echoed by Gaizauskaite and Mikene (2014), who emphasize that the approach allows researchers to focus on participants who are most capable of providing relevant and reliable information, enhancing the precision of the findings.

Questionnaires were employed as the primary data collection tool for evaluating internal control. This method has been widely acknowledged for its effectiveness in gathering accurate and detailed responses. According to Thomas, R. (2023) to design effective questionnaires, noting the importance of clarity, simplicity, and alignment with research objectives to minimize inaccuracies and bias., questionnaires minimize the risk of errors and inaccuracies by providing a structured format that aligns with the research objectives. Furthermore, these tools are particularly useful for uncovering potentially concealed insights, as their anonymous nature encourages respondents to share information freely.

Furthermore, questionnaires enable researchers to maintain objectivity in data collection, as they limit the potential for interviewer bias, which might arise in less structured methods like interviews (Rowley, 2014). The versatility of questionnaires, which can include both closed- and open-ended questions, allows researchers to collect both quantitative and qualitative data, providing a comprehensive understanding of the research topic (Fink, 2017). Hence, using purposive sampling and questionnaires as research tools ensures that the study is focused, precise, and capable of revealing deeper insights into the topic of internal control. This methodological combination enhances the validity and reliability of the study's findings, as it carefully targets respondents with relevant experience and collects data in a structured, efficient manner.

The study employed a purposive sampling method to ensure the selection of respondents most aligned with the research objectives. To guarantee their suitability, each candidate was evaluated based on predefined criteria, including age, professional experience, and specific expertise related to the subject of investigation. The recruitment process was conducted through professional organizations, social networks, and expert recommendations. In organizing the questionnaire survey, the first step was to define the population to be surveyed, the sample, the minimum sample size (50 respondents), and the method of collecting primary data. The survey was conducted on a regional basis, targeting manufacturing and service enterprises in Šiauliai region of Lithuania. Just over 72% of the employees took part in the survey, ranging in age from 18–24 years (41.1%), 25–34 years (17.6%), 35–44 years (29.4%), 45–54 years (5.1%), 55–64 years (4%) and over 65 years (2.8%). The majority of employees have been working in the company for about 4 years (74.5%), between 5 and 9 years (9.8%), and more than 10 years

(15.7%). The obtained results of the survey allow assessing the effectiveness of internal control in organizational performance.

The survey adhered to ethical guidelines ensuring participants' protection. Confidentiality was maintained, with no personally identifiable information collected, and responses were securely stored in compliance with data protection regulations. Participation was voluntary, allowing respondents to engage without coercion. These ethical practices safeguarded participants' rights and upheld the study's integrity.

Five elements of the COSO model (COSO, 2013) were selected for the study: 1. *Assessment of the internal control environment*; 2. *Assessment of internal control risk*; 3. *Assessment of internal control activities*; 4. *Assessment of internal control information and communication*; 5. *Assessment of internal control monitoring*. The COSO model emphasizes that internal control is not only important to prevent errors and fraud, but also to ensure the proper management of resources, safeguard assets and provide accurate and reliable information to the organization's management and external stakeholders (Liu, 2018). The management of an internal control system is the function of aligning the employees, control and processes in an enterprise to achieve the goals (AuditBoard, 2023; Graham, 2015). It is related to setting standards of ethics and integrity; ensuring management's commitment to seek transparency; and ensuring competence and responsibility of employees (Arens, Elder, Beasley, 2017).

Each element of the COSO model was given a specific section of the questionnaire. Each part consists of questions designed to collect information on how a specific element of the COSO model is being implemented in the organization. The statements were formulated to be clear, unambiguous and equally understood by all respondents (Tables 1–5).

**Table 1. Survey on the assessment of the internal control environment**

Topics	Number of questions
1. Staff participation in the internal control process	9
2. Distribution of the organizational structure in the internal control environment	5
3. The autonomy given to employees in their work	3
4. The communication culture of the organization	4
5. Training of the organization's staff	5
6. Job descriptions developed by the organization	6
7. Approval of the organization's internal rules of procedures	7
<b>Total:</b>	<b>39</b>

The survey methodology presented in Table 1 shows that the assessment of the internal control environment is structured in detail and comprises 39 questions. These questions are divided into 7 thematic blocks which allow focusing on a systematic analysis and assessment of the main aspects of the internal control environment. This grouping of questions ensures the comprehensiveness of the study and makes it possible to highlight the relevance of each block in the overall context of the assessment. The questions are designed to provide a comprehensive assessment of the organization's internal control environment, its strengths and weaknesses. Questions of the first block are designed to identify whether employees are directly involved in internal control activities and their perception of their personal contribution to the process; whether the organization has internal control mechanisms implemented and functioning effectively to ensure the achievement of the organization's goals; whether employees have clearly defined duties and responsibilities that are relevant to an effective control environment; whether the organization has common performance goals and standards that are applied equally to all employees to ensure consistency and quality; whether the organization has an appointed person or department responsible for the implementation and monitoring of the internal control policy.

The analysis of the questions in the second block allows assessment of the organization's ability to provide a transparent and well-defined performance environment that supports effective internal control. The questions focus on assessing the organization's structure, distribution of responsibilities, communication

and ethical principles, which are essential components of an effective internal control environment: whether the organization has a formalized structure that defines hierarchies, areas of responsibility and management levels. This is important for clarity and efficiency in the organization's performance; how often the organization reviews and updates its structure in order to adapt to internal and external changes. Such changes may have an impact on internal control processes and stability; whether the organization has a clear distribution of responsibilities and authority, which is essential for smooth process management and conflict prevention; whether the organization promotes a dialogue based on trust, which prevents bias or conflicts of interest, thus ensuring a healthy working environment; whether the organization invests in staff training on ethics and integrity to ensure a high professional culture and transparency.

Questions of the third block provide a possibility to assess the managing style, ability to maintain a strategic approach, promote staff autonomy and ensure the efficiency of organizational performance. The questions are designed to assess the quality of the manager's leadership and management and its impact on the organization's performance, employee autonomy and problem-solving: whether the manager appropriately assesses and promotes the skills, competences and professionalism of employees. Manager's positive attitude often contributes to motivation of employees and the success of the organization; whether employees are given the freedom to make decisions and carry out tasks autonomously, which is important for fostering the culture of trust and innovative solutions; and whether the manager allocates priorities appropriately, ensuring that key strategic issues



are dealt with in a timely manner and avoiding distraction by irrelevant functions.

The analysis of the fourth block of questions facilitates assessment of the psychological climate of the company, the communication culture and the efforts of the management to ensure the well-being of the employees and a harmonious working environment. The questions are designed to assess the quality of the organization's internal culture, the psychological climate and the level of communication among employees and communication by managers: whether the organization has respectful, open and professional communication that promotes effective work and good understanding between employees and managers; whether the organization has a history of discrimination or psychological pressure that could undermine employee well-being, motivation and quality of work; whether the organization promotes cooperation and social integration, both formally (through work meetings) and informally, to strengthen the team and the relationship among employees; whether there are negative communication practices in the organization that can create an unhealthy working atmosphere and undermine trust among employees.

The analysis of the questions in the fifth block helps to understand organization's strengths and weaknesses in the area of staff training and professional qualification development. The questions are designed to assess the organization's approach to staff training, professional qualification development and talent management. They reveal how the organization invests in developing the competencies of its employees and supports their professional growth: whether the organization actively supports employee learning initiatives, ensures targeted resources and opportunities for professional development; whether the organization is able to attract talents, ensure their professional development and retain them in the long term; and whether the organization provides consistent training to develop internal control and other specific competencies; whether the organization motivates staff to participate in professional development activities and supports

their development both financially and with organizational resources; whether the organization has a sufficient number of competent staff to ensure the quality of its performance and to maintain effective control processes.

The analysis of the sixth block of questions provides an assessment of whether the organization has adequate management of job descriptions and record-keeping, which is essential for the effective functioning of internal control mechanisms. The questions are designed to assess the clarity of the organizational structure and documentation, the definition of staff responsibilities and rights, and the procedures for the management of accounting records: whether the organization has formalized documents defining the functions, rights and responsibilities of employees, ensuring clarity and structure in the organization of work; whether the functions of each employee are accurately described in order to avoid duplication of tasks or ambiguity; and whether employees have a clear understanding of their rights in the organization, which helps to avoid conflicts and ensures legal clarity; whether the responsibilities of each staff member are clearly defined to ensure the distribution of responsibilities and transparency of processes; whether the chain of subordination is clear to ensure effective communication and management within the organization; and has the organization clearly regulated who is responsible for preparing and signing of the accounting documents, which is important to ensure the control and legitimacy of the financial processes.

The analysis of the questions in the seventh block allows an assessment of the quality of the documentation of the internal control systems, their accessibility and effectiveness, and the identification of areas where improvements may be needed. The questions focus on the documentation of the organization's internal procedures and control, their accessibility and their practical implementation: whether the organization is managed by formal rules, approved by the manager, which ensure consistency of performance and the functioning of control mechanisms; whether the organization has a document defining main areas of performance and the risks associated with them,

which is necessary for effective internal control; whether the internal control description provides details about the information system, including accounting processes, to ensure transparency of data management and accounting; whether the organization documents procedures to ensure protection of the assets against loss or misuse; whether sufficiently accurate and timely information is made available to staff responsible for the preparation of report; whether the organization ensures that all economic transactions are documented and recorded, which is essential for the transparency and accuracy of financial processes; and whether internal control policy and procedures are

presented in a mode that is easy to understand by all staff and to be applied to their day-to-day operations.

The survey methodology presented in Table 2 shows that the internal control risk assessment is structured in detail and includes 11 questions. These questions are divided into 2 thematic blocks which allow for a systematic analysis and assessment of the main aspects of internal control risk. The analysis of the questions in the first block helps to assess how the company identifies, assesses and manages risks, and how it ensures that these processes are implemented effectively and with the involvement of employees.

**Table 2. Survey on the assessment of the internal control risk effectiveness**

Topics	Number of questions
1. Risks that are faced by the organization	4
2. The process of identifying the risk and discussing the results with staff of the organization	7
<b>Total:</b>	<b>11</b>

The questions focus on the organization's risk management processes, how risks are identified and managed, and the involvement of employees in this process: whether the organization clearly defines and identifies the risks it faces in order to develop effective strategies to manage them; whether the organization continuously monitors external and internal changes (economic, technological and others) and adjusts risk assessment processes accordingly; whether the organization encourages employees to be involved in the risk identification phase to ensure a broader view of risks and faster problem-solving; whether the organization has appointed specific individuals responsible for risk management and control to ensure accountability and effective decision-making.

The second block of questions is designed to assess how the organization manages risks, how this process is documented and how it ensures that risk management mechanisms are effective and accessible to all staff. The questions ensure that risks are managed effectively and transparently: whether the organization has a formal document defining risk management processes and procedures to ensure consistent and systematic risk management; whether the

organization has defined specific procedures and actions to respond to and manage risks when they arise; whether the organization adjusts appropriate measures and strategies to manage each identified risk, ensuring an appropriate response and prevention; whether the organization sets regular risk assessment meetings to ensure that risks are continuously monitored, evaluated and managed; whether the organization has procedures and measures to address the risk of fraud, which is critical to ensuring the financial and legal security of the organization; whether the organization has procedures to ensure that all performance processes are compliant with legal requirements and performed to legal standards; whether risk management documents are easily accessible to staff to enhance their understanding of, and adherence to, the organization's risk management policy.

The survey methodology presented in Table 3 shows that the assessment of internal control performance is structured in detail and includes 26 questions. These questions are divided into 4 thematic blocks which allow for a systematic analysis and assessment of the main aspects of internal control performance.

**Table 3. Survey on the assessment of the internal control performance**

Topics	Number of questions
1. Planning and implementing control activities	5
2. Control actions that define the work functions of staff	8
3. Control action measures and procedures	8
4. Inclusion of control actions into technological processes	5
<b>Total:</b>	<b>26</b>

The questions in the first block help to determine whether the organization has clear and effective processes for reviewing internal legal acts, ensuring the quality of service delivery, and assessment of control measures and improvement of them. The questions are designed to assess how the company processes of review of internal legal acts are organized and carried out: whether the organization has set procedures to ensure that all internal legal acts are reviewed and updated on a regular basis to ensure that they are in line with changing legislation and the needs of the organization; whether the organization has clearly defined policy and procedures for service delivery to ensure quality of service and compliance with customer and regulatory requirements; the organization has clear criteria and indicators to assess the effectiveness of control and to ensure continuous improvement of them; whether the organization has both internal and external audit processes to assess and verify the effectiveness of control measures and compliance with established standards; whether following the assessment, the organization establishes action plans that set out a specific course of action to address issues and improve control measures.

The second block of questions assesses how clearly and effectively the organization defines the duties and responsibilities of staff and how it ensures that staff have the information, support and authority they need to do their job. The questions are designed to assess how the company defines and manages the duties and responsibilities of employees and how clearly the organizational structure is defined: whether each employee has a clearly defined job description which indicates responsibilities and tasks; whether job descriptions are detailed and specify the employee's functions, responsibilities and other important tasks; whether the organizational

structure is clear, includes defined responsibilities, tasks and hierarchy so that employees know who is responsible for the various functions and decisions; whether employees receive the necessary information on their duties and responsibilities to enable them to carry out these effectively, and whether the company provides training or regular communications on the matter; the organization provides staff with the opportunity to seek assistance and clarification on their responsibilities, ensuring that staff feel prepared to perform their tasks; whether the organization regularly reviews and updates staff job descriptions and responsibilities in line with changing business needs to ensure that staff performance is aligned with the organization's goals; whether staff have the opportunity to suggest improvements to the work structure and to raise concerns about potential inconsistencies in their job descriptions; whether the organization clearly defines and assigns staff authority in the performance of certain operations to ensure effective control over and responsibility for the operations.

The third block of questions aims to assess how the organization handles documentation of operations, access control, data security and information processing procedures. The questions help to determine whether the organization provides adequate information security, protection against unauthorized access and loss, and whether staff are adequately trained and informed about these important measures of control: whether the organization has clear procedures to ensure that all relevant operational data is properly registered and documented to ensure control and traceability; whether the organization has clear rules regulating who and how can access and process confidential information, ensuring that only authorized

persons have access to sensitive data; whether the organization uses technological solutions, such as encryption of data, to protect information from unauthorized access and to ensure the security of the data; whether the organization regularly performs backups of the data to ensure that relevant information can be recovered in the event of accident; whether the organization has clear procedures that define how information is handled and processed from entry to transfer to ensure security and control throughout the entire process; whether all procedural instructions are documented and staff have received adequate training to enable them to carry these out effectively; whether all staff have easy access to the control policy and procedures, and they are clear and understandable so that each employee can comply with the established requirements; whether the organization allows staff to provide feedback on control procedures and is open to suggestions for improvement seeking continuous improvement.

The fourth block of questions focuses on the assessment of the use of technological solutions in the company, their impact on performance effectiveness and competitive advantage, as well as on how the organization monitors and implements technological innovations. The questions help to identify how the use of technology in the organization can

contribute to improving performance, increasing efficiency and creating competitive advantage: whether the organization uses modern technologies that automate processes, use data analytics or tracking systems to improve the quality, accuracy and efficiency of its operations; whether the application of technologies contributes to specific objectives, such as improving performance effectiveness, reducing errors and saving resources; whether the organization follows new technologies and trends and seeks to integrate them into its performance in order to maintain a competitive advantage; whether the organization has appointed responsible individuals or departments that actively monitor technological developments and market trends in order to maintain the organization's innovation and competitiveness; whether the organization has specific objectives for the implementation of technologies and whether these objectives are clearly defined and measured.

The survey methodology presented in Table 4 shows that the assessment of internal control information and communication is structured in detail and includes 26 questions. These questions are divided into 3 thematic blocks which allow for a systematic analysis and assessment of the main aspects of internal control information and communication.

**Table 4. Survey on the assessment of information and communication on internal control**

Topics	Number of questions
1. Communication between the organization's manager and employees	10
2. Reliability and effectiveness of information	10
3. Effectiveness of the collaboration between the organization and the customer	6
<b>Total:</b>	<b>26</b>

The first block of questions focuses on the quality and effectiveness of communication between managers and employees. The questions can provide valuable insights into the strengths and weaknesses of the organization's communication, which can be improved for better working conditions and more effective collaboration: whether information is presented sufficiently in detail to allow the employees to clearly understand objectives and expectations; whether managers and employees are free to share information, ideas and opinions without fear of likely consequences; how regular reports,

meetings or reviews help to structure communication and ensure that employees and managers are on the same side concerning goals, objectives, strategies, and performance results; whether the organization should have a clear system or procedure allowing employees to give feedback and make suggestions; whether managers take a sincere interest in employees' opinions and value employees' input into the decision-making; whether employees can speak freely without fear of likely consequences; whether setting of rules helps to ensure that communication between managers and

employees is consistent, respectful and professional; whether employee satisfaction surveys help organizations to get an objective view of how well communication is working and where there is room for improvement; whether the use of modern technology can help organizations to speed up communication, improve the accessibility of information and enhance collaboration between employees and managers; how a well-established technological infrastructure works in day-to-day operations.

The second block questions deal with important aspects of information management, staff training and adherence to procedures in the organization. The questions allow assessing the information management, staff training and security aspects of the organization: whether the organization's system includes reliable information sources, regular updates and control to ensure the accuracy of the information provided; whether the information processing system is designed to ensure fluent data management and security; whether tasks are presented in a clear and comprehensive manner, with all requirements and expectations stated; whether the information provided is necessary to enable staff to perform their tasks without delay or disruption; whether staff have an easy access to relevant documents, regulations and procedures that are necessary to carry out their tasks; whether clear procedures help staff to know how to carry out their tasks and how to respond to different situations; whether the staff are trained in the use of documents and other

means to carry out their work effectively; whether there is a clear and confidential system for staff to report breaches; whether procedures are public and easily accessible to all staff so that they know where and how to report breaches.

The third block of questions addresses important aspects of the organization's cooperation with partners, suppliers and customers, as well as quality assurance and improvement. The questions help organizations to ensure that the quality of their services is continuously improving and meeting the expectations of their customers, partners and suppliers, and that they create an environment that promotes continuous improvement and satisfaction: whether cooperation with partners and suppliers is essential to optimize performance and service quality; whether regular customer surveys and market research are carried out so that the organization can understand what is important to its customers and what their needs are; whether the management responds proactively to customers' requests and complaints to ensure that the company delivers quality services and products; whether the organization is able to monitor the quality of its service to identify problems and apply corrective measures.

The survey methodology presented in Table 5 displays that the assessment of the monitoring of internal control is structured in detail and includes 11 questions. These questions are divided into 3 thematic blocks which allow for a systematic analysis and assessment of the main aspects of internal control monitoring.

**Table 5. Survey on assessment of effectiveness of internal control monitoring**

<b>Topics</b>	<b>Number of questions</b>
1. Assigning staff responsible for assessing the monitoring of internal control	3
2. Implementation and application of internal control procedures in day-to-day operations	6
3. Identification of internal control weaknesses and development of an action plan	2
<b>Total:</b>	<b>11</b>

The questions in the first block help to understand how internal control processes contribute to organization's performance effectiveness and compliance with established standards. The questions help to identify how the

organization manages its internal control processes, ensures their effectiveness and how continuous monitoring helps to ensure correct and timely corrective actions: whether the organization has clearly defined staff members responsible for

monitoring and supervising internal control; whether continuous monitoring is carried out to ensure that the internal control system is effective and that potential problems are detected in time; whether continuous monitoring of employees is an integral part of the organization's day-to-day operations, especially with regard to the quality of work performance, safety at works or compliance with established procedures.

The second block of questions is designed to assess the application of organization's internal control procedures, the regularity of their analysis and management's response to the assessments and monitoring results. The questions help to assess how the internal control systems are managed and monitored in the organization and how management responds to the obtained data to ensure continuous improvement and compliance with internal control standards: whether there is an understanding of how internal control procedures are to be implemented and how to ensure that they are applied consistently and effectively; whether there are separate assessments of internal control that may require additional monitoring or improvement; how the results of the assessment reach the top management and how they are used to make strategic decisions; whether the systematic assessment of internal control ensures that procedures are tested at the prescribed intervals to assess whether they are still meeting the organization's goals; whether the management is prepared to make decisions and necessary changes to ensure the effectiveness of internal control systems.

The questions in the third block highlight the organization's readiness to take actions to address internal control problems and to ensure that its performance meets high quality standards, using the conclusions of the assessment as a base for continuous improvement. The questions related to the identification and correction of internal control drawbacks and the development of action plans to improve the quality of performance based on the conclusions of the assessment: whether the management actively monitors the functioning of internal control systems and has measures to ensure that identified drawbacks are timely corrected; how the organization uses the internal assessment and the

conclusions of the assessment to improve the quality of its performance.

To assess integration of internal control in order to improve organizational performance, a specifically designed frequency measurement approach (Formula 1) was chosen. Frequency is the number of events of a certain type or the number of observations in a certain class (Januskevicius and Januskeviciene, 2006).

$$\sum_{i=t}^n f_i = n$$

Where, the frequency  $f_i$  of a value of the variable  $X$  indicates how often this value is found in the sample. Obviously, the sum of all frequencies  $f_i$  is equal to the number of observations  $n$  (Radavizius and Rekasius, 2005). The weight assigned to each internal control block is calculated and expressed as a percentage:

$$\sum X_{it} = a_1 + a_2 + \dots + a_n; \sum n_{it} = X_1 + X_2 + \dots + X_n;$$

$$VKE_{it} = \frac{\sum X_{it}}{\sum n_{it}} \times 100\%$$

Here:

$VKE_{it}$  – the number of internal control elements  $i$ , by percent

$\sum X_{it}$  – the sum of the units of the organization's internal control elements  $i$ .

$a_1 + a_2 + \dots + a_n$  – the number of sub-elements of the organization's internal control  $i$ .

$X_1 + X_2 + \dots + X_n$  – the number of units of the organization's internal control elements  $i$ .

$\sum n_{it}$  – the total sum of the units of internal control elements  $i$ .

First, the sum of the internal control elements  $\sum X_{it}$ , consisting of the sub-elements  $a_1 + a_2 + \dots + a_n$ , expressed in the appropriate unit of measurement (score) is calculated. Each internal control element is assessed separately. After that, the total sum of the internal control elements  $\sum n_{it}$  is calculated by combining the different internal control elements  $X_1 + X_2 + \dots + X_n$  into a sum of measurement units. In the next step, the value of the internal control elements  $VKE_{it}$  is expressed as the ratio between the sum of each internal control element  $\sum X_{it}$  and the sum of the total units of the internal control elements  $\sum n_{it}$ , multiplied by 100%.

### Empirical results

First of all, the study sought to find out which aspects of the internal control environment affected the organization's performance. Based on the obtained results, the majority of employees (71%) are involved in the internal control process, indicating that the organization has an effective internal control system. This reveals that the majority of employees are informed about their responsibilities and adhere to the set objectives and standards, which contributes to the efficiency and stability of the organization (Figure 1). However, the survey also shows that 8.8% of employees are not involved in the internal control process, and 20.1% of employees have no information about this process. This reveals some weaknesses in the organization's communication and training systems. These aspects may have a negative impact on the overall effectiveness of the internal control system, as employees who do not have a clear understanding of, or do not feel being part of, the control processes may unintentionally put the organization at risk. The identified gaps point to the need to enhance information of staff on the meaning of internal control and their role in these processes. This could be achieved through organizing additional training, increasing effectiveness of communication and developing systems that encourage the active involvement of all staff. Such changes would not only contribute to a better functioning internal control system, but

also to the achievement of the organization's goals and the retention of its competitive advantage.

The distribution of the organization's structure in the internal control environment was further analyzed. The results showed that more than half of the employees (54.1%) acknowledged that the organization had a clear structure and a defined division of responsibilities and authority, which contributes to the effective implementation of internal control processes. It was also found that staff were encouraged to communicate openly within the organization, which is an important factor in achieving transparency and efficiency. However, the study also revealed some weaknesses. It was observed there was a lack of training on the principles of ethics and integrity, which are crucial to ensure that staff are consciously involved in the internal control process and are able to identify and react appropriately to possible breaches. In addition, 18% of the staff are not convinced that the organization has a clear structural distribution and 27.9% have no information about it. These results suggest that the organization should enhance awareness of the staff on the importance of structure in the internal control environment and increase their involvement. This could be achieved through clearer communication about the organization's structure, periodic training, as well as development programs on ethics and integrity principles.

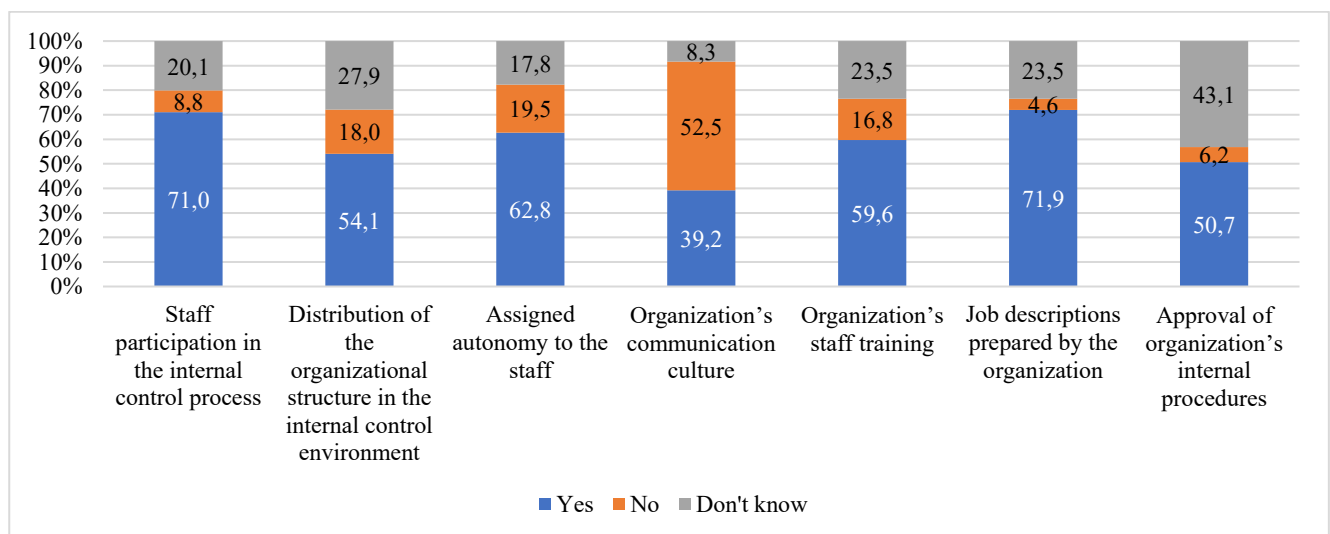


Figure 1. Assessment of internal control environment

Another aspect under investigation deals with the manager's attitude towards the quality of the employee and the autonomy assigned at work. The results show that 63% of employees have a positive attitude towards their managers, indicating that their managers value the quality of their work and give them sufficient autonomy in performing their tasks. This shows that the majority of employees feel valued and have an opportunity to contribute autonomously to the implementation of the organization's goals. However, 20% of employees indicate that managers do not show attention to the quality and autonomy of employees, and 18% have no opinion on this. This may indicate a lack of communication between managers and employees or a lack of clear expectations for employee empowerment. In addition, it has been observed that some managers focus on execution of non-essential functions and solution of tasks, thus distracting themselves from important problems or strategic matters. These results suggest that management practices in the organization can be improved. Seeking to be more effective, managers need to ensure that they focus more on strategic matters and major problems, and encourage staff engagement by clearly communicating their roles and responsibilities.

Further interpreting the survey results, it is observed that more than half of the employees (52.5%) say that the organization does not have a well-developed communication culture. This means that employees face communication gaps that can hinder effective collaboration and mutual trust. Although such cases are rare, the survey revealed manifestation of discriminatory attitudes and psychological pressure from managers, which can have a negative impact on employees' motivation and performance. Despite this, around 40% of employees have a positive view of their organization's communication culture. They emphasize that gossip, rumors or slander are not tolerated in the organization, which creates a more positive working atmosphere. In addition, the organization holds working meetings and discussions to help solve problems and coordinate activities. However, the sharing of work experience is less frequent, which limits the opportunities for staff to learn from each other and improve their skills.

With these results in mind, it is recommended that the organization should enhance the culture of communication, promote an open dialogue between managers and staff, and ensure that any discrimination or psychological pressure is avoided.

The majority of employees (around 60%) acknowledge that the organization promotes learning, but there are also significant drawbacks in this area. 16.8% of employees say that the organization does not promote learning, and another 23.5% do not know anything about it. This shows that although learning is emphasized, not all employees are given an opportunity to participate or information about learning opportunities is not properly communicated. Although the organization has a sufficient number of qualified professionals and makes efforts to recruit and retain competent staff, the provision of systematic learning is not sufficiently developed in the control area. Less than half of the staff indicate that the organization provides systematic training to acquire knowledge and skills on control. Others state that such training does not take place or that they are not informed about it. In order to improve the situation, it is recommended that the organization develops and implements a coherent learning and development program to help staff gain the necessary knowledge and skills, especially in the area of internal control.

The analysis of the survey results concerning the assessment of the organization's job descriptions reveals that around 72% of the respondents confirm that the organization has job descriptions. They also indicate that these instructions describe job functions accurately, clearly define labor rights, responsibilities and subordination. This indicator shows that the majority of employees are well aware of their job requirements, responsibility scope and subordination. However, a part of the staff (around 24%) are not aware of the organization's job descriptions, and around 5% report that these do not exist. This group of employees are also unaware of their job functions, rights, responsibilities, and subordination. This can lead to confusion in the performance of tasks, diminish a sense of responsibility and a make negative impact on work performance. Moreover, less than half of the staff responded positively when asked

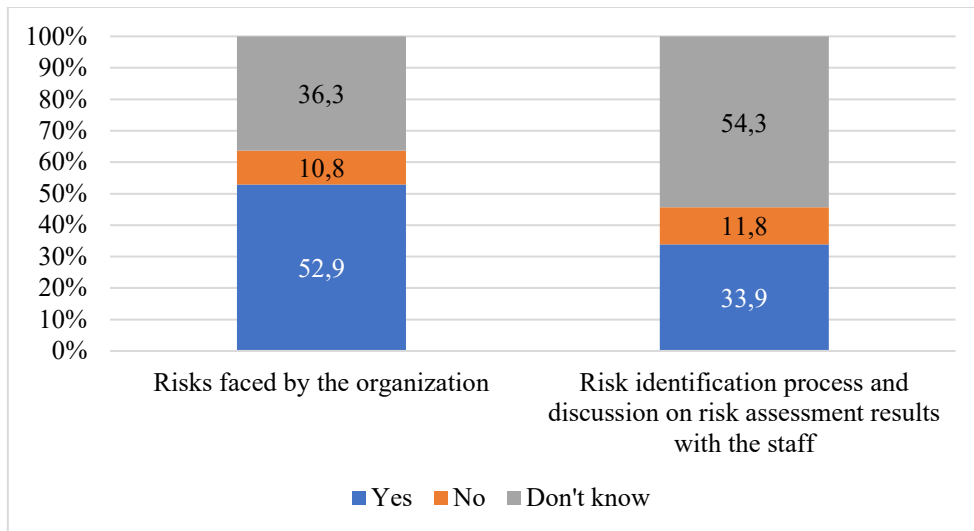


whether the organization has an approved list of persons authorized to prepare and sign or only sign accounting documents. Another part of the respondents replied that there was no such list or that they were not informed about it. This discloses a lack of information on important areas of responsibility and document management, which may pose risks to the transparency and efficiency of the organization's processes. It is recommended to ensure that job descriptions defining job functions, rights and responsibilities are available and clearly communicated to all staff members. A clear list of persons authorized to prepare and sign accounting documents should also be prepared and publicly announced.

The analysis of the survey results concerning the approval of the internal rules of the organization shows that only 50.7% of the staff are familiar with the internal rules. This means that only half of the staff have a clear understanding of the organization's operating procedures and the rules that govern their daily operations. However, 43.1% of the staff are not aware of these procedures, and 6.2% say they are not familiar with them. These results reveal a lack of dissemination of information within the organization, which can lead to inefficiency and a higher likelihood of errors. As regards the description of internal control, which covers the character of the organization's activities, risks, information system, asset protection, and other relevant information, less than half of the staff indicated that such a description is in place and known to them. The remaining part of the staff report that they have not seen or are not aware of such a description. Furthermore, there is a lack of clarity as to whether the control policy and procedures are accessible to all staff, which further limits the ability to ensure the effective functioning of the internal control system.

The results of the internal control risk assessment are presented in Figure 2. The results of the survey reveal that only 52.9% of the employees are aware of the risks the organization is facing. This shows that more than half of the

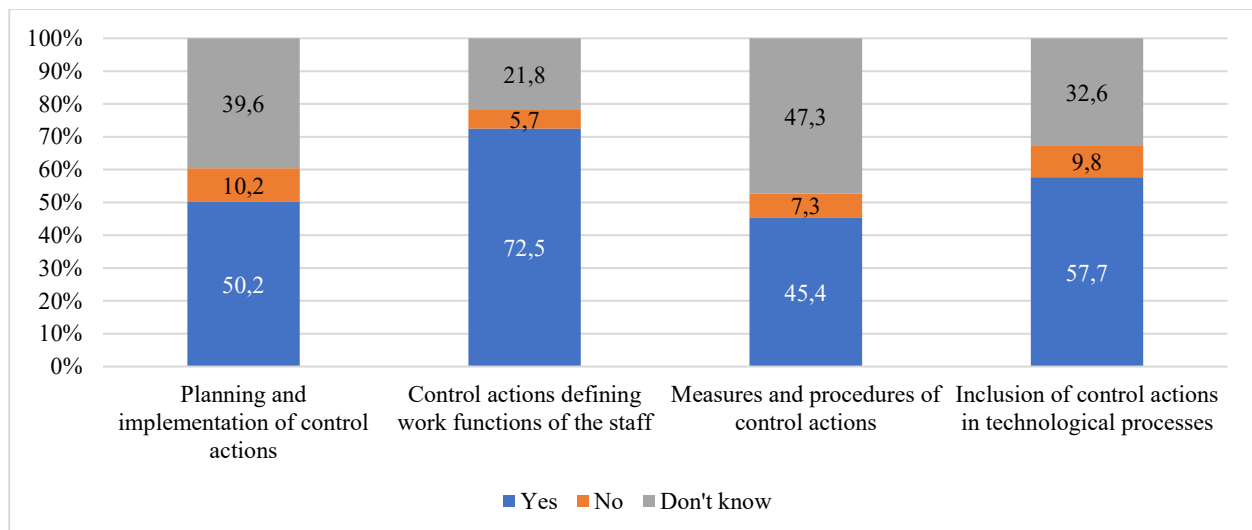
employees have some understanding of risk management, but 36.3% of them are not aware of this aspect, and 10.8% of them say that there is no such information. This highlights the need to improve communication and interpretation of risk management processes within the organization. It was noted that although the organization identifies risks and their categories, there is a lack of information about the staff responsible for risk management. This poses threat to the effectiveness of the risk management system. More than half of the staff (54.3%) declare they do not know whether risk management is documented and whether mechanisms are in place to manage risks. Meanwhile, only 33.9% of respondents believe that risk management is well documented, while 11.8% claim that there are no documented processes. The results revealed that more than half of the employees do not know whether risk assessment discussions take place in the organization. Also, many employees do not know whether the documents related to risk management are available to all employees. This points to poor dissemination of information and the need to develop a more effective communication system. The results of the assessment of the internal control performance are presented in Figure 3. 50.2% of the staff report that control activities are planned and implemented in the organization. More than half of the staff (62.7%) consider that the organization has a clear policy and procedures for the services provided. The results of the survey show that 39.6% of the staff feel that this area of internal control activities needs to be made more frequently introduced to them. The survey results show that 72.5% of the respondents are aware of the control actions in their organizations that define the job functions of employees. It was found that the majority of employees consider that their organization provides clear, detailed job descriptions, responsibilities and tasks, and that they have access to assistance and clarification of their duties where necessary.



**Figure 2. Assessment of internal control risk**

It is also possible to make comments and suggestions on the separation of duties, and to report on possible incompatibilities or problems. 43.1% of respondents were found to be unaware

whether job descriptions and assignments of responsibilities are regularly described and updated in response to changes in business demands.



**Figure 3. Assessment of internal control activities**

Further, the results on the measures and procedures for organization control actions are analyzed. 47.3% of the respondents are not aware of these internal control measures and procedures, and 7.3% of the respondents think that such measures and procedures do not exist in their organization. More than half of the employees do not know whether the procedures are documented and the staff are adequately trained to execute them, whether the control policies and procedures are accessible to all employees, and whether they are easy to understand and access. This is the part where respondents were least divided. After

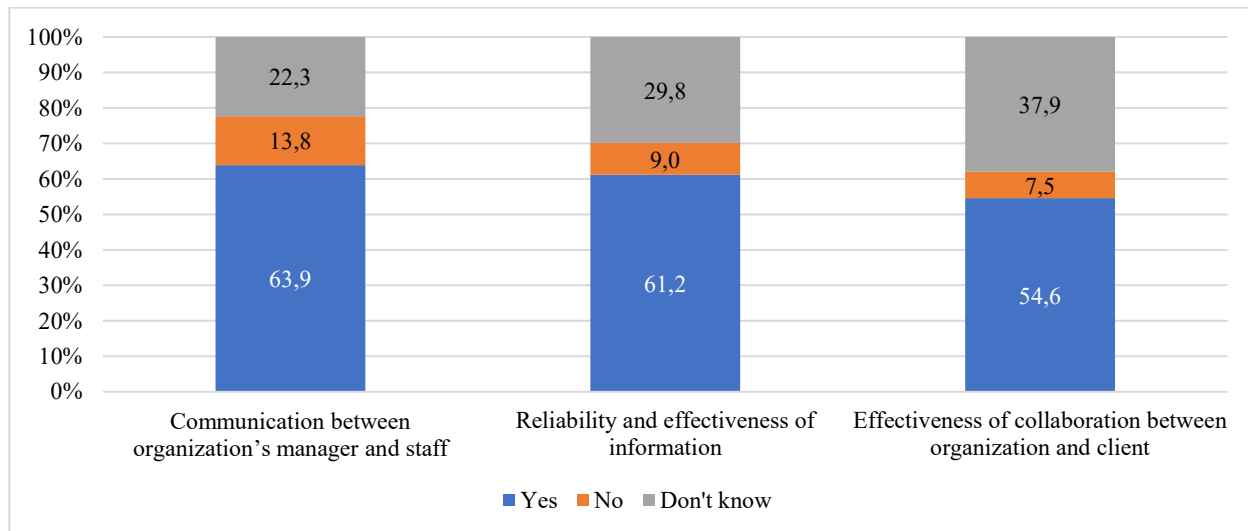
carrying out the analysis of control activities, the integration of into technological processes, it was found out that more than half of the employees had a positive view of this aspect of the organization's internal control. 32.6% of the respondents were not aware of it, and 9.8% had a negative view of this aspect. As many as 41.2% of the respondents do not know whether the organization has specific objectives related to the introduction of new technologies to reduce costs, increase profits or improve staff efficiency.

When performing the assessment of the organization's communication and information

on internal control, it was found that 63.9% of employees had a positive view of their communication with their managers, but 13.8% had a negative view and 22.3% have no opinion on this question (see Figure 4). The results show that the majority of employees find the information communicated by managers clear and understandable. Organizations encourage open, transparent communication, managers actively listen to employees' opinions and feedback. 68.6% are aware that the organization uses modern technology to improve communication, but 33.3% do not know whether the technology used in the organization ensures fluent communication and cooperation. As many as 25.5% of the respondents put it that the organization has no mechanisms or surveys to measure employee satisfaction about the communication with managers.

The survey results show that 61.2% of the employees have a positive view of the reliability and effectiveness of the organizations' information. In addition, the respondents report

that they receive timely information from managers and are trained on the use of documents, templates, and other means in the organization. The analysis of the results of the effectiveness of the cooperation between the organization and the client shows that 54.6% of the employees believe that the organization uses effective internal control measures in this area. According to them (70.6%), the organization actively cooperates with its partners and suppliers to understand their capabilities, offers, and to improve the quality of its work and services; while the rest (29.4%) do not have an opinion on this matter. When asked whether the organization regularly conducts customer surveys, market research and analyzes feedback in order to understand customer needs and expectations, 19.6% of the employees responded negatively and 41.2% did not know. Therefore, it is suggested that the organization should conduct more regular analysis of customer insights and market to understand customer requirements and preferences.



**Figure 4. Assessment of communication and information on internal control**

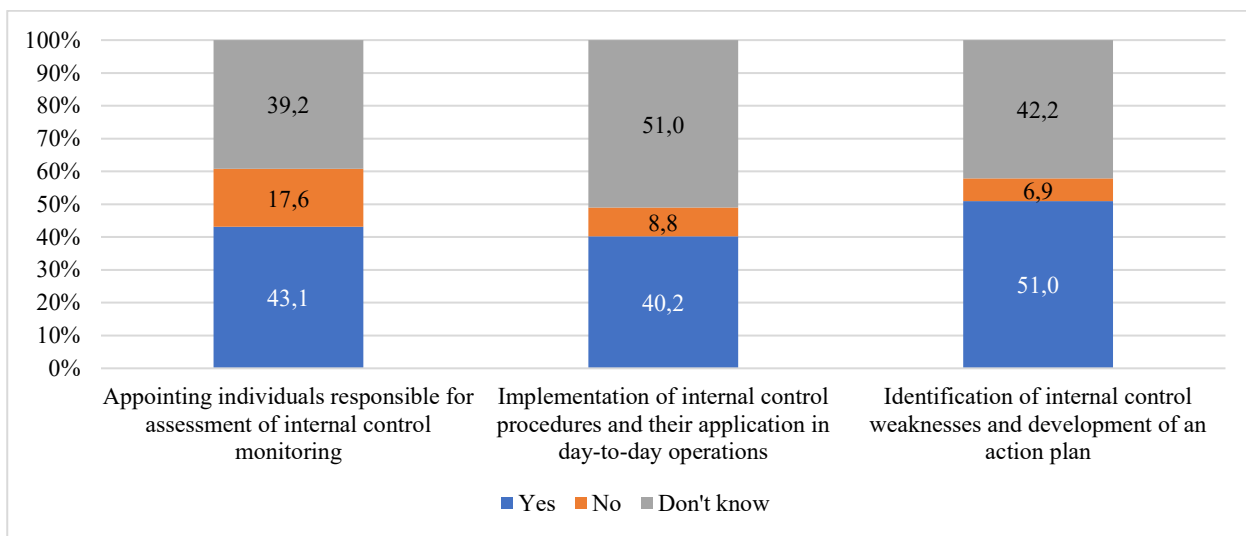
The results of the assessment of the monitoring of internal control are presented in Figure 4. The results showed that the organization had appointed staff responsible for the assessment of internal control monitoring; the majority of the staff responded positively (43.1%), but 17.6% of the staff responded negatively or did not know (39.2%). However, the majority of the staff

members are not sure whether internal control monitoring procedures are carried out regularly. This indicates that the clarity and consistency of internal control processes is poor. Moreover, quite many of the staff report that they do not know whether internal control monitoring is carried out at all. This may reflect a lack of communication or insufficient dissemination of

information about the importance and implementation of this process within the organization.

The results analyzed further show that 40.2% of the staff are aware of how to apply internal control procedures in their daily work, although the majority of the staff (51.0%) say they are not aware of these procedures, and 8.8% say these procedures are not applied in their work. This means that the majority of the staff members are not able to apply internal control

procedures in their day-to-day operations, which may pose threat to the transparency and efficiency of the organization. This may be related to insufficient training or unclear instructions on how to apply these procedures. Therefore, most staff do not know whether the organization's management assess the results and make decisions on them, or whether management take actions to identify internal control weaknesses and timely correct them.



**Figure 5. Assessment of internal control monitoring**

The survey results show that there is a lack of information about the organization's defined action plans to improve performance (42.2%), while the rest of the staff declare there is none (6.9%), but 51.0% of the staff say that the organization has an action plan prepared. The results indicate that the organization has not communicated the plans sufficiently or that they are not clearly accessible to all employees. This

may reduce staff's motivation and engagement in implementation of the plans.

The success and improvement factors for internal control are summarized in Table 6. Success factors contributing to the effectiveness of an organization's internal control system. Factors to be perfected could improve the effectiveness of an organization's internal control system.

**Table 6. Factors for success and improvement of internal control**

	<b>Success factors</b>	<b>Factors to be improved</b>
<b>Effectiveness of internal control environment</b>	Involvement of staff in the internal control process. Clear structure and responsibilities help to implement internal control processes. Managers' attitudes towards quality and autonomy. Learning is encouraged. Job descriptions help to clarify job functions and responsibilities.	Enhancement of communication on the meaning of internal control, the organization's structure and responsibilities. Establish coherent learning programs, especially in the area of internal control to provide the staff with the necessary knowledge and skills. Increase involvement of managers by focusing on strategic matters and employee empowerment. Provide the training on ethics and integrity for the staff.

	Communication and communication culture promote better cooperation and transparency.	Encourage open dialogue and ensure avoidance of discrimination and psychological pressure to improve motivation and cooperation of the staff. Ensure that all staff are well informed about job functions, responsibilities and the structure of the organization. Ensure that all staff are aware of and can apply internal procedures and control policy to avoid errors and risks in the organizational performance.
<b>Assessment of internal control risk</b>	Effective risk management communication. Clear documentation of risk management, clearly defined mechanisms to manage risks. Regular discussion on risk assessment. Ensuring availability of documentation.	Improve communication so that all staff are well informed about risks and risk management. Clearly define the structure of responsibility for risks and risk management within the organization. Ensure that risk management processes are clearly documented and accessible to all staff. Develop structured discussions on risks and risk management. Ensure that all staff have access to these important documents.
<b>Assessment of internal control activity</b>	Implementation of control actions. Clear policy and procedures. Informed awareness about job functions. Clear job descriptions. Possibilities to make suggestions.	Insufficient information of the staff about the planning and implementation of internal control actions. Updating of job descriptions; lack of documentation and training; poor availability of control policy. Lack of knowledge on objectives in the field of technology implementation.
<b>Assessment of information and communication on internal control</b>	Positive, open and transparent communication between employees and managers. Information rendered by managers is clear and understandable. The organization uses modern technologies to communicate.	Uncertainty about the effectiveness of the technologies and the need to correct these processes. Lack of mechanisms to assess satisfaction of the staff with communication. Unawareness of customer surveys and market analysis. Lack of customer feedback and market analysis.
<b>Assessment of effectiveness of internal control monitoring</b>	Clearer communication and consistency in internal control monitoring. Implementation of internal control procedures in day-to-day operations. Involvement of managers in improvement of internal control. Clear communication about, and availability of, action plans.	Improvement of the clarity and consistency of internal control monitoring. Enhance training and provide clear guidance on how to apply internal control procedures in practice. Improve communication on management actions related to monitoring and improvement of internal control processes. Ensure that action plans are available to all staff.

Based on the data in Table 6, it is recommended that the organization should enhance its communication and ensure a clear flow of information on internal control processes, risk management, policy, and procedures. This includes regular informing of the staff about the

risks identified in the organization, the individuals in charge of this, the control mechanisms and the objectives of technology implementation. It is important to provide consistent training to improve employees' understanding and application of internal control procedures by them in their day-

to-day operations. It is also recommended to more frequently collect employee feedback on their satisfaction about communication with managers and to ensure that technology is an effective means of communication. For efficiency reasons, it would be useful to carry out regular customer and market analyses and to publicize action plans so that employees feel involved in the implementation of the organization's goals and are motivated to contribute to improving the quality of the organization's performance.

### **Conclusion**

The results of the survey show that the majority of the staff are actively involved in internal control processes; however, some of them lack information or insufficiently understand these processes. Therefore, it is necessary to enhance communication and arrange training to help employees to better understand their roles and responsibilities. Even though the staff consider a clear structure of the organization as valuable, there is a lack of information on the meaning of structure and ethical principles; therefore, more attention should be paid to these aspects. The focus of managers on the quality of staff performance and the autonomy given to the staff are also assessed positively, but communication gaps and a lack of strategic focus remain. The organization's communication culture is underdeveloped, and it is important to promote an open dialog, reduce manifestations of discrimination and ensure psychological safety in the working environment. Although learning is encouraged in the organization, not all employees have possibilities to participate in the training processes. Therefore, it is necessary to develop

consistent training and development programs that are accessible to all in order to help employees to deepen their knowledge and to improve their skills. Most of the staff are familiar with their job descriptions, but some of them still do not understand their functions and responsibilities. It was observed that there was a lack of information on the organization's internal procedures and regulations; therefore, it is necessary to ensure clearer dissemination of them in order to increase efficiency and transparency.

The study also demonstrates that there are significant communication gaps in the organization, which hinder staff's ability to properly understand risk management, control procedures and their application in their day-to-day operations. Even though employees have a positive perception of the organization's policy and control actions, insufficient obtained information on risk management processes, appointed responsible individuals, and the documentation and updating of procedures may reduce the effectiveness and transparency of the organization. In addition, there is a lack of attention to the integration of technologies into internal control processes, and employees' knowledge of the technologies being used and their effectiveness is limited. There is also a lack of clarity on the monitoring of internal control and action plans to improve the quality of the organizational performance. This points to the need for enhanced communication, clearer information on internal control procedures, the use of technologies and action plans, as well as organized consistent training to improve staff engagement and effectiveness of organizational performance.

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