



P-12

Impact of internal controls on organizational effectiveness: case study of Harischandra Mills PLC

S. A. S. Priyadarshani and H. V. D. I. Abeywickrama

Dept. of Accounting & Finance, Faculty of Management & Finance,
University of Ruhuna, Sri Lanka

Identifying the contribution of internal control system is significant part of any organization. Existence of system of internal controls in an organization enable management to deal with rapidly changing economic and competitive environment, shifting customer demands, priorities and restructuring for future growth. This research was conducted to investigate the impact of internal controls to achieve the effectiveness of organizational activities. The study was done as a case study and Finance Division of Harischandra Mills PLC was selected as the research site. Data for the study was collected by depth interviews with managerial executives and account clerks as well as by participatory observation. Collected data were analyzed using quantitative methods which included cost-benefit analysis, profitability analysis and trend analysis. The study found that internal controls exert a significant positive influence on organizational effectiveness. Accordingly, the study results showed that, it minimizes occurrence of frauds, errors and other irregularities, assures a high degree of accuracy and reliability of financial data, safeguard assets, promotes operational efficiency and encourages adherence to the established managerial policies. However, internal controls did not guarantee the success of the company but provided guidance to achieve the success. The study concluded that the organization needs to pay considerable attention on internal control system so as to respond the inflationary effects. In addition, unavoidable weak points were inherent even in 100% accurate system of internal controls.

Keywords: internal control system, organizational effectiveness, internal audit, operational efficiency