

Paper 54 – Business and Governance

INTERNAL CONTROL SYSTEM AS MEDIATOR OF OPERATIONAL RISK MANAGEMENT AND FINANCIAL PERFORMANCE AND STABILITY

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ABSTRACT

This study aimed at exploring the mediation of internal control system on operational risk management and financial performance and stability in higher learning institutions of East Africa. A quantitative research study using descriptive correlation design, was done to 350 respondents where 308 (90.57%) staff and faculty members. The descriptive statistics findings showed that the institutions had a fair internal control system as perceived by the respondents; the level of operational risk management and financial performance and stability were fairly perceived as well. The study reveals that the years of operation, size of the firm and location affect financial performance and stability in the selected institutions. Based on Pearson correlation findings, OPM had a significant positive relationship with internal control system and its dimensions. All components of ICS had a positive relationship with financial performance and stability dimensions. Based on the findings, the best path generated by ordinary least square regression was on internal control system as mediator of operational risk management and financial performance and stability. Therefore, internal control system had a partial mediating effect on the relationship of operational risk management and financial performance and stability.

Key Points: Internal Control System, Operational Risk Management, Financial Performance And Stability

