

# **The level of effective internal control system of licensed commercial banks: A comparative study of state-owned and private domestic commercial banks in Anuradhapura district**

**K.R. Vidanage and J.S. Kumari**

*Department of Accountancy and Finance, Faculty of Management Studies,  
Rajarata University of Sri Lanka, Mihintale Corresponding author:  
k.v.rebeka28@gmail.com*

## **Abstract**

The worldwide organizations have resulted in complex business procedures and activities due to the globalization. In the case of banking sector procedures, a complication of banking transactions and the increase in frauds of banking activities have let to pay attention to the internal control system in banking sector. An effective internal control system is the backbone of every organization. Thus, a poor internal control system may lead to the collapse of the organizations. Simply, internal control involves everything that controls risks to an organization. Hence, this study aims at comparing the level of the effective internal control system of state-owned and private domestic commercial banks in Anuradhapura district. The level of effective Internal Control System was evaluated based on the five components (i.e., Control Environment, Risk Assessment, Information and Communication System, Control Activities, and Monitoring Activities) of the Committee of Sponsoring Organizations (COSO) framework. The structured questionnaires were used to collect the data from 50 and 30 respondents from state-owned and private domestic commercial banks, respectively. The major respondents were managers (the response rate was 76.25 percent) and secondary officers (the response rate was 23.75 percent). Descriptive analysis, Independent Sample T-test and ANOVA were used to analyze the data using SPSS. The results of the study indicate that the level of effective Control Environment, Information and Communication System, and Control Activities are different between State-Owned and Private Domestic Commercial Banks in Anuradhapura district whereas the level of effective Risk Assessment and Monitoring Activities are not different between State-Owned and Private Domestic Commercial Banks in Anuradhapura district. The findings of this study will help practitioners as a guideline to get the maximum benefit of their internal control system.

**Keywords:** *COSO framework, internal control system, level of effective internal control system, private domestic commercial banks, state-owned commercial banks.*