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***"Effect of internal control on the financial performance of the company"***



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**In the name of Allah, the Most Beneficent, the Most Merciful**

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## **Abstract**

The main aim of this study is to examine how weak internal control affects the financial performance of small firms and what is the impact of ineffective internal controls on a firm. In this study, we briefly explain the types, importance, and objectives of internal controls and why internal control is necessary for the growth and survival of any organization. Our main focus is only on small firms and businesses because they are more exposed to fraud as compare to large firms just because they don't follow an effective internal control system or may not be kept alive internal controls in organizations. One small firm was selected for study and a different method is used for data collection and testing. In this study, we found that weak internal controls are the main reasons of unfavorable financial performance. Weak internal controls are also the main contributing factor for committing fraud. We also discovered some examples of uncertain or weak internal controls include no segregation of duties, the incomplete process of documentation, and no proper supervision, lack of policies and procedures which results in more opportunities for fraud and misuse of the company's assets.

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## **Table of Acronyms**

IC	Internal control
FI's	Financial Institutions
FS	Financial Statements
BOD	Board of Directors
ACFE	Association of certified fraud examiners