

AN EXAMINATION OF INTERNAL CONTROL SYSTEM AMONG MALAYSIAN CREDIT CO-OPERATIVES

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Abstract

This study aims to examine the perception on internal control system (ICS) practices among Malaysian credit co-operatives. Specifically, this study provides input to those who are involved in developing ICS in co-operative namely, the Board Members (BOARD), Internal Audit Committee (IAC) and management staff. Using Malaysian Co-operative Societies Commission (MCSC) definition on classification of co-operatives, four groups of respondent cooperatives based on size of cooperatives were developed i.e. micro, small, medium and large. After eliminating with incomplete data, 536 co-operatives were selected to be included in this study, where, two questionnaires were mailed to co-operatives' BOARD and IAC. After three follow up procedure, 22% of the respondents returned the questionnaire. To compliment the questionnaire analysis, a case study on four co-operatives using unstructured interview questions was conducted. The data was analysed based on three themes namely ICS awareness, readiness and practices. It was found that the majority of respondents are highly aware on the importance of ICS and they believed that ICS should associate with monitoring activities. Consistently, the large majority of the respondents pointed out that, their co-operatives are ready to perform ICS in the perspective of human resource, knowledge, and training. On the other hand, the majority of Malaysian credit co-operatives are not ready to provide sufficient financial resources to appoint competent and skilled staff. Finally, the majority of the respondents (> 80 percent) have performed 60 percent of the ICS components presented to them. Also, 56 percent of the respondents submitted periodic report to the MCSC as required by the law. These findings indicate that Malaysia credit co-operatives are aware and ready to perform ICS towards good governance in the interest of their members.

Key words

Co-operative; Internal Control System; Internal Audit Committee; Awareness; Readiness; Practices.

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