



## ASSESSMENT OF INTERNAL CONTROL SYSTEM AND THE PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS AT WORLD VISION- KIGALI RWANDA

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### ABSTRACT

*This study aimed at assessing the effect of internal control systems and the performance of non-governmental organizations at World Vision Kigali-Rwanda. The specific objectives of the research are: (i) to examine the influence of the control environment on the performance of World Vision Rwanda; (ii) to assess the influence of control activities on the performance of World Vision Rwanda; (iii) to analyze the effect of risk assessment on the performance of World Vision Rwanda; and (iv) to evaluate the influence of monitoring activities on the performance of World Vision Rwanda. To achieve these objectives, the research adopted a descriptive research and correlational research design using quantitative approaches. The research targeted 306 employees and management of World Vision Rwanda. The sample size included 90 respondents selected using a purposive sampling technique. Data was collected using questionnaires, interviews, and documentary reviews and was analyzed using both descriptive and inferential statistics. Data was presented using tables containing the frequencies, means, and standard deviations. The findings showed that World Vision Rwanda's organizational setup supports effective operations and financial reporting practices (Mean = 3.98), the value of integrity and ethical behaviors is established in performance (Mean = 3.87), there are codified standards of conduct to guide behavior and activities (Mean = 3.83), and management is committed to professional work practices and standards (Mean = 3.83). World Vision Rwanda follows a clear segregation of duties to ensure compliance with established policies and procedures (Mean = 3.97); top management regularly conducts performance assessments (Mean = 3.93) and performs physical asset inspections to ensure physical asset controls (Mean = 3.92). World Vision Rwanda has a well-functioning risk management board (Mean = 3.86) and clear lines for reporting suspicious transactions (Mean = 3.44). Risks are recognized and assessed to decide how to manage them (Mean = 3.85), and the managers assess the external and internal environments that may have an impact on the achievement of goals (Mean = 3.82). The findings also showed that World Vision Rwanda establishes a baseline to monitor the internal controls (Mean = 3.84) and continuously evaluates all internal control components to ensure their operations (Mean = 3.92). Findings also showed that there was a positive and significant correlation between the control environment ( $r = .878, p < .05$ ), control activities ( $r = .785, p < .05$ ), risk assessment ( $r = .878, p < .05$ ), and monitoring activities ( $r = .687, p < .05$ ) and the NGO under study's performance. Moreover, independent variables, namely control activities, control environment, risk assessment, information and communication, and monitoring, explain 85.8% ( $R^2 = .858$ ) of the variations in performance of World Vision Rwanda, indicating that effective operations of the internal control system of the NGO would enhance its performance. The study concluded that NGO's operational effectiveness depends upon their internal control system and how it operates as shaped by the control environment, risk assessment and monitoring activities to enhance the organizational performance. The study recommended that management of World Vision Rwanda should ensure that responsibility for approving and periodically reviewing the overall strategies and significant policies of the NGO are well spread within their team and ensuring that senior management is monitoring the effectiveness of ICS' operations.*

**Key words:** Internal Control systems, performance, NGO, World Vision

## 1.0. INTRODUCTION

### 1.1. Background to the study

The modern-day importance of internal control in directing and preventing fraud and preserving an organization's resources to achieve its objectives is undeniable (Sahabi *et al.*, 2017). Organizations have invested heavily in improving the quality of their internal control systems to ensure that operational, financial, and compliance goals are met and to provide specific backup for their certifications and claims (Oseifuah & Gyekye, 2019). Even if a business is in full compliance with all applicable laws, rules, and regulations, it is not enough to guarantee an effective internal control system. Tunji (2019) indicated that internal control processes can only work well if all workers actively contribute to the long-term success of the organization by doing their jobs and going above and beyond. According to the principles of internal control, an organization's internal control system should be its primary tool for holding management accountable to its stakeholders and for discouraging, preventing, and spotting instances of fraud and corruption (Ndiaye *et al.*, 2019). In addition, it is the responsibility of management to establish and keep up a robust internal control system that can be relied upon. According to Mugenyi (2019) and Muhunyo and Jagongo (2018), an organization's internal control system makes sure that financial reports are accurate, that operations run smoothly, and that the company follows all relevant laws and rules.

Over the past decade, there has been a dramatic increase in public awareness of, and scrutiny of, both for-profit and non-profit organizations (NPOs) and non-governmental organizations (NGOs), which has resulted in a corresponding increase in the expectation and demand for accountability on the part of boards and leaders of these organizations regarding revenues, funding, and expenditures. According to Muazu and Abdullahi (2019), NGOs in developing nations play a crucial role in fostering economic progress and supplying basic services to their citizens through aiding in relief, rehabilitation, and community development, among other crucial endeavors. According to Muazu and Abdullahi (2019), the growth of the NGO sector can largely be attributed to the failure of African governments to promote economic development. Adebisi (2018) indicated that it can be hard for NGOs to design, monitor, and implement project financing techniques, which can hurt the long-term health of the organizations.

Managers in NGOs may not feel accountable to donors in the same way that other managers may feel accountability to the owners of their organizations. This is because NGOs are non-profit entities where control and ownership are vested in supporters or members of these organizations (Adan, 2021). This makes NGOs unique and requires a unique management control process. An internal control system (Sahabi *et al.*, 2017; Doyle *et al.*, 2017) consists of five main parts: the control environment, the control activities, information and communication, risk assessment, and monitoring and evaluation. Non-governmental organizations (NGOs) can use the controls in these sections to prevent losses and improve their operations (Sahabi *et al.*, 2017). Even though NGOs and big companies may use internal control systems in different ways, both Ngari (2017) and Doyle *et al.* (2017) agree that the components of internal control systems are important for all business organizations.

The internal control mechanism known as an organization's "control environment" is what really determines the culture of an organization and how control-conscious its employees are in terms of management and leadership skills (Ndiaye *et al.*, 2019). Many different measures for measuring an organization's success rely on a stable control environment as their basis. The management philosophy and working style, the delegation of power and responsibility, the structure and development of the entity's human resources, and the board of directors' watchdog role are all examples of elements that make up an entity's control environment (Ndiaye *et al.*, 2019). According to Etengu and Amony (2019), a control environment is successful when its members are knowledgeable, aware, and committed to doing the correct thing. Ndiaye *et al.* (2019) also say that an organization's control environment shows what its management believes and how it runs the business.

The term "control activities" refers to the set of rules and procedures put in place to help in the carrying out of "management instructions" (Ndiaye *et al.*, 2019). The term "control activities" refers to a wide range of tactics used to mitigate potential threats to an organization's goals (Sahabi *et al.*, 2017; Doyle *et al.*, 2017). Some forms of control are proactive, while others are reactive (Sahabi *et al.*, 2017). The purpose of preventive controls is to eliminate the need for corrective action in the event that an undesirable event occurs. Losses may be avoided thanks to the proactive nature of such measures (Doyle *et al.*, 2017). The purpose of detective control is to unearth undesirable actions. These safeguards flag when a loss of a certain kind has occurred but do not prevent them (Sahabi *et al.*, 2017; Benson & Jargongo, 2018). Benson and Jargongo (2018) say that control activities help make sure that the right steps are taken to stop threats to an organization's goals.

For an internal control to function well, it is necessary that the appropriate personnel have access to the necessary data in a timely and effective way. Reports are produced using computerized systems (Ibrahim *et al.*, 2017). An organization's information and communication systems are the means through which crucial data is gathered, analyzed, and disseminated to those inside the organization who need it (Adan, 2021). According to Doyle *et al.* (2017), records kept by information and communication systems gather information, analyze it, summarize it, and report on it, all while keeping track of who owns what assets and who is responsible for what debts. Internal control depends on effective communication, say Oppong *et al.* (2020). People who take part in internal control activities should know what their responsibilities are and what role they play in the organization as a whole when they leave.

The cornerstones of good corporate governance are risk management and an internal control mechanism (Oppong *et al.*, 2020). Businesses of all sizes need to do regular risk assessments because there are so many potential internal and external threats to consider (Sahabi *et al.*, 2017). When hazards are discovered, a risk analysis is carried out to rate the risks, and risk assessments are considered successful if they aid in identifying what the risks are, what controls are needed, and how they should be addressed (Benson & Jargongo, 2018). Adan (2021) indicated that a thorough risk assessment includes figuring out not only how likely an event is to happen but also how much it will cost, both financially and in other ways.

Systematic, ongoing monitoring and separate evaluations are required to gauge the efficacy of internal control over time (Ibrahim *et al.*, 2017). The five pillars of an effective

internal control system are linked through monitoring, and monitoring activities may be applied to each of these pillars (Ibrahim *et al.*, 2017; Oppong *et al.*, 2020). Operations need continuous monitoring, which entails a wide range of management and supervisory responsibilities aimed at improving the internal control's design, execution, and efficacy (Ibrahim *et al.*, 2017; Sahabi *et al.*, 2017; Doyle *et al.*, 2017). In contrast, self-assessments and internal audits are periodic reviews of internal control components that lead to a formal report on internal control (Benson & Jagongo, 2018; Oppong *et al.*, 2020). As shown by Sahabi *et al.* (2017) and Doyle *et al.* (2017), management's poor and tardy measures to repair issues undermine the credibility of the monitoring exercise.

Non-profits' use of performance data in their decision-making framework is greatly aided by effective performance measurement and management (Oppong *et al.*, 2020). Individual or collective performance refers to one's or one's team's positive or negative impact on the development of an activity. Performance was defined differently by Ramadan and Borgonovi (2018) and Oppong *et al.* (2020); both groups agreed that it refers to an organization's capacity to function effectively, to endure, and to expand while maintaining the flexibility to respond to challenges and opportunities in its environment. It is clear from this description that many NGOs do not give efficiency and performance the consideration they need. However, evaluating the success of NGOs is difficult since they are not driven by financial gain (Oppong *et al.*, 2020). Projects have their own unique metrics and objectives, so it would be unfair to apply the same method to evaluate them all.

Previous research has looked at how NGOs' internal control mechanisms influenced their results. Internal control problems were identified by Haasan (2021) in his study of ICS's influence on the efficiency of NGOs. These problems included inadequate accountability for financial resources; late financial reporting; fraudulent use of funds; and cash flow problems. Moreover, both Sahabi *et al.* (2017) and Doyle *et al.* (2017) demonstrated that enhanced financial reporting processes and a credible report that strengthens the institution's management responsibility role are common outcomes of well-designed and implemented internal control systems. However, all internal control systems have limitations that affect how likely they are to succeed. According to Sahabi *et al.* (2017), NGOs need to implement rigorous controls in order to boost their efficiency. However, there is a dearth of studies that examine how NGOs' internal control methods affect their output in Rwanda. The goal of this study was to find out how the ICS has changed how NGOs work in Rwanda.

## 1.2. Problem Statement

NGOs often use public funding (from the government, charitable financing organizations, or public contributions) to provide services to their beneficiaries. NGOs of all sizes and budgets face the same risks as for-profit enterprises in a variety of areas (Ayagre *et al.*, 2014; Oppong *et al.*, 2020). To prove that their resources have been spent efficiently for mission fulfilment, NGOs must cultivate a culture of governance and checks and balances in their operations and the delivery of services (Benson & Jagongo, 2018). Kerine (2020) and Oppong *et al.* (2020) agree that small NGOs, even if they don't have their own internal audit units, must still be responsible to all stakeholders by keeping a solid internal control system to manage their risks.

Consequently, NGOs in Rwanda are mandated by the Ministry of Finance and Economic Planning (MINECOFIN) to establish a conducive framework for the design and implementation of sound internal control systems and a framework for obtaining assurance that these systems are functioning as intended, and if not, to take appropriate and timely corrective action (MINECOFIN, 2020). By putting in place internal controls in key areas, non-government organizations (NGOs) can protect themselves from fraud, make better use of funds, avoid breaking the law, and get more public and financial support. Throughout the years, World Vision Rwanda has adopted a variety of internal control measures in both financial management and operational management. Separating responsibilities for authorization, review, and approval; setting approval thresholds for financial transactions; password-protecting access to financial systems; establishing an internal audit function; and establishing policies for asset and personnel management procedures are all essential internal controls (World Vision Rwanda, 2020). Since the organization has taken these steps, it is safe to assume that all of its assets are secure and safe from abuse or theft.

Though World Vision Rwanda does have internal control measures, the audit reports that are currently available highlight some performance gaps in the areas of expenditure management, including ineligible or unbudgeted expenditures, noncompliance with partner financing, and insufficient supporting documents for procurement activities (World Vision Rwanda, 2020). However, it is still difficult for the organization to meet *all* of the financial requirements set by the government. Financial reporting is not up to par, and there is still no one in charge of the organization's money. Even though fraud and misuse of resources have been found, the necessary steps have not led to the results that were wanted.

Among the many studies undertaken on the topic of internal control is Adan's (2021) analysis of the impact of an internal control system on the efficiency of NGOs in Nairobi, Kenya. According to Korine's (2020) review of the factors impacting the sustainability of NGOs in Nakuru County, it was found that investing in staff training ensures continued employee competence. But she doesn't link internal controls with financial results. In Accra, Ghana-based faith-based NGOs' internal control was studied by Oppong *et al.* (2020) for its impact on organizational effectiveness. However, the reviewed studies were not done in Rwanda, and the one that did exist focused on a for-profit business, so their findings may not be directly transferable to NGOs. This study aims to fill in this information gap by looking at how the implementation of an internal control system affects the efficiency of nongovernmental organizations (NGOs) in Rwanda.

### **1.3. Research Objectives**

The main objective of this study is to assess the effect of internal control system on the performance of Non-Governmental Organizations in Rwanda. The specific objectives were:

1. To examine the influence of control environment on the performance of World Vision Rwanda
2. To assess the influence of control activities on the performance of World Vision Rwanda.
3. To analyze the effect of risk assessment on the performance of World Vision Rwanda
4. To evaluate the influence of monitoring activities on the performance of World Vision Rwanda

## 2.0. LITERATURE REVIEW

### 2.1. Conceptual review

Internal control has been defined as a framework that includes the control environment, risk assessment, control activities, information and communication, and monitoring in various studies. The following sub-sections present the review of these variables.

#### 2.1.1. Control environment

The control environment sets the tone for an organization, which in turn influences the control awareness of its employees and other stakeholders. Integrity and ethical values, management's philosophy, and strictly enforced laws and procedures are all part of an organization's overarching culture and tone, which make up the control environment (Janvrin *et al.*, 2019). According to Muazu and Abdullahi (2019), the control environment plays a pivotal role in the success of the whole system. Ndiaye *et al.* (2019) say that the way the control environment affects the design and implementation of an organization's internal control system shows how honest, moral, and skilled the organization's management is.

Muhunyo and Jagongo (2018) suggested that the management's control awareness and all personnel carrying out their assigned tasks rest on a foundation of integrity, ethical ideals, devotion, and competence. And he seems to be implying that the control structure is a reflection of management's operational philosophy and style. Many authors agree with these claims, and some go even further to say that the control environment influences the risk level and the type of organizational structure that is currently in place with clearly defined responsibilities, and so it serves as the foundation upon which the other elements are developed.

The control environment is also heavily influenced by human-resources policies, such as the regulations for promotions and pay, as well as the allocation of authority and responsibility. As stated by Britnell (2017), when a firm preserves the right values, people will work tirelessly for the company's success. Furthermore, an organization's integrity and ethical values boost its credibility among its stakeholders, which in turn boosts the likelihood of investment. A microfinance institution must put a lot of money into developing the knowledge, skills, and abilities that will help it reach its goals.

It has been argued by both Muraleetharan (2019) and Kinyua *et al.* (2020) that an ICS may function at any level of an organization so long as it is housed in a controlled setting. The correlation between the control environment and financial performance was shown to be statistically insignificant by Muraleetharan (2019), who investigated whether ICSs lead to an improvement in an organization's performance. Ali (2019) found a positive and robust relationship between a bank's control environment and its financial performance, while Kinyua *et al.* (2020) found a similar relationship between the control environment and the financial performance of companies traded on the New York Stock Exchange.

#### 2.1.2. Risk assessment

Risk assessment is an ongoing practice that helps businesses plan for the unexpected, make sound decisions, and allocate scarce resources efficiently (Rafindadi & Olanrewaju, 2019). A review known as a "financial risk assessment" must be conducted in order to discover and

analyze the potential for material misstatement in a financial statement. The first and most important step in conducting a risk assessment is to identify all potential dangers. If business and fraud risk indicators are not mapped out, management would not be able to evaluate them or keep track of them (Moenga & Mereipei, 2021). According to Badara and Saidin (2019), risk assessment is all about the process of identifying and evaluating management-relevant risks for the preparation of financial statements that are presented truthfully in line with generally accepted accounting principles. In such a situation, management must establish what level of risk is acceptable and work to keep it there (Michino, 2020). In addition, risk assessment comprises the use of methodical approaches to identify and examine relevant dangers, followed by the control of such risks. When an organization does a risk assessment, they take stock of all potential threats, both internal and external, and decide how best to deal with them (Moenga & Mereipei, 2021).

The risk assessment phase involves a careful analysis of the variables that may lead to the undesirable result (Haasan, 2021). The basis for establishing how the risks should be addressed is the identification and analysis of relevant hazards to accomplish the goals (Etengu & Amony, 2019). Systems for recognizing and managing the particular risks associated with these alterations in economic, industrial, regulatory, and operational circumstances are necessary. So, it's important for management to figure out how much uncertainty they can handle without putting their goals at risk (Moenga & Mereipei, 2021). The goals of a control system may be greatly influenced by a thorough examination of the associated risks. Internal control is a dynamic system (economic and operational variables are continually changing), and risk assessment practices may and should evolve over time. A proper risk assessment can't begin unless the right goals have been set (Michino, 2020). Both internal and external threats are taken into account throughout the risk assessment process. Therefore, risk mitigation strategies need to be assessed and updated on a yearly basis, at the very least. So, management creates and puts in place the right internal controls to make sure that resources are allocated correctly and that policies and procedures are followed.

### **2.1.3. Control activities**

Control activities are the processes that, when followed, allow management to give directives in an appropriate way. These activities are made possible by rules and procedures (Ndiaye *et al.*, 2019). According to Janvrin *et al.* (2019), performance reviews, data processing, control mechanisms, and assigned responsibilities are all examples of control mechanisms that may be used within an organization. This is because performance reviews, data processing, control mechanisms, and assigned responsibilities are all examples of control mechanisms. Ndiaye *et al.* (2019) list a number of different types of controls, such as the separation of duties, the proper authorization of transactions and activities, the daily deposit of cash receipts, the restriction of access to check stock, the maintenance of physical control over and records, and so on. Ndiaye *et al.* (2019) list a number of different types of controls. According to Haasan (2021), control actions are the most visible component of internal control and, perhaps, the one that has the most significant role in avoiding inappropriate behaviors. The most favorable conditions for achievement are created when management and all other workers regard control processes as though they have always been in place, rather than as an afterthought. This activity is significant

because it helps microfinance institutions achieve their overall control activity objectives, which makes it vital (Bostan & Grosu, 2020). In addition to this, controls aid in the prevention of losses caused by fraudulent activity or theft.

Visser and Erasmus (2018) demonstrated that control actions that are included in an ICS include approving, authorizing, verifying, reconciling, analyzing, and evaluating operational operations, safeguarding assets, and dividing duties. Control activities are the rules and procedures that help ensure the execution of management instructions and guarantee that action is taken to reduce risks to an entity's achievement of its goals. One way to think of control activities is as the rules and procedures that help ensure the execution of management instructions (Muraleetharan, 2019). The study that was conducted by Muraleetharan (2019) on the connection between control activities and organizational performance revealed a good association between the two factors. According to the findings of Abdullahi and Muturi (2020), the quality of an organization's financial performance was unrelated to the amount of effort that was put into internal control.

#### **2.1.4. Monitoring**

Monitoring is the process through which an organization assesses the health of a certain system or activity (Ndiaye *et al.*, 2019). Measurement of a system's progress through time is what's meant by "monitoring" (Michino, 2020). Due to the dynamic nature of the modern workplace, it is essential that organizations regularly assess the effectiveness of their internal control systems in light of these shifting internal and external conditions and make any necessary adjustments. Monitoring procedures can investigate topics such as control environment, control activity design and execution, risk assessment, and information dissemination (Kariuki & Reddy, 2017). To make sure the internal controls in place keep working as they should, we need to implement mechanisms for monitoring them (Mohamed, 2020). This may be done with the help of either periodic checks or periodic assessments, or a combination of the two. Normal management and supervisory activities, as well as any other actions taken by personnel in the course of carrying out their obligations, should be subject to continuous monitoring throughout operations (Kariuki & Reddy, 2017; Mohamed, 2020). Risk assessment and the efficiency of existing monitoring mechanisms play a significant role in determining the scope and frequency of various evaluations (Michino, 2020). The board and senior management should be told about major problems, but any problem with internal control should be told to the right level higher up the command chain so that it can be fixed (Kariuki & Reddy, 2017).

Management's sluggish and poor corrective measures degrade the dependability of the exercise, and internal controls are most successful when incorporated into the infrastructure of the organization and become an intrinsic part of the business itself (Batra *et al.*, 2018; Ndiaye *et al.*, 2019). Information about potential and present control system faults may be gleaned by monitoring activities (Ndiaye *et al.*, 2019). Controls may be monitored in a number of ways, including via self-evaluation, external audits, and direct testing. Therefore, it is crucial to keep a close check on the standard of an organization's control systems and report any discrepancies back to the people in charge of internal control (Batra *et al.*, 2018). An organization's day-to-day operations should include frequent reviews by business units and internal audits, as well as a focus on keeping tabs on any potentially catastrophic risks (Michino, 2020). But for monitoring



to be effective, some investment is necessary. As a result, businesses need to allocate enough funds to their monitoring efforts. According to Theofanis *et al.* (2020), careful monitoring is required to assess the quality and effectiveness of an internal control system over time. According to Hsu *et al.*'s analysis of the relationship between board monitoring and corporate investment and company performance, businesses in Taiwan with minimal financial limitations are more likely to benefit from rigorous board monitoring. In addition, Bongani (2019) asserts that an ICS is the most crucial accountability and governance mechanism that an NGO can construct and use to account for its stakeholders (donors) and safeguard its assets. A good internal control over financial reporting is one that gives a reasonable amount of confidence that the financial statements and how they were made are reliable for the purpose they were made for.

### **2.1.5. Performance of NGOs**

The ethical-social motivation and technical professionalism of NGOs have recently declined as a result of the increased scrutiny over their use of their limited financial and non-financial resources. Furthermore, the nature of the NGOs' work necessitates that they measure and promote the efficacy of their initiatives (Ramadan & Borgonovi, 2018). Businesses in high-risk, high-pressure industries need a realistic and effective way to measure and manage performance so they can meet the needs of all their stakeholders.

Lindblad (2018) indicated that performance measurement is the process of evaluating the activities and services provided by NGOs in light of predetermined goals and measurable metrics. It is an instrument for evaluating the performance of people, teams, and the whole business (Ferreira & Otley, 2019). Performance evaluation can be used to assess a program's effectiveness and efficiency (Miller, 2017). However, financial statements are a significant indicator for analyzing quantitative features since they inform stakeholders about the organization's financial health and allow for more precise activity planning and monitoring (Ramadan & Borgonovi, 2020). Donor money comes with a responsibility to account for its usage, provide details on where it went, and plan for making the most of limited resources (Gjerdrum & Peter, 2018). Thus, openness is a prerequisite for responsibility. The main goals of an NGO are to gain the trust of its financial backers and to build a team of dedicated workers from within.

A lot of non-governmental organizations are thinking about ways to improve communication with their constituents. If everybody in the world could easily interpret the financial data, then transparency would have been achieved (Lewis, 2019). Several non-profits are adopting the IFRS (International Financial Reporting Standards) method of reporting in an effort to raise the bar on the accuracy of their financial statements. The financial health of the organization can be judged by looking at these statements, which were made according to international accounting standards. Analyzing and interpreting financial data helps businesses assess their financial health, compare their performance over time or to that of other businesses, make better decisions in the present, and prepare for the future (Ramadan & Borgonovi, 2020). The financial accounts of a company are a vital resource for identifying potential threats and deciding how to respond (Kareithi & Lund, 2019). Fraud, theft, fluctuating costs, currency

fluctuations, etc. are all dangers that non-governmental organizations (NGOs) face. If there were effective internal controls, routine checks of financial records, prompt actions, and current information, these issues may not have arisen.

The long-term support that charities can continue to provide their recipients is the first problem to be addressed (Ramadan & Borgonovi, 2020; Kareithi & Lund, 2019). The organization's ability to operate and continue its mission into the future depends on its financial stability. Effective financial management, which includes planning to foresee and anticipate, organizing to work according to the plan, monitoring the activities to compare and match the original plans, and assessing the activities accomplished, is what would lead to such financial sustainability (Kareithi & Lund, 2019). Efficiency in an organization is measured by its capacity to serve the greatest number of people with the fewest resources at the lowest feasible cost while maintaining or improving the quality of service provided to each individual (Ramadan & Borgonovi, 2020). (Ramadan & Borgonovi, 2020; Kareithi & Lund, 2019) When the organization's goals are met through smart use of resources and reliable results, we can say that it is effective.

NGOs measure their impact by creating performance indicators and then tracking related data over time. Efficacy, fundraising, expenditures, beneficiary satisfaction, and efficiency are some of the most common performance indicators used by NGOs (Carman, 2017). Teelken (2018) utilized the efficacy, economy, efficiency, and effectiveness of non-governmental organizations as KPIs to assess their performance. Moreover, Benjamin and Misra (2018) propose that four important indicators—inputs, outputs, outcomes, and effects—be used to assess the effectiveness of non-governmental organizations. In other words, efficiency is the relationship between the resources used and the results produced. But efficacy is seen as a gauge for measuring how close a company comes to achieving its stated aims. The time, money, and effort put into a project are only some of the input indicators that are monitored. As opposed to input indicators, which track the process of achieving a project's objectives, output indicators track the outcomes of a project's resources. These outcomes are often measured in terms of the number of people served and the number of providers.

Beneficiary satisfaction may be gauged in relation to issues like ease of access, promptness, availability, and choice, all of which are important indicators of an NGO's effectiveness (Niven, 2018). In general, it considers how accomplished goals will affect the world as a whole and the broader socioeconomic changes that will occur as a result. It takes into account people and places outside the intended recipients to determine how a program or intervention has changed their lives. Niven (2018) also remarked that the success of NGOs may be evaluated in part by looking at how well they foster cooperation and maintain high standards of quality. The quantity, quality, and contentment of partners are all taken into account while assessing relationship quality in the NGO field. Quality is measured by how happy donors are, how new the offerings are, and how well they match global standards. According to Andreasen and Kotler (2018), nonprofits' ability to continue operating depends on successful fundraising. The degree to which aid is reliant on outside funding (Epstein & McFarlan, 2011). The resource generation ratio is mentioned by Lewis (2019) as another statistic used to assess the efficacy of

fundraising. In addition to the amount of money raised, Niven (2018) found that the cost of fundraising and the response rate of funding requests are also good indicators of how successful a campaign is.

## 2.2. Theoretical Review

The study was underpinned by the agency theory developed by Jensen and Meckling and was later described by Sarens and Abdolmohammadi (2020). The theory suggests that an organization is like an intricate web of contracts between wealthy people (the principals) and the people who manage their money (the agents). This theory presumes that owners and managers act sensibly and make use of acquisitive techniques to increase their financial standing. This idea indicated that managers usually look out for the owners' best interests, but the owners' ability to filter is hurt by the fact that managers and owners don't have the same amount of information. The agency theory describes the concept of separation of powers and control by describing how corporations provide a means for exerting control, hence limiting the opportunistic behavior of agents. A further precept of this idea is that people are primarily motivated by their own self-interest. Even though the owners are paying the management to do their jobs, there should be clear instructions to help them do their jobs and get paid.

There is good reason to believe that management may not act in the best interests of the owners since both the managers and the owners are utility maximizers (Baiman, 2000). According to Baiman (2000), this obstacle is tough to overcome since company owners worry that management isn't acting in their best interests. Thus, a comprehensive written contract is established to meet the interests of both agents and principals (Munene, 2020). The fact that the principal is paying for an expert to keep an eye on the agents further strengthens the partnership. The principal assigns the work, and the agent carries it out, according to Munene's (2020) interpretation of the contract. The author, however, suggests that the main character slack off, therefore losing out on the agent's hard work.

Nonetheless, the theory recognizes the absence of information as adverse selection and moral hazard in regards to the agent's relationship, interests, or work performance. Principal-agent interactions exhibit problem-solving behavior, which may be explained by the agency theory. According to this view, internal auditing, together with other intervention techniques like financial reporting and external audits, helps keep contracts between owners and management at a reasonable cost. According to Adams (1994), the application of agency theory to the study of internal control systems leads to more in-depth and practical findings. In addition, the agency uses methods and organizations, including audit committees, external audits, financial reporting, and budgeting, to deal with its problems. Good internal controls, as shown by Barefield *et al.* (2003), may save costs for government agencies. The agency theory is important to this investigation because it stresses the importance of internal controls in areas like auditing financial statements and those who are in charge of keeping an organization's internal control system working well to help the company reach its goals. Since this theory discusses the relationship between NGOs and other interested parties (donors, donor agencies, etc.), it is relevant to the current study. Since an NGO's success is measured by how well it manages its resources, this idea could help NGOs do more work.

### 2.3. Empirical review

Different scholars have investigated the influence of internal control on the performance of various firms across the globe. For instance, Abdullahi and Muturi (2020) evaluated the impact of internal control systems on the financial performance of Puntland's institutions of higher education. In terms of information and communication systems, internal audit and monitoring, and financial performance, internal controls were evaluated. The research used a quantitative survey methodology. The sample size for the research was thirty respondents. Questionnaires were used for data gathering. The results were obtained by correlation and regression analysis. The investigation revealed that the institution's leadership is committed to control systems and actively oversees university activities. There are established communication channels in place. The internal audit department is efficient, well-staffed, and produces audit reports often. In addition, it was revealed that there is a clear separation of duties, that system flaws are addressed, and that monitoring has benefited in examining the institution's performance quality over time. However, the investigation revealed that inadequate security measures are in place to secure university assets and that student fees are insufficient to fund expenses. Nonetheless, it was revealed that all revenue and expenditures are appropriately categorized and that the university's assets have generally increased. The research shows that internal control systems work, even though there are sometimes delays, and that there is a strong link between internal control mechanisms and an educational institution's financial success.

Muhunyo and Jagongo (2018) aimed to investigate the effect of internal control systems on the financial performance of public higher education institutions in Nairobi City County. The specific objective of the research was to evaluate the effects of control activities, risk assessment, control environment, information and communication, and monitoring on the financial performance of higher education institutions in Nairobi City County. The study used a descriptive research approach with a sample of 96 respondents. To collect primary data, both open-ended and closed-ended questionnaires were used. In data analysis, descriptive statistics are used. Using multiple linear regression, the statistical relationship between the dependent and independent variables was analyzed. The research revealed that the control environment, control activities, and risk assessment as indicators of internal control systems greatly impact the financial performance of institutions of higher education. The variables explained 99.1% of the variances in the financial performance of the institutions. The research indicated that institutions should improve their internal control systems and keep keeping track of who is responsible for what in their organizations.

Mwakimasinde *et al.* (2018) investigated the impact of internal control systems on the financial performance of Kenyan sugarcane outgrower businesses. Internal control systems were distinguished by control environments, risk assessment methods, information systems, and control activities, while financial performance was defined by cost per unit, target attainment, profitability, or excess. The results of the regression analysis also reveal that internal control systems increase the financial performance of firms owned by sugarcane farmers. The following recommendations were made based on the study's results and conclusions: Statistics have shown

that internal control systems help sugarcane outgrower businesses do better. This means that sugarcane outgrower businesses need to improve their internal control systems.

Nyonje and Nyambegeera (2018) evaluated the impact of NGOs' internal control systems on their compliance with Kenyan financial norms. In particular, the study aimed to determine the relationship between monitoring and compliance with financial regulation; ascertain the relationship between financial reporting and compliance with financial regulation; and assess the relationship between auditing and compliance with financial regulation at Amref Health Africa in Kenya. A descriptive cross-sectional technique was used, and a target population of 90 Amref Health Africa members was determined. A sample of 79 respondents chosen using the method of purposive sampling participated in the survey. Utilizing a semi-structured questionnaire, primary data was collected. A Chi Square was performed to test for a connection between the variables. According to the findings, compliance with financial regulations correlates favorably with internal controls and monitoring, financial reporting and auditing, and financial reporting and auditing processes.

Etengu and Amony (2017) investigated the impact of internal control mechanisms on the financial performance of nongovernmental organizations in Uganda. Specifically, the research attempted to assess the influence of the control environment on the International Union for Conservation of Nature's financial performance, as well as the influence of control activities and monitoring on that performance. The research revealed a relationship between the control environment, control activities, monitoring, and financial performance. The report said that the International Union for the Conservation of Nature should improve its financial performance by making the control environment, control activities, and monitoring more strict.

Aitaru (2017) studied the impact of internal controls on the performance of foreign non-governmental organizations in Uganda, with a particular emphasis on the Danish Refugee Council. Specifically, the investigation investigated the impact of control settings, control activities, and information and communication on the Danish Refugee Council's performance. This study used a cross-sectional methodology that included both qualitative and quantitative methods. In addition, 135 respondents were questioned via questionnaires and interviews. Quantitative data was evaluated using inferential statistics, whilst qualitative data was studied with content and theme analysis. This research discovered that regulating the environment, control activities, and information and communication had a substantial effect on the Danish Refugee Council's performance. In order to make this research more effective, the study suggested that the council tighten and enforce the internal control parts.

Moenga and Mereipei (2021) examine the influence of internal control systems on the financial performance of tea processing businesses in Kisii County, Kenya. The particular objective of this research is to evaluate the effects of audits, responsibility allocation, access restrictions, and standardized documentation on the financial performance of tea processing businesses in Kisii County. To achieve this purpose, the study adopted a descriptive research strategy and focused on six tea factories in Kisii County. The 72 respondents were selected from these factories using a purposeful selection method. The data was evaluated by utilizing descriptive and inferential statistics. The investigation revealed that the factory's standardized

paperwork has a significant impact on its paper and communication. The plant has an access control system for all company data and papers. In addition, the findings revealed an association between the division of roles and financial success.

Oppong *et al.* (2020) examined the current level of internal controls used by seven faith-based NGOs and how this impacts their performance. The research used a cross-sectional approach and surveyed 120 workers from these sleeved non-governmental organizations. A self-administered structured questionnaire was used to obtain primary data. SPSS was used to examine the data using descriptive and inferential statistics. The research found that internal control systems significantly increase the economy and efficiency of faith-based non-governmental organizations (NGOs), but not necessarily their effectiveness. The research also found that internal control mechanisms were successful in all four domains of the COSO model, with the exception of risk assessment, where very loose procedures were identified. The research recommended that administrators of faith-based non-governmental organizations (NGOs) use comprehensive methods to regularly review their performance and enhance the efficiency of their operations. For operational efficiency to go up, management should also set up a strict risk management framework that can find any weaknesses in the internal control system.

Mugenyi (2019) examined the influence of internal control methods on the sustainability of non-governmental organizations in Nairobi City County. A sample of 285 senior program managers was drawn using stratified random selection from a population of 1,000 senior program managers. The audited financial accounts of the nonprofits provided the secondary data. The data was evaluated by utilizing descriptive and inferential statistics. Regression and correlation analyses were employed to establish the relationship between the dependent and independent variables. The chi-square test was performed to assess the independence of several characteristics. ANOVA was used to evaluate mean equality and model fitness. The results suggested that internal control measures had a major influence on the sustainability and long-term survival of the NGO across all indices. The research suggested that the management come up with ways to tighten internal control systems, which were found to be much worse than expected and put the existence of NGOs at risk.

Haasan (2021) investigated the connection between internal controls and the performance of Nairobi, Kenya-based NGOs. A sample of 330 NGOs was chosen on purpose to participate in the research. Utilizing a semi-structured questionnaire, data was acquired from primary sources. The data, which comprised descriptive and inferential statistics, was analyzed using SPSS. Compliance with accounting standards had the highest positive and significant impact on the performance of NGOs in Nairobi ( $r = 0.394$ ,  $p 0.05$ ), followed by fraud audits ( $r = 0.213$ ,  $p0.05$ ), division of roles ( $r = 0.207$ ,  $p0.05$ ), and managerial control ( $r = 117$ ,  $p 0.05$ ). The research revealed that internal controls have a positive and substantial effect on the operation of non-governmental organizations. The research advised that financial managers at nonprofit organizations should ensure strict compliance with accounting laws. Internal auditors of nonprofit organizations should work closely with independent external auditors to undertake fraud audits. Managers should ensure that there is a clear division of duties since this improves productivity.

Rafindadi and Olanrewaju (2019) examined the impact of the ICS on the financial responsibilities of Nigerian non-governmental organizations. The study used a correlational

methodology. Using a multistage sampling approach, a sample of 352 respondents was drawn from the target audience of 25 NGOs in northwestern Nigeria. A semi-structured questionnaire was provided to 352 respondents to collect information from primary sources. Multiple regression analysis was used to analyze the data. The results revealed that ICS has a substantial capability for enhancing the quality of services provided by NGOs and has a combined effect on forecasting the right accountability in NGOs. According to the research, a 1% decrease in risk assessment resulted in a 0.155 rise in adequate responsibility in non-governmental organizations. In addition, inadequate service delivery to the intended recipients is often the consequence of the government's inability to establish NGO regulating rules and its passive participation in producing counterpart funds. The report recommended that the government aggressively support NGO engagement by granting comparable money and enacting regulations with an influence on NGO activity. Since NGOs are agents of change, they should prioritize employee wellbeing.

Urquia (2018) investigated the relationship between internal control systems and the financial performance of Ethiopian educational institutions. Study designs, surveys, correlations, and case studies serve as the basis for both quantitative and qualitative methodologies. The bulk of responses were from deans and workers from Finance and Accounting. To gather data, questionnaires and interview guides were used. The data was analyzed using SPSS, and conclusions were drawn from the tables. The findings revealed that management is committed to control systems, actively participates in monitoring and supervision of the university's activities, all activities of the institution are initiated by top-level management, and the internal audit department was ineffective at reporting system weaknesses. It turned out, however, that all revenues and costs had been appropriately classified, and the university's assets had risen in general. The research shows that internal control systems work, but only sometimes, and that there is a strong link between internal control systems and how well higher education institutions do financially.

Ndalahwa (2018) analyzed the effect of internal control restrictions on the financial performance of a few Tanzanian local government entities. The study used a descriptive-to-explanatory research approach. The sample size of 113 respondents was determined by the use of purposeful sampling. Utilizing descriptive and inferential statistics, the link between internal control concerns and organizational financial performance was investigated. In the Arumeru District, inadequate wages, unethical employee behavior, and the impunity of local government officials for dishonesty were the most pressing issues. However, the participant argued that staff pressure, undetected misbehavior, poor fraud management, and prevention were among the most pressing challenges confronting the Arumeru District local government authority. There was a statistically significant association between low compensation, insufficient fraud management and prevention, unreported misconduct, impunity, and the financial success of a firm. On the other hand, employee pressure, unethical behavior, and the lack of internal control mechanisms did not affect performance in a statistically significant way.

Ibrahim *et al.* (2017) examined the relationship between well-functioning internal control systems and the financial performance of healthcare institutions in Ghana's Upper West Region. The research focused on 120 individuals employed at these institutions and used a descriptive correlational methodology. A sample of 50 respondents was chosen via purposeful sampling. Data from primary sources was collected using semi-structured questionnaires. After examining

the data using descriptive statistics, tables were constructed. The findings indicate that adequate internal control makes it feasible to detect and prevent fraud inside an organization. In line with this, the Ministry of Health's terrible financial performance has been caused by officials' persistent search for ideas that would improve the internal control structure.

#### **2.4. Research gap**

Diverse studies examine in depth the impact of internal control systems on the functioning of international organizations. However, the majority of this research focused on distinct topics and was conducted in nations other than Rwanda. For example, Abdullahi and Muturi (2020) focused on higher education institutions in Puntland, Ethiopia; Muhunyo and Jagongo (2018) on public higher education institutions in Nairobi City County, Kenya; Nyonje and Nyambegera (2018) on compliance with financial standards in Kenya; Etengu and Amony (2017) on non-governmental organizations in Uganda; Aitaru (2017) on foreign non-governmental organizations in Uganda; and Moenga and Mereipei (2021) on tea processing. Cuevas (2020) demonstrates that Rwandan NGOs are not immune to the consequences of insufficient internal controls, despite the fact that all of the aforementioned research was conducted outside Rwanda and disregarded the situation of Rwandan NGOs. Because of the risks of bad internal control systems and the fact that NGOs can lose money, the researcher chose to look into this topic in order to improve the internal control systems of NGOs, which would improve their performance and fill a gap in the literature.

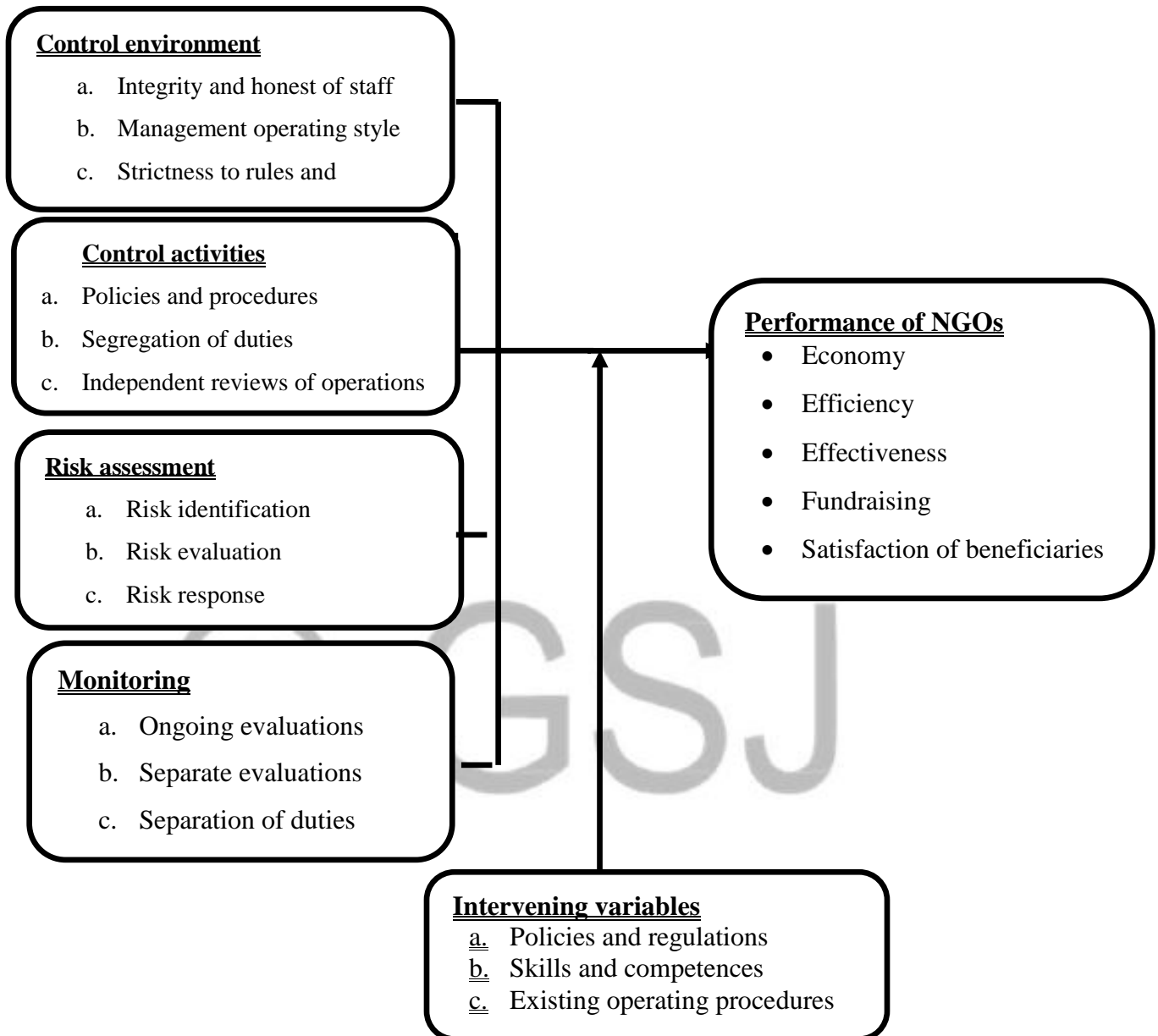
#### **2.5. Conceptual framework**

The study adopts a generalized conceptual framework used by COSO (2012) to help provide a generalized view on internal control system and performance measured by way of the NGOs achieving their corporate objectives and performance.



**Independent variables**

**Dependent variables**



**Figure 1: Conceptual framework model**

*Source:* Adopted and modified from Aitaru (2017)

The empirical link between the internal control system and the performance of NGOs described in the literature is shown in Figure 1. The model indicates that the independent variable is "internal control system" since it is viewed as an independent variable and its components, control environment, control activities, risk assessment, and information and communication, suggest it. On the other hand, an NGO's performance is conceived as dependent variables and assessed by efficacy, economy, efficiency, effectiveness, fundraising, and beneficiary satisfaction. However, the link is tempered by external factors such as existing laws and regulations, management style, and personnel competence. According to this conceptual framework, NGOs operate adequately if they meet their business goals.

### **3.0. RESEARCH METHODOLOGY**

#### **3.1. Research design**

Research design pertains to the way in which information is acquired from individuals and, in the case of experimental research, the types of treatments that are within the control of the researcher (Berg, 2019). The investigation used a descriptive technique. Mugenda and Mugenda (2003) define descriptive research design as the gathering of data to test a hypothesis or answer questions about the current condition of the study's participants. Cohon and Minion (2017) indicated that descriptive research involves collecting data that describes events and then organizing, tabulating, illustrating, and figuring out what the data means.

However, this research included both qualitative and quantitative data collection approaches. Quantitative techniques are essential for comprehensive planning prior to data collection and analysis because they provide tools for evaluating concepts, organizing design stages, and overcoming demographic and sample issues (Kathuri & Pals, 2017). According to Creswell (2014), qualitative approaches are used to gain understanding about underlying causes, perspectives, and motivations by providing insights into the issue or contributing to the formulation of conceptions and hypotheses. This combined technique involves the acquisition of quantitative and qualitative data, their integration, and the use of varied designs that may integrate philosophical and theoretical assumptions. The essential idea of this sort of research is that the combination of qualitative and quantitative methodologies provides a more thorough understanding of a subject than either method alone.

#### **3.2. Study Population**

Cohon and Minion (2017) define "population" as "the total number of units from whom data may be obtained," which may include everything from individuals to groups to institutions. The target population included 306 employees of World Vision Rwanda.

#### **3.3. Sampling design**

Sampling is the procedure of selecting study subjects. Sampling was coined by Berg (2019) to describe the process of selecting a subset (a sample) from a larger population (the sampling population) to use as the basis for estimating or forecasting the prevalence of some unknown information, circumstance, or result pertaining to the larger population. According to Ngechu (2004), an example is a group of people or things that represent the whole in a simplified form. According to Cramer and Howitt (2004), a sample is a selection of data points from a larger population used to infer broader features of that larger population. According to Mugenda and Mugenda (2003) and Berg (2019), a sample size of 30% or more of the population is sufficient for most studies. A total of 90 respondents were included in the sample, or 30% of the total population of 306.

#### **3.4. Data collection Instruments**

Questionnaires and interviews were used to collect the information directly from the respondents (primary data), and documentary review was used to analyze the existing information contained in different documents (secondary data). According to Creswell (2019), a questionnaire is a tool used to gather information from respondents in the form of questions and

other directions. To give respondents enough time to complete the survey, the researcher used a drop-off and pick-up format. Questionnaires were sent to employees at World Vision Rwanda, and a drop-off and pick-up system was used to compile responses. High-level management staff, including department heads and managers, were interviewed to supplement the information gathered via the questionnaire. The researcher conducted in-depth, one-on-one interviews with each head of department, using an interview guide to elicit responses. Questions that required answers of any length were absent from the interview handbook. Researchers were able to collect more in-depth qualitative data by conducting interviews. The researcher decided to complement the primary data from the surveys with secondary data gleaned from a literature analysis on internal control mechanisms and the effectiveness of NGOs. The most important documents used in this investigation were audited financial records and peer-reviewed academic papers.

### **3.5. Data analysis**

The collected data were edited, coded, and classified based on similarity before being tabulated. To enable quantitative analysis, data were converted into numerical codes to represent the attributes of the research instruments. Both descriptive statistics such as frequency distributions, percent (%), and frequency tables, and inferential statistics were used for the analysis. Multiple regression and correlation analysis were used to establish the relationship between the study variables. The model expressing the hypothesized relationship between the independent variables (control environment, control procedures, risk assessment, and monitoring) and the dependent variable (NGO performance) were developed using regression analysis. Specifically, the regression model were of the form.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Whereby:

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  are the regression co-efficient

Y= Performance

$X_1$ = control environment

$X_2$ =Control activities

$X_3$ =Risk assessment

$X_4$ = Monitoring activities

Regression analyses were carried out to find out the significant effect of independent variables ( $X_1, X_2, X_3$  and  $X_4$ ) on dependent variables (Performance of NGO). Data were presented in frequency tables under themes consistent with the research objectives. Qualitative data from interviews were analyzed using thematic and content analysis to provide order and comprehension and entailed evaluating and interpreting narrative data and content analysis.

## **4.0. PRESENTATION, ANALYSIS AND INTERPRETATION OF THE RESULTS**

### **4.1. Demographic characteristics of respondents**

The demographic characteristics of the respondents of this survey include gender, age, education, and experience. These characteristics are important because they help us comprehend the setting in which the questionnaire was responded to.

#### 4.1.1. Gender of the respondents

The respondents were requested to mention their gender, male or female. Table 4.1 summarizes the gender of the respondents.

**Table 4. 1: Gender of the respondents**

Gender	Frequency	Percent (%)
Male	56	62.2
Female	34	37.8
<b>Total</b>	<b>90</b>	<b>100</b>

**Source: Researcher (2022)**

Table 4.1 shows that 62.2% of respondents were male and 37.8% were female. This shows that while there were a substantial number of women who participated in the study, more males replied to the questionnaire than women. Thus, this suggests that both sexes responded to the question of an internal control mechanism in the NGO in a balanced manner. However, all of the responses are equally significant for this study because the investigation was not gender-sensitive.

#### 4.1.2. Age of the respondents

The respondents were requested to mention their age because age is critical variable in understanding the human capital of the population which naturally varies with age. The table 4.2 summarizes the age of the respondents.

**Table 4. 2: Age of the respondents**

Age in years	Frequency	Percent (%)
Between 21-30 years	14	15.6
Between 31-40 years	31	34.4
41 – 50 years	33	36.7
51 Years and above	12	13.3
<b>Total</b>	<b>90</b>	<b>100</b>

Table 4.2 shows that the majority of research participants (36.7%) were between the ages of 41 and 50, while 15.6% were between the ages of 21 and 30 and 34.4% were between the ages of 31 and 40. In addition, just 13.3% of responders were 51 years of age or older. As a result, they are able to readily participate and offer appropriate and reliable information on the factors under research. This demonstrates that the majority of respondents are in their prime age, are in their youth, and have fresh brains, so they can readily participate and offer appropriate and reliable information regarding the factors under study.

#### 4.1.3. Educational Background of the respondents

The respondents were requested to mention their educational level. The Table 4.3 summarizes the level of education of the respondents.

**Table 4. 3: Level of education of the respondents**

Level of education	Frequency	Percent (%)
A2 level	13	14.4
Bachelor's degree	53	58.9
Masters	24	26.7

<b>Total</b>	90	100.0
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**Source: Researcher (2022)**

Findings in Table 4.3 demonstrate that the majority of survey respondents (58.9%) had a bachelor's degree as their greatest level of education, 14.4% had a certificate or its equivalent at the secondary level, and 26.7% had a master's degree as their best educational achievement. This indicates that the respondents were well educated, implying that they could read, understand, and interpret surveys accurately.

**4.1.4. Experience of the respondents**

The respondents were requested to mention their working experience. The table 4.4 summarizes the experience of the respondents.

**Table 4. 4: Experience of the respondents**

<b>Period</b>	<b>Frequency</b>	<b>Percent (%)</b>
Less than 2 years	8	8.9
Between 3-5 years	46	51.1
6 years and above	36	40.0
<b>Total</b>	<b>90</b>	<b>100.0</b>

**Source: Researcher (2022)**

According to Table 4.4's data, the median length of service at World Vision Rwanda is 3.5 years, with 40.0% of respondents having been there for at least 6 years. Only 9.1% have been with the company for fewer than three years. This indicates that the respondents have been exposed to World Vision Rwanda for long enough and that the study's participants have worked there for some time to have an understanding of the organization's internal control procedures.

**4.2. Response rate**

After collection of all questionnaires, the returned questionnaires were counted against the distributed to establish the response rate. Table below presents the results.

**Table 4. 5: Response rate**

<b>Instruments</b>	<b>Returned</b>	<b>Percentage</b>
Administered	90	100
Returned	89	98.8
Not returned	1	1.2

**Source: Researcher (2022)**

Table 4.5. shows that from the 90 questionnaires that were administered to respondents, 89 of them were dully filled and returned to the researcher. This was equivalent to a response rate of 98.8% which was good for this inquiry.

**4.3. Control environment and performance of World Vision Rwanda**

The first objective of this research was to analyze the effect of the control environment on the performance of the World Vision Rwanda. On a five-point Likert scale, participants were asked to rate how much they agreed or disagreed with statements about the virtual laboratories' control features. Descriptive statistics, such means and standard deviations, were used to provide a summary of the responses (Sd. Dev.). A mean score below 3 showed that respondents disagreed

with the assertions, a mean score above 3 indicated that respondents agreed with the statements, and a mean score of 3 indicated that respondents were agnostic. The results for this aim are summarized in the table below.

**Table 4. 6: Ccontrol environment and performance of World Vision Rwanda**

<b>Control environment items</b>	<b>Mean</b>	<b>Sd. Dev.</b>
Organizational setup supports effective operations and financial reporting practices	3.95	.244
Value of integrity and ethical behaviors are established in performance	3.87	.301
There are human resource policies and practices in place to guide internal operations	4.01	.561
There are budgetary and reporting practices to provide benchmarks to measure accomplishments	3.97	.487
There are codified standards of conduct to guide behaviour and activities	3.83	.287
There is commitment to professional work practices and standards for the management to work within independence	3.88	.137
<i>Overall Mean and Sd. Dev.</i>	<i>3.92</i>	<i>.342</i>

**Source: Researcher (2022)**

Table 4.6 shows that the vast majority of respondents agreed with the statement that World Vision Rwanda's current organizational setup supports effective operations and financial reporting practices, and that the value of integrity and ethical behaviors is established in performance (Mean = 3.87, SD. Dev =.301). The vast majority of those selected respondents agreed that there are human resource policies and processes in place to govern internal operations, as well as budgeting and reporting practices to provide benchmarks for success (Mean = 4.01, SD. Dev =.561). Furthermore, respondents reported high levels of agreement with statements such as: there are codified standards of conduct to guide behavior and activities (Mean = 3.83, Sd. Dev =.287) and there is a commitment to professional work practices and standards for management to work within independence (Mean = 3.88, Sd. Dev =.137). Finally, the mean and standard deviation were 3.92 and 1.02. The fact that World Vision Rwanda has a deviance of 0.34 shows that the organization's internal control system meets some very high standards.

During the discussion with World Vision Rwanda's management team, it was impressive to identify how much they stressed the need of having a strong internal control environment. One of the participants explained:

*"We have a very organized and completely stated control environment. World Vision Rwanda's internal control system is based on the organization's ethical code of practice and values, which determines the rigor of controls across the board and in the field. Furthermore, effective governance practices are routinely practiced across all levels of management and operations, providing a solid basis upon which the company may realize its goals".*

The existence of rules and procedures was emphasized during an interview with department heads. One of the speakers stressed:

*“We operate in accordance with clearly defined policies that have been established by management and are subject to frequent review. Every employee is made aware of the organization's code of ethics and regulations of behaviour. Financial policies and supply chain rules that regulate the flow of funds, assets, and the distribution of products and services are two examples”.*

Based on what has been said above, it can be concluded that World Vision Rwanda has an efficient and effective control environment that adheres to codified ethical standards and values of integrity, human resources policies and practices, reporting practices, and the commitment of the management towards ethical behaviors. Having an effective control environment in an organization is considered best practice since it serves as the foundation for all other internal control components and imparts structure and discipline. World Vision Rwanda's management and operational staff do their best to ensure that the appropriate reporting lines are clear enough to report suspicious transactions as they happen thanks to the organization's strong board monitoring and well-established structures and reporting lines. Standards of conduct and practice are linked to specific tasks, and there are clear ways for all departments and functions to talk to each other.

These results are in accordance with those of Ndiaye *et al.* (2019), who argued that the control environment is the primary influence on the form and discipline of internal control, with a particular emphasis on the moral and ethical standards of those working in the field. An efficient control environment, as shown by Janvrin *et al.* (2019), includes norms, guidelines, and procedures that help workers do their jobs successfully and meet their commitments on schedule. The current results also corroborate the claims made by Muazu and Abdullahi (2019), who argued that other internal control activities only function because of the control environment. Muraleetharan (2019) and Kinyua *et al.* (2020) both say that a controlled setting encourages a mindset that makes it possible for an ICS to work at all levels and improves the performance of the organization.

#### **4.4. Control activities and performance of World Vision Rwanda**

The second objective of this study was to investigate the impact of control efforts on World Vision Rwanda's performance. To accomplish this goal, respondents were asked to indicate their degree of agreement or disagreement with statements describing the control activities carried out in their organization using a five-point Likert scale. Descriptive statistics such as mean and standard deviations (Sd. Dev.) were used to summarize the answers. To analyze the data, a mean of less than 3 signaled that respondents disagreed with the assertions, a mean higher than 3 showed that respondents agreed with the statements, and a mean of 3 indicated that respondents were neutral. The findings are reported in Table 4.7 below.

**Table 4. 7: Control activities and performance of World Vision Rwanda**

<b>Control Activities</b>	<b>Mean</b>	<b>Sd. Dev.</b>
World Vision Rwanda follows clear segregation of duties to ensure compliance with established policies and procedures	3.97	.427
Top management conducts performance assessments and project evaluations	3.93	.278

on a regular basis		
World Vision Rwanda performs physical asset inspections to assure physical asset controls.	3.92	.412
Financial controls are in place to prevent spending in excess of authorized resources.	4.12	.721
Departments conduct budget reviews and provide explanation for differences	3.94	.387
Corrective action is taken to address identified weaknesses	4.03	.672
<b>Overall Mean and Sd. Dev.</b>	<b>3.99</b>	<b>.483</b>

Table 4.7 shows that a sizable majority of respondents (Mean = 3.97, Std. Dev =.427) agreed with the assertion that World Vision Rwanda adheres to clear division of roles to guarantee adherence to predetermined rules and procedures. There was general consensus among respondents that reviews of both employee performance and the success of specific projects are routinely carried out by upper management (Mean = 3.93, Std. Dev =.278). Financial controls are in place to prohibit expenditure in excess of permitted resources, and respondents agreed that World Vision Rwanda conducts physical asset inspections to guarantee physical asset controls (Mean = 4.12, Std. Dev =.721). The majority of respondents agreed that all divisions check their budgets and explain any discrepancies (Mean = 3.94, Std. Dev =.387), and that if any problems are found, remedial measures are implemented (Mean = 4.03, Std. Dev =.672). In addition, the standard deviation was 0.48, and the mean was 3.99. This indicates that World Vision Rwanda has solid and efficient mechanisms for maintaining order.

The efficacy of the control efforts was underlined throughout the interview. According to one of the research subjects explained:

*"Control activities are routine at World Vision Rwanda. Budgets and work plans are created for all activities on a certain date to guide the spending and management of assets that will be used to carry out the activities and/or tasks. World Vision Rwanda has always been successful in its endeavors because of its steadfast commitment to internal controls.*

To elaborate, one of the participants said:

*"All control activities are governed by our written control policies. The staff and volunteers of World Vision Rwanda use a number of different methods of internal control to keep the organization running smoothly and prevent theft or waste. Physical custody controls such as fences and locks, performance reviews, and separation of duties are supported by corrective actions taken to address any identified weaknesses, along with other control activities such as transactional approvals and verifications, pre-numbered documentation, reconciliations, and calculation checks, among others.*

Based on the above results, it was deduced that World Vision Rwanda has safeguarded its assets via a variety of control activities, such as transactional permissions and verifications, pre-numbered documents, reconciliations, calculation checks, and physical custody controls, among others. In addition, there are written rules and procedures in place to ensure that management's orders are carried out and that adequate measures are taken to counteract threats to the success of different initiatives. These findings provide credence to the claims stated by Janvrin *et al.* (2019) and Ndiaye *et al.* (2019), namely that an organization's control activities include performance evaluations, physical controls, separation of duties, and appropriate authorization of transactions



and activities. According to Haasan (2021), the most blatant component of internal control that helps prevent fraud or theft that might lead to losses and enhances organizational performance is the actions devoted to control activities.

#### 4.5. Risk assessment activities and performance of World Vision Rwanda

The third objective was to study the impact of risk assessment on World Vision Rwanda's production. To accomplish this objective, a five-point Likert scale to determine how much respondents agreed or disagreed with statements on their organization's risk assessment efforts. Using descriptive statistics such as mean and standard deviation, the responses were summarized (Sd. Dev.). When examining the data, it is clear that respondents who provided responses with a mean score of less than 3 did not agree with the assertions, while those who provided answers with a mean score of 3 were agnostic. Table 4.8 offers an overview of the outcomes.

**Table 4. 8: Risk assessment activities and performance of World Vision Rwanda**

<b>Risk assessment items</b>	<b>Mean</b>	<b>Sd. Dev.</b>
The World Vision Rwanda has a well-functioning risk management board	3.86	.262
World Vision Rwanda has clear lines for reporting suspicion transactions	3.84	.421
Risks are identified and assessed to decide how to manage them on time	3.85	.142
Managers assess the external and internal environments that may have an impact on the achievement of goals	3.82	.011
Potential inaccuracies as a result of fraud or error are handled following existing standards and practices	4.07	.462
World Vision Rwanda implements internal measures to reduce recognized risks	3.87	.187
<i>Overall Mean and Sd. Dev.</i>	3.89	.452

**Source: Researcher (2022)**

Results shown in Table 4.8 show that the vast majority of respondents believe that World Vision Rwanda has an effective risk management board and well-defined channels for reporting suspicious financial dealings. In addition, the majority of respondents believed that risks are identified and analyzed to determine how to manage them inside the organization (Mean = 3.85, Sd. Dev. =.142), and that managers evaluate the external and internal contexts that may affect goal attainment (Mean = 3.82, Sd. Dev. =.011). Furthermore, the majority of respondents believed that the organization makes internal efforts to reduce identified risks (Mean = 3.87, SD =.187) and that any inaccuracies due to fraud or error are addressed in accordance with current standards and procedures. Last but not least, the overall mean was 3.89 and the SD Dev. was.452, suggesting that the vast majority of respondents agreed with the majority of the suggested statements on risk assessment activities inside the business.

During an interview, the risk assessment activities were emphasized as follows:

*"There are, of course, risks that we must deal with. The most significant risks are those to our financial stability, such as errors in the recording of tax-deductible expenditures. As a result, we have implemented a number of safeguards designed to reduce the likelihood of adverse events and their consequent consequences. As an example, it is expected that each department do a risk analysis, which is often done via brainstorming, and that the department head share with their staff the nature and severity of the threats that have been found".*

Results obtained so far prove that all parties involved in World Vision Rwanda agreed upon the existence of adequate risk assessment activities which direct the functioning of the control system. In order to ensure that risks to organization performance are appropriately managed and that organizational goals are met, World Vision Rwanda has a risk management board committee that establishes the overall direction for risk assessment techniques, objectives, and standards. Internal and external operating environments are analyzed for factors that might enhance the likelihood of risks, and clear reporting lines are established for reporting suspicious transactions as they occur to better accommodate these risks. In addition, there are preventive procedures and safeguards in place to ensure that any inaccuracies attributable to fraud or mistaken identity are dealt with appropriately.

The results of the current study are in line with those of Opong *et al.* (2020), who found that management should implement a stringent risk-management strategy that can detect all risks existing in the system in order to improve the efficiency of internal control. These results are also consistent with those of Dahir (2020), who argued that organizations are constantly exposed to risks and that the threats they face change frequently because of how risk assessment practices in internal control systems contribute to the continuous monitoring and regulation of risk. The results are consistent with those found by Moenga and Merepei (2021), who likewise found that risk assessment has a major impact on control objectives, and as a result, management designs and implements adequate internal controls to ensure the proper application of resources and adherence to regulations and guidelines. Risk assessment, as noted by Michino (2020), comprises looking at how likely something is to happen and how much damage it might do if it did. This is done to boost efficiency, cut down on danger, and zero in on the most pressing problems facing an organization.

#### **4.6. Monitoring activities and performance of World Vision Rwanda**

The fourth objective of this study was to examine the effect of monitoring activities on the performance of World Vision Rwanda. On a five-point Likert scale, respondents were asked to indicate the degree to which they agreed or disagreed with statements on the monitoring activities that were carried out in their organization. This was done in order to attain the aforementioned goal. In order to provide a concise summary of the replies, descriptive statistics such as mean and standard deviation (Sd. Dev.) were used. Table below presents the findings.

#### **Table 4. 9: Monitoring activities and performance of World Vision Rwanda**

<b>Monitoring activities</b>	<b>Mean</b>	<b>Sd. Dev.</b>
Management establishes a baseline to monitor the internal controls	3.84	.441
Management continuously evaluates all internal controls components to ensure their operations	3.92	.123
Quality assessments are included in day-to-day control activities	3.92	.078
Internal control flaws are detected and disclosed to the appropriate parties	3.86	.345
Internal auditors offer appropriate recommendations for the management to improve	3.78	.241
Internal audit reports address the weaknesses in the internal control systems	3.98	.621
<i>Overall Mean and Sd. Dev.</i>	3.88	.308

**Source: Researcher (2022)**

Table 4.9 shows that the vast majority of respondents (Mean = 3.84, Sd. Dev =.441) believe that World Vision Rwanda's management sets up a baseline to track the controls and routinely assesses all of the controls involved in running the organization. The vast majority of those polled believed that quality evaluations are an essential component of quality control (Mean = 3.92, SD. Dev. =.078).Furthermore, the majority of respondents (Mean = 3.86, SD =.345) agreed that internal control weaknesses are identified and communicated to relevant stakeholders. The vast majority of respondents said that internal auditors provided useful suggestions for enhancing management operations (Mean = 3.78, Sd. Dev. =.241) and that audit reports effectively addressed flaws in internal control procedures (3.98, Sd. Dev. =.621). Finally, the total mean was 3.88, with a standard deviation of.308. This means that almost all of the people who answered agree that the organization being looked at uses monitoring methods that are mostly good.

The interviewee, a department head, underlined the importance of monitoring in the organization, as shown by the following comment:

*"Various systems keep tabs on what we're up to. Both internal and external sources do the monitoring. Internal auditors keep an eye on day-to-day operations to make sure controls are being implemented properly and adjusted as needed. The procedure for all monitoring operations is checked and balanced by outside specialists".*

The following is an excerpt from an interview with a department head, who stressed the importance of having high-quality people in charge of monitoring inside the business. To elaborate, one of the participants said:

*"All of our staff members have been carefully selected because of their expertise and credentials. Therefore, the auditors and the audit committee, who are primarily responsible for monitoring, are competent professionals who understand their roles and obligations. "*

Based on the descriptions above, it was deducted that World Vision Rwanda performs regular monitoring to see whether the controls are having the desired effect and makes

adjustments to the control system as required. Furthermore, World Vision Rwanda has established a thorough system of internal and external monitoring to ensure that its operations run smoothly, and monitoring activities have been established according to a predetermined baseline to keep tabs on internal control systems. The establishment of routine assessments of internal controls, the promptness with which shortcomings are addressed and communicated to relevant parties, and the prevention of recurrences of mistakes that might compromise organizational goals are all crucial. Also, when audit reports address problems with how internal control systems work, the management of the organization can use the suggestions from the audits to improve how the organization works.

These results corroborate the assertion of Ndiaye *et al.* (2019) that the purpose of monitoring is to check if internal controls are still performing as designed. Theofanis *et al.* (2020) echoed this sentiment, noting the need to keep tabs on internal control systems to ensure they're functioning properly and can be tweaked to fix any problems that crop up. Ndiaye *et al.* (2019) note that monitoring efforts may be utilized to learn about prospective and present control system failures, and Mohamed (2020) adds that self-evaluations and external audits can be used in this way as well. Consistent with the findings of Kariuki and Reddy (2017), who state that continuous monitoring is required during operations and includes management and supervisory activities, and with those of Michino (2020), who emphasizes the importance of reporting monitoring results and states that any weakness in internal control should be reported to the appropriate level higher up the command chain for corrective action. Batra *et al.* (2018) and Ndiaye *et al.* (2019) both say that the monitoring process loses trust when there aren't enough corrective measures.

#### 4.7. Regression analysis

With the use of multivariate regression analysis, we were able to determine the degree and direction of the association between World Vision Rwanda's internal control system and performance. Outcomes are shown in the table below.

**Table 4. 10: Regression Model Summary**

Model	R	R-Square	Adjusted R-Square	Standard. Error of estimate
1	.816 <sup>a</sup>	.858	.858	.002

- a. **Predictors:** Control environment, control activities, risk assessment and monitoring activities
- b. **Dependent variables:** Performance of NGOs

Table 4.10 shows that the correlation coefficient R=.816. This implies that the internal control system has a strong and positive relationship with the performance of World Vision Rwanda. This shows that World Vision Rwanda's performance is positively influenced by the overall variables considered in this study, including the control environment, control activities, risk assessment, and monitoring activities, suggesting that the NGO's internal control system would improve its performance indicators through efficient operations. The corrected  $R^2 = .858$  is also shown in Table 4.10. The results show that 85.8% of the variance in the NGO's performance can be attributed to the aforementioned independent variables (control activities, control

environment, risk assessment, and monitoring). Furthermore, other factors not included in this analysis account for 14.2% of the variance in the performance of the NGO under investigation.

**Table 4. 11: Regression Model Coefficients**

Model		Unstandardized coefficients		Standardized coefficients	t	Sign.
		B	Std. error	Beta		
1	Constant	2.78	.2358	.231	2.078	.000
	Control environment	.725	.0256	.367	6.458	.001
	Control activities	.687	.0325	.357	4.178	.002
	Risk assessment activities	.621	.421	.204	4.251	.000
	Monitoring activities	.562	.311	.248	3.812	.001

- a. **Predictors:** Control environment, control activities, risk assessment and monitoring activities
- b. **Dependent variables:** Performance of NGOs

Based on the above table, the regression model can be rewritten as follow:

$$Y = 2.78 + .725X_1 + .687X_2 + .621X_3 + .562X_4 + e$$

Given this equation, it was possible to predict World Vision Rwanda's performance as 2.78 units, all other factors being held at zero. In addition, if World Vision Rwanda made a.725-unit adjustment to its processes in a controlled setting, its productivity would rise by that amount. World Vision Rwanda's output would rise by.687 units with a unit change in the control activities. World Vision Rwanda's performance could go up by 0.621 units if the risk assessment activities got better by one unit and by 0.562 units if the monitoring activities got better by one unit. The researcher was additionally assisted by Table 4.11 in their efforts to confirm the predetermined study hypotheses. The t-test from Table 4.10 was used to make the call; the threshold of significance was set to 5% (=0.05), and the computed t-value was compared to the crucial t-value found using the T-distribution table. For Ho to be accepted, (1) the estimated t-value must be more than the critical value, and (2) the significance level must be higher than.05. That would mean that shifts in the dependent variable could not be explained by the independent variable. In the event that the estimated t-value is larger than the crucial value and the significance level is.05, the Ho is rejected. The implication is that the independent variable has some bearing on the dependent variable and may help to explain its meaning.

Table 4.11 shows that the t-calculated values for the control environment (t-cal. = 6.458, p-value =.001), the control activities (t-cal. = 4.178, p-value =.002), the risk assessment (t-cal. = 4.251, p-value =.000), and the monitoring activities are all significantly different from one another. Using the t-distribution table, the critical t-value for a sample size of 75 is t-critical = 1.664. All the estimated values of t are larger than the critical value (t=1.664), and the values of significance are all bigger than.05. This means that we reject all of the null hypotheses and accept all of the alternative ones. This shows that World Vision Rwanda's success depends a lot on its control environment, control activities, risk assessment, and monitoring activities.

The Analysis of Variance (ANOVA) based F-Test was also performed to determine whether there was at least one slope coefficient in the multiple regression model that was not equal to zero and, inferring from this, the model's overall significance. The outcomes are tabulated below.

**Table 4. 12: Analysis of Variance**

Model	Source of Variances	Sum of squares	Mean Squares	Df	F	Sign.
1	Regression	259.648	5	51.930	3.595	.000 (a)
	Residual	1227.799	85	14.445		
	Total	240.447		9		

**a. Predictor(s):** Control environment, control activities, risk assessment and monitoring activities

**b. Dependent variable:** Performance of NGOs

Table 4.12 demonstrated that the value of F-Statistics was 3.595 with a significance level of .001. This indicates that the overall regression model is statistically significant; that is, control environment, control activities, risk assessment and monitoring activities are joint predictors and explanatory variables of the performance of World Vision Rwanda. Moreover, the p-value is .001 and is less than the acceptance critical value of .05. This also indicates that all the independent variables, namely control environment, control activities, risk assessment, and monitoring activities, were statistically significant in explaining the changes in the performance of the NGO under study.

#### 4.8. Correlation analysis

Correlation analysis was undertaken to assess the possible influence, the correlation, direction and strength of the influence of each independent variable on the dependent variable. Table 4.12 below presents the results.

**Table 4. 13: Correlation Analysis Matrix**

	Control environment	Control activities	Risk assessment	Monitoring activities	Performance
Control environment	1				
Control activities	.626	1			
Risk assessment	.728	.695**	1		
Monitoring activities	.532	.812***	.881***	1	
Performance	.875	.785***	.782***	.687***	1

**a. Predictor(s):** Control environment, control activities, risk assessment and monitoring activities

**b. Dependent variable:** Performance of NGOs (\*\*\*)  $p=.01$

Table 4.13 demonstrates a positive and statistically significant relationship between the control environment and the performance of the under consideration NGO ( $r = .878$ ;  $p=.05$ ). This suggests that any modification to the existing control environment would likely result in an improvement in the organization's performance. These results are corroborated by Muhunyo and

Jagongo (2018), who found that the control environment has a strong and substantial impact on the performance of institutions of higher education, but a weak and inadequate control environment has a negative impact on performance. Aitaru (2017) revealed that the control environment influences the performance of foreign NGOs in Uganda positively and considerably. And Kinyua *et al.* (2020) found a considerable positive link between the control environment and the performance of NSE-listed enterprises. However, Muraleetharan (2019) found no statistically significant correlation between the control environment and financial performance.

Table 4.13 also revealed a positive and statistically significant association ( $r = 0.785$ ,  $p 0.05$ ) between control activities and the performance of the investigated NGO. This indicates that any modification to control activities will likely lead to an improvement in organizational performance. Muraleetharan (2019) also found that there is a favorable and statistically significant correlation between control activities and organizational performance, which supports the results. Muhunyo and Jagongo (2018) also discovered that control activities have a high and substantial impact on the performance of higher education institutions, while Aitaru (2017) revealed that control activities have a positive and significant impact on the performance of foreign NGOs in Uganda. The current results, on the other hand, disagree with Abdullahi and Muturi's (2020) conclusion that there is no link between internal control activities and organizational performance.

There was a positive and significant association ( $r = .878$ ;  $p.05$ ) between risk assessment and World Vision Rwanda's performance, as shown in Table 4.13. This suggests that the more risk assessment activities an organization engages in, the more probable it is that the firm's performance will improve. The findings are reinforced by Jagongo (2018) and Aitaru (2017), who discovered that risk assessment activities have a very favorable and substantial impact on the performance of higher education institutions and international non-governmental organizations in Uganda. These results supported Bett and Memba's (2017) contention that risk assessment had a significant impact on performance. The results of this study are similar to those of Momanyi and Njiru (2018), who found that risk assessment improved performance. This conclusion is also supported by the results of the current study.

Table 4.13 also shows that there was a positive and statistically significant association ( $r = 0.687$ ,  $p 0.05$ ) between monitoring efforts and the performance of the investigated NGO. This indicates that strengthening monitoring activities inside an organization will improve its performance through independent evaluation, continuous and periodic monitoring, and defect reporting. According to Michino (2020) and Mohamed (2020), monitoring is an internal control variable that greatly enhances organizational performance. Muhunyo and Jagongo (2018) and Aitaru (2017) found a positive and statistically significant link between monitoring efforts and the performance of international non-governmental organizations and higher education institutions.

## **5.0. CONCLUSION AND RECOMMENDATIONS**

### **5.1. Conclusion**

The study concluded that the operational efficacy of an NGO is contingent on the functioning of its internal control system, but the control environment largely influences the overall operation of the internal control system. Organizations may achieve efficiency, economy, and financial stability in the pursuit of their objectives by adhering to an ethical code of practice and principles, where appropriate reporting lines exist for all organizational operations, and where duties are clearly delegated. But a commitment to integrity and ethical standards, as well as norms of behavior and practice that are set by actions and behaviors, makes sure that internal control systems work and improve the performance of an organization.

Effective control activities are vital for boosting the performance of the organization. When these processes have been established in the policies that support control activities and have been applied to enhance performance, control activities allow the business to protect its physical assets and reduce fraud and mistakes. Risk assessment is a crucial component of the internal control system because it helps the organization detect, evaluate, and manage potential threats to its continued existence. Risk assessment is essential for boosting organizational performance by decreasing the likelihood and severity of hazards. So, there are measures in place to reduce risk and make sure that any mistakes that could happen because of fraud or human error are handled according to standards and procedures.

Monitoring activities conducted with non-governmental organizations are crucial to the proper operation of the internal control system and the accomplishment of organizational goals. Monitoring via continual assessments, performance evaluations, operational and system audits, and structured reporting lines allows the organization to reduce mistakes that may otherwise compromise operations. Also, the fact that the internal audit committee is involved in monitoring activities that give feedback and suggestions to management makes sure that the whole organization improves and does a better job.

### **5.2. Recommendations**

The study results show the impact of an effective internal control system on the success of NGOs in terms of achieving their goals. The study unambiguously reveals how the internal control structure influences the effectiveness of non-governmental organizations. The study recommended that World Vision Rwanda's administration make sure that everyone on their team is equally responsible for approving and evaluating the NGO's overall plans and important policies, that the top management is keeping an eye on how well the internal control system is working, and that they develop and hold seminars and workshops on a regular basis to teach and educate their workers on how to use policies and procedures correctly so that they can improve their skills and competence in their jobs. World Vision Rwanda should also make sure internal controls work well. You should give different people the jobs of approving transactions, keeping records of transactions, keeping track of connected assets, and balancing accounts. It is also important to make sure that each action is backed up by enough paperwork, as this is the basis for setting up an effective internal control system in the organization.



### 5.3. Suggestions for further studies

The present research was conducted using World Vision Rwanda as a case study. Therefore, comprehensive research including several NGOs in Rwanda should be conducted to enhance the sample size and guarantee that the results are generalizable. The results demonstrated that the internal control system of the NGO explained 85.8 percent of the variances in the organization's performance. Therefore, comprehensive research should be conducted to uncover the other elements influencing the functioning of non-governmental organizations in Rwanda.

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# APPENDICES



*A fully accredited/chartered University by The Government of Rwanda*

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**SCHOOL OF POST GRADUATE STUDIES  
OFFICE OF THE COORDINATOR -MUSANZE CAMPUS**

UOK/MS/12/09/2022

12<sup>th</sup> September, 2022

RESPECTED NATIONAL DIRECTOR,  
WORLD VISION RWANDA.

Dear Sir/ Madam

RE: REQUEST FOR MR. MUGABO AIMABLE (MBA/AF/MS/21/05/6640) TO CONDUCT RESEARCH IN YOUR INSTITUTION.

This is to certify that Mr. Mugabo Aimable is a bona fide student in the graduate school of University of Kigali, Musanze campus undertaking Master of business Administration (MBA) specializing in Accounting and Finance. He is currently conducting research entitled, "Effect of internal control system on the performance of Non-Governmental Organizations in Rwanda-A case of World Vision Rwanda," under the supervision of Dr. Twesigye Daniel. Your organization has been identified as a valuable source of information pertaining to his research project. We assure you that the information you will provide will be confidential and for academic purpose only. Your cooperation will be highly appreciated.

Best regards,

**Mr. ELIJAH KIHOTO MARINGA**  
Coordinator of Weekend and Postgraduate studies  
University of Kigali/ Musanze Campus.

*Coordinator of Weekend and Postgraduate, Musanze Campus*  
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September 23<sup>rd</sup> 2022

Mr. Almable Mugabo  
Tel: 0788573509  
e-mail: [brembeng@gmail.com](mailto:brembeng@gmail.com)

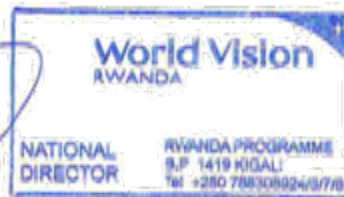
Dear Almable,

RE: RESPONSE TO YOUR LETTER

Referring to your letter dated 16<sup>th</sup> September 2022 requesting access to information while conducting your research on "Effect of internal control system on financial performance on non-government organization" with a case study of World Vision International Rwanda;

We are pleased to inform you that the access you are requesting for is granted.

Yours Sincerely,



Pauline Okumu  
National Director  
World Vision International Rwanda

## QUESTIONNAIRE

Dear Respondents

My name is *Aimable MUGABO*. I am a postgraduate student pursuing a Master of Business Administration with honors in Accounting and Finance at the University of Kigali (UoK). This questionnaire is designed to collect data on the "Effect of internal control systems on the performance of non-governmental organizations in Rwanda: A Case of World Vision Rwanda (2017-2021)". You are highly encouraged and persuaded to respond to the statements in this questionnaire in the most truthful and objective way possible. Your participation in facilitating this research will be highly appreciated. Participation in this study is voluntary and you are allowed to withdraw at any time you feel so. You are truly assured that this information provided will be kept with the utmost confidentiality and will be used for academic purposes only.

Thank you for your participation!

**Aimable MUGABO**

### PART I. INSTRUCTIONS

This questionnaire is composed of three types of questions: two option questions; multiple choice questions; and five-point Likert Scale questions. For each question, the respondent will tick in the box corresponding to the right answer.

### PART II: RESPONDENTS' IDENTIFICATION

1. Your gender

(a) Male

(b) Female

<input type="checkbox"/>
<input type="checkbox"/>

2. Age group

(a) 21 – 30 years

(b) 31 – 40 years

(c) 41-50 years

(d) 51 years and above

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

3. Level of education

(a) Secondary level

(b) University level

(c) Masters' level

(d) Others (please specify).....

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

4. How long have you been working in this NGO?

a. Less than 2 years

<input type="checkbox"/>
--------------------------



- b. Between 3-5 years
- c. 6 years and above

**PART III: INTERNAL CONTROL SYSTEMS AND PERFORMANCE OF NGOs**

3.1. Does your NGO have internal control system?

- a. Yes
- b. No

3.2. If yes, how frequently does your NGO review its internal controls?

- a. Half year
- b. Annually
- c. After every 5 years
- d. When the need arise
- e. Other (Please specify).....

**PART IV. CONTROL ENVIRONMENT AND PERFORMANCE OF WORLD VISION RWANDA**

Please indicate the extent to which World Vision Rwanda controls its working environment by indicating your level of agreement on the statement below related to control environment practices. Use the five-point Likert scale whereby 1=Strongly disagree, 2= Disagree 3=Not sure, 4= Agree and 5= strongly agree.

<b>Control environment practices</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. Organizational setup supports effective operations and financial reporting practices					
2. Value of integrity and ethical behaviors are established in performance					
3. There are human resource policies and practices in place to guide internal operations					
4. There are budgetary and reporting practices to provide benchmarks to measure accomplishments					
5. There are codified standards of conduct to guide behaviour and activities					
6. There is commitment to professional work practices and standards for the management to work within independence					

**PART V: CONTROL ACTIVITIES AND PERFORMANCE OF WORLD VISION RWANDA.**

Please indicate the extent to which World Vision Rwanda undertake the following control activities by indicating your level of agreement or disagreement on the statement related to control activities. Use the Five-point Likert scale whereby 1=Strongly disagree, 2= Disagree 3=Not sure, 4= Agree and 5= strongly agree.

<b>Control activities</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. World Vision Rwanda follows clear segregation of duties to ensure compliance with established policies and procedures					
2. Top management conducts performance assessments and project evaluations on a regular basis					
3. World Vision Rwanda performs physical asset inspections to assure physical asset controls.					
4. Financial controls are in place to prevent spending in excess of authorized resources.					
5. Departments conduct budget reviews and provide explanation for differences					
6. Corrective action is taken to address identified weaknesses					

**PART VI: RISK ASSESSMENT ON THE PERFORMANCE OF WORLD VISION RWANDA**

Please indicate the extent to which World Vision Rwanda undertakes risk assessment and management procedures by indicating your level of agreement on the following statement related to risk assessment and management practices and indicate whether they are applicable in your NGO. Use the Five-point Likert scale whereby 1=strongly disagree, 2= Disagree 3=Not sure, 4= Agree and 5= strongly agree.

<b>Risk assessment practices</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. The World Vision Rwanda has a well-functioning risk management board					
2. World Vision Rwanda has clear lines for reporting suspicion transactions					
3. Risks are identified and assessed to decide how to manage them on time					
4. Managers assess the external and internal environments that may have an impact on the achievement of goals					
5. Potential inaccuracies as a result of fraud or error are handled following existing standards and practices					
6. World Vision Rwanda implements internal measures to reduce recognized risks					

**PART VII: MONITORING ACTIVITIES AND THE PERFORMANCE OF WORLD VISION RWANDA**

Please indicate the extent to which World Vision Rwanda undertakes monitoring and control by indicating your level of agreement or disagreement on the following statements related to your NGO' monitoring procedures. Use the Five-point Likert scale whereby 1=Strongly disagree, 2= Disagree 3=Not sure, 4= Agree and 5= strongly agree.

<b>Monitoring and control procedures</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. Management establishes a baseline to monitor the internal controls					
2. Management continuously evaluates all internal controls components to ensure their operations					
3. Quality assessments are included in day-to-day control activities					
4. Internal control flaws are detected and disclosed to the appropriate parties					
5. Internal auditors offer appropriate recommendations for the management to improve					
6. Internal audit reports address the weaknesses in the internal control systems					

**THANK YOU FOR YOUR COOPERATION!**



**INTERVIEW GUIDE**

Dear Respondents

My name is *Aimable MUGABO*. I am a student at the University of Kigali, Musanze Campus. I am undertaking research on "Effect of internal control systems on the performance of non-governmental organizations in Rwanda: A Case of World Vision Rwanda (2017-2021). This interview is designed to collect qualitative data on this study. You are requested to spare some time in your schedule to provide answers to the stated questions through a discussion on various variables related to internal control systems within your organization. Information given in this case will be treated with utmost confidentiality and will be used for academic purposes only. Participation in this study is voluntary and you are allowed to withdraw at any time you feel so. Your participation will facilitate the completion of this study and help the researcher acquire a Master's degree in Finance and Accounting from the University of Kigali.

Thank you for your cooperation!

1. Does the organization have established policies regarding such matters as acceptable organizational practices, conflicts of interest, and codes of conduct? How is every part of these practices implemented?
2. Does the organization have operational policies in place to ensure effective operations? If so, what are such policies?
3. Do you think organizational governance is active and effective? If so, how?
4. What are the control practices in place in the organization? How are they operated? How frequently are they operated? Are the controls put in place operational? If so, how?
5. Do you think the management and accounting personnel understand control responsibilities applicable to their jobs and how they contribute to the organization's objectives? If so, how?
6. Do you face any challenges or inconveniences with the internal controls' performance? If so, what are they?
7. Does the organization face some risk that could affect its operations? If so, what are the main risks? What are the main mechanisms in place to manage these risks?
8. How often is the internal control system monitored? What are the main monitoring activities that are in place to assess the efficiency of the internal control system in your organization?
9. Does the organization have a functional internal audit unit that ensures vigilance and transparency in service delivery and project execution?
10. Does your organization perform social audits? How often does the organization perform social audits?

**THANK YOU FOR YOUR TIME!**