



# Effect of Internal Control System on Financial Performance of Non-Governmental Organization in Rwanda in Rwanda: A Case of Save the Children Rwanda

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## Abstract

This study examined how internal control systems affect the financial performance of Save the Children Rwanda. Non-governmental organizations in Rwanda often rush to implement projects near the end of grant periods, raising concerns over quality and value. Challenges included reviewed bank settlements, outdated asset registers, and low budget execution linked to weak internal controls. The study aimed to assess the impact of the control environment, control activities, and monitoring activities on financial performance. Guided by stewardship, control, and attribution theories, it employed a correlation design with a mixed approach, targeting 151 employees using a census method. Data were collected via questionnaires and interviews and analyzed using SPSS v26. Findings revealed strong positive relationships: control environment ( $r=0.810$ ,  $p<0.01$ ), control activities ( $r=0.789$ ,  $p<0.01$ ), and monitoring activities ( $r=0.869$ ,  $p<0.01$ ) significantly influenced financial performance. The study offers insights for employees, partners, donors, and policymakers, and recommends further research on internal control systems and financial outcomes.

**Keywords:** *Internal Control, Financial Performance, Non-Governmental Organizations, Control Environment, Control Activities, Monitoring of activities*

## 1 Introduction

Globally, financial scandals have affected Non-Governmental Organizations (NGOs), undermining their credibility and threatening donor support. For instance, World Vision International reported losses amounting to one million USD between 2009 and 2023 (Esslemont, 2025). With approximately USD 17.1 billion allocated to humanitarian aid in 2021, ineffective policies and weak accountability jeopardize NGO objectives, erode trust, and deter future funding (Adetunji, 2023). NGOs play a pivotal role in mobilizing resources to serve vulnerable groups, partnering with governments and private actors to implement critical development initiatives (Lewis & Kanji, 2019). Yet, demands for greater accountability and efficient resource utilization continue to grow (Yap & Ferreira, 2022). Internal control systems, as defined by COSO (2013), are essential to safeguard assets, ensure reliable reporting, and enhance operational effectiveness. In Rwanda, the Educational NGO Coordination Platform (2021) noted persistent financial underperformance, largely due to donor-dependent funding models, weak internal controls, and limited local contributions. Additional challenges include inadequate managerial expertise, insufficient staff capacity building, and ineffective donation strategies (Bromideh, 2021). According to Civil Society (2020), low transparency, poor stakeholder involvement, and weak internal controls have constrained NGO success, exacerbating issues such as staff retention and communication failures. Consequently, this study aimed to evaluate how internal control systems influence the financial performance of NGOs in Rwanda, focusing on Save the Children Rwanda.

### 1.1 Problem Statement

The Rwanda Education NGO Coordination Platform identified low performance levels tied to scarce resources, limited expertise, and weak systems (Fowler, 2022). To sustain donor trust, NGOs must implement robust internal controls, demonstrate compliance, and manage resources prudently (Dzomira, 2024). Poor internal controls foster fraud, errors, and financial misstatements, as witnessed in Enron's collapse due to failures in monitoring, conflicts of

interest, and complicit auditors (Castillo, 2025). Many NGOs fail to identify and monitor risks adequately or establish strong control activities and reporting systems, weakening oversight (Opromolla & Maccarini, 2020). For Save the Children Rwanda, an audit by KPMG (2018) highlighted control activity weaknesses, such as unreviewed bank reconciliations and outdated asset registers. A low burn rate, characterized by end-of-period spending, raised concerns over financial stewardship and project quality. Furthermore, weak control environments and insufficient self-assessment of internal controls compounded these issues. This study, therefore, sought to determine whether internal control systems impact Save the Children Rwanda's financial performance.

## 1.2 Objectives of the Study

The study specifically aimed to: Determine the effect of the control environment on financial performance in Save the Children Rwanda; Assess the effect of control activities on financial performance in Save the Children Rwanda; and Examine the effect of monitoring activities on financial performance in Save the Children Rwanda.

## 2. Review of Related Literature

### 2.1 Empirical Literature

#### 2.1.1 Effect of Control Environment on Financial Performance

Asante, Opppong and Abedanda (2025) examined internal control systems and their impact on faith-based organizations (FBOs) in Ghana. They found that 64% of respondents agreed that internal controls help ensure donor funds are properly utilized, highlighting the role of controls in protecting not only financial but also non-financial resources such as staff time and expertise. However, 36% expressed uncertainty, pointing to gaps in awareness and the need for enhanced management communication. Similarly, Thomas and Metrejean (2023) argued that a weak control environment increases opportunities for fraud. Rittenberg and Schwieger (2020) emphasized that leadership shapes the control environment by setting ethical standards and governance practices. Nyakundi (2024) demonstrated a strong relationship between the control environment and financial success, reporting significant correlations at  $p < 0.01$ . Mawanda (2020) also found that integrity, ethics, and clear roles in the control environment directly impacted NGO financial performance, showing an 86.4% variability between control environment strength and staff competence.

#### 2.1.2 Effect of Control Activities on Financial Performance

Ayon (2023) studied internal control systems in Sudanese NGOs and found that internal audits, procurement controls, and budgetary oversight (as control activities) strongly supported accountability and proper fund use, with a correlation of 73.2% ( $p < 0.01$ ). Likewise, Manwada (2020) described control activities as essential institutional policies and procedures, noting a significant link between these controls and operational reviews ( $p = .783$ ,  $\text{sig} = .000$ ). Petrovit, Shakespeare and Shih (2023) also observed a positive correlation (36.7%,  $p = .012$ ) between control activities and financial outcomes in nonprofit organizations, affirming their role in reducing risks and enhancing compliance with management directives.

#### 2.1.3 Effect of Monitoring Activities on Financial Performance

Mugi (2020) explored internal controls in Kenyan charities, finding that monitoring activities significantly influenced budget execution ( $p = .772$ ,  $\text{sig} = .000$ ). His study also indicated that with zero project implementation indicators, monitoring still accounted for 33% of variations in budget execution. Chenhall et al. (2020) similarly reported that monitoring activities positively impacted success in charity organizations, with strong statistical associations ( $b = .764$ ,  $p = .000$ ). Hussaini and Muhammed (2020) assessed 123 NGOs in Lagos and found that preventive, detective, and corrective controls all significantly boosted NGO performance, with  $p$ -values below 0.01 for each category.

## 2.2 Theoretical Framework

### 2.2.1 Agency Theory

Proposed by Ross, Barry and Adams, agency theory addresses principal-agent relationships, where managers (agents) act on behalf of donors and stakeholders (principals). This theory is relevant because internal controls help reduce opportunistic behaviors by aligning managerial actions with stakeholder interests (Fame & Jensen, 2020; Barlie & Means, 2020).

### 2.2.2 Stewardship Theory

Schoolman and Donaldson's stewardship theory suggests managers are motivated to act in the organization's best interest. This model underscores how leadership in NGOs may prioritize collective goals over personal gain, supporting robust internal controls for better financial outcomes.

### 2.2.3 Control Theory

Control theory integrates organizational planning, budgeting, and monitoring to safeguard resources. It emphasizes structured processes policies, resource allocations, and behavioral standards that shape the control environment, activities, and monitoring, ultimately preventing misstatements and enhancing liquidity and budget execution.

### 2.2.4 Attribution Theory

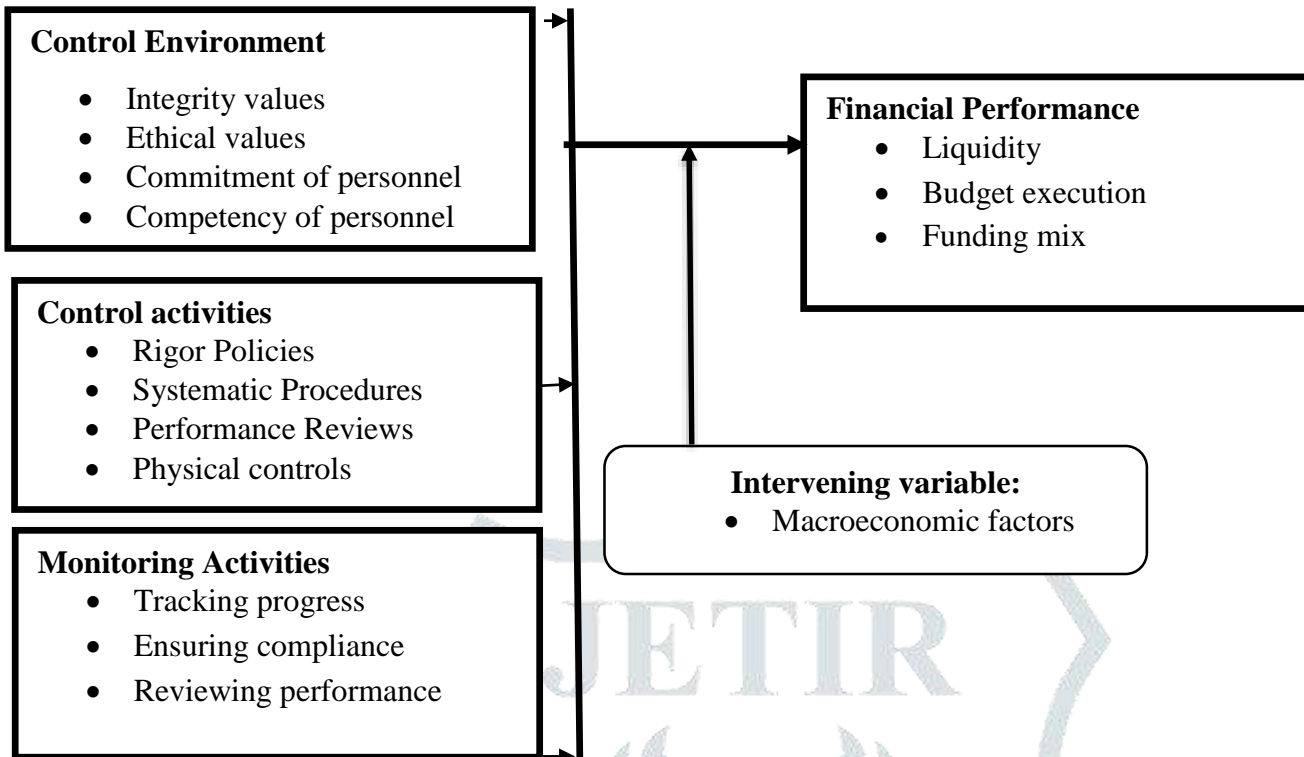
Attribution theory explains how people interpret events and assign responsibility. Chance (2024) highlighted that internal or external attributions shape how issues like financial misstatements are perceived. Reffett (2020) expanded this by showing auditors' heightened responsibility once internal control risks are identified, reinforcing why robust monitoring and control activities are critical. Overall, these theories collectively frame the study's exploration of how internal controls impact the financial performance of NGOs, particularly within Save the Children Rwanda.

## 2.3 Conceptual Framework

This term refers to graphical diagram that demonstrates the link between independent variable and dependent variables of research together with the intervening variables that can affect change in dependent variable (Amin, 2023). For instance, internal control system stands for independent variable while financial performance stands for dependent variable and intervening variables is macroeconomics factors.

## Independent Variable Internal Control Systems

## Dependent Variable



**Figure 2.1 Conceptual Framework**

**Source: Researcher (2025)**

This study investigates association between internal control system and financial success in Save the Children Rwanda. Internal control system ameliorated the financial success of NGOs. Internal control components were independent variable. Internal control factors were independent variable. Internal control components under this study including environment, activities and monitoring. One other hand, the financial performance is measured through liquidity, budget execution and funding mix. Therefore, internal control systems and financial performance were linked with macro-economic factors.

## 3. Research Methodology

### 3.1 Research Design

This study employed a correlation research design, which was selected because it enables the researcher to establish the relationships between variables and generalize findings to the broader population (Amin, 2023). A correlation design also allows the researcher to describe the situation as it exists, making it suitable for assessing how internal control systems influence financial performance at Save the Children Rwanda.

### 3.2 Target Population

The study targeted the entire staff of Save the Children Rwanda, totaling 151 employees. The researcher adopted a census approach, involving all employees to gather comprehensive data relevant to internal control practices and financial performance. This complete enumeration ensured that all individuals responsible for or affected by internal controls were included, enhancing the study's credibility and depth.

### 3.3 Data Collection Methods



Data were gathered through both primary and secondary sources. Primary data were collected using structured questionnaires and interview guides. According to Beiske (2022), a questionnaire is a structured tool for gathering primary data, which allows respondents to concentrate on key research aspects. Interviews facilitated deeper exploration of perceptions and practices. Secondary data were obtained by reviewing journals, annual reports, and relevant documents. Permission to conduct the study was sought from university authorities, who provided an introduction letter presented to Save the Children Rwanda. Questionnaires were administered using a drop-and-pick method, supplemented by email surveys for busy managers. This ensured higher response rates and allowed respondents to complete questionnaires at their convenience (Kothari, 2021; Saunders et al., 2021).

To ensure validity, the questionnaire was reviewed by the supervisor for clarity, relevance, and alignment with research objectives and the conceptual framework. Content validity was guaranteed by covering all essential areas of internal control and financial performance (Taherdoost, 2020). Construct validity was addressed by linking questions to theoretical and empirical literature (Creswell & Creswell, 2023), while face validity was tested through a pilot study involving 15 staff members from Plan International Rwanda a similar NGO providing feedback to refine the tools. Reliability was ensured using the test-retest method, administering the same instrument twice to the same group to check for consistency. Additionally, Cronbach's Alpha was calculated, with a value of 0.7 deemed acceptable (Creswell & Creswell, 2023; Saunders et al., 2021).

### 3.4 Data Analysis Procedure

Data were analyzed using SPSS version 21.0. Descriptive statistics, including frequencies, means, and tables, summarized internal control practices and financial performance. Correlation analysis was performed to establish the relationships between the control environment, control activities, monitoring activities, and financial performance.

### 3.5 Ethical Considerations

Ethical issues were carefully addressed to protect participants. Confidentiality was assured, with no names or personal identifiers recorded on research instruments. Participation was voluntary, and respondents were informed about the study's purpose and their right to withdraw at any time. These measures ensured respondents were not exposed to harm, upholding key ethical research principles.

### 4.2 Presentation of Findings

The researcher explored results from study tools in accordance with specific objectives including to determine effect of control environment, control activities and monitoring activities on performance in Save the Children Rwanda.

#### 4.1 Effect of Control Environment on Financial Performance

Results provides perceptions of respondents in relation to the effect of the control environment on financial performance which is crucial, as a strong control environment helps establish a foundation for effective financial management. including how indicators are applied in Save the Children: Integrity and Ethical values, Authority and Responsibility Assignment, Attract, develop and retain competent staff, Leadership Philosophy and Operating Cycle and Establish policies and procedures.

**Table 4.1 Presenting the way Save the Children Integrate Integrity and Ethical Values in Control Environment**

Rating	Set the tone at the top		Establishing Standards Conduct		Adherence of Standards Conduct		to of Encourage truth Respect			
	N	%	N	%	N	%	N	%	N	Percent
Great extent	46.0	30.5	58.0	38.4	134.0	88.7	12.0	7.9	6.0	4.0
Moderate Extent	77.0	51.0	74.0	49.0	1.0	0.7	86.0	57.0	112.0	74.2
Small extent	5.0	3.3	10.0	6.6	1.0	0.7	44.0	29.1	10.0	6.6
Never	17.0	11.3	2.0	1.3	9.0	6.0	6.0	4.0	7.0	4.6

not sure	6.0	4.0	7.0	4.6	6.0	4.0	3.0	2.0	16.0	10.6
Total	151	100	151	100	151	100	151	100	151	100

Source: Primary Data (2025)

Results demonstrated that 77 (51.0%) asserted that tone at the top is implemented at moderate extent, 74 (49.0%) respondents asserted that the standards of conduct are established at moderate extent in Save the Children, 134 (88.7%) respondents asserted that adherence to standards of conduct is evaluated at a great extent, 86 (57.0%) asserted that truth is encouraged at the Save the Children at a moderate extent, 112 (74.2%) asserted that respect as one of the ethical value is present at Save the Children at a moderate extent. Thus, this implies that Save the Children integrate integrity and ethical values in control environment.



**Table 4.2 Presenting the Way Authority and Responsibility are Assigned in Save the Children.**

Rating	Establish reporting lines		Define assign and Limits authorities		Define assign and limits responsibilities		Demand accountability from subordinate in response of their tasks		Support and provide feedback to subordinates	
	N	%	N	%	N	%	N	%	N	%
Great extent	11.0	7.3	28.0	18.5	26.0	17.2	54.0	35.8	10.0	6.6
Moderate extent	55.0	36.4	28.0	18.5	28.0	18.5	55.0	36.4	28.0	18.5
Small extent	74.0	49.0	83.0	55.0	81.0	53.6	36.0	23.8	86.0	57.0
Never	6.0	4.0	5.0	3.3	13.0	8.6	3.0	2.0	20.0	13.2
Not sure	5.0	3.3	7.0	4.6	3.0	2.0	3.0	2.0	7.0	4.6
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

The findings indicates that 74 (49.0 %) respondents confirmed that reporting lines are established in Save the Children at a small extent , 83 (55.0 %) respondents confirmed that authorities are defined, assigned, and limited in Save the Children at a small extent, 81 (53.6 %) respondents asserted that responsibilities are defined, assigned and limited in Save the Children at a small extent , 55 (19.9%) of respondents asserted that Save the Children demand accountability from subordinates in response of their tasks at a moderate extent, 86 ( 57.0 %) respondents asserted that subordinates are supported and receive feedback at a small extent. Thus, this implies that authority and responsibility are assigned in Save the Children.

**Table 4.3 Presenting how Save the Children Attract, Develop and Retain Competent Staff.**

Rating	Transparent recruitment process		Promotion based on merit		Staff rotation		Deployment to other offices within and outside the country for exposure		Provide opportunities to assume interim for high positions	
	N	%	N	%	N	%	N	%	N	%
Great extent	8.0	5.3	14.0	9.3	30.0	19.9	28.0	18.5	56.0	37.1
Moderate extent	112.0	74.2	55.0	36.4	28.0	18.5	28.0	18.5	55.0	36.4
small extent	10.0	6.6	73.0	48.3	82.0	54.3	79.0	52.3	34.0	22.5
Never	6.0	4.0	4.0	2.6	4.0	2.6	13.0	8.6	3.0	2.0
Not sure	15.0	9.9	5.0	3.3	7.0	4.6	3.0	2.0	3.0	2.0
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

The study evidenced that 112 (74.2%) respondents accepted that Save the Children has transparent recruitment process at a moderate extent, 73 (48.3%) respondents asserted that promotion is based on merit at a small extent, 82 (54.3%) respondents asserted that Save the Children do provide opportunities for staff rotation at a small extent, 79 (52.3%) respondents confirmed that Save the Children offers deployment to other offices within and outside the country for exposure at a small extent and 56 (37.1%) respondents asserted that Save the Children provides opportunities to assume interim for higher positions at a great extent. Thus, this implies that Save the Children has measures in place to attract, develop and retain competent staff.

**Table 4.4 Presenting the way Leadership Philosophy and Operating Cycle is Determined at Save the Children.**

Rating	Staff are aware of senior management values		Staff are aware of senior management priorities		Staff understand the approach used by management for decision making		Financial, operational and compliance risks are managed		Finance, procurement, and logistic departments have sufficient and qualified staff	
	N	%	N	%	N	%	N	%	N	%
Great extent	15.0	9.9	15.0	9.9	31.0	20.5	56.0	37.1	15.0	9.9
Moderate extent	54.0	35.8	54.0	35.8	26.0	17.2	55.0	36.4	27.0	17.9
small extent	71.0	47.0	71.0	47.0	80.0	53.0	35.0	23.2	83.0	55.0
Never	6.0	4.0	6.0	4.0	11.0	7.3	3.0	2.0	19.0	12.6
Not sure	5.0	3.3	5.0	3.3	3.0	2.0	2.0	1.3	7.0	4.6
Total	151	100	151	100	151	100	151	100	151	100

**Source: Primary Data (2025)**

Results demonstrated that 71 (47.0%) respondents asserted that staff are aware of senior management values at a small extent, 71 (47.0%) of respondents confirmed that staff are aware of senior management priorities at a small extent, whereas 80 (53.0%) of respondents asserted that staff understand the approach used by management for decision making at a small extent; 56 (37.1%) respondents asserted that Financial, operational and compliance risks are managed in Save the Children at a great extent and 83 (55.0%) respondents asserted that finance, procurement and logistics departments have sufficient and qualified staff at a small extent. Thus, this implies that leadership philosophy and operating cycle is determined in Save the Children.

**Table 4.5 Presenting Policies and Procedures which are Established in Save the Children.**

Rating	Finance manual		HR manual		Procurement and logistic manual		Code of conduct policy		Child safeguarding policy	
	N	%	N	%	N	%	N	%	N	%
Great extent	56.0	37.1	46.0	30.5	58.0	38.4	134.0	88.7	12.0	7.9
Moderate extent	95.0	62.9	77.0	51.0	74.0	49.0	1.0	0.7	86.0	57.0
small extent			5.0	3.3	10.0	6.6	1.0	0.7	44.0	29.1
Never			17.0	11.3	2.0	1.3	9.0	6.0	6.0	4.0
Not sure			6.0	4.0	7.0	4.6	6.0	4.0	3.0	2.0
Total	151	100	151	100	151	100	151	100	151	100

**Source: Primary Data (2025)**

The findings indicates that 95(62.9%) respondents asserted that Save the Children has finance manual at a great extent, 77(51%) respondents asserted that Save the Children has an HR manual at a moderate extent, 74(49%) respondents asserted that Save the Children has a procurement and logistic manual at a moderate extent, 134(88.7%) respondents asserted that Save the Children has a code of conduct policy and 86(57.0%) respondents confirmed that Save the Children has a Child safeguarding policy at a moderate extent finance manual. Thus, this implies that policies and procedures are established in Save the Children.

**Table 4.6 Effect of Control Environment on Financial Performance**

Rating	Frequency	Percent
Great extent	26	17.2
Moderate extent	40	26.5
Small extent	83	55.0
Never	2	1.3
Total	151	100.0

**Source: Primary Data (2025)**



The study findings demonstrated that 26 (17.2%) respondents asserted control environment is implemented at a great extent, 40 (26.5%) asserted that control environment is implemented at a moderate extent, 83 (55.0%) respondents asserted that control environment is implemented at a small extent and 2 (1.3%) respondents asserted that control environment never implemented at Save the Children. Thus, this implies that control environment is implemented in Save the Children.

#### 4.2 Effect of Control Activities on Financial Performance

Findings presents views and perceptions of respondents in relation to effect of control activities on financial performance including indicators of success control activities such as segregation of duties, reconciliation, Physical security of assets, electronic data security, HR and payroll control.

**Table 4.7 Presenting the way Segregation of Duties is Implemented in Save the Children.**

Rating	Staff that make vendors payments different those approve payments		Staff who record financial transactions are from the management system different those that		Staff that make payments in vendors those are conduct from reconciliation post statement		Cheques to approved are more than one person that they are honored in the bank		Staff that source vendors are different from the ones that approve or sign contracts	
	N	%	N	%	N	%	N	%	N	%
Always	6.0	4.0	11.0	7.3	28.0	18.5	26.0	17.2	54.0	35.8
Very frequently	112.0	74.2	55.0	36.4	28.0	18.5	28.0	18.5	55.0	36.4
Frequently	10.0	6.6	74.0	49.0	83.0	55.0	81.0	53.6	36.0	23.8
Seldom	7.0	4.6	6.0	4.0	5.0	3.3	13.0	8.6	3.0	2.0
Never	16.0	10.6	5.0	3.3	7.0	4.6	3.0	2.0	3.0	2.0
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

Results demonstrated that 112 (74.2%) of participants that staff that make vendor payments are very frequently different from those that approve payments, 74(49%) of respondents asserted that staff who record financial transactions in the financial management system are frequently different from those that post them whereas 83 (55.0 %) respondents asserted that staff that make payments to vendors are frequently different from those that conduct bank reconciliation statement, and again 81 (53.6%) respondents asserted that cheques are frequently approved by more than one person before they are honored in the bank whereas 55 (36.4%) respondents asserted that staff that source vendors are very frequently different from the ones that approve or sign contracts. Thus, this implies that segregation of duties is implemented in Save the Children.

**Table 4.8 Presenting how Reconciliation is Implemented in Save the Children**

Rating	Bank reconciliations conducted at least monthly		Assets on the asset register are reconciled to asset inventory annually		Outstanding advances to staff are reconciled to cash disbursed		Supplier statements reconciled outstanding invoice		Reconciliations of petty cash balance are conducted before replenishment of petty cash	
	N	%	N	%	N	%	N	%	N	%
Always	46.0	30.5	58.0	38.4	134.0	88.7	12.0	7.9	6.0	4.0
Very frequently	77.0	51.0	74.0	49.0	1.0	0.7	86.0	57.0	112.0	74.2
Frequently	5.0	3.3	10.0	6.6	1.0	0.7	44.0	29.1	10.0	6.6
Seldom	17.0	11.3	2.0	1.3	9.0	6.0	6.0	4.0	7.0	4.6
Never	6.0	4.0	7.0	4.6	6.0	4.0	3.0	2.0	16.0	10.6
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

Findings remarks that 77(51.0%) asserted that bank reconciliations are conducted very frequently at least monthly, whereas 74(49%) of respondents asserted that assets on the asset register are reconciled to the asset inventory annually, 134(88.7%) respondents asserted that outstanding advances to staff are always reconciled to cash disbursed, 86(57.0%) of respondents asserted that supplier statements are very frequently reconciled to outstanding invoices and 112(74.2%) respondents asserted that reconciliations of petty cash balances are very frequently conducted before replenishment of petty cash. Thus, this implies that reconciliation is implemented in Save the Children.



**Table 4.9 Presenting how Physical Security of Assets is Done in Save the Children**

Rating	Cash is kept in a Safe		Safer is kept in a lockable place		Access to the office is controlled		Staff files are kept in a lockable place		Valuable documents kept in a lockable area	
	N	%	N	%	N	%	N	%	N	%
Always	11.0	7.3	28.0	18.5	26.0	17.2	54.0	35.8	10.0	6.6
Very frequently	55.0	36.4	28.0	18.5	28.0	18.5	55.0	36.4	28.0	18.5
Frequently	74.0	49.0	83.0	55.0	81.0	53.6	36.0	23.8	86.0	57.0
seldom	6.0	4.0	5.0	3.3	13.0	8.6	3.0	2.0	20.0	13.2
Never	5.0	3.3	7.0	4.6	3.0	2.0	3.0	2.0	7.0	4.6
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

The findings indicate that 74 (49.0%) respondents asserted that cash is kept in a safe very frequently, 83(55.0%) respondents asserted that safer is frequently kept in a lockable place, 81(53.6%) respondents asserted that access to the office is frequently controlled and 55(36.4%) respondents asserted that staff files are very frequently kept in a lockable place and 86(57.0%) confirmed that valuable documents are frequently kept in a lockable area. Thus, this implies that physical security of Save the Children assets is done.

**Table 4.10 Presenting how Electronic Data Security is Done in Save the Children**

Rating	Access information system require a password		Manual is in place to guide the use of information system		Electronic data is kept in different places for example and other servers		Computer for updated cloud virus		The organization have has a policy on ant-the management of computers and all accessories	
	N	%	N	%	N	%	N	%	N	%
Always	41.0	27.2	39.0	25.8	28.0	18.5	29.0	19.2	31.0	20.5
Very frequently	96.0	63.6	88.0	58.3	29.0	19.2	38.0	25.2	29.0	19.2
Frequently	14.0	9.3	19.0	12.6	84.0	55.6	70.0	46.4	83.0	55.0
Seldom			5.0	3.3	10.0	6.6	14.0	9.3	8.0	5.3
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

The study demonstrated that 96 (63.6%) evidenced that access to information system require a password very frequently, 88 (58.3%) respondents asserted that manual is in place very frequently to guide the use of information system, 84 (55.6%) electronic data is kept frequently in different places for example on the cloud and other servers, 70(46.4%) respondents asserted that computer frequently have updated anti-virus , 83(55.0 %) respondents asserted that the organization frequently has a policy on the management of computers and all the accessories. Thus, this implies that electronic data security is done in Save the Children.

**Table 4.11 Presenting how HR and Payroll Controls are Implemented in Save the Children**

Rating	The process of recruitment officially documented followed		Staff that input data into the payroll system and differ from the ones that authorize and approve the payroll		Head counts of staff are conducted at least four times a year		Access to Masterfile is restricted and exists to a limited particular staff		Official procedure to changes on the Masterfile and the changes can be tracked	
	N	%	N	%	N	%	N	%	N	%
Always	14.0	9.3	28.0	18.5	22.0	14.6	41.0	27.2	15.0	9.9
Very frequently	42.0	27.8	32.0	21.2	27.0	17.9	49.0	32.5	28.0	18.5
Frequently	81.0	53.6	77.0	51.0	79.0	52.3	46.0	30.5	83.0	55.0
Seldom	14.0	9.3	7.0	4.6	20.0	13.2	14.0	9.3	19.0	12.6

Never			7.0	4.6	3.0	2.0	1.0	0.7	6.0	4.0
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

This study felt that 81 (53.6%) the process of recruitment is officially documented and followed frequently, 77(51.0%) respondents asserted that Staff that input data into the payroll system frequently different from the ones that authorize and approve the payroll, whereas 79(52.3%) of respondents asserted that head counts of staff are frequently conducted at least four times a year, 49(32.5%) respondents asserted that very frequently access to Masterfile is restricted and limited to particular staff, and 83 (55.0%) have accepted that official procedure exists to guide changes on the Masterfile and the changes can be tracked. Thus, this implies that HR and payroll controls are implemented in Save the Children.

**Table 4.12 Effect of Control Activities on Financial Performance**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>
Always	21	13.9
Very Frequent	46	30.5
Frequently	82	54.3
Seldom	2	1.3
<b>Total</b>	<b>151</b>	<b>100.0</b>

**Source: Primary Data (2025)**

Information demonstrated that 21 (13.9%) respondents asserted control activities is always implemented at Save the Children, 46 (30.5%) asserted that control activities are implemented very frequent, 82 (54.3%) respondents asserted that control activities are implemented frequently, and 2 (1.3%) respondents asserted that control activities are seldom implemented at Save the Children. Thus, this implies that control activities are implemented in Save the Children.

**4.3 Effect of Monitoring Activities on Financial Performance**

The findings under this subsection presents the views and perceptions of respondents in relation to effect of monitoring activities on financial performance such as indicators of such success of monitoring activities such as assessing the design and operation of controls, assessing the compliance with policies and procedures, implementation of corrective action plans, Feedback from stakeholders and Internal Audit.



**Table 4.13 Presenting how the Design and Operation of Controls Are Assessed in Save the Children**

Rating	Evaluations are performed to ascertain whether the components of internal control are functioning		are There independent internal audit unit to objectively evaluate the entity's systems feedback management operating of control system		is an SCI external unit to objectively evaluate the system report to management of the functioning of the control systems on control systems		engages management whether deficiencies in internal control are remediated timely		track Unresolved deficiencies from audits reports communicated to senior management	
	N	%	N	%	N	%	N	%	N	%
Great extent	56.0	37.1	75.0	49.7	28.0	18.5	30.0	19.9	34.0	22.5
Moderate extent	95.0	62.9	76.0	50.3	26.0	17.2	24.0	15.9	26.0	17.2
Small extent					85.0	56.3	85.0	56.3	79.0	52.3
Never					5.0	3.3	5.0	3.3	5.0	3.3
Not sure					7.0	4.6	7.0	4.6	7.0	4.6
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

The study revealed that 95 (62.9%) respondents asserted that evaluations are performed at a moderate extent to identify if factors of internal control were presented, where 76(50.3%) respondents asserted that there is an independent internal audit that evaluates at a moderate extent organizational control systems and comments whereas 85 (56.3%) of respondents affirmed that SCI at a small extent involves independent evaluators, 85(56.3%) respondents asserted that at a small extent management track whether deficiencies in internal control are remediated in a timely manner and 79 (52.3%) of respondents asserted that unresolved deficiencies from audits reports were communicated to Senior management at a small extent. Thus, this implies the design and operations of control is implemented in Save the Children.

**Table 4.1 Presenting the Way Compliance with Policies and Procedures Are Assessing in Save the Children**

Rating	Meeting different departments to ensure policies and procedures are not misunderstood and make sense to all employees		with The best format for Policy policies occur different audiences is determined		and Deadlines set for The best way to the		each policy and measure is understanding employees have on policies and procedures is determined			
	N	%	N	%	N	%	N	%	N	%
Great extent	58.0	38.4	134.0	88.7	12.0	7.9	6.0	4.0	11.0	7.3
Moderate extent	74.0	49.0	1.0	0.7	86.0	57.0	112.0	74.2	55.0	36.4
small extent	10.0	6.6	1.0	0.7	44.0	29.1	10.0	6.6	74.0	49.0
Never	2.0	1.3	9.0	6.0	6.0	4.0	7.0	4.6	6.0	4.0
Not sure	7.0	4.6	6.0	4.0	3.0	2.0	16.0	10.6	5.0	3.3
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

The findings indicates that 74 (49.0%) respondents asserted that meeting with different departments occur at a moderate extent to ensure policies and procedures are not misunderstood to all employees, 134 (88.7%) respondents asserted that at a great extent, the best format for policies for different audiences is determined, 86(57.0%) respondents asserted that policies and procedures are easily accessible to all employees at a moderate extent,

112(74.2%) respondents asserted that deadlines set for each policy and procedures are acknowledged at a moderate extent whereas 74 (49.0%) asserted that the best way to measure the understanding employees have on policies and procedures is determined at a small extent. Thus, this implies compliance with policies and procedures are assessed in Save the Children.

**Table 4.15 Presenting the Way Corrective Action Plans are Implemented in Save the Children**

Rating	The problem and root cause are clearly stated		Staff who will be accountable for the results of the corrective action are identified		Measurable solutions that address the root cause are created		Deadline are set and are realistic		Progress of the plan is monitored	
	N	%	N	%	N	%	N	%	N	%
Great extent	28.0	18.5	26.0	17.2	54.0	35.8	10.0	6.6	10.0	6.6
Moderate extent	28.0	18.5	28.0	18.5	55.0	36.4	28.0	18.5	103.0	68.2
small extent	83.0	55.0	81.0	53.6	36.0	23.8	86.0	57.0	16.0	10.6
Never	5.0	3.3	13.0	8.6	3.0	2.0	20.0	13.2	12.0	7.9
Not sure	7.0	4.6	3.0	2.0	3.0	2.0	7.0	4.6	10.0	6.6
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

Results revealed that 83 (55.0%) respondents asserted that the problem and root cause are clearly stated at a small extent, 81(53.6%) respondents asserted that staff who will be accountable for the results of the corrective action are identified at a small extent, 28(18.5%) respondents asserted that measurable solutions that address the root cause are created at a moderate extent whereas 86 (57.0%) respondents asserted that deadline are set and are realistic at a small extent and 103(68.2%) respondents asserted that the progress of the plan is monitored at a moderate extent. Thus, this implies corrective action plans are implemented in Save the Children.

**Table 4.16 Presenting the Way Feedback from Stakeholders are Received in Save the Children**

Rating	Save the Children has a whistle blowing Policy or any other way to receive feedback from stakeholders		Staff and any other Management act on the matters raised by different stakeholders free to whistle blow with their names kept confidential	
	N	%	N	%
Great extent	29.0	19.2	31.0	20.5
Moderate extent	26.0	17.2	24.0	15.9
small extent	84.0	55.6	84.0	55.6
Never	6.0	4.0	6.0	4.0
Not sure	6.0	4.0	6.0	4.0
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

**Source: Primary Data (2025)**

This study denoted that 84(55.6%) respondents asserted that at a small extent Save the Children has a whistle blowing policy or any other way to receive feedback from stakeholders, 84(55.6%) asserted that staff and any other stakeholders at a small extent are free to whistle blow with their names kept confidential, 78(51.7%) respondents asserted that at small extent management act on the matters raised by different stakeholders. Thus, this implies Feedback from stakeholders are received in Save the Children.

**Table 4. 17 Presenting the way internal audit operates in Save the Children**

**Source: Primary Data (2025)**

This study demonstrated that 126(83.4%) respondents asserted that an internal audit department exist in Save the Children, 86(57.0%) respondents asserted that internal audit is conducted periodically at a moderate extent, 132(87.4%) asserted that internal audit recommendations are implemented at great extent, 88(58.3%) respondents asserted that internal auditors are qualified to conduct internal audit assignments at a moderate extent, 125(82.8%) respondents asserted that internal auditors are independent at a moderate extent (They don't report to management). Thus, this implies Save the Children does not have an internal audit department.

**Table 4.18 Effect of Monitoring Activities on Financial Performance**

Rating	Internal department exist		Internal audit conducted periodically		Internal audit recommendations are implemented		Internal audit conduct qualified to conduct internal assignments		Internal auditors are independent (they report to management)	
	N	%	N	%	N	%	N	%	N	%
Great extent	126.0	83.4	45.0	29.8	132.0	87.4	12.0	7.9	26.0	17.2
Moderate extent	1.0	0.7	86.0	57.0	1.0	0.7	88.0	58.3	125.0	82.8
small extent	6.0	4.0	10.0	6.6	8.0	5.3	43.0	28.5		
Never	6.0	4.0	3.0	2.0	4.0	2.6	3.0	2.0		
Not sure	12.0	7.9	7.0	4.6	6.0	4.0	5.0	3.3		
<b>Total</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>151</b>	<b>100</b>

Rating	Frequency	Percent
Great extent	25	16.6
Moderate extent	47	31.1
Small extent	75	49.7
Never	4	2.6
Total	151	100

**Source: Primary Data (2025)**

After merging results, it was evidenced that 25 (16.6%) denoted that monitoring activities is implemented at great extent at Save the Children, 47 (31.1%) asserted that monitoring activities are implemented at a moderate extent, 75 (49.7%) respondents asserted that control activities are implemented frequently, and 4 (2.6%) respondents asserted that monitoring activities are never implemented at Save the Children. Thus, this implies that monitoring activities are implemented in Save the Children.

**Trend of Financial Performance in Save the Children in the Last 3 Years**

Indicators of financial performance under this study are liquidity, funding mix and budget execution.

**Table 4.19 Trend of Liquidity in Save the Children**

Rating	Frequency	Percent
Strongly positive	28	18.5
Neither positive nor negative	26	17.2
Positive	85	56.3
Negative	5	3.3
Strongly negative	7	4.6
Total	151	100

**Source: Primary Data (2025)**

Findings demonstrated that 28 (18.5%) evidence that there is a strongly positive trend, 26(17.2%) respondents asserted that the trend is neither positive nor negative, 85(56.3%) asserted that there is a positive trend, 5 (3.3%) asserted that there is a negative trend, 7(4.6%) asserted that there is a strongly negative trend in liquidity As a measure of financial performance in an organization, key indicators such as profitability, revenue growth, cost efficiency, and return on investment (ROI) are often used. These metrics help assess how well an organization is managing its financial resources and achieving its financial objectives. In Save the children. Thus, this implies there is a positive trend of liquidity in Save the Children in the last 3 years.

**Table 4.20 Trend of Budget Execution in Save the Children**

Rating	Frequency	Percent
Strongly positive	30	19.9
Neither positive nor negative	24	15.9
Positive	83	55.0
Negative	8	5.3

Strongly negative	6	4.0
Total	151	100.0

**Source: Primary Data (2025)**

Results evidenced that 30(19.9%) respondents asserted that there is a strongly positive trend, 24(15.9%) respondents asserted that the trend is neither positive nor negative, 83(55.0%) asserted that there is a positive trend, 8 (5.3%) asserted that there is a negative trend, 6(4.0%) asserted that there is a strongly negative trend in budget execution. Thus, this implies there is a positive trend of budget execution in Save the Children in the last 3 years.





**Table 4.21 Trend of Funding Mix in Save the Children**

	Frequency	Percent
Strongly positive	34	22.5
Neither positive nor negative	26	17.2
Positive	77	51.0
Negative	5	3.3
Strongly negative	9	6.0
<b>Total</b>	<b>151</b>	<b>100.0</b>

**Source: Primary Data (2025)**

The study shows a strongly positive trend, 26(17.2%) respondents asserted that the trend is neither positive nor negative, 77(51.0%) asserted that there is a positive trend, 5 (3.3%) asserted that there is a negative trend, 9(6.0%) asserted that there is a strongly negative trend in budget execution. Thus, this implies there is a positive trend of budget mix in Save the Children in the last 3 years.

**Table 4.22 Correlation Analysis**

		Control environment	Control Activities	Monitoring Activities
Control environment	Pearson Correlation	1	.956**	.887**
	Sig.(2-tailed)		.000	.000
	N	151	151	151
Control Activities	Pearson Correlation	.956**	1	.862**
	Sig.(2-tailed)	.000		.000
	N	151	151	151
Monitoring Activities	Pearson Correlation	.887**	.862**	1
	Sig.(2-tailed)	.000	.000	
	N	151	151	151

**Source: Primary Data (2025)**

Results reveals the existence of a significant association between internal; control environment and activities (p-0.956, p-value=0.000), control environment and monitoring activities (p-0.887, p-value=0.000) control and monitoring activities (p-0.862, p-value= 0.000), it plies that they are less than 0.0.

**Table 4.23 Correlation Analysis between Measures of Financial Performance**

		Liquidity	budget execution	funding mix
Liquidity	Pearson Correlation	1	.949**	.877**
	2-tailed		.000	.000
	N	151	151	151
budget execution	Pearson Correlation	.949**	1	.843**
	Sig.(2-tailed)	.000		.000
	N	151	151	151
funding mix	Pearson Correlation	.877**	.843**	1
	Sig.(2-tailed)	.000	.000	
	N	151	151	151

**Source: Primary Data (2025)**

Results demonstrated the existence of statistically positive effect of liquidity on budget (b-0.949, sig=0.000), liquidity and funding mix (p-0.877, p-value=0.000), budget execution (p-0.843, p-value= 0.000) owing to the determination of significance p-value was less than 0.01 it was clear measures of financial performance in Save the Children Rwanda.

**Table 4.24 Correlation Analysis between Internal Control Systems and Financial Performance**

		Control Environment	Control Activities	Monitoring Activities	Financial Performance
Control environment	Pearson Correlation	1	.956**	.887**	.810**
	Sig.(2-tailed)		.000	.000	.000
	N	151	151	151	151
Control Activities	Pearson Correlation	.956**	1	.862**	.789**
	Sig.(2-tailed)	.000		.000	.000
	N	151	151	151	151
Monitoring Activities	Pearson Correlation	.887**	.862**	1	.869**
	Sig.(2-tailed)	.000	.000		.000
	N	151	151	151	151
Financial Performance	Pearson Correlation	.810**	.789**	.869**	1
	Sig.(2-tailed)	.000	.000	.000	
	N	151	151	151	151

**Source: Primary Data, 2025**

Findings presented in Table 4.27 felt the existence of clear association between control environment and activities (p=0.956, p-value= 0.956) monitoring activities (p-0.887, p-value- 0.000), financial performance (p-0.810, p-value- 0.000), monitoring (p-value-0.862, p-value-0.000) owing the calculated p-value was below 0.01 level of significance.

## 5 Discussion of Findings

The findings of this study revealed that Save the Children Rwanda has moderately implemented internal control components, with stronger practices in specific areas such as segregation of duties and reconciliation, but weaker practices in areas like authority-responsibility clarity and corrective action follow-up. These results resonate with existing literature on the importance of internal control systems in promoting financial performance. For instance, a study by Achieng and Muturi (2021) in Kenyan NGOs established that a well-defined control environment,

characterized by ethical values, accountability, and competent staffing, significantly contributes to financial stability and reduces misappropriation risks. Similarly, Nyamekye et al. (2022) found that in Ghanaian non-profits, strong policies and procedures, including finance and procurement manuals, greatly enhanced compliance and financial integrity.

Regarding control activities, this study demonstrated that Save the Children has effectively implemented measures like segregation of duties and regular reconciliations. This supports the conclusions of Ong'era and Moronge (2020) who showed that segregation of duties and rigorous reconciliations were critical in mitigating fraud risks in humanitarian organizations in Nairobi. Additionally, the frequent application of physical asset security and electronic data protection in Save the Children mirrors the findings of Bukenya et al. (2023), who identified that proper safeguarding of assets, both physical and electronic, underpins financial performance in international NGOs operating in Uganda.

The study also highlighted moderate execution of monitoring activities, with internal audits being evident but weaknesses observed in independent evaluations and timely remediation of control deficiencies. This partially aligns with a study by Mwakima and Mungai (2021) who observed that in Tanzanian development organizations, internal audit units were present but often lacked full independence, limiting their effectiveness. Moreover, studies by Chege and Kimani (2023) indicated that while many NGOs in East Africa have whistleblowing mechanisms on paper, cultural and structural barriers still limit stakeholder feedback — an issue similarly found in Save the Children.

The study confirmed significant positive associations between internal controls and financial performance indicators such as liquidity, budget execution, and funding mix, reinforcing the observations by Mbabazi and Niyitegeka (2022) in Rwandan non-profits, who found that robust internal controls lead to improved budget utilization and donor confidence. Thus, these findings contribute to a growing body of evidence emphasizing that for NGOs like Save the Children Rwanda, strengthening the clarity of responsibilities, corrective actions, and stakeholder feedback mechanisms will be crucial in optimizing financial performance.

## 6. Conclusion and Recommendations

This study assessed the effect of internal control systems on financial performance in Save the Children Rwanda. Concerning the first research question, findings revealed a strong positive association between the control environment and financial performance ( $r=.810$ ,  $p=0.000$ ), with 65.3% of the variability in financial performance explained by the control environment. This underscores that a robust control environment significantly contributes to financial success. In addressing the second research question, results showed that control activities were also strongly linked to financial performance ( $r=.789$ ,  $p=0.000$ ), accounting for 62.0% of the variability. The regression analysis confirmed this with a coefficient ( $b=1.057$ ,  $p=0.000$ ), indicating that effective control activities such as adherence to procedures and segregation of duties are vital in enhancing financial outcomes.

Regarding the third question on monitoring activities, the study established a very strong positive relationship ( $r=.869$ ,  $p=0.000$ ), where monitoring accounted for 75.4% of the variability in financial performance. The regression outcome ( $b=1.096$ ,  $p=0.000$ ) highlighted that improving monitoring practices directly enhances financial results. Overall, the study concludes that effective internal control systems comprising a solid control environment, robust control activities, and rigorous monitoring are essential for promoting financial performance in NGOs like Save the Children.

Based on these findings, the study recommends that NGOs strengthen their internal control systems to boost financial accountability and program success. The government should also organize capacity-building initiatives to train NGO stakeholders and beneficiaries, enhancing their knowledge of internal control systems to ensure sustained financial health and effective project implementation. Furthermore, donors and partners should closely monitor how grants are utilized, ensuring funds serve intended purposes, and make future funding decisions based on evaluations of internal control effectiveness. Finally, future research should explore internal controls in broader contexts, including fraud detection and performance impacts in private and local enterprises.

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