# INTERNAL CONTROL, ORGANIZATIONAL SIZE AND OPERATIONAL PERFORMANCE OF INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS IN NAIROBI.

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**MASTER OF SCIENCE IN COMMERCE**

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**REG 22/08332**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF SCIENCE IN COMMERCE, FINANCE AND ACCOUNTING IN THE SCHOOL OF BUSINESS AT KCA UNIVERSITY**

**OCTOBER 2025**

## DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged

**Peter Muli Kivindu** **Reg No. 22/08332**

**Sign…….** 30/04/2026 **Date ……**

I do hereby confirm that I have examined the master's dissertation of

**Peter Muli Kivindu**

And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

**Sign: ……Date: ……**

Dr. Fiona Korir.

(Thesis Supervisor).

## ABSTRACT

The current situation in Nairobi reveals significant deficiencies in the internal control systems of international non-governmental organisations (NGOs), leading to poor operational performance. These shortcomings span across all five components of internal control. The study aimed at determining the effect of internal control, organisation's control environment, risk assessment and monitoring activities on the operational performance of international non-governmental organisations in Nairobi. The study further established the moderating effect of organizational size on the relationship between internal control and operational performance of international NGOs. Theoretically stakeholder theory, risk management, institutional theory and agency theory were applied. The study employed a descriptive research design. The study targeted 288 stakeholders under 288 international NGOs based in Nairobi. The study comprised of one stakeholder per NGO thus top manager/chief internal auditor/ chief accountant or a board member for each NGO. This led to sample of 167 stakeholders. Random sampling technique was adopted. Data was collected using questionnaires. Reliability was tested using Cronbach alpha test and validity was tested using Kaiser Meyer Olkin for content analysis. Piloting was conducted on 29 stakeholders in Nairobi outside the sample group. Descriptive statistics used were frequencies, percentages, mean and standard deviation. Inferential statistics included Pearson correlation, simple linear and multiple linear regression analysis. The findings were that control environment; risk assessment and monitoring activities had significant relationship with Operational performance of international NGOs. Furthermore, organizational size had a significant moderating effect on the relationship between internal control and operational performance of international NGOs. The study suggests that a proactive approach to risk mitigation planning reflects a robust commitment to sustaining stable operational performance. The study concludes that the internal audit team's fast follow-up on audit issues demonstrates a proactive attitude to monitoring and evaluation. The study revealed that organizational size significantly moderates the link between internal controls and operational performance. The study advises that NGO management should implement control measures via internal auditors granted free access to do an extensive audit, facilitating a detailed evaluation of financial risks and controls. NGO management must establish stringent authorization and approval standards to mitigate the risk of unlawful transactions and mismanagement. Management of NGOs should prioritize prompt monitoring of audit findings to enable rapid corrective measures. Management must commit to expanding its regions by enhancing its workforce and asset base to bolster its size and scope for effective internal control.

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I am deeply grateful to the Almighty for bestowing upon me the organizational means and unwavering strength to persevere and bring this project to fruition. My sincere appreciation goes to Dr. Fiona Korir, whose guidance, encouragement and unwavering support. I would also like to extend my heartfelt acknowledgment to my family, whose prayers and support have been a constant source of inspiration throughout this journey. Furthermore, I am indebted to my colleagues, classmates, and friends, whose encouragement and dedication have been unwavering, contributing significantly to the successful completion of this project.

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## DEDICATION

I take great pride in dedicating this project to KCA University, an institution that fostered a nurturing and collegial environment, enabling me to seamlessly learn and accomplish my master's project without any hindrances. Additionally, I extend a warm invitation to future scholars aspiring to delve into the realms of public sector finance research, welcoming them to explore the avenues paved by this endeavour.

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## ACRONYMS AND ABBREVIATIONS

| | | |
|---|---|---|
| **BoG** | : | Bank of Ghana |
| **COSO** | **:** | Committee of Sponsoring Organizations of the Treadway Commission |
| **EIU** | : | Economist Intelligence Unit |
| **IRB** | **:** | Institutional Review Board |
| **NACOSTI** | **:** | National Commission Science Technology and Innovation |
| **NGOs** | : | Non-Governmental Organisations |
| **WASREB** | : | Water Services Regulatory Board |

## TERMS AND DEFINITIONS

**Control Environment:** The collection of standards, methods, and frameworks that underpins the implementation of internal control throughout the organization (Omar & Yussuf, 2021).

**Internal Control:** A systematic procedure aimed at ensuring reasonable assurance in achieving objectives related to operational effectiveness and efficiency, the dependability of organizational reporting, and adherence to relevant rules and regulations (Johnston & Zhang, 2018).

**Surveillance Operations:** Continuous assessments, independent evaluations, or a hybrid approach employed to determine the presence and efficacy of each of the five components of internal control (Hazzaa et al., 2022).

**A Non-Governmental Organization (NGO)** is an entity that functions autonomously from governmental influence, primarily aimed at tackling social or political challenges (Kimutai, 2013).

**Operational performance:** The extent to which a firm's objectives are attained, including measurements such as growth, customer satisfaction, and market value (Matata, 2015).

**Risk Assessment:** The procedure of identifying and analyzing risks pertinent to the attainment of the entity's objectives and defining the appropriate management strategies for those risks (Onsindu *et al.,* 2022).

# CHAPTER ONE

# INTRODUCTION

This chapter outlines the key concepts and establishes the contextual framework of the study. It employs a funnel approach to examine the concepts progressing from global to regional and finally to local perspectives. The research objectives, rationale, and significance of the study are thoroughly explored and articulated.

## 1.1 Background of the study

In Kenya, elaborate internal control policies exist for public entities, but many still report declining operational performance, threatening their sustainability (Matata, 2015). Non-Governmental Organisations (NGOs) depend on donor funding to serve societal needs non-commercially (Vu & Nga, 2022), with compliance reporting for donors and proper control implementation (Koch *et al*, 2009). Maina and Ishmail (2014) reported that over 60% of surveyed NGOs lacked structured plans for addressing strategic, reputational, and regulatory risks. This finding points to a significant gap in understanding how comprehensive risk assessment impacts the operational performance of NGOs in the region. NGOs in Nairobi face challenges in capturing, processing, and exchanging information necessary for effective internal controls.

NGOs lack integrated enterprise resource planning systems, leading to the use of stand-alone systems that are not interconnected. Lack of information sharing between departments limits the visibility of operations and inhibits risk identification and timely implementation of corrective actions (Riungu, 2018). Proper implementation is expected to enhance reporting, accountability, and goal achievement (Al matari *et al*., 2014). Internal audit plays a vital role in ensuring the right activities occur to protect assets and improve operational performance (Kiarie, 2014). Weak monitoring and risk management also increase vulnerabilities (Kamau, 2014).

Non-governmental organizations in Kenya encounter considerable internal control issues, encompassing financial mismanagement and corruption. A report by the Ethics and Anti-Corruption Commission (EACC) (2020) named NGOs as one of the five institutions in Kenya with the greatest incidence of corruption-related crimes. The survey indicated that financial mismanagement, encompassing embezzlement and fraud, was the primary catalyst of corruption in NGOs. As per Kenya Open Data (2018), owing to the retraction of both domestic and international donors 12 percent of the projects proposed by various NGOs were not completed, while 15 percent failed to initiate altogether. Ondieki (2015) attributes the pull out to inadequate institutions, substandard service delivery, and ineffective techniques employed by NGOs. Consequently, numerous non-governmental groups are compelled to cease operations every day, primarily due to insufficient long-term funding. The NGOs Co-ordination Board database reveals that there are 1,333 fully licensed NGOs in Nairobi and 288 international NGOs, constituting the target population (GOK, 2024). These non-profit organizations (NGOs) include various sectors of society, including health, education, human rights, environment, community development, and humanitarian assistance.

Organization operational performance refers to the degree to which the objectives of the firm are achieved and encompasses metrics such as customer satisfaction, growth, and market value (Ji *et al*., 2018). Several studies have revealed poor operational performance among NGOs in Nairobi. According to Kiarie (2014), over 60% of NGOs did not achieve poverty eradication mission. Organization objectives are not met due to cost and time overruns in programs resulting from weak expenditure controls (Maina & Ishmail, 2014). Fraud contributes to resource wastage and loss of donor funding. Weak asset controls lead to misappropriation, while a lack of receivables management results in high levels of uncollectible dues. Overall organisational

operational performance management is poor and lacks measurable organizational and non-organizational targets and regular operational performance reviews. Lack of accountability and poor ethical values also contribute to imprudent utilisation of organizational resources, thereby negatively affecting operational performance. Addressing weaknesses in internal control components is critical for NGOs in Nairobi to realise their organizational objectives.

Asia stepped up and taught others to do it internally after a few major breakthroughs. On the one hand, due to the recently exposed operational performance problems, China enhanced audits and internal control in public companies (Onsindu *et al*., 2022). For instance, studies from Oman, Vietnam, Saudi Arabia, and Qatar tend to identify that having an effective internal control environment minimises the manipulation of profit and enhances the quality of operational performance as well (Nguyen et al., 2022). From the 1970s, the government gradually replaced traditional control measures with internally applied ones, including the technology used in the private sector. Despite this, internal audit frameworks must be reviewed in terms of organization operational performance, risk management, and control for effective optimisation (Yusof *et al*., 2021). These studies further failed to pinpoint the moderating effect of organization size on the relationship between internal control and operational performance (Chalmers *et al*., 2019; Muriu, 2011). Moreover, major NGOs exhibit greater diversification than their smaller counterparts and possess enhanced market power, perhaps enjoying increased organizational slack during prosperous periods (Muigai, 2022). The size reflects the economies or diseconomies of scale of an institution (Muinde & Gachunga, 2016).

Control environment is paramount in a firms set up. This basically attributed to audits, governance structure and staff competencies. Control methods that are implemented and can potentially make a system immune and advantageous in the face of external challenges (Musah *et*

*al*., 2022). To attain this, the development of a good system of management and continuous enhancement of the output are indispensable (Nanzala & Ingabo, 2021; Omar & Yussuf, 2021). In the short run, we can say internal control provides legal compliance, high productivity, precise reporting, and resource security (Hazzaa *et al*., 2022; Johnston & Zhang, 2018). The internal control system and operational performance is essential for NGOs (Jonhstone & Zhang, 2018). Nongovernmental organizations require stability and efficiency, the sector requires strong internal controls (Odek & Okoth, 2019). However, the majority of earlier studies have concentrated on settings in developed countries. Although internal control policy knowledge has increased significantly throughout Africa, there is still more work to be done to align legislative intentions with practical implementation.

Over 60% of NGOs fail to achieve their annual budgets due to expenditure overruns and fraud, while over 50% experience uncontrolled overspending, leading to significant budget variances year on year. This organizational instability compromises the ability of NGOs to deliver services effectively to their beneficiaries, potentially exacerbating social issues in Nairobi. Donor confidence is questionable with over 30% of NGOs facing audits, fines, or funding cuts due to compliance gaps (Riungu, 2018). This affects the sustainability of individual NGOs and threatens the overall social impact of the NGO sector in the region. The lack of accountability and poor ethical values contribute to imprudent utilisation of organizational resources, further diminishing the potential positive impact of NGOs on community development and social welfare in Nairobi.

Internal control explains essential elements of control environment, risk assessment, monitoring activities. Control environment, an indispensable part of the internal control systems, focuses on identifying and analysing events that could hinder the organisation from accomplishing its set objectives (Chen *et al*., 2020). A study by Adegboyegun *et al.* (2020) revealed a positive

and significant linear relationship between risk assessment and operational performance of SMEs located in Ondo state, Nigeria. In turn, Adegboyegun *et al.* (2020) also pointed out the weight of risk assessment and management in the context of organisational success, claiming that an effective risk assessment helps improve operational performance. Additionally, Tetteh *et al*. (2022) observed a pronounced correlation between monitoring activities and the operational performance of listed companies in Ghana.

The theoretical basis of this study is based on the merging of several frameworks that help us understand the connection between the operational performance of non-governmental organisations and the internal control characteristics (Riungu, 2018). The stakeholder theory advanced by Freeman (1984) explains control environment variable whereby the organizations top leadership have to device control measures that would safeguard existing activities for an ample operational performance.

The risk management theory explains risk assessment and organizational size and internal control determinants (Chen *et al*., 2020). It is upon the entity to avoid risks or device mechanisms to cope with risk if not minimize risks. The institutional theory is well placed to guard monitoring activities (Nanzala & Ingabo, 2021) and agency theory as opined by Jensen and Meckling, (1976) that also explains control environment and monitoring activities.

### 1.2 Statement of the Problem

In ideal state of NGOs operating in Nairobi should exercise better operational performance on basis of strong internal control systems regardless of organizational size. Nairobi has been choice for regional headquarters in East Africa for majority of NGOs thus over 60%. This calls upon efficiency on compliance as well as oversight, this further implies that management of resources and delivery of programs should meet expectations. The current situation in Nairobi reveals

significant deficiencies in NGOs, leading to poor operational performance. These shortcomings span across internal control components.

The control environment is characterised by weak integrity, ethics, and competence, resulting in the misappropriation of donor funds, kickbacks, favouritism, and incompetent leadership appointments (NGO Report, 2023). Over 40% of NGOs had senior leaders appointed based on patronage rather undermining competence and control discipline (Ngenoh *et al,* 2015). Riungu, (2018) reported risk-based attributes with 60% of NGOs surveyed lacking a structured approach to identify strategic, reputational, and regulatory risks. Control activities in key processes are deficient in over 70% of NGOs, including expenditure, cash management, procurement, payroll, and assets (Riungu, 2018). Over under 20% of NGOs have integrated enterprise resource planning systems a point to low information systems. Monitoring practices is characterized by less than 50% of NGOs having an internal audit function, and fewer than 40% conducting annual risk-based audits covering key organizational and operational controls (Muinde & Gachunga, 2016).

Several research gaps exist in the current literature on internal controls and operational performance of NGOs in Nairobi. Firstly, many studies have focused on individual control components or specific industries, limiting the generalisability of findings hence construct gaps. For instance, Ngenoh *et al.* (2015) primarily examined the control environment, while Maina and Ishmael (2014) concentrated on risk assessment practices. There exist sector gaps. Adediran *et al*. (2020) as well as Kakucha (2020) examined SMEs sector while Vu and Nga (2022) on manufacturing firms. Furthermore Kakucha (2020) found that internal controls had a significant effect on organization operational performance while Vu and Nga (2022) found it insignificant. A comprehensive study examining all five internal control components and their collective impact on NGO operational performance is lacking. Addressing these research gaps would provide a more

comprehensive understanding of the complex relationship between internal control mechanisms and operational performance in NGOs, offering valuable insights for improving NGO operations and sustainability in Nairobi.

## 1.3 Research Objectives

### 1.3.1General Objective

The main objective of the study was to determine the effect of internal controls and organizational size on the operational performance of international non-governmental organizations in Nairobi County

### 1.3.2 Specific Objectives

i. To determine the effect of control environment on the operational performance of international NGOs in Nairobi.
ii. To ascertain the effect of risk assessment on the operational performance of international NGOs in Nairobi.
iii. To ascertain the effect of monitoring activities on the operational performance of international NGOs in Nairobi.
iv. To establish the moderating effect of organizational size on the relationship between internal control characteristics and operational performance of non-governmental organisations in Nairobi.

## 1.4 Research questions

The following research questions were sought:

i. What is the relationship between control environment and operational performance of international NGOs in Nairobi?
ii. Does risk assessment affect the operational performance of international NGOs in Nairobi?
iii. Do monitoring activities affect operational performance of international NGOs in Nairobi?

iv. What is the effect of organizational size on the relationship between internal control characteristics and operational performance of non-governmental organisations in Nairobi?

## 1.5 Justification of the Study

This study may assess the role that weaknesses in internal control components have in the subpar organizational results of non-governmental organisations in Nairobi. The results may be useful in determining which areas need to be addressed first in order to improve internal control systems. Tighter regulations would strengthen accountability, stop donor money from being misused, and advance moral principles that are essential to NGOs' long-term viability.

The research provides an extensive evaluation of the monitoring, risk assessment, and control environment. This may guide efforts to restructure in order to implement strong, well-coordinated internal controls that are specific to the working environment of NGOs. In the end, this will improve program delivery and donor resource management in terms of accountability, transparency, and efficiency.

Enhanced internal controls may enhance budget operational performance directly by closing current gaps for asset and money misuse. There will be less time and cost overruns and less income wasted due to fraud. With the limited donor resources at their disposal, this enabled NGOs to carry out their social goals more successfully. To guarantee that specified internal control criteria are followed, policy reforms controlling and regulating the NGO sector might be guided by the study's suggestions. This would improve the organizational and governance operational performance of Nairobi's thriving NGO sector, enabling a larger effect.

## 1.6 Significance of the Study

This study may useful for practice, theory and policy formulation. The current research provides NGO's management with a set of regulations to follow in order to maximize organization operational performance.

Practice: The state may reap the benefits of this study as it may aid in the development of NGOs. In order to spark organization operational performance in NGOs, it is necessary to assess their compliance. Overall, the study may affect how well NGOs run their operations. In particular, the study may provide guidance to NGOs managers on how to enhance internal control. This study will benefit the community since NGOs play a key role on operational performance of society activities and hence matters of internal control would lead to growth of the society at large.

Policy: The study will be of essence in making policies regarding NGOs operational performance. The parliament would make laws to strengthen functionality of NGOs in the country more so the internal control system.

Theoretical value: The results may give scholars ideas about how to make the NGOs sector more efficient. Additionally, the results provide additional information that can be utilized by anybody seeking to conduct further research. Additionally, locating an additional source for the literature review and reference can be beneficial for future researchers interested in investigating and developing the same subject.

## 1.7 Scope of the Study

The main objective of the research was to assess how internal control elements affect the operational performance of non-governmental organisations in Nairobi. It includes all officially recognised non-governmental organisations that work in Nairobi in a variety of fields, including community development, health, education, humanitarian aid, and environmental conservation.

The control environment, risk assessment and monitoring based on the COSO internal control framework are the main internal control components that was looked at. The results may not apply to the whole NGO sector in Kenya; rather, they exclusively to international NGOs operating in Nairobi. Still, the suggestions can guide comparable evaluations and legislative changes that apply to non-governmental organisations functioning in other nations. Based on the parameters of the study, the findings were restricted to the particular operational performance.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1Introduction

This chapter presents a review of the literature. This section focuses on the elements of the COSO framework covered, including the operational performance of non-governmental organisations, emphasising those operating in Nairobi, Kenya. The review summarises some views based on theories, and then the findings are presented in different contexts.

## 2.2 Theoretical Review

### 2.2.1 Stakeholder Theory

Stakeholder theory, first proposed by Freeman (1984), posits that organizations must consider the interests of all stakeholder groups rather than exclusively focusing on shareholders or their interests (Assiya & Hamid, 2020). Stakeholders are individuals or groups that can influence or be influenced by the achievement of an organization's objectives, including contributors, employees, clients, suppliers, local communities, government entities, and the general public.

Stakeholders have a responsibility of setting a control environment to ensure all activities are assessed. In this case NGOs requires stakeholder engagement at all cost for success of its projects. Leadership integrity is a key component for control environment and stakeholder operational performance. Among non-governmental organisations, stakeholders include donors, beneficiaries, government agencies, and the local communities the NGOs serve. The stakeholder theory argues that NGOs should firmly pursue the goal of balancing the interests of these various stakeholders in their decision-making processes and operations (Musah *et al*., 2022).

The internal control environment constitutes an integral part of the organisation's systems to satisfy the desires and expectations of the diverse stakeholders. To illustrate, the donors require reassurance that their grants are used economically and efficiently, while beneficiaries do expect quality service from NGOs (Musah *et al*., 2018). For example, government agencies and

regulatory bodies (RA) could ask NGOs to abide by certain laws and regulations, and local communities may have the same expectations regarding the environmental and social impact of the NGOs' activities. Control environment requires a well-set corporate governance under NGOs for purposes of checking on staff competence. This calls upon provision of a strong organizational structure.

Stakeholder theory guides on the balance on the diverse interests of their stakeholders ranging from donors and staff to beneficiaries, regulators, and the community at large. A well-functioning control environment, underpinned by leadership integrity, stakeholder engagement, and effective governance structures, should foster operational efficiency, transparency, and accountability. In this ideal, international NGOs demonstrate strong project delivery, efficient resource use, and compliance with legal and ethical standards hereby sustaining trust and support from their stakeholder groups (Otoo *et al,* 2023)

However, in practice, many international NGOs in Nairobi are grappling with operational inefficiencies, donor distrust, compliance issues, and poor project delivery. Despite having internal control systems, these controls often appear misaligned with the size or complexity of the organization, leading to either over-bureaucratization or under-regulation. Smaller international NGOs may lack the resources to establish comprehensive internal controls, while larger international NGOs may struggle to enforce controls across broad, decentralized operations. Stakeholders including donors and regulatory agencies continue to express concerns over financial mismanagement, unaccounted funds, and weak governance structures, undermining the credibility and sustainability of international NGOs in the region (Tetteh *et al,* 2022).

Those expressing concern include key stakeholder groups as highlighted by stakeholder theory. Donors demand transparent reporting and assurance that their funds are used efficiently; beneficiaries expect timely, quality service delivery; government regulators require adherence to legal frameworks; and local communities are increasingly concerned with the social and environmental impacts of NGO operations. Internally, staff and board members raise alarms about poor organizational structures, insufficient controls, and leadership integrity gaps. These widespread concerns highlight the urgent need for international NGOs to strengthen their control environments and realign operations with stakeholder expectations (Adegboyegun *et al*., 2020).

Thus, NGOs show they are accountable with remarkable internal control mechanisms, which consequently builds the trust and support of their stakeholders. Internal controls, which are highly reliable, could also be used by NGOs to find and mitigate risks, allowing NGOs to provide services to beneficiaries successfully. This study will actualize on stakeholder theory to achieve a strong control environment of NGOs.

### 2.2.2 Risk Management Theory

The risk management theory began in the 1960s and was established in the 1970s and 1990s (Mehr & Hedges, 1963; Ehrlich & Becker, 1972; Miller, 1992). While it was a standalone rule at first, it was eventually accepted and integrated into the COSO framework on risk management (COSO, 2004). According to Eniola (2020), risk management theory is regarded as a comprehensive, integrated, and cohesive process within an organisation that is used to manage all the types of risks faced by the organisation so as to promote survival and improved operational performance in the future. The theory classifies the major threats to the neutral value of assets and the risks connected to liquidity, the latter being the inability to fulfil organizational undertakings on time, thus inhibiting efficiency (Ngugi, 2015).

At its core, the theory promotes a systematic, structured, and integrated approach to identifying, assessing, and mitigating risks across an organization. According to Eniola (2020), it aims to enhance the organization's ability to anticipate uncertainties, reduce potential losses, and improve strategic decision-making, thereby promoting long-term sustainability and improved operational performance.

Within international NGOs, risk management goes beyond financial risks to include strategic, compliance, and operational risks, such as project failure, donor withdrawal, fraud, and regulatory non-compliance. Effective internal controls are a key mechanism for managing these risks. By embedding risk assessment into their control systems, international NGOs can proactively address threats to performance. This includes assessing risk at multiple organizational levels ranging from field operations to headquarters and developing mitigation strategies aligned with the size and complexity of the organization. As such, internal controls and risk management systems are not just compliance tools but strategic enablers of NGO performance and sustainability (Said *et al*, 2022).

Larger international NGOs often face broader risk portfolios due to their extended project reach, higher budgets, complex donor requirements, and larger staff complements. Conversely, smaller INGOs may lack the capacity to establish sophisticated risk management systems. The theory supports the notion that risk mitigation approaches must be scaled and tailored to organizational size taking into account factors such as financial resources, staffing levels, geographic scope, and stakeholder networks. An investment decision or a portfolio would have a risk factor because of Markowitz's theory. It determines the operational performance of the particular investment (Otoo *et al*, 2023). The risk management model employs two primary viewpoints for risk assessment: integrating situational analysis and the value-at-stake concept, with

the situational analysis approach not necessitating any distribution risk assumption (Otoo et al, 2023).

Harelimana (2017)says that VAR (value at risk) and Monte-Carlo simulation are the two widely used methods to compute VAR (value at risk) because they have at their mercy the forecasting and measurement of organizational risk within a firm's portfolio over a specific timeframe. The risk management contemplation concentrates on company features and internal controls to improve efficiency. It focuses on the characteristics of risk factors in investment and how they affect the organisation's operational performance, as established in Markowitz's finding. In short, the risk management theory provides organisations with a comprehensive framework to mitigate the risks faced by businesses in such domains as investment decisions, organizational risks, and operational risks to improve a company's overall operational performance.

Therefore, risk management theory guides NGOs on how to handle risk issues and hence assess the number of identified risks, number of mitigated risks, security controls and risk identification procedures. The theory further guides on organizational size role on risk approaches for NGOs, for instance project reach, financial resources, number of beneficiaries, staffing levels, networking and partnership are ideal as far as size and risk predictive are concerned. This leads to formulation of problem solving for possible risks attached to size.

### 2.2.3Institutional Theory

The institutional theory, as posed by DiMaggio and Powell (1991), is a theoretical view that explores the architecture of control processes and practices that take place in organisations (Fox & Hamilton, 1994). The institutional theory puts the institutional pressures and societal expectations forward that not all the structures, practices, and procedures are adopted solely due to efficiency considerations. This calls upon control of activities through institutional frameworks.

NGOs achieve a lot once control measures are enshrined in the institutions. However, as theorised by Meyer and Rowan (1977) and DiMaggio and Powell (1991), organisations are situated and have legitimacy in a social, political and economic framework. Institutionalisation envisages seeking legitimacy and conformity of an organisation to norms and regulations that prevail in their institutional environment. NGOs achieve the social and economic pillars that are part of the institutional theory.

According to institutional theory, as per Arwinge (2013), key drivers are management attitudes, firm traditions, and industry standards that accommodate different models of control. Tetteh *et al*. (2022) argue that the theory informs visualisation of size, age, and tenure of ownership as factors that exert a probable sufficient influence on board structure and the organisational outcome.

In the words of Arwinge (2013), management encompasses evaluating the risks and rewards of cost-benefits analysis and looking at the management attitudes, firm traditions, and industry standards to get to strategies for new control practices. The theory assumes that state firms are holistic institutions that operate as a system that casts a light on how accounting risk management firm characteristics affect a firm's success (Lammers & Garcia, 2017).

According to the institutional theory, organisational management and control structures gradually imitate social expectations over time (Christopher *et al*., 2009). The growing pressure on management to raise concerns over the efficient, effective, and profitable operation of organisations for shareholders` benefit is a reaction of public opinion to previous corporate scandals (Christopher *et al*., 2009). Institution theory comes up with a reason behind strengthened organization operational performance regarding resourcing the organisation, which applies to the case of NGOs in Nairobi.

As NGOs grow in size and complexity, they face greater institutional demands to professionalize their operations and implement sophisticated internal control systems. Donors may require specific financial reporting protocols and risk management procedures as conditions for funding, while government agencies may impose compliance frameworks that necessitate formal internal audits, monitoring, and governance structures. Professional associations may also set internal control standards as part of accreditation processes. Failure to meet these expectations can result in loss of funding, legal sanctions, or reputational damage. As such, institutional theory helps explain why international NGOs invest in control structures not only for performance but also for symbolic legitimacy in the eyes of key stakeholders (Christopher *et al*., 2009).

Monitoring and information systems are particularly critical within institutional theory. Monitoring mechanisms help international NGOs ensure compliance with both internal policies and external regulations, while information and communication systems ensure that relevant, timely, and accurate data flows across all levels of the organization. These practices when institutionalized enable international NGOs to respond effectively to stakeholder demands, demonstrate accountability, and enhance performance. Ultimately, institutional theory reinforces the idea that internal controls are not just technical tools but are embedded within a broader socio-political framework that shapes NGO behavior. In the Nairobi context, international NGOs that align their internal controls with institutional expectations are better positioned to secure funding, build stakeholder trust, and achieve long-term operational effectiveness.

In the case of NGOs, institutional theory can serve as the basis for explaining the adoption and implementation of institutional control systems. Many NGOs operate within the institutional complex environment with many stakeholders, such as donors, state regulators, and professional

associations. These stakeholders force NGOs to improve their internal control practices and follow defined high-standard policies. For instance, donor organisations may require NGOs to have advanced internal control systems before receiving grants; on the other side, regulatory bodies may establish certain internal controls for NGOs to maintain their full legal status and carry out their activities within the territory. Based on this, professional associations and industry groups can be expected to develop their own guidelines and systems for internal control, which NGOs can incorporate to build a solid reputation and credibility within the sector. By efficiently adhering to the institutional rules and introducing control systems that are in agreement with local expectations, NGOs can boost their legitimacy, gain access to resources (such as money and partnering), and ensure their survival and success in the long run.

Monitoring activities are a broader part of institutional theory that explains timely evaluations, accuracy of evaluations, reliability of evaluations and monitoring team efficiency for NGOs. Furthermore, NGOs as institutions needs information and communication. There NGOs set information and communication through timely communication, accuracy in information, reliability of information, quality of information and adequacy of information for NGOs.

### 2.2.4 Agency Theory

The agency theory (Jensen & Meckling, 1976) has been widely employed to examine the knowledge asymmetry between principals (shareholders) and agents (management). Consequently, the NGOs implement control measures. In this context, NGOs might establish boundaries, so regulating operations as a variable that can be attained. The segregation of duties as a control measure is implemented where persons are restricted and informed of their responsibilities. Said et al. (2020) assert that the theory offers a robust framework for

understanding the function of internal control in addressing conflicts of interest between principals (e.g., shareholders and contributors) and agents (e.g., managers and employees).

According to principal-agent theory, a firm constitutes a series of interconnected contracts between the owners of economic resources (the principals) and agents, referred to as specialized managers, who possess the capacity to utilize and manage these resources (Sarens & Abdolmohammadi, 2011). This subsequently results in an internal check system, a crucial element of control operations. This hypothesis posits that the separation of ownership and control is the root cause of the principal-agent dilemma prevalent in contemporary corporations. The agency theory posits that agents may not consistently prioritize the best interests of principles due to self-interest, leading to adverse selection and moral hazard (Jensen & Meckling, 1976; Fama, 1980). The conflict of interest between the agent and the principal is sometimes termed an agency dilemma, resulting in agency costs, including monitoring costs, bonding costs, and residual losses (Jensen & Meckling, 1976).

Effective internal control is adeptly utilized to address the agency problem and mitigate agency costs by eliminating potential information asymmetries between principals and agents (Jensen & Meckling, 1976). Nonetheless, there should be no internal controls to preserve the connections between agents and principals, preventing them from deviating from their interests in the agreements. According to agency theory, management establishes and enforces internal controls in good faith to assure shareholders (principals) that they are acting in their best interests, so demonstrating their goodwill (Adegboyegun *et al.,* 2020; GamageLow & Keving, 2018; Zhou *et al*., 2016). The primary objective of internal controls is to assist managers in acting in the best interests of the owners and the organization, thereby enhancing success and accountability.

Shareholders will establish frameworks including the board of directors, audit committees, and external audit functions to guarantee adherence to internal control systems (Musah *et al*., 2022).

In the realm of non-governmental organizations (NGOs), the "agency" relationship is complex, involving funders as principals and NGO management as agents. Donors contribute funds to non-governmental organizations with the assurance that their resources would be utilized effectively to enable the organization to achieve its objectives (Matenge *et al*., 2017). The self-serving exploitation of NGO administration, including misappropriation of cash and the manipulation of inefficient procedures to the detriment of donors, may pose a significant risk.

Agency theory underpins internal and management audit investigations, elucidating the necessity for an independent internal audit function, wherein auditors of internal control systems report to the audit committee of the board of directors rather than directly to the CEO (Abbott et al., 2016; Chalmers *et al.*, 2019; Peterson, 2018). The expense associated with the design and implementation of internal control systems is recognized as a facet of agency expenses, aimed at alleviating agency losses and enabling management to concentrate on the organization's primary objectives (Adegboyegun *et al*., 2020; Mensah, 2016).

Internal control systems mitigate the agency problem by aligning the objectives of agents with those of principals (Adegboyegun *et al*., 2020; Gamage Low & Keving, 2018; Zhou et al., 2016). The aspects encompass control environment, risk assessment, control actions, information and communication, and monitoring, which jointly address agency concerns in NGOs. Shareholders utilize institutions such as the board of directors, audit committees, and the independent internal audit department to enforce rigorous adherence to their internal control systems (Musah *et al*., 2018; Tetteh *et al*., 2022). The internal audit function, responsible for reviewing and monitoring control systems, requires independence in reporting; thus, it should

report to the audit committee of the board of directors rather than the CEO (Abbott *et al*., 2016; Chalmers *et al.*, 2019; Peterson, 2018).

When integrated into the system, internal control mechanisms will ensure that NGOs utilize received funds transparently and effectively, hence reducing agency expenses and enhancing profitability. This theory explicitly delineates control activity methodologies, including detection controls, segregation of duties, internal check systems, duty rotation, and physical controls.

## 2.3 Empirical Review

The empirical literature review sub-section condenses, evaluates and criticises the findings of earlier studies on the connection between internal control elements and operational performance of NGOs. This segment describes a thorough understanding of the present empirical evidence and articulates the voids that this given study sought to fill.

### 2.3.1Organization Control Environment and operational performance.

The controlled environment, which consists of management's compliance with ethical values and moral rules and the operations style of the organisation, will form a cornerstone of the main internal control system (COSO, 2013). The key factor that can contribute to boosting operational performance is a well-functioning control environment created by nurturing the creation of an accountable, transparent and adherent to policies environment (Ngenoh *et al*., 2015). Besides this, it is obvious that a strong control environment should be based on certain correct behaviours, including segregation of duties violation and poor HR policies. Hence, this can somewhat result in funds misapplication, embezzlement and under operational performance of the organisation, mainly in organizational aspects (Ngenoh *et al*., 2015). Kiarie (2014), indicated that the gaps in the internal control system in the NGOs in Nairobi were partly attributed to the misuse of donors'

funds, to favouritism and politically connected leaders' appointment and others, which badly affected operational performance.

Much research has proven that the NGO control atmosphere becomes the major key to operational performance. A strong control environment is the foundation of any sound internal control system because it provides the directive of the entire company. Kamau (2014) seems to be in the same opinion because he thought that firms with a sophisticated control environment that is led by management, integrity and effective communication exhibit superior organizational management practices. Ngenoh *et al.* (2015) mentioned that these challenges include the absence of a well-organised structure and a centralised authority, which are some of the factors that impact the organizational position of NGOs.

The effect of a control environment has been studied in a few cases. In their findings, David *et al* (2019) establish a positive and significant correlation between the control environment and operational performance in county governments in the coastal region of Kenya. Supporting this, Riungu (2018) also established a substantial link between the internal control environment and the operational performance of companies listed on the Nairobi Securities Exchange. Such findings, therefore, emphasise the role of a strict framework of control environment underlined by integrity, ethical values, proficiency, and structure of the organisation in achieving better operational performance.

Within the context of control activities, the empirical record is mixed. Barasa (2022) work examined the impact of governance activities, such as the segregation of duties and authorisation procedures, on employees' levels of fraud commitment. The analysis demonstrated that fraud control activities place barriers to committing fraud, lowering the cost and hence the tendency of fraudulent activities. Having the same conclusion as Jokipii, 2010), internal controls can shape

staff attitudes toward fraud and apprehension of fraud risk. Nevertheless, Eniola (2020) assessed the role of internal controls in small businesses in Nairobi and found a variance in the level of controls throughout different ventures. Different outcomes suggest the effectiveness of control mechanisms may change depending on the size, industry, or type of activities implemented, for example.

A study by Ofei *et al.* (2020) examined the impact of the internal control environment on operational performance in firms listed on the Nairobi Securities Exchange. The study results indicated a significant association between the internal control environment and operational performance, suggesting that enhancing the control environment will likely yield favorable improvements in the operational performance of these organizations.

Adegboyegun *et al.* (2020) observed that a robust control environment, reflecting management's dedication to ethical business practices, directly contributes to the success of SMEs in Ondo State, Nigeria. Gamagelow and Keving (2018) documented a direct, positive, and statistically significant correlation between the control environment and the operational performance of banks in Sri Lanka. Conversely, Harelimana (2017) found that the control environment and operational performance were not correlated with the investigations conducted in Sri Lanka. The results suggest that the relationship between the control environment and operational performance is influenced by factors like organizational type, operational location, and industry-specific attributes.

### 2.3.2 Risk Assessment and operational performance

Risk assessment is performed by identifying, analysing, and mitigating threats that could undermine the set objectives of organisations (Maina & Ishmail, 2014). Effective risk assessment practices set the organisation on the right path; hence, meshing risk control activities with

identified risks leads to the improvement of internal controls (Maina & Ishmail, 2014). Nonetheless, most of the NGOs in Nairobi do not have a formal enterprise risk management framework, with strategic, reputational and environmental risks being overlooked as they only consider the operational risks (Kiarie, 2014; Maina & Ishmail, 2014).

A number of study attempts have been made to identify the influence of risk assessment on operational performance. According to Maina & Ishmail (2014), more than 60% of NGOs surveyed did not have a structured plan to tackle strategic, reputational and regulatory risk indicators, raising the issue of whether NGOs apply rigorous risk assessment methods. While analysing Kiarie (2014), it was revealed that the NGOs could not comprehensively perform risk assessment due to their weak analytical skills. Hair *et al.* (2020) emphasises the fact that the risk identification process within organisations that foresees changes in the operational environment has a positive impact on operational performance. The research by Kiarie, (2014) about the importance of risk assessment, such as risk identification, risk evaluation, and response, as an internal control facilitated the operational performance of savings and credit cooperative societies in Kenya and the country's economy. This implication indicates that inappropriate risk assessment procedures could weaken the power of internal controls and lead to negative organizational appetite.

The risk assessment of control activities should be a guiding principle that helps align key risks and enhance the control activities further (Maina & Ishmail, 2014). However, in Nairobi, conventional NGOs lack robust enterprise risk management structures, and they mainly focus on operational risk, while the strategic, reputational, and regulatory risks are neglected (Kiarie, 2014). Empirical research has produced contrasting conclusions regarding the linkage between risk assessment and economic success. Yet, Nyakundi *et al.* (2014) found a significant positive

relationship, which means this area needs more research, yet, some studies have not come up with such results. As an example, Pterson, (2018), who examined the link between operational performance and risk assessment, found that risk assessment increases the cost of risk without major improvement in societal outcomes; it, therefore, seems that there may be a disconnection in some sectors between risk assessment and operational performance.

### 2.3.3 Monitoring Activities and operational performance

Monitoring activities means checking how the internal control systems are working in the long run and identifying areas for improvement (Theofanis, 2011). They are critical for the evaluation of the quality and effectiveness of the different internal control systems in the organisation. The operational performance of activities won't be complete without some auditing and follow-up to check if the flaws have been rectified (Muinde & Gachunga, 2016; Kiarie, 2014). Effective monitoring can be very profitable, especially in identifying control deficiencies promptly, which in turn helps improve the error, fraud rate, and resource misallocation (Kiarie, 2014). Nevertheless, the NGOs in Nairobi that are less than fifty per cent do not have an internal audit function, and the ones that have it been devoid of objectivity and follow-up mechanisms that see to it that effective action is taken to ensure that the identified deficiencies are addressed (Muinde & Gachunga, 2016). Many NGOs in Nairobi lack effective internal audit mechanisms and those that do have always had a tendency to neglect to follow up on the identified deficiencies (Kiarie, 2014).

Numerous reports have continuously documented an increasingly evident role of monitoring for organisational success. Adebiyi (2017) argued that monitoring is vital to reducing fraud and ensuring good operational performance in organisations. Furthermore, Muraleeetharan (2011) identifies a positive relationship between effective fiscal control, a type of monitoring activity, and bond ratings, which are an indicator of how an organisation has performed

organizationally and creditworthiness. The study by Dowdell *et al.* (2020) revealed that monitoring and good governance in Indonesia are both positively correlated. Adegboyegun *et al*. (2020) also found a positive correlation between monitoring staff and subsequent ability to spot fraud and lifestyle changes linked to fraud in Nigerian banks. In Dowdell *et al.* (2020) the focus falls on data collection and data analysis of control systems so that they can perform optimally. The projects brought into focus the vital work of overseeing operations in the absence of proper control mechanisms and good governance that can improve the organisation's productivity.

Finally, Adegboyegun *et al*. (2020) and Tetteh *et al*. (2022) found a significant and positive association between the monitoring functions and operational performance of Ondo State, Nigeria's small and medium enterprises and the listed firms in Ghana, respectively. Consequently, such observation shows that good monitoring is aligned with organizational management as it entails the ability to eliminate ineptness and inefficiency of internal control mechanisms. Analogously, Dowdell *et al.* (2020) presented the relevance of monitoring activities for assessing the quality of controls and their efficiency in handling the identified risks, which, by the way, is associated with the operational performance of an organisation. However, some studies have reported contradictive findings. Therefore, Riungu, (2018) found that auditing and management controls, which include monitoring, among other components of internal control, were weak in public sector projects financed by the African Development Bank Group in Uganda; hence, the control structures were ineffective.

The policies and procedures that are put in place to ensure that the management directives are implemented to the letter are what are referred to as control activities (Maina & Ishmail, 2014). Risk management activities, which include risk assessment and mitigation plus management directives, are carried out by control activities (Adegboyegun *et al*., 2020). Efficient

controls, such as segregation of duties, authorisation procedures, reconciliations, and physical controls, can help avoid the risks of fraud, misreporting and misappropriation of resources, thus providing a good result in operational performance. They play a key role in ensuring their effective implementation of management direction (COSO, 2013). Thus, it has been reported that more than 70% of NGOs operating in Nairobi have insufficient control processes in crucial areas such as expenditure, cash, procurement and asset controls (Le *et al*., 2020).

Different works show that the control activities seem to be a matter of efficiency of an organisation. As Vu and Nga (2022) revealed, banks with strong operational control, like control activities, minimised staff fraudulent activity and improved their operational performance in Nigeria. Riungu (2018) also reported a negative correlation between inadequate segregation of duties (an established control mechanism) and reported fraud occurrences at various NGOs. This further corroborates the equally important role of this activity in operational performance.

According to the study of Tetteh *et al*. (2022), there was a positive correlation between the operational performance firms listed on the stock exchange in Ghana and the control measures. Also, Adediran *et al*. (2020) found that there is a positive relationship between control activities and the operational performance of SMEs operating in Ondo and listed firms, respectively. Vu and Nga (2022) noted that control is one of the essential activities for management to ensure that every necessary activity has been undertaken so that the ultimate goals and objectives can be attained, which will increase operational performance.

On the other hand, a number of other studies have shown contradictory results. For example, Kakucha identified discrepancies among small businesses in Nairobi, and the extent of the deficiencies differed significantly across different ventures. Despite the findings of Nyakundi *et al*. (2014) who discovered a statistically significant positive relationship, some studies, like that

of Alawattegama (2018). This shows that the organisations operational performance is influenced on the size, the nature of the organisation that is involved and the level of awareness and implementation of control activities.

### 2.3.4 Organization Size

The size of an NGO is advantageous as larger NGOs incur lower costs through the distribution of fixed expenses and are capable of securing a substantial market share. Adebiyi (2017) asserts that smaller NGOs are associated with greater risk due to the significant negative link between size and operational performance.

Vu and Nga (2022) demonstrated a substantial positive correlation between size and operational performance, suggesting that a unit increase in firm size results in an enhancement in return on equity for enterprises. Conversely, several scholars assert that scale may exert little effect or a detrimental impact on operational performance.

Operational performance assesses an organization's success in achieving the goals, policies, and operations defined by the number of beneficiaries in projects established by NGOs. It pertains to the financial viability and can be juxtaposed with analogous NGOs (Kiarie, 2014). The operational performance of an NGO, a key quality, delineates its competitiveness, the potential of the organization, the economic interests of its management, and the reliability of current or prospective beneficiaries (Gamagelow & Keving, 2018). In the context of NGOs, operational performance refers to the capacity of an NGO to progress towards sustainable objectives without regard for profitability (Ng'anga & Ahmed, 2019). The primary objective of every NGO is to conduct charity-based operations to enhance livelihoods (Kiarie, 2014).

## 2.4 Summary of Research Gaps

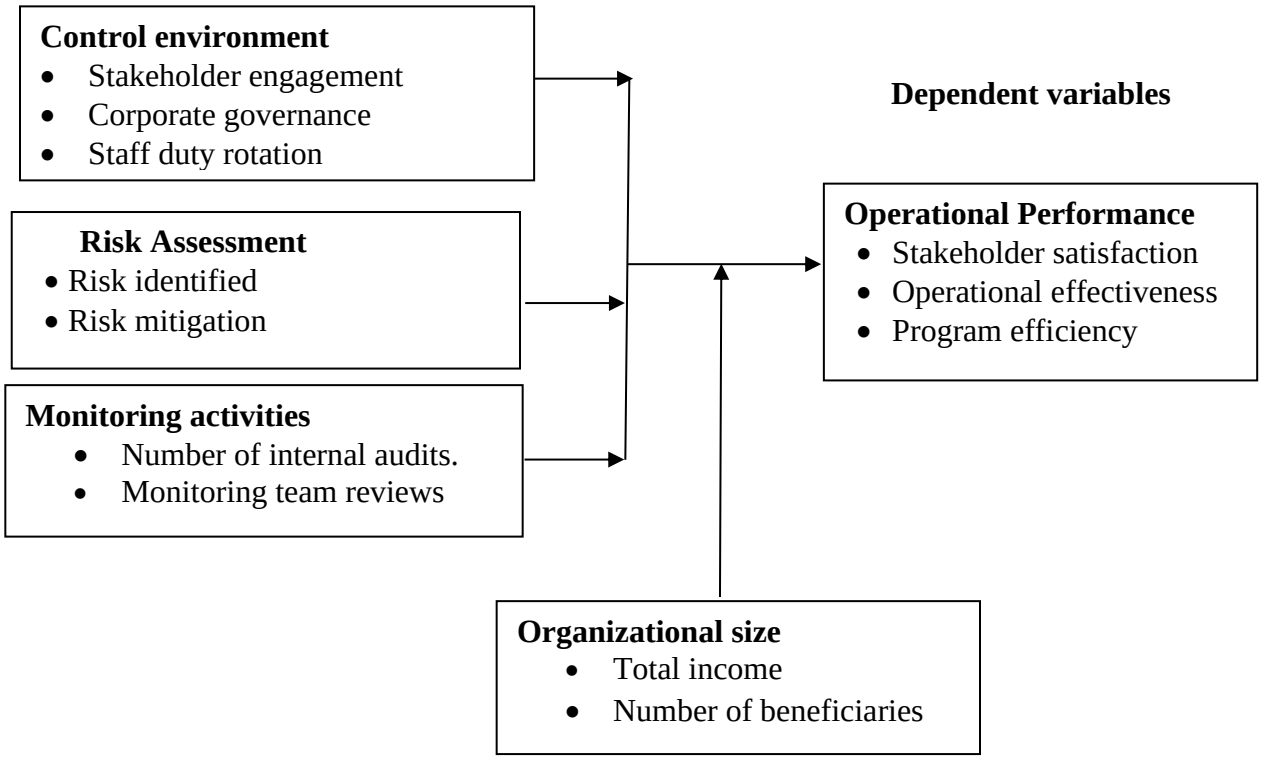
There are several research gaps in the literature connected to the current study. Firstly, there is a notable lack of comprehensive studies focusing specifically on NGOs in Nairobi. This gap underscores the need for a more holistic approach to understanding the unique challenges and contexts faced by NGOs in this particular area. Furthermore, the existing literature presents inconsistent findings regarding the relationship between the control environment and operational performance (Ofei *et al,* 2020). Lastly, the literature review reveals contradictory findings concerning control activities and their impact on operational performance (Tetteh *et al,* 2022). These identified gaps collectively emphasise the necessity for a comprehensive study examining all internal control characteristics and their effects on NGO operational performance in Nairobi, taking into account this sector's distinctive challenges and context. This is as presented in Appendix III.

## 2.5 Conceptual Framework

This study integrates the COSO framework with the three components of internal control to elucidate the association between internal auditing and the operational performance of NGOs.

**FIGURE 1**

*Conceptual framework*




**Source: Researcher (2025)**

The internal control, consisting of control environment, risk assessment and monitoring activities on operational performance is thought to be straight in scope. As part of enterprise risk management, risk assessment practices make it possible for organisations to identify and limit risks, thus supporting the aim of the control activities and operational performance. Regular monitoring of activities makes it possible to continue to evaluate and improve the internal control entities as frauds, mistakes, and wrong resource allocation can be avoided, thereby achieving better organizational outcomes.

## 2.6 Operationalisation of Study Variables

This research was designed to look into the influence of internal control factors, the COSO Framework, on NGOs' operational performance. The independent variables are COSO's three internal control components: the internal control environment, risk assessment and monitoring activities. The control environment variable will be measured through stakeholder engagement and corporate governance (Matenge *et al*, 2017). It evaluates the climate at the top so the organisational management and its devotion to ethical behaviour and good control practices are completely implemented.

The risk assessment variable was measured through number of identified and mitigated risks annually as well as security controls. The process evaluated the effectiveness of processes for identifying, analysing, and responding to risks for the institution, such as strategic, operational, organizational, and compliance (Odek & Okoth, 2019).

The monitoring activities variable was measured by investigating the number, timely and accuracy of internal audit as well as monitoring team efficiency (Ondigo, 2016). This indicator addresses the organisation's ability to control the system's effectiveness through subsequent audits.

Operational performance was expressed with objective organizational metrics relevant to NGOs. The focus was on stakeholder satisfaction, operational effectiveness and program efficiency (Taber, 2018). This will facilitate a detailed, comprehensive report on the organisational health and a managerial utilisation of the resources to attain their mission. By exploring the miscellaneous internal control functions and their correlation with organizational results, this research will serve as a basis for understanding the critical role of a well-built internal control system in the organisation. Organization size as a moderating variable was measured through total income.

**TABLE 1: Operationalisation of the Study Variables**

| Nature of Variable | Variable | Indicators | Measurement | Data type and data collection |
|---|---|---|---|---|
| Independent Variable | Control Environment (Lakis & Giriūnas, 2012) | • Stakeholder engagement<br>• Corporate governance<br>• Staff duty rotation | Ordinal | Primary data, questionnaire |
| | Risk Assessment (Eniola, 2020) | • Adequacy and timely communication<br>• Accuracy and reliability of information | Ordinal | Primary data, questionnaire |
| | Monitoring activities (Ngugi, 2015) | • Number of internal audits.<br>• Monitoring team reviews | Ordinal | Primary data, questionnaire |
| Moderating Variable | Organization size (Tetteh *et al.* (2022) | • Total income<br>• Number of beneficiaries | Ordinal | Primary data, questionnaire |
| Dependent Variable | Operational performance (Otley, 2016) | • Stakeholder satisfaction<br>• Operational effectiveness<br>• Program efficiency | Ordinal | Primary data, questionnaire |

## 2.7 Summary of Chapter

This literature review has made a summary of the theoretical base and empirical data, which is the result of internal control characteristics on the operational performance of NGOs. The stakeholder theory and the institutional theory both offer insightful accounts of the vital role that internal controls play in tackling stakeholder issues, supporting transparency and accountability, and enhancing legitimacy. The empirical revision has introduced the possible influence of varied internal control components, including control environment, risk assessment, monitoring activities and operational performance of organisations. On the other hand, the review process has yielded huge research gaps, predominantly associated with NGOs in Nairobi.

The suggested model embraces the five internal control components and deliberates on their expected effect on the organizational outcome of NGO activities, offering a comprehensive basis for the research. The specification of study variables defines the particular indices and measures for assessing the internal control aspects and the operational performance of NGOs. Thus, this literature review is built on a strong basis and will search for the link between internal control and the operational performance of NGOs in Nairobi, filling in the gap in the current literature as well as contributing to the understanding of how organisations of such kind should be run both practically and theoretically.

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1Introduction

This section describes the research approach the study used to evaluate the impact of internal control components on the operational performance of NGOs in Nairobi. This section encompasses the research design, target population, sampling strategies, collection route and techniques, assessments of validity and reliability, and data analysis methods.

## 3.2 Research Design

The study applied descriptive research design. Descriptive design describes the attributes of the variables of focus and provide a precise understanding of the operational performance and the internal control practices of NGOs under the study (Cooper & Schindler, 2014). Descriptive research does establish trends and patterns within the organization. Descriptive research can adapt to various contexts and populations, making it suitable for diverse NGO missions and activities. Descriptive research involves gathering information from a number of stakeholders. This approach is proposed to provide a more holistic understanding of a research problem. The quantitative aspect of the research demanded a collection of the structured numerical data through questionnaires. It was followed by the production of statistics of the relationship between variables (Leko *et al*., 2023).

## 3.3 Target Population

For this study, the target audience shall be all International NGOs operating in Nairobi of December 2023. The NGOs Co-ordination Board database indicates that was 288 NGOs in Nairobi are listed as international that forms target population (NGOs Coordination Board, 2023). These non-profit organizations (NGOs) encompass different arm of the society such as health, education, human rights, environment, community development and humanitarian aid. The chosen unit of analysis will be the NGO itself with the main respondents being 1 top manager/Chief

Accountant/Chief internal auditor who are the key stakeholders on matters of internal control system. This leads to a total of 288 stakeholders for 288 NGOs. They answered the questions on organizational management, internal control processes, and organization operational performance monitoring.

### 3.4 Sampling and Sampling Procedure

Random sampling technique was used to get a representative sample. This is done in order to equality and avoid biasness (Saunders *et al*., 2019). Using Yamane's (1967) formula for calculating sample sizes, with a 95% confidence level and a 5% margin of error.

$$n = N / (1 + N(e)^2)$$

Where: n = sample size

N=population size (288 stakeholders)

e = margin of error (0.05)

$$n = N/1 + N\,(e)^2$$

$$n = 288/1 + 288(0.05)^2$$

The proposed sample size of 167

### 3.5 Data Collection Instruments

#### 3.5.1Questionnaires

The research employed a Google Forms questionnaire to gather primary data. A Google Form questionnaire was created to gather primary data from sampled NGO responders. The questionnaire was segmented into many sections addressing certain aspects of the dependent variables. Section A primarily gathered demographic information regarding the respondents and their associations. Subsection B addressed control features, encompassing control environment, risk assessment, and monitoring activities. Section C addressed organizational size, while Section

D focused on operational performance metrics, which included funding composition, stakeholder satisfaction, operational effectiveness, capacity building, partnerships and collaborations, program efficiency, audit reports, donor and grantor transparency, and mission impact.

The questionnaire utilized a 5-point Likert scale, with 1 indicating strong disagreement and 5 indicating strong agreement, to assess respondents' perceptions of various internal control features and their impact on operational performance. The Likert scale was employed in quantitative research to analyse the factors associated with those items (Creswell, 2014).

### 3.6 Pilot Study

At the initial stage of the main data-gathering phase, a pilot study took place to evaluate the research instruments' reliability and validity. The use a population of 29 respondents (10% of the sample population) was randomly selected from NGO not sampled for the main study within Nairobi due to similar characteristics and same locality factors. The pilot study participants were not incorporated into the main study because doing could lead to the contamination of data (Creswell, 2014).

The objective of the pilot study was to check and enhance the questionnaire items, interview questions clarity, comprehensiveness and suitability. It performs this task to evaluate potential problems and disagreements that might show up during the phase of the main empirical research. Based on this feedback and responses the research instruments was evaluated and corrected to improve their reliability and validity.

### 3.7 Validity and Reliability of Research Instruments

The investigation of the validity and reliability of research instruments were of utmost importance to have the study based on the accurate and believable outcomes. This study involved the use of different techniques to guarantee reliability and validity of the quantitative instrument.

### 3.7.1Validity

Validity denotes the extent to which a specific instrument accurately measures the phenomenon under investigation (Creswell, 2014). This study implemented certain measures to enhance the validity of the employed research instruments. Content validity assesses whether the instrument encompasses all critical components of the construct it intends to measure (Saunders et al., 2019). The content validity of the questionnaire was determined by presenting it to a panel of specialists, including seasoned researchers, subject matter authorities in internal control and NGO management, and practitioners in the field. The experts assessed the item content concerning its significance, clarity, and completeness, and provided their recommendations for enhancement.

Consent validity of instruments refers to their efficacy in accurately measuring the intended theoretical concept or attribute (Creswell, 2014). Factor analysis The KMO test was employed to identify latent features or dimensions within the data, as well as to assess the construct's measurement accuracy (Hair et al., 2020). A tool is considered face valid if it seemingly measures the target concept, relying on individual subjective assessments according to Saunders et al. (2016). The face validity was enhanced through the cross-review of the study instruments by a cohort of NGO officials and professionals knowledgeable in internal controls and operational performance. Their comments regarding the clarity, relevance, and appropriateness of the questions were considered to ensure that the instrument is clearly comprehensible to the respondents. Construct validity will be established using factor analysis.

### 3.7.2 Reliability

Reliability refers to the consistent and stable measurement of target constructs using research instruments (Creswell, 2014). This paper delineates the procedures adopted to evaluate and enhance the dependability of the research instruments utilized in the investigation. Reliability refers to the consistency of individual items within a scale and assesses the extent to which these

items measure the same underlying construct (Hair et al., 2019). The reliability of the internal consistency of the quantitative instrument (questionnaire) was assessed using Cronbach's alpha coefficient. A Cronbach's alpha of 0.7 or higher is considered indicative of satisfactory internal consistency dependability (Taber, 2018).

### 3.8 Data Collection Procedure

The data was collected systematically and ethically to protect the participant's rights and privacy. Therefore, several steps that were taken. The first was to obtain ethical clearance. Beforehand, ethical clearance was sought from either the university's Institutional Review Board (IRB) or concerned authority to initiate data collection. It was accomplished by making sure that the research followed the ethical standards and principles, especially making the participants safe. Secondly, it was important to seek informed consent. Participants were given an information sheet explaining the research objectives, the voluntary nature of the participation, the confidentiality measures, and the potential risks and benefits engendered by participating. However, only those respondents who give written informed consent were allowed to enter the study.

Thirdly, there was questionnaire administration. The self-administered questionnaires were addressed to the sampled respondents either via survey, email or hand-delivery, depending upon the convenience of the respondents. Clear directions and a determined deadline for the questionnaires to be returned were also given. Concerning the participants' identities and personal data issues, kept information confidential and assigned codes to ensure anonymity. In case additional information or extension of query was needed, the investigators contacted the individuals and addressed the ambiguities.

#### 3.8.1Factor Loading

Factor analysis was employed to assess the combined validity, with the KMO value indicating that the factor analysis was adequate for use. Varimax rotation was performed, and items with a factor

loading below 0.4 were excluded, while those with a factor loading beyond 0.4 were maintained, so ensuring construct validity. This validation measure confirmed the reliability and validity of the questionnaires utilized in the study, yielding precise and credible results (Hair et al., 2019).

### 3.9 Data Analysis

The study utilized quantitative methods for data collection. The data obtained from the self-administered questionnaire was analysed using SPSS software. This study utilized descriptive statistical approaches, including frequencies, percentages, means, and standard deviations, to summarize and characterize the investigated variables.

An inferential statistical analysis was conducted to investigate the relationships between the control variables (internal control) and the control variable (operational performance). This encompassed several regression analyses for dependent and independent variables, while hierarchical regression was utilized to assess the moderating impact. Pearson's correlation coefficients were calculated to analyse the degree and direction of the relationships between internal control qualities (control environment, risk assessment, and mentoring activities) and operational performance indicators. This research employed multiple linear regressions to analyze the combined and individual impacts of organizational governance on NGO operational effectiveness. The regression model was structured as follows:

Model i: Without moderator

$$y = \beta 0 + \beta 1CE + \beta 2RA + \beta 3MA + \varepsilon$$

Model ii: With moderator

$$y = \beta 0 + \beta 1CE + \beta 2RA + \beta 3MA + \beta S + \beta 1CES + \beta 2RAS + \beta 3CAS + \varepsilon$$

Where: y = operational performance

CE = Control Environment

RA = Risk Assessment

MA = Monitoring Activities

S= Organizational size

$\beta 0$ = Constant (Intercept)

$\beta 1$, $\beta 2$, $\beta 3$= Regression Coefficients

$\varepsilon$ = Error Term

Regression analysis's results revealed what role individual internal control characteristic plays in operational performance and how strong and reliable the overall model is. Based on the research objectives, the study's null and alternative hypotheses was established, and statistical techniques, including t-tests and F-tests, was used to test them. The level of significance ($\alpha$) was fixed at 0.05, which is the most commonly accepted threshold in social science studies.

### 3.10 Diagnostic Test

The analysis encompasses tests for normalcy, multicollinearity, heteroscedasticity, and linearity. Multi-collinearity refers to a situation where there is a high correlation (r= 0.9 and above) between two or more predictor variables. This can be problematic in statistical analysis (Neuman, 2015). Before conducting the regression analysis, the normality, multicollinearity, homoscedasticity/Heteroscedasticity test and linearity test, assumptions were tested, and the essential adjustments undertaken.

#### 3.10.1Normality Test

The study employed statistical tests to evaluate the extent to which the data deviated from normality, as proposed by Hair *et al*. (2010). The researcher was used he Shapiro-Wilk test and

the Kolmogorov-Smirnov test to examine normality. Both tests yielded results above the 0.05 significance level, indicating that the data followed a normal distribution.

### 3.10.2 Multi Collinearity test

The study utilized VIF and tolerance values to conduct a Multi Collinearity test. Additionally, the normality of the variance inflation factor benchmark of 10 and below as well as tolerance benchmark below value below 1 was established (Taber, 2018). A correlation coefficient (r) of 0.9 or higher shows the presence of multicollinearity.

### 3.10.3 Heteroscedasticity Test

When there is heteroscedasticity, there are differences in the dependent variable's variability or spread across a large number of data points (Zhou *et al*, 2016). To assess this, the Levene statistic was used. The null hypothesis is rejected if the p-value is smaller than 0.05. A p-value greater than 0.05 indicates acceptance of the null hypothesis.

## 3.11 Ethical Considerations

The study adhered to ethical standards, which encompassed the acknowledgment of diverse sources utilized in the research, providing participants with precise and comprehensive information regarding the research's purpose, and safeguarding the confidentiality of all acquired information, including the omission of participants' names on the questionnaires to ensure anonymity. The participants were presented with the permission permit from the KCA and that from NACOSTI. Participants were not obligated to disclose information they were unwilling to share and were encouraged to contribute information voluntarily to the researcher, with the assurance that their opinions would remain anonymous (Jwan & Ong'ondo, 2017).

# CHAPTER FOUR
# FINDINGS AND DISCUSSIONS

## 4.1 Introduction

This chapter presents the study findings derived from the data analysis, along with explanations of these findings.

## 4.2 Response Rate

The study distributed 167 to participants affiliated with non-governmental organizations in Nairobi, resulting in the completion and return of 138 responses. The investigator achieved a response rate of 82.63%. Mugenda and Mugenda (2013) assert that a response rate of at least 50% is deemed sufficient. The survey's response rate stands at 82.63%, significantly surpassing the 50% benchmark.

**TABLE 2**

**Response Rate**

| **Questionnaires** | **Total** |
|---|---|
| Total issued | 167 |
| Response | 138 |
| Response Rate | 82.63% |

**Source: Field Data (2025)**

## 4.3 Analysis on Respondents Background Information

The survey sought to collect foundational information regarding the respondents, encompassing their educational credentials, professional roles, and duration of service within their present organization. The data obtained underwent thorough analysis and is presented in Table 4.

**TABLE 3**

**Level of Education**

| Education | Frequency | Percent |
|---|---|---|
| Diploma level | 10 | 7.2 |
| Degree | 78 | 56.5 |
| Master's Degree level | 46 | 33.3 |
| Doctor of philosophy | 4 | 2.9 |
| **Total** | **138** | 100.0 |

**Source: Field Data (2025)**

The academic credentials of the individuals involved per internal controls and operational performance of international NGOs in Nairobi, Kenya, offer an extensive insight into their educational histories. Among the 138 respondents, only 7.2% possess a diploma, indicating rather limited respondents who have attained such educational accomplishment. A significant 56.5% of participants hold a first degree, suggesting the credential dominated among individuals surveyed. Therefore, education has a potential of shaping their comprehension and methodology regarding internal audit techniques.

Furthermore, a significant proportion of the participants, specifically one-third, possess a master's degree. This notable proportion underscores the extensive prevalence of advanced academic credentials among participants, indicating a substantial degree of proficiency and specialized insight. Ultimately, a mere 2.9% had doctor of philosophy, suggesting a constrained representation of those with the most advanced education credentials within the study population. Education is expected to influence the analytical view offered, showcasing a blend of fundamental and high understanding of internal controls and operational performance.

**TABLE 4**

**Working experience**

| Working experience | Frequency | Percent |
|---|---|---|
| I year and below | 8 | 5.8 |
| Between 1 to 3 years | 68 | 49.3 |
| Between 4 to 6 years | 26 | 18.8 |
| Between 7 to 10 years | 20 | 14.5 |
| More than 10 year experience | 16 | 11.6 |
| **Total** | **138** | **100.0** |

**Source: Field Data (2025)**

In relation to 138 participants, 5.8 percent had occupied their positions for a duration of less than one year. This modest percentage suggests they may provide an innovative viewpoint, albeit potentially lacking in extensive experience. A noteworthy 49.3% of participants had held their positions for duration of 1 to 3 years. This group represents more than fifty percent of the sample and exhibits significant experience, reflecting a deep understanding of internal controls and operational performance within NGOs.

A noteworthy 18.8% have been engaged for a period spanning 4 to 6 years. A further 14.5% had engaged in service for a period spanning 7 to 10 years. This demographic includes individuals with significant expertise. In conclusion, 11.6 percent over ten years' experience. The service distribution period delineates a range of expertise, encompassing individuals from beginners to those possessing advanced proficiency in their respective fields. The diversity in service duration enriches the spectrum of understanding and expertise in evaluating internal controls and operational efficiency within non-governmental organizations.

### 4.4 Descriptive Statistics for Variables

The application of quantitative methodologies yielded descriptive statistics derived from the data analysis conducted. Variables were scrutinized using descriptive statistics to extract insights and establish overarching conclusions. The research objectives were meticulously aligned with the inquiries.

#### 4.4.1 Descriptive Statistics for Control Environment

The main objective was to assess how the control environment influences the operational efficacy of multinational NGOs. The results are delineated in Table 5.

**TABLE 5**

**Control Environment Results**

| Response | 5 | 4 | 3 | 2 | 1 | Mean | Stdev |
|---|---|---|---|---|---|---|---|
| The firm has a code of conduct and ethics policies that are well-communicated and enforced. | 39.1 (54) | 42 (58) | 14.5 (20) | 1.4 (2) | 2.9 (4) | 4.13 | 0.92 |
| Senior management are committed to tasks. | 42 (58) | 30.4 (42) | 8.7 (12) | 15.9 (22) | 2.9 (4) | 3.93 | 1.19 |
| The organizational structure is well-defined. | 36.2 (50) | 36.2 (50) | 11.6 (16) | 11.6 (16) | 4.3 (6) | 3.88 | 1.16 |
| The audit committee is independent and has sufficient authority and resources to carry out its responsibilities effectively. | 34.8 (48) | 47.8 (66) | 7.2 (10) | 7.2 (10) | 2.9 (4) | 4.04 | 0.99 |
| The organization's human resource policies promote integrity and accountability. | 43.5 (60) | 30.4 (42) | 11.6 (16) | 11.6 (16) | 2.9 (4) | 4.00 | 1.14 |
| The organization has an effective and independent audit committee. | 37.7 (52) | 43.5 (60) | 10.1 (14) | 5.8 (8) | 2.9 (4) | 4.07 | 0.990 |
| The control environment fosters an atmosphere of trust, open communication, and a commitment to competence. | 36.2 (50) | 43.5 (60) | 13 (18) | 2.9 (4) | 4.3 (6) | 4.04 | 1.006 |

**Source: Field Data (2025)**

The preliminary statement, “The organization has a code of conduct and ethics policies that are effectively communicated and enforced,” with a mean of 4.13 reflecting a strong agreement regarding the efficacy of communication and enforcement of the code of conduct and ethical regulations. This explains the significance of established codes of conduct and ethical standards in the realm of internal controls. This is crucial as it allows NGOs to operate as intended.

The second statement, “senior management exhibits a commitment to integrity and ethical values through their actions and behavior,” received a 3.93 mean value. This indicates that individuals recognize a commitment to integrity and ethical standards, there exists a degree of skepticism among some respondents regarding the effectiveness of these convictions. Certain individuals may hold the view that these senior executives fail to sufficiently uphold integrity and ethical principles.

The mean score for the third statement, “The organizational structure is well-defined, with clear lines of authority and responsibility,” was 3.88. A total of seventy-two-point four percent indicated their agreement that the organizational structure is distinctly articulated, with well-defined lines of authority and accountability. This acknowledges importance of clearly defined lines of authority and responsibility. The discord reflects concerns about clearly delineated boundaries of authority and responsibility.

The fourth statement, “the organization has policies and procedures to ensure employees possess the requisite competence and skills to perform their duties effectively,” with a mean value of 3.93, reflecting a strong agreement among respondents. Approximately 73.9 percent expressed agreement or strong agreement as 13% indicated disagreement. A 1.08 std suggests a noteworthy degree of variability in viewpoints. This outcome indicates that participants generally perceive the

organization's policies and processes as advantageous. This allows employees to focus on what they deem most essential, thus uncovering issues that management might miss.

The fifth statement, “The audit committee (or equivalent) is independent and possesses adequate authority and resources to fulfill its responsibilities effectively,” has 4.04 mean value. A notable 82.6% were in a significant concurrence on the autonomy of the audit committee and its sufficient authority and resources to effectively carry out its duties. This research suggests that participants regard an independent audit as crucial for upholding impartiality and commitment to their duties.

The mean score for the sixth statement, “there is a separation of duties and responsibilities to prevent conflicts of interest and fraud,” mean being 3.97. A notable 76.8% concurred whereas 15.9 percent indicated disagreement. A 1.12 std value indicates a considerable variation in perspectives. The findings highlight the importance of clearly defining roles and responsibilities to prevent conflicts of interest and fraudulent activities. The inconsistencies suggest a possible conflict of interest.

The seventh statement, "the organization's human resource policies advocate for accountability and integrity," garnered a mean score of 4.00, with 73.9% of respondents expressing agreement or strong agreement. The std 1.14 shows a notable difference in perspectives, as evidenced by 26.1% in response. These policies promote integrity and accountability. The organization's employees promote a culture of integrity and accountability by encouraging direct reporting mechanisms. The stance of neutrality or dissent may stem from concerns about the execution of integrity and accountability.

The eighth assertion, "the organization possesses a competent and autonomous audit committee," garnered a 4.07 mean value as 81.2 percent of participants indicating agreement or strong agreement. This finding provides that the organization has a capable and independent audit committee.

The tenth statement, “the control environment fosters an atmosphere of trust, open communication, and a commitment to competence the mean value at 4.04. Therefore, a remarkable 79.7% accorded values of 4 or 5 to this statement, indicating a shared understanding of the importance of the control environment. The std of 1.01 suggests a notable degree of variability. This reflects a strong belief among participants that the control environment fosters commitment to excellence. A slight variability suggests that some respondents may possess concerns regarding the implications of such trust and competence.

### 4.4.2 Descriptive statistics for Risk assessment

The secondary aim was to ascertain the influence of risk assessment on the operational efficacy of international NGOs. The findings are delineated in Table 7.

**TABLE 6**

**Results for Risk assessment**

| | Risk assessment | 5 | 4 | 3 | 2 | 1 | Mean | Stdev |
|---|---|---|---|---|---|---|---|---|
| 1 | There is a formal enterprise management of risk in place. | 30.5 (42 | 18.3 (25) | 35.4 (49) | 8.5 (12) | 7.3 (10) | 3.56 | 1.22 |
| 2 | The organization regularly identifies and assesses the risks (strategic, operational, organizational, and compliance) that could affect the achievement of its objectives. | 25.6 (35) | 35.4 (49) | 18.3 (25) | 14.6 (20) | 6.1 (9) | 3.60 | 1.20 |
| 3 | The organization has effective risk analysis techniques. | 28 (39) | 23.2 (32) | 35.4 (49) | 7.3 (10) | 6.1 (8) | 3.60 | 1.15 |
| 4 | The organization has appropriate risk response strategies (e.g., avoid, mitigate, transfer, accept) for identified risks. | 30.5 (42) | 25.6 (35) | 28 (39) | 9.8 (14) | 6.1 (8) | 3.65 | 1.19 |
| 5 | The risk assessment process is regularly reviewed and updated to ensure its effectiveness. | 30.5 (42) | 26.8 (37) | 25.6 (35) | 9.8 (14) | 7.3 (10) | 3.63 | 1.22 |
| 6 | The risk assessment process considers both internal and external factors. | 30.5 (42) | 22 (30) | 29.3 (40) | 11 (16) | 7.3 (10) | 3.57 | 1.24 |
| 7 | The risk assessment process is integrated into the organization's decision-making and strategic planning. | 32.9 (45) | 20.7 (29) | 29.3 (40) | 11 (16) | 6.1 (8) | 3.63 | 1.22 |
| 8 | The risk assessment process has improved. | 34.1 (47) | 18.3 (25) | 29.3 (40) | 11 (16) | 7.3 (10) | 3.61 | 1.264 |

**Source: Field Data (2025)**

The preliminary statement, “The organization has established a formal enterprise risk management (ERM) framework,” received an average of 3.56 score. In particular, 48.8 percent were in agreement. This recognizes the significance of corporate risk management, a substantial portion

either remains neutral or voices dissent, indicating a potential skepticism regarding its effectiveness or real-world implementation. This indicates that, although enterprise risk management is regarded as an essential control mechanism, some organizations may face challenges in its successful execution.

The second statement, “the organization routinely identifies and evaluates the risks (strategic, operational, organizational, and compliance) that may impact the attainment of its objectives,” thus 3.6 mean value. In this case, 61 percent of participants conveyed their concurrence, whereas 18.3 percent maintained a undecided stance as 20.7 percent articulated their disagreement. A std of 1.20 a notable diversity in viewpoints. Nevertheless, feedback reveals participants express uncertainty regarding its effectiveness or possess doubts about its practical use, implying potential shortcomings in either execution or understanding.

The third statement, “the organization has effective risk analysis techniques to determine the likelihood and impact of identified risks expressing agreement. Roughly 13.4% articulated their disagreement with the message. A standard deviation of 1.15 indicates a noteworthy degree of variability in the responses. This suggests that while numerous individuals regard risk mitigation techniques as vital for recognizing risks, there is a notable degree of neutrality and some disagreement, indicating an opportunity for improvement in the understanding of these practices. This diversity may suggest differing degrees of the organization's effectiveness in utilizing risk analysis instruments to evaluate the likelihood and implications of recognized threats.

The fourth statement received a mean score of 3.65 from respondents, indicating that "The organization has suitable risk response strategies, including avoidance, mitigation, transfer, and acceptance for identified risks." A majority, 56.1%, expressed agreement or strong agreement, whereas 28% remained neutral, and 15.9% expressed dissent. A standard deviation of 1.19

signifies considerable variability. This suggests a positive assessment of the organization's proficient risk response protocols. The presence of neutrality and dissent suggests that while proactive objectives are valued, their execution may not consistently meet anticipated outcomes, thereby exposing potential shortcomings in effective risk management strategies.

The average score for the fifth statement, "the risk assessment process is regularly reviewed and updated to ensure its effectiveness," was 3.63. In this case, 57.3% of participants agreed, 25.6% maintained a neutral stance, and 17.1% voiced their disagreement. A standard deviation of 1.22 reflects a notable level of variability in perspectives. This result highlights the belief that the risk assessment approach is perpetually scrutinized and updated to ensure its effectiveness. Nevertheless, the presence of neutrality and dissent suggests that achieving a comprehensive risk assessment could prove challenging, likely due to the conflicting objectives between risk evaluation and effectiveness.

The sixth statement, “The risk assessment process considers both internal and external factors,” achieved a mean score of 3.57. A majority of 52.5% expressed agreement, 29.3% maintained a neutral stance, while 18.3% voiced dissent. A standard deviation of 1.24 indicates a notable degree of variability. The data suggest that a significant number of respondents recognize the importance of the risk assessment process. Nevertheless, the pronounced neutrality and dissent highlight possible challenges in the effective harnessing of both internal and external influences.

The eighth statement, “The risk assessment process is integrated into the organization's decision-making and strategic planning,” garnered a mean score of 3.63, with 53.6% expressing agreement and 29.3% remaining neutral. Approximately 17.1% articulated a dissenting viewpoint. A standard deviation of 1.22 signifies a considerable variability in the responses observed. This outcome reflects a consensus that the risk assessment process is integrated into the organization's

decision-making and strategic planning frameworks. Nevertheless, the presence of neutrality and dissent suggests that particular companies might face difficulties in articulating or adhering to their decision-making process and strategic planning.

The eighth assertion, “the risk assessment process has enhanced the organization's capacity to attain its objectives,” received an average score of 3.61. A majority of 52.4% expressed agreement, 29.3% maintained a neutral stance, while 18.3% voiced their dissent. A standard deviation of 1.26 signifies a certain level of variability. The findings suggest a positive evaluation of the organization's ability to achieve its objectives. The diversity in responses suggests that risk assessment might struggle to achieve organizational objectivity in the absence of supplementary factors.

**TABLE 7**

**Descriptive statistics for Monitoring Activities**

| | Monitoring Activities | 5 | 4 | 3 | 2 | 1 | Mean | Std Dev |
|---|---|---|---|---|---|---|---|---|
| 1 | The organization has an audit that evaluates the effectiveness of internal controls. | 39 (54) | 31.7 (44) | 24.4 (34) | 1.2 (1) | 3.7 (5) | 4.01 | 1.01 |
| 2 | The internal audit workforce efficient to carry out its responsibilities. | 39 (54) | 24.4 (34) | 19.5 (27) | 13.4 (18) | 3.7 (5) | 3.82 | 1.20 |
| 3 | The organization conducts regular risk-based audits covering key organizational and operational processes. | 34.1 (46) | 24.4 (34) | 20.7 (29) | 17.1 (24) | 3.7 (5) | 3.68 | 1.22 |
| 4 | The organization has a process for monitoring and addressing internal control deficiencies identified through audits or other means. | 30.5 (42) | 37.8 (52) | 28 (39) | 0 (0) | 3.7 (5) | 3.91 | 0.96 |
| 5 | The organization regularly reviews and updates its monitoring activities to ensure their effectiveness. | 34.1 (47) | 32.9 (45) | 26.8 (37) | 2.4 (3) | 3.7 (5) | 3.91 | 1.02 |
| 6 | The organization engages external auditors to conduct independent evaluations of controls and organizational statements. | 37.8 (53) | 26.8 (37) | 24.4 (33) | 4.9 (7) | 6.1 (8) | 3.85 | 1.17 |
| 7 | The organization promptly addresses and resolves control deficiencies identified during monitoring activities. | 36.6 (60) | 22 (36) | 18.3 (30) | 17.1 (28) | 6.1 (10) | 3.66 | 1.30 |
| 8 | The monitoring activities have helped to improve the effectiveness of internal controls over time. | 39 (54) | 18.3 (25) | 22 (30) | 15.9 (22) | 4.9 (7) | 3.71 | 1.31 |
| 9 | The monitoring activities have contributed to better risk management and resource utilization. | 39 (54) | 24.4 (34) | 18.3 (25) | 14.6 (20) | 3.7 (5) | 3.80 | 1.211 |

**Source: Field Data (2025)**

The preliminary statement, "the organization maintains an independent internal audit function that evaluates the effectiveness of internal controls," garnered a mean score of 4.01. A significant 71%

of participants expressed agreement (rating 4 or 5), whereas 24.6% adopted a neutral position, and 4.3% voiced their dissent. A standard deviation of 1.01 signifies a notable degree of variability in the responses observed. While many recognize the importance of these procedures, the substantial presence of neutrality and dissent suggests that an autonomous internal audit function may not accurately represent the effectiveness of internal controls. This could suggest potential avenues for improvement within the realm of internal audit.

The second assertion, "the internal audit function possesses adequate resources to fulfil its responsibilities effectively," achieved a mean score of 3.82. A total of 63.8% of respondents indicated agreement (rating 4 or 5), whereas 19.6% maintained a position of indifference, and 16.7% articulated disagreement. A standard deviation of 1.20 indicates a level of variability that can be considered moderate. The findings suggest that while a majority of individuals hold the view that the internal audit function is sufficiently equipped with the necessary resources, both in terms of personnel and organizational support, a significant portion remains unconvinced, highlighting potential inconsistencies in the perceived adequacy of these resources. Organizations might find it necessary to assess the sufficiency of their resources.
The average score for the fourth statement, "the organization has a process for monitoring and addressing internal control deficiencies identified through audits or other means," was 3.91. In this case, 68.1% expressed agreement (rating 4 or 5), while 28.3% maintained a neutral stance and 3.6% voiced their dissent. A standard deviation of 0.96 signifies diminished variability and a greater level of agreement among respondents. The robust agreement and limited variation indicate that participants largely view deficiencies in internal control as a significant concern. Nevertheless, the presence of neutral responses indicates that some firms may continue to exhibit internal control deficiencies uncovered during audits.

The fifth assertion, which states that "the organization routinely evaluates and revises its monitoring activities to guarantee their efficacy," received a mean score of 3.91. A significant 67% of participants expressed agreement, 26.8% maintained neutrality, while only 6.1% voiced disagreement. A standard deviation of 1.02 indicates a noteworthy degree of variability in the responses. This suggests that participants generally hold the view that the organization regularly assesses and updates its monitoring practices. The presence of neutral responses indicates that some enterprises might persist in performing routine assessments and enhancing their oversight methodologies.

The sixth assertion, "The organization employs external auditors to conduct independent evaluations of controls and organizational statements," received a mean score of 3.85. Sixty-four-point six percent expressed agreement (rating 4 or 5), while twenty-four-point four percent maintained a neutral stance, and eleven percent indicated disagreement. A standard deviation of 1.17 signifies a degree of variability that can be considered moderate. The data reveal that while a considerable number of respondents recognize the advantages of a streamlined audit, a notable fraction remains neutral or expresses dissent, suggesting a variance in the understanding and execution of streamlined processes across different firms. This suggests potential opportunities for organizations to enhance their auditing processes.

The seventh statement, "The organization promptly addresses and resolves control deficiencies identified during monitoring activities," garnered a mean score of 3.66. A total of 58.6% of participants indicated their agreement, while 18.3% remained neutral, and 23.2% expressed disagreement. A standard deviation of 1.30 indicates a notable level of variability in perspectives. The responses suggest that while many individuals acknowledge a control flaw identified during monitoring activities, there is considerable variation in perceptions, with a

significant segment of respondents asserting that the responses to these deficiencies are not prompt. This suggests possible challenges the company faces in swiftly identifying and rectifying control deficiencies.

The ninth statement, "The monitoring activities have enhanced the efficacy of internal controls over time," received a mean score of 3.71. 57.3% expressed agreement (scoring 4 or 5), 22% maintained a neutral stance, while 20.8% voiced dissent. A standard deviation of 1.31 signifies considerable variability. This indicates that while many respondents view NGO monitoring operations as effective internal controls that enable timely remedial actions, a significant portion either adopts a neutral position or articulates dissent. This highlights potential inconsistencies in the understanding or implementation of monitoring, suggesting avenues for improvement in the monitoring process.

The tenth statement, "The monitoring activities have enhanced risk management and resource utilization," received a mean score of 3.80. A consensus was observed among 63.4% of respondents, who provided ratings of 4 or 5, while 18.3% maintained a neutral stance, and 17.1% articulated their disagreement. A standard deviation of 1.21 signifies considerable variability in the responses observed. The findings reveal that while many participants support enhanced risk management and resource utilization, a notable portion remains ambivalent or opposed, implying that risk management may not invariably meet anticipated outcomes. This highlights the imperative for organizations to evaluate and possibly enhance their resolution methodologies to improve risk management.

### 4.4.4 Descriptive statistics for Organization Size

The fifth objective entailed evaluating the influence of organizational size principles as a moderating factor in the relationship between operational performance and internal controls within international NGOs. The results are delineated in Table 8.

**TABLE 8**

**Descriptive statistics for Organization Size**

| | Organization size | 5 | 4 | 3 | 2 | 1 | Mean | Stdev |
|---|---|---|---|---|---|---|---|---|
| 1 | Our NGOs reach a large group of people which makes it close to people | 26.8 (37) | 31.7 (44) | 20.7 (29) | 18.3 (25) | 2.4 (3) | 3.62 | 1.14 |
| 2 | The organization has experienced a good pool of financial resources from well-wishers who support our ideologies | 41.5 (58) | 31.7 (43) | 15.9 (22) | 8.5 (12) | 2.4 (3) | 4.01 | 1.07 |
| 3 | The organization has a large beneficiary team that has always given us a good reputation | 37.8 (52) | 15.9 (22) | 28 (39) | 15.9 (22) | 2.4 (3) | 3.71 | 1.20 |
| 4 | The organization has a strong staff team that is up to task | 34.1 (47) | 28 (39) | 23.2 (32) | 11 (15) | 3.7 (5) | 3.78 | 1.14 |
| 5 | The organization has a networking strategy that has kept us on the global map | 32.9 (46) | 30.5 (42) | 30.5 (42) | 3.7 (5) | 2.4 (3) | 3.88 | 1.00 |
| 6 | Our organization do partner with likeminded organizations | 42.7 (59) | 23.2 (32) | 15.9 (22) | 15.9 (22) | 2.4 (3) | 3.88 | 1.20 |

**Source: Field Data (2025)**

The preliminary assertion, "Our NGOs engage a significant demographic, thus enhancing closeness to the community," received an average rating of 3.62. A notable 58.5% of respondents assigned a ranking of 4 or 5, reflecting a substantial agreement that NGOs successfully connect with a diverse audience, thereby enhancing their closeness to the community. Nevertheless, 20.7% adopted a neutral position, whereas 20.7% conveyed dissent (ratings of 2 or 1). A standard deviation of 1.14 indicates a notable degree of variability in the responses observed. This suggests

that while a majority of respondents perceive NGOs as successfully reaching a wide audience, a significant portion either holds reservations or exhibits a lack of interest. This could suggest a possible variety in empowering NGOs to connect with a wide audience, thus enhancing their closeness to the community.

The second statement, "The organization has received substantial financial support from benefactors who endorse our ideologies," garnered a mean score of 4.01. The high score reflects a significant agreement, with 73.2% of participants assigning it a rating of 4 or 5. A mere 15.9% indicated neutrality, whereas 10.9% articulated disagreement. A standard deviation of 1.07 suggests a notable degree of uniformity in responses. The findings suggest that participants primarily perceive financial resources as deriving from benefactors. This notable agreement underscores the acknowledgment of the essential function of resource distribution in enhancing the operational effectiveness of NGOs.

The average score for the third statement, "The organization has a large beneficiary team that has consistently provided us with a positive reputation," was 3.71. A total of fifty-three-point seven percent of respondents indicated their agreement, whereas twenty-eight percent maintained a neutral stance, and eighteen-point three percent expressed disagreement. A standard deviation of 1.20 indicates a noteworthy level of variability in the responses observed. This suggests that while a predominant segment perceives the organization as possessing a substantial beneficiary team with a reliably favourable reputation, a noteworthy minority maintains a stance that is either neutral or contrary. This highlights potential issues in the correlation between recipients and their reputation. It is encouraging that beneficiaries might improve internal controls.

The fourth statement, "The organization possesses a competent staff team capable of fulfilling its responsibilities," received a mean score of 3.78. A total of 62.1% of respondents

indicated agreement (ratings of 4 or 5), while 23.2% maintained a neutral stance, and 14.7% expressed disagreement. A standard deviation of 1.14 indicates a noteworthy level of variability in the responses observed. The data suggest that while many respondents view the staff team as beneficial for professional development, a notable percentage maintain a neutral stance or express disagreement. This suggests potential inconsistencies in the endorsement or understanding of professional development for staff teams among different enterprises.
The fifth statement, "The organization possesses a networking strategy that has maintained our global presence," received a mean score of 3.88. A total of sixty-three-point four percent of participants expressed agreement (rating 4 or 5), whereas thirty-point five percent maintained a neutral stance, and six-point one percent expressed dissent. A standard deviation of 1.00 signifies a low degree of variability in the responses. The findings indicate that participants generally perceive the organization as having a networking strategy that sustains a global presence, thereby improving internal control. This notable agreement suggests that the adoption of a networking strategy is crucial for enhancing internal control mechanisms and achieving organizational goals. The significant neutral stance suggests that some respondents might acknowledge irregularities in networking methodologies.

The sixth assertion, "Our organization collaborates with organizations that share similar values," garnered a mean score of 3.88. In this case, 65.9% of participants agreed (rating 4 or 5), 15.9% maintained a neutral stance, and 18.3% indicated disagreement. A standard deviation of 1.20 signifies a noteworthy degree of variability. The responses suggest that a majority of individuals perceive organizations as partnering with those who share similar ideologies. This exemplifies a commitment to leveraging collaborations for the improvement of operational efficacy.

### 4.4.5 Descriptive statistics for Operational performance

The primary objective of the study was to investigate the influence of internal controls on the operational performance of foreign non-governmental organizations (NGOs). The results are delineated in Table 9.

**TABLE 9**

**Descriptive statistics for Operational performance**

| | Operational performance | 5 | 4 | 3 | 2 | 1 | Mean | Stdev |
|---|---|---|---|---|---|---|---|---|
| 1 | The organization consistently achieves its annual budgets and organizational targets. | 0 (0) | 40.2 (56) | 41.5 (57) | 11 (15) | 7.3 (10) | 3.15 | 0.89 |
| 2 | The firm experienced growth in donor funding levels over the past few years. | 0 (0) | 39 (54) | 36.6 (50) | 7.3 (10) | 17.1 (24) | 2.98 | 1.08 |
| 3 | The organization efficiently utilizes its resources to achieve its objectives. | 0 (0) | 40.2 (66) | 23.2 (38) | 20.7 (34) | 15.9 (26) | 2.88 | 1.12 |
| 4 | The organization has a strong liquidity position and can meet its organizational obligations on time. | 0 (0) | 35.4 (49) | 22 (30) | 26.8 (37) | 15.9 (22) | 2.77 | 1.16 |
| 5 | The organization has a sustainable organizational model and is not overly dependent on internal audits. | 0 (0) | 37.8 (52) | 42.7 (59) | 14.6 (20) | 4.9 (7) | 3.13 | 0.84 |
| 6 | Our organization funding trends have been on growth trajectory | 0 (0) | 40.2 (56) | 32.9 (45) | 15.9 (22) | 11 (15) | 3.03 | 1.01 |
| 7 | The organization audit reports indicate organizational soundness | 0 (0) | 45.1 (62) | 29.3 (40) | 18.3 (25) | 7.3 (10) | 3.12 | 0.96 |
| 8 | There exists donor and grantor transparency for our firm | 0 (0) | 37.8 (53) | 32.9 (45) | 14.6 (20) | 14.6 (20) | 2.95 | 1.07 |

**Source: Field Data (2025)**

The preliminary assertion, "The organization consistently meets its annual budgets and organizational objectives," garnered a mean score of 3.15. Notably, none of the respondents provided a rating of 5; however, 81.7% assigned a rating of either 3 or 4, indicating a moderate

agreement regarding the organization's consistency in adhering to its annual budgets. At the same time, 18.3% of respondents provided a rating of 2 or 1, signifying disagreement. A standard deviation of 0.89 suggests a notable degree of uniformity in the responses of the participants. The findings indicate a general agreement that the organization meets its goals; however, the absence of top ratings suggests that many respondents perceive opportunities for improvement in achieving these objectives.

The second statement, "The organization has experienced growth in donor funding levels over the past few years," garnered a mean score of 2.98. In alignment with the original claim, none of the participants provided a rating of 5; nevertheless, 75.6% assigned a rating of either 3 or 4, indicating a certain level of satisfaction. Nevertheless, 24.4% indicated dissent, assigning ratings of 2 or 1. The standard deviation of 1.08 suggests a heightened diversity in responses when compared to the original statement. The data reveal that while a significant portion perceives door funding as a practical solution, a notable fraction of respondents continues to express dissatisfaction. The divergence in responses may indicate differing experiences among members, with certain individuals perceiving adequate funding from contributors, while others do not share this view. This inconsistency may stem from varying anticipations or a lack of clarity concerning donor funding.

The third statement, "The organization effectively employs its resources to attain its objectives," garnered a mean score of 2.88. None of the respondents awarded a grade of 5, and only 63.4% rated it a 3 or 4, indicating a limited level of consensus. A notable 36.6% conveyed their dissent, reflecting dissatisfaction with the efficient distribution of its resources. A standard deviation of 1.12 indicates a noteworthy degree of variability in viewpoints. The findings suggest a noteworthy issue pertaining to the perception of efficiency, indicating that many respondents

perceive it as lacking in objectivity. This perspective may lead to misconceptions or a lack of trust among individuals, underscoring the imperative for enhanced transparency in the reporting of resource utilization.

The fourth assertion, "The organization maintains a strong liquidity position and is capable of meeting its obligations in a timely manner," received an average score of 2.77. Once again, none of the respondents allocated a rating of 5, and only 57.4% assigned it a rating of 3 or 4. A significant 42.6% indicated their dissent, reflecting dissatisfaction with the liquidity situation. A standard deviation of 1.16 signifies considerable variability. The data suggest a widespread belief that liquidity is capable of meeting obligations at their due dates. This perspective could lead to dissatisfaction among members, given that liquidity is a fundamental characteristic.

The fifth assertion, "The organization possesses a sustainable organizational model and is not excessively reliant on internal audits," achieved a mean score of 3.13. In alignment with previous observations, none of the respondents provided a rating of 5; however, 80.5% assigned a score of 3 or 4, indicating a shared agreement on the presence of a sustainable organizational model. A mere 19.5% articulated dissent. A standard deviation of 0.84 signifies a level of consistency in responses. The findings indicate a predominantly positive perspective on the activities associated with sustainable organizational models. This implies a need for NGOs to critically assess their organizational frameworks, ensuring they possess the requisite appeal to retain members and foster sustained engagement.

The sixth statement, "Our organization's funding trends have been on a growth trajectory," garnered a mean score of 3.03. No respondents assigned a rating of 5; however, 73.1% provided ratings of 3 or 4, indicating a moderate level of agreement. Nevertheless, 26.9% articulated their dissent, reflecting dissatisfaction with the prevailing financing trends. A standard deviation of 1.01

indicates a noteworthy degree of variability in the responses observed. The data suggest that while many respondents believe that organizational funds are increasing, a significant number do not concur with this perspective. This implies that NGOs ought to critically assess funding trends to guarantee they remain appealing enough to retain members and foster continuous engagement.

The seventh assertion, "The organization audit reports indicate organizational soundness," received a mean score of 3.12. In alignment with previous statements, none of the respondents provided a rating of 5, whereas 74.4% assigned a rating of 3 or 4, indicating a moderate degree of agreement. A notable 25.6% articulated their dissent, reflecting a certain level of dissatisfaction regarding the dependability of NGOs. A standard deviation of 0.96 suggests a notable degree of variability. The findings suggest a conviction regarding the sustainability of NGO audit reports.

The seventh assertion, "There exists donor and grantor transparency for our firm," garnered a mean score of 2.95. In alignment with previous evaluations, none of the participants allocated a rating of 5, whereas 70.7% assigned a score of 3 or 4, indicating a moderate level of consensus. Nevertheless, 29.3% articulated their dissent, reflecting concerns about the transparency of donors and grantors. A standard deviation of 1.07 indicates a noteworthy degree of variability in viewpoints. The findings suggest a conviction that transparency reports from donors and grantors are indeed feasible. This understanding may impact the contentment and allegiance of members.

### 4.5 Results on Reliability and Validity Testing

The study evaluated the instrument for validity to ensure it could accurately capture data. The results underwent a reliability test.

### 4.5.1 Results on Reliability and Validity Testing

The aim of reliability testing was to determine the consistency of different research instruments in producing identical outcomes (Kimberlin & Winterstein, 2008). The aim of the reliability test was to evaluate the stability of the results over time. The study utilized the internal consistency approach to determine Cronbach's Alpha (α). A threshold of 0.7 was set for Cronbach's Alpha to guarantee reliability. Should the instrument exhibit inconsistency, it shall be modified as necessary. Table 10 delineates the results of the reliability evaluations.

**TABLE 10**

**Reliability of Research Instruments**

| Variable | No of Items | Cronbach Alpha | Decision |
|---|---|---|---|
| Control environment | 9 | 0.968 | Reliable |
| Risk assessment | 8 | 0.977 | Reliable |
| Monitoring activities | 9 | 0.956 | Reliable |
| Organization size | 6 | 0.940 | Reliable |
| Operational performance | 8 | 0.965 | Reliable |

**Source: Field Data (2025)**

The reliability study reveals a noteworthy degree of internal consistency among the assessed variables. The Cronbach Alpha values for the control environment, risk assessment, monitoring activities, organizational size, and operational performance exceed the established threshold of 0.7, indicating a robust level of reliability.

The elevated reliability coefficients, spanning from 0.940 to 0.977, indicate that the survey items associated with each variable consistently assess the same underlying construct. The dependability bolsters confidence in the consistency and credibility of the information gathered

concerning the control environment, risk evaluation, monitoring processes, organizational scale, and operational efficacy. In conclusion, the findings confirm that the survey instruments employed for each variable exhibit reliability and uphold internal consistency. Researchers and experts can leverage the collected data to develop well-founded evaluations and insights concerning internal audit practices, the size of organizations, and the effectiveness of operations within the framework of the study.

### 4.5.2 Factor Analysis

Factor analysis, a statistical technique for reducing dimensionality, can be utilized to explore the foundational structure of a collection of observable variables. For the purpose of analysing interrelationships, it is essential that a variable remains unidimensional; all data points should assess identical properties. Exploratory factor analysis systematically organizes items according to their similarities and uncovers latent factors without dependence on pre-established models or hypotheses. This distils a multitude of variables into a finite set of dimensions that are more understandable and manageable (Leech, Barrett & Morgan, 2011).

**TABLE 11**

**KMO and Bartlett's Test**

| **KMO** | | .856 |
|---|---|---|
| Bartlett's Test of Sphericity | Approx. Chi-Square | 918.994 |
| | Df | 45 |
| | Sig. | .000 |

**Source: Field Data (2025)**

The KMO operational performance recorded a value of 0.856, indicating a remarkably appropriate sampling procedure. The high KMO values, coupled with the significant outcomes. The variables necessitate additional scrutiny and a thorough factor analysis. Scholars may confidently undertake factor analysis on these variables within the framework of the study.

Hair *et al*. (2010) and Tabachnick and Fidell (2007) delineated factor loadings as follows: 0.32 (poor), 0.45 (fair), 0.55 (good), 0.63 (very good), and 0.71 (excellent). Researchers regard a threshold of 0.4 or 0.5 as significant for the purposes of explanation. All indicators of the diverse constructs underwent a confirmatory factor loading analysis utilizing SPSS version 26. The CFA suggests that the observed items are anticipated to load onto the latent variable at a threshold exceeding 0.4, as detailed in Appendix VII, with a summary presented herein.

**TABLE 12**

**Factor Loadings**

| | **Factor Loadings 1** |
|---|---|
| The organization consistently achieves its annual budgets and organizational targets | .777 |
| The organization noted increase in donor funding levels over the past few years. | .853 |
| The organization efficiently utilizes its resources to achieve its objectives | .797 |
| The organization has a strong liquidity position and can meet its organizational obligations on time. | .901 |
| The organization has a sustainable organizational model and is not overly dependent on internal audits. | .846 |
| Our organization funding trends have been on growth trajectory. | .877 |
| The organization audit reports indicate organizational soundness. | .903 |
| There exists donor and grantor transparency for our firm | .939 |

**Source: Field Data (2025)**

All components influencing operational performance demonstrated robust and appropriate loadings, signifying that the chosen items proficiently assess their corresponding variables. Every item was preserved in the factor analysis, indicating that each component holds considerable importance within its respective factor.

### 4.6 Diagnostic Test

Diagnostic tests serve as essential instruments for evaluating the assumptions and validity of the model. They aid in recognizing possible deficiencies that could compromise the dependability of outcomes and promote the refinement of models.

#### 4.6.1 Normality Test

Diagnostic tests for linear regression analysis function as crucial tools for assessing the assumptions and integrity of the model. They assist in identifying potential shortcomings that may undermine the reliability of results and foster the enhancement of models.

**TABLE 13**

**Tests of Normality**

| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | **Statistic** | **dif** | **Sig.** | **Statistic** | **dif** | **Sig.** |
| Control environment | .146 | 138 | .071 | .884 | 138 | .073 |
| Risk assessment | .136 | 138 | .083 | .903 | 138 | .079 |
| Monitoring activities | .154 | 138 | .082 | .873 | 138 | .084 |
| Organization size | .118 | 138 | .093 | .923 | 138 | .090 |
| Operational performance | .170 | 138 | .071 | .883 | 138 | .073 |

**Source: Field Data (2025)**

The study illustrated reveal normal state of distribution. The p values obtained exceeded 0.05, thus confirming the validity of the normal assumption constructs.

#### 4.6.2 Multi-collinearity Test

A significant association exists among constructs. The understanding of the regression coefficient as a predictor becomes increasingly complex with the presence of multicollinearity, leading to variability in the coefficients (Cooper and Schindler, 2011).

**TABLE 14**

**Multicollinearity Test**

| Variable | Tolerance | VIF |
|---|---|---|
| Control environment | .687 | 1.456 |
| Monitoring activities | .857 | 1.167 |
| Risk assessment | .676 | 1.481 |

**Source: Field Data (2025)**

Table 4.13 indicates that the tolerance measures for the current research ranged from 0.1381 to 0.934, exceeding the threshold of 0.2. The VIF fluctuated within the range of 1.167 to 1.481, consistently staying beneath the predetermined minimum threshold of 10 and also under 5. This demonstrated non multicollinearity.

### 4.6.3 Homoscedastic Test

Researchers employ this evaluation to ascertain whether the dispersion of errors within a regression context remains consistent across all levels of the independent variables. Should the p-value linked to the White test fall beneath a predetermined significance threshold, commonly established at 0.05, it may imply the existence of heteroskedasticity, thereby indicating a breach of the homoskedasticity assumption. If the p-value exceeds the established significance threshold, researchers can infer an absence of evidence for heteroskedasticity.

**TABLE 15**

**Heteroskedasticity Test**

| **Breusch-Pagan Test for Heteroskedasticity[a,b,c]** | | |
|---|---|---|
| **Chi-Square** | **df** | **Sig.** |
| 2.448 | 1 | .118 |

**Source: Research Data (2025)**

In Table 16, the p-value of 0.118 surpasses the traditional significance threshold of 0.05, leading us to withhold rejection of the null hypothesis. This suggests that there is an absence of substantial

evidence indicating the existence of heteroscedasticity within the model. The error variance seems to be invariant to the values of the model.

### 4.7 Pearson Correlation Analysis

The study calculated the Pearson correlation coefficient (r) to demonstrate the strength and direction of the association between internal controls and operational performance.

**TABLE 16**

**Correlation between Internal Controls and Operational performance**

| | | CA | RA | MA | OS | OP |
|---|---|---|---|---|---|---|
| **CA:** Control environment | Pearson Correlation | 1 | | | | |
| | Significance (2-tailed) | | | | | |
| | N | 138 | | | | |
| **RA:** Risk assessment | Pearson Correlation | .321** | 1 | | | |
| | Significance. (2-tailed) | .007 | | | | |
| | N | 138 | 138 | | | |
| **MA:** Monitoring activities | Pearson Correlation | .541** | .342** | 1 | | |
| | Significance (2-tailed) | .000 | .004 | | | |
| | N | 138 | 138 | 138 | | |
| **OS:** Organization size | Pearson Correlation | .452** | .596** | .1384** | 1 | |
| | Significance (2-tailed) | .000 | .000 | .000 | | |
| | N | 138 | 138 | 138 | 138 | 1 |
| **OP:** Operational performance | Pearson Correlation | .615** | .644** | .683** | .755** | |
| | Significance (2-tailed) | .000 | .000 | .000 | .000 | |
| | N | 138 | 138 | 138 | 138 | |

**Source: Field Data (2025)**

Table 17 reveals a moderate and positive correlation between the control environment and operational performance ($r = 0.615$; $p < 0.05$). As a result, improvements in the control environment would significantly enhance the operational efficacy of international NGOs. This suggests that an elevated degree of control within the environment is strongly associated with enhanced results. The research, supported by Ado, Rashid, Mustapha, and Ademola (2020), demonstrates a positive and statistically significant relationship between the control environment and operational performance.

An analogous examination uncovered a moderate positive correlation ($r = 0.644$; $p < 0.05$) between risk assessment and operational performance. Thorough risk assessments are intricately connected to improved operational performance, highlighting their critical importance in ensuring accurate financial reporting and management. The evidence is supported by the research conducted by Sishumba, Saidi, and Milupi (2022), which reveals that internal controls play a crucial role in improving the operational performance of Standard Chartered. Kabue (2020) indicated that the risk assessment yielded a p-value of 0.210, suggesting a positive but statistically non-significant impact on operational performance.

The relationship between monitoring activities and operational performance is both strong and statistically significant ($r = 0.683$, $p < 0.05$). This suggests that advancements in monitoring activities would result in significant enhancements in operational performance. Observing activities is crucial for the prompt recognition and resolution of challenges, which is intricately linked to enhanced results.

Ultimately, a significant positive relationship was observed between the size of the organization and its operational success ($r = 0.755$; $p < 0.05$). This suggests that a growth in organizational scale would result in improvements in operational efficacy. This indicates that

strong support from senior management is most directly associated with enhanced operational performance among the evaluated internal control factors. David et al. (2019) illustrate a significant positive correlation between the control environment and operational performance in county administrations along Kenya's coastal region.

### 4.8 Multiple Linear Regressions

This research sought to investigate the internal mechanisms that affect the operational efficacy of multinational NGOs in Nairobi, Kenya. The accomplishment was realized via the application of standard multiple regression analyses. The findings are presented in Table 17.

**TABLE 17**

**Model Summary Multiple Linear Regression**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .832[a] | .682 | .678 | .54328 |

**Source: Field Data (2025)**

The multiple regression analysis examines the synergistic effects of monitoring activities, control environment, and risk assessment on the operational performance of international NGOs. The coefficient of determination ($R^2$) is measured at 0.1382, suggesting that around 13.82% of the variability in operational performance can be explained by these predictors. Further components not included in the model account for the residual 31.8% of the variability noted in operational performance. The adjusted R Square (0.1382) accounts for the number of predictors, offering a more nuanced assessment of the model's explanatory capacity. This modification protects against the possible exaggeration that may arise from the addition of extra predictors. This underscores the significance of a thorough approach to attaining operational excellence.

**TABLE 18**

**ANOVA for Multiple Linear Regressions**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 42.371 | 3 | 14.124 | 51.932 | .000[b] |
| | Residual | 17.678 | 134 | .272 | | |
| | Total | 60.048 | 137 | | | |

a. Dependent Variable: Operational performance

**Source: Field Data (2025)**

The analysis of variance (ANOVA) results for the model, with Operational performance as the dependent variable and various predictors including Monitoring activities, Control environment, and risk assessment, uncovers significant insights into the overall importance of the model. The regression model effectively accounts for the variance in operational performance, as evidenced by the significant F-statistic of 51.932 ($p < 0.05$). This suggests that, collectively, the predictors play a substantial role in the variability of operational performance. The ANOVA results indicate $F (3, 134) = 51.932$, $p < .05$, suggesting that the interplay of Monitoring activities, control environment, and Risk assessment has a significant effect on Operational performance. The model illustrates its capacity to elucidate and forecast discrepancies in operational performance among the examined international NGOs in Nairobi. Kenya.

**TABLE 19**

**Coefficients of the Independent Variables and Operational performance**

| Model | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| | **B** | **Std. Error** | **Beta** | **t** | **Sig.** |
| (Constant) | .432 | .301 | | 1.435 | .156 |
| Control environment | .264 | .081 | .266 | 3.270 | .002 |
| Risk assessment | .321 | .055 | .424 | 5.828 | .000 |
| Monitoring activities | .339 | .070 | .394 | 4.818 | .000 |

**Source: Field Data (2025)**

The study model is presented as= 0.432+ 0.264 $\mathbf{X_1}$ +0.321 $\mathbf{X_2}$ + 0.339 $\mathbf{X_3}$

$X_{1=}$ Control environment

$X_{2=}$ Risk assessment

$X_{3=}$ Monitoring activities

The elements of the control environment, monitoring activities, and risk assessment presented in the table demonstrated considerable and noteworthy predictive capability ($P<0.05$). The unstandardized coefficients clarify the degree to which each predictor affects the dependent variable. The constant term (0.432) represents the expected value of the dependent variable (Operational performance) when all predictor variables are held at zero. Nevertheless, the findings do not reach statistical significance ($p = 0.156$), indicating that the model may not require a non-zero intercept.

The unstandardized coefficient ($B = 0.264$) suggests that a one-unit enhancement in the control environment is associated with a notable increase in operational performance by 0.264 units. The affirmative coefficients and noteworthy t-value ($t = 3.270$, $p < 0.05$) suggest that an improved control environment has a beneficial impact on operational performance. Adegboyegun

et al. (2020) noted that a robust control environment, reflecting management's commitment to ethical business practices, plays a crucial role in the success of SMEs in Ondo State, Nigeria. Gamagelow and Keving (2018) elucidated a direct, positive, and statistically significant correlation between the control environment and the operational performance of banks in Sri Lanka. In contrast, Harelimana (2017) discovered that there was no correlation between the control environment and operational performance as indicated in the studies conducted in Sri Lanka.

The unstandardized coefficient (B = 0.321) for risk assessment suggests a positive influence on operational performance. An increase of one unit in internal audit control would lead to a significant enhancement in operational performance by 0.321 units. The t-value ($t = 5.828$, $p = 0.000$) demonstrates statistical significance, suggesting that risk assessment has a profound impact on operational performance. Maina and Ishmail (2014) indicate that more than 60% of surveyed NGOs do not employ a systematic approach to tackle strategic, reputational, and regulatory risk indicators, raising concerns regarding the robustness of their risk assessment methodologies.

The unstandardized coefficient (B = 0.339) for Monitoring activities demonstrates a noteworthy positive influence on Operational performance. As a result, an increase of one unit in monitoring efforts would yield a significant improvement in operational performance by 0.339 units. The t-value ($t = 4.818$, $p < 0.05$) demonstrates a high level of significance, indicating that effective monitoring efforts serve as a robust predictor of improved operational performance. Pterson (2018) examined the correlation between operational performance and risk assessment, determining that risk assessment increases the cost of risk without markedly improving societal outcomes; consequently, a disjunction may be present in specific sectors regarding the relationship between risk assessment and operational performance.

### 4.9 Hierarchical Linear Regression

The scale of the organization functioned as a moderating variable in this investigation. This section outlines the findings regarding the moderating influence of organizational size on the relationship between internal controls and operational performance. This was achieved through hierarchical regression analysis, while accounting for constructs related to organizational size. The formula utilized to evaluate the moderating influence was:

$$\mathbf{Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3 + \beta_4Z+\beta_5X_1\ Z +\beta_6X_2\ Z + \beta_7X_3\ Z + \varepsilon}$$

Where X = Independent variables

Z = Organization size

Y = Operational performance

A regression analysis encompassed three models as elaborated upon in the following sections. The preliminary model integrated independent variables, notably internal controls—namely the control environment, risk assessment, and monitoring activities—culminating in model one. Furthermore, the moderator served as an additional variable in this particular context of organizational size to generate model 2. Ultimately, the influence of both the independent and moderating variables on the interaction was integrated into the model. This represents the intersection of organizational scale and the various independent factors pertaining to individuals. This reached its apex in the third model of the study. Should this association fail to demonstrate statistical significance, the existence of a moderating effect would be rendered impossible. The results are as follows.

**TABLE 20**

**Hierarchical Regression Analysis**

| Model | R | $R^2$ | Adj $R^2$ | Std. Error Estimate | Change Statistics $R^2$ Change | F Change | df1 | df2 | Sig. F Change |
|---|---|---|---|---|---|---|---|---|---|
| 1 | .832[a] | .1382 | .678 | .54328 | .1382 | 48.779 | 3 | 134 | .000 |
| 2 | .852[b] | .727 | .710 | .51607 | .034 | 8.036 | 1 | 133 | .006 |
| 3 | .877[c] | .768 | .742 | .48667 | .042 | 3.655 | 3 | 130 | .017 |

a. Predictors: (Constant), CE, RA, MA

b. Predictors: (Constant), CE, RA, MA, OS

c. Predictors: (Constant), CE, RA, MA, OS, CE*OS, CE*OS, CE*OS

e. Dependent Variable: Operational performance

**Source: Field Data (2025)**

CE, RA, MA, OS, CE*OS, CE*OS, CE*OS: Control Environment (CE), Risk assessment (RA), Monitoring activities (MA), Organization size (OS),

**Model 1: Internal controls (Independent Variables)**

The preliminary model integrates internal controls as an additional predictor, encompassing the control environment, risk assessment, and monitoring activities. As a result, the model consists of three distinct independent variables. The R Square Change (0.1382) and F Change (48.779) statistics suggest that incorporating internal controls significantly improves the model's ability to explain the data.

**Model 3: Adding Organization size (Moderating Variable)**

The third model incorporates Organization size as an additional predictor, resulting in three independent variables and one moderating variable. The R Square Change (0.034) and F Change

(8.036) statistics indicate that the addition of Organization size moderately enhances the model's explanatory capacity. The R Square rises to 0.727, indicating an improved fit.

**Model 3: Interaction Terms**

The final model integrates specific interactions among independent and moderating factors, including the control environment interaction with organization size, the risk assessment interaction with organization size, and the monitoring activities interaction with organization size. This substantially improves the model's explanatory power (R Square Change = 0.042, F Change = 3.655, $p < 0.05$). The R Square increases to 0.768, signifying that the comprehensive model, inclusive of all predictors, accounts for 76.8% of the variance in operational performance. The results indicate that organizational size plays a critical moderating effect in the link between internal controls and operational performance.

**TABLE 21**

**ANOVA Results for Hierarchical Regression Analysis**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 43.192 | 3 | 14.397 | 48.779 | .000[b] |
| | Residual | 19.185 | 134 | .295 | | |
| | Total | 62.378 | 137 | | | |
| 2 | Regression | 45.333 | 4 | 11.333 | 42.553 | .000[c] |
| | Residual | 17.045 | 133 | .266 | | |
| | Total | 62.378 | 137 | | | |
| 3 | Regression | 47.930 | 7 | 6.847 | 28.909 | .000[d] |
| | Residual | 14.448 | 130 | .237 | | |
| | Total | 62.378 | 137 | | | |

a. Dependent Variable: Operational performance

**Source: Field Data (2025)**

**Model 1: Internal controls Effect Significance**

The first model comprises fundamental predictors (Constant, Education level, Length of service, Monitoring activities, Control environment, Risk assessment). The ANOVA reveals a significant regression ($F = 48.779$, $p < 0.05$), indicating that the amalgamation of these factors substantially accounts for the variance in operational performance.

**Model 2: Organization size Effect Significance**

The second model incorporates organization size as an additional predictor. The ANOVA for Model 2 indicates a substantial enhancement ($F = 42.553$, $p < 0.05$) compared to Model 1. This indicates that organizational size considerably influences operational success beyond the initial predictions.

**Model 3: Interaction Terms Effect Significance**

The third model includes interaction terms between components of internal controls and principles of organizational size. The ANOVA for Model 3 indicates a significant enhancement ($F= 48.779$, $p < 0.05$) compared to Model 2. This suggests that the interaction terms augment the model's predictive capacity for operational performance, indicating a moderating effect of organizational size on the link between internal controls and operational success.

The hierarchical regression findings highlight the significance of accounting for organizational scale in elucidating the relationship between internal controls and operational success. The notable enhancements in model fit due to the inclusion of organization size and interaction factors underscore the complex link between these variables. This indicates that the efficacy of internal controls in improving operational performance may depend on the existence and quality of organizational size practices within international NGOs in Nairobi, Kenya.

**TABLE 22**

**Regression Coefficients for Moderating Variable of Organization size**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | **B** | **Std. Error** | **Beta** | **t** | **Sig.** |
| 1 | (Constant) | .358 | .313 | | 1.144 | .257 |
| | Control environment | .289 | .084 | .286 | 3.446 | .001 |
| | Risk assessment | .312 | .057 | .404 | 5.441 | .000 |
| | Monitoring activities | .336 | .073 | .384 | 4.591 | .000 |
| 2 | (Constant) | .065 | .315 | | .207 | .837 |
| | Control environment | .280 | .080 | .277 | 3.504 | .001 |
| | Risk assessment | .218 | .064 | .283 | 3.423 | .001 |
| | Monitoring activities | .193 | .086 | .220 | 2.240 | .029 |
| | Organization size | .316 | .111 | .304 | 2.835 | .006 |
| 3 | (Constant) | -1.606 | 1.419 | | -1.132 | .262 |
| | Control environment | 1.041 | .361 | 1.029 | 2.883 | .005 |
| | Risk assessment | .445 | .285 | .576 | 1.558 | .124 |
| | Monitoring activities | -.528 | .302 | -.603 | -1.752 | .085 |
| | Organization size | .913 | .396 | .879 | 2.306 | .025 |
| | CE*OS | -.224 | .106 | -1.422 | -2.114 | .039 |
| | RA*OS | -.0138 | .076 | -.529 | -.908 | .367 |
| | MA*OS | .183 | .072 | 1.339 | 2.549 | .013 |

a. Dependent Variable: Operational performance

**Source: Field Data (2025)**

**Model 1: Internal controls Effect**

The initial model comprises control environment, risk assessment, and monitoring activities as predictors in model one. The coefficients demonstrate that the control environment ($\beta = 0.254$, $p < 0.05$), risk assessment ($\beta = 0.301$, $p < 0.05$), and monitoring activities ($\beta = 0.314$, $p < 0.05$) favorably influence operational performance. This model establishes the benchmark for evaluating the influence of organizational scale.

**Model 2: Adding Organization size**

The second model used organization size as a predictor and evaluates its significance. The findings indicate that, upon include Organization size, both control environment ($\beta = 0.242$, $p < 0.05$) and Risk assessment ($\beta = 0.195$, $p < 0.05$) sustained their favorable influence on Operational performance. Nonetheless, monitoring actions are rendered statistically insignificant (P=0.067).

**Model 3: Interaction Terms**

The third model advances the second by integrating particular interaction terms associated with organizational size. The results indicate a significant positive influence of the control environment (P<0.05) and monitoring efforts (P<0.05) on operational performance. Nevertheless, the analysis indicates that risk assessment (P=0.094) does not have a significant impact on the operational performance of foreign NGOs.

The research demonstrated that the relationship between organizational size and internal control frameworks exerts a noteworthy moderating influence, suggesting that differences in organizational size considerably modify the effect of internal control frameworks on operational performance. Only a single interaction term demonstrated a positive and significant moderating effect on operational performance, monitoring activities, and organization size. This suggests that a unit increase in organization size significantly resulted in an increase of 0.194 units (P = 0.006)

in the effect of monitoring activities on operational performance. The relationship between the control environment and organizational size demonstrated a minor negative moderating effect, suggesting that an increase of one unit in organizational size led to a minimal reduction of 0.130 units in the influence of the control environment on operational performance (P = 0.202). The relationship between risk assessment and organizational size demonstrated a negligible negative moderating effect, suggesting that an increase of one unit in organizational size correspondingly led to a decrease of 0.085 units in the influence of risk assessment on operational performance (P = 0.243).

Model =

$$Y=-1.606+1.041\ X_1+0.445\ X_2-0.528\ X_3+0.913\ Z-0.224\ X_1 Z-0.0138\ X_2 Z+0.183\ X_3 Z$$

**Where**

Y=Operational performance of international NGOs

$X_1$=Control environment

$X_2$= Risk assessment

$X_3$= Monitoring activities

Z= Organization size

The findings from the hierarchical linear regression elucidate the intricate interplay among the control environment, organizational size, and operational success within multinational NGOs. The findings of the moderation study suggest that the size of an organization plays a significant role in shaping the impact of monitoring activities on operational performance. Adegboyegun *et al.* (2020) and Tetteh *et al*. (2022) discerned a significant positive correlation between monitoring functions and operational performance in small and medium enterprises in Ondo State, Nigeria, as well as in listed corporations in Ghana, respectively.

# CHAPTER FIVE

# CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter summarises the study findings, gives conclusions and recommendations thereafter as well as suggestions for further research.

## 5.2 Summary of findings

Primarily the study examined the influence of internal controls on the operational performance of international NGOs in Nairobi, Kenya. The specific objectives were to evaluate the impact of the control environment on operational performance, assess the influence of risk assessment on operational performance, analyse the effect of monitoring activities on operational performance, and determine the moderating effect of organizational size on the relationship between internal controls and operational performance of international NGOs in Nairobi, Kenya.

### 5.2.1 Influence of Control environment on Operational performance

The primary objective of the study was to determine the impact of the control environment on the operational performance of international NGOs in Nairobi, Kenya. The control environment fosters an atmosphere of trust, open communication, and a commitment to competence, reflected by a mean score of 4.04. A substantial 79.7% of respondents rated this statement with a 4 or 5, indicating consensus on the importance of the control environment. A standard deviation of 1.01 indicates slight variability. The outcome indicates a strong belief among participants that the control environment fosters a culture of trust, open communication, and a commitment to competence. The slight variability suggests that some respondents may have concerns regarding the implications of such trust and competence.

The inferential study revealed a direct association between the control environment and the operational performance of international NGOs (R=0.615, P=0.000). This indicates that an improvement in the control environment would result in enhanced operational performance for international NGOs. The coefficient of determination, denoted as $R^2$, indicates that 37.8% of the variance in the operational performance of international NGOs is significantly accounted for by the control environment ($R^2$=0.378, P=0.000). This suggests that the control environment is a significant determinant of the operational performance of international NGOs. Regulated monitoring activities and risk assessment will result in a significant improvement in operational performance by 0.264 units (β1=0.264, P=0.001) due to an enhancement in the control environment. Gamagelow and Keving (2018) demonstrated a direct, positive, and statistically significant correlation between the control environment and the operational performance of banks in Sri Lanka.

### 5.2.2 Influence of Risk assessment on the Operational performance

The secondary objective of the study was to evaluate the influence of risk assessment on the operational efficacy of multinational NGOs in Nairobi, Kenya. The risk assessment methodology has improved the organization's ability to achieve its goals. The majority of participants agreed that a proactive strategy for risk mitigation planning demonstrates a dedication to maintaining stable and sustainable operational performance (Mean=3.65, S.D=1.19). The results demonstrate a positive evaluation of the organization's ability to achieve its objectives. The diversity of replies suggests that risk assessment may lack organizational objectivity without other factors.

The inferential study revealed a direct association between risk assessment and the operational performance of international NGOs (R=0.644, P=0.000). This indicates that an augmentation in risk assessment might result in enhanced operational performance of international

NGOs. The coefficient of determination, $R^2$, indicates that 41.5% of the variance in the operational performance of international NGOs is significantly accounted for by risk assessment ($R^2$=0.415, P=0.000). This signifies that risk assessment is a vital determinant of the operational efficacy of international NGOs. When the control environment and monitoring activities are regulated, a unit increase in risk assessment will result in a significant improvement in operational performance by 0.321 units (β1=0.321, P=0.000). Maina and Ishmail (2014) indicate that more than 60% of assessed NGOs did not employ a systematic way to tackle strategic, reputational, and regulatory risk indicators, raising concerns over the robustness of their risk assessment techniques.

### 5.2.3 Influence of monitoring activities on Operational performance

The third objective of the study was to evaluate the influence of monitoring activities on the operational performance of international NGOs in Nairobi, Kenya. The monitoring activities have improved the effectiveness of internal controls, attaining an average score of 3.71. Fifty-seven-point three percent agreed (rating 4 or 5), while twenty-two percent were neutral, and twenty-point eight percent disagreed. The majority of respondents confirmed that the internal audit staff efficiently monitored NGO operations promptly (Mean=4.01, S. D=1.01). This indicates that while many respondents saw NGO monitoring activities as effective internal controls that enable timely corrective measures, a significant portion remains neutral or opposed. This highlights any discrepancies in the perception or implementation of monitoring, suggesting avenues for improvement in the monitoring process.

The inferential analysis revealed a direct association between monitoring activities and the operational performance of foreign NGOs (R=0.631, P=0.000). This indicates that an augmentation in monitoring operations will result in enhanced operational performance of international NGOs. The coefficient of determination, represented by the R square value, revealed

that 46.7% of the variation in the operational performance of international NGOs is significantly accounted for by monitoring efforts (R2=0.467, P=0.000). This suggests that monitoring activities are a significant predictor of the operational performance of international NGOs. Effective management of the control environment and risk assessment results in a unit increase in monitoring activities, which significantly improves operational performance by 0.339 units (β2=0.339, P=0.000). Pterson (2018) examined the correlation between operational performance and risk assessment, indicating that risk assessment increases risk costs without substantially improving societal outcomes; hence, a disjunction may exist in specific sectors between risk assessment and operational success.

### 5.2.4 Moderating effect of Organization size on the relationship between Organization size and Operational performance

The organization's size has a networking strategy that obtained an average score of 3.88. Sixty-three-point four percent of respondents concurred (rating 4 or 5), while thirty-point five percent remained neutral, and six-point one percent expressed disagreement. A standard deviation of 1.00 indicates minimal variability in answers. The results reveal that respondents typically believe the firm possesses a networking strategy that maintains a global presence, hence enhancing internal control. This significant consensus indicates that implementing a networking strategy is essential for fostering effective internal control processes and attaining corporate objectives. The notable neutral posture indicates that some respondents may notice inconsistencies in networking techniques.

The fourth purpose of the study was to determine the moderating effect of organizational size on the connection between internal controls and operational performance of international NGOs in Nairobi, Kenya. The majority of respondents concurred that organizational size was

significant (Mean=4.01, S. D=1.07). The correlation analysis indicated a direct association between organizational size and operational success of international NGOs (R=0.755, P=0.000). This suggests that an increase in organizational size will lead to enhanced operational performance of multinational NGOs. The size of the organization contributes an additional 4.0% change in operational performance, resulting in a total percentage change attributed to organization size in the model of 76.1% ($R^2$=0.761, P=0.002). The interaction between organization size and the internal controls construct significantly contributes an additional 3.8% change in operational performance, resulting in an overall percentage change accounted for by the study model of 79.8% ($R^2$=0.798, P=0.000).

Only one interaction term exhibited a positive significant moderating effect on operational performance, monitoring activities, and organization size, indicating that a unit increase in organization size will significantly elevate the impact of monitoring activities on operational performance by 0.194 units (P = 0.006). The interaction between control environment and organization size exhibited an insignificant negative moderating effect, indicating that a unit increase in organization size will insignificantly reduce the impact of control environment on operational performance by 0.130 units. The interaction between Risk assessment and Organization size exhibited an insignificant negative moderating effect, indicating that a unit increase in Organization size will result in a negligible drop of 0.085 units in the impact of Risk assessment on Operational performance. Consequently, the size of the organization significantly moderates the relationship between internal controls and the operational performance of international NGOs in Nairobi, Kenya. David et al. (2019) demonstrate a positive and significant association between the control environment and operational performance in county administrations within Kenya's coastline area.

## 5.3 Conclusion

The control environment has a substantial correlation with the operational performance of multinational NGOs. This posits that an enhancement in the control environment would lead to substantial improvements in the operational performance of international NGOs. The report concludes that internal audit should lead the organization's controls.

Risk assessment substantially enhances the operational performance of international NGOs. Inferential results confirm a direct correlation between risk assessment and operational performance, indicating that an enhancement in risk assessment positively affects the operational performance of international NGOs. The study suggests that a proactive approach to risk mitigation planning reflects a robust commitment to sustaining stable operational performance. Monitoring initiatives significantly enhance the operational performance of multinational NGOs. The study concludes that the internal audit team's fast follow-up on audit issues demonstrates a proactive attitude to monitoring and evaluation. The prompt settlement of audit issues demonstrates accountability and fosters ongoing enhancement.

The study revealed that organizational size significantly moderates the link between internal controls and operational performance. The size of the organization accounted for considerable variation in internal controls affecting operational performance. This study investigates how organizational size moderates the relationship between internal controls and operational performance, identifying unique interactions. Monitoring activities and Organization size exert a positive moderating effect, suggesting that an increase in Organization size greatly enhances the influence of Monitoring activities on Operational performance. In contrast, the interactions between the control environment and internal audit control with organizational size exhibit a negligible negative moderating effect. The study concludes that the dedication of senior

management to implementing internal controls facilitates a comprehensive evaluation of financial health.

### 5.4 Recommendations

NGO management must implement control measures via internal auditors granted unrestricted access to do a full audit, facilitating an in-depth evaluation of financial risks and controls. This unimpeded access enables auditors to accurately detect weaknesses and propose suitable measures without obstruction.

Non-governmental organizations must establish stringent authorization and approval procedures to mitigate the danger of unlawful transactions and mismanagement. Systematic audits and evaluations must be performed to confirm adherence and pinpoint opportunities for enhancement within these controls.

Management of NGOs should prioritize prompt monitoring of audit findings to enable rapid corrective measures. Establishing effective reporting processes enables management to resolve concerns prior to escalation, ultimately improving the organization's operational performance. Furthermore, management must implement mechanisms for the swift reaction to audit findings and suggestions, so exhibiting a commitment to quick resolution of auditing issues.

Management must commit to expanding its regions by enhancing its workforce and asset base to bolster its size and scope for effective internal control.

#### 5.4.1 Implications for Policy

NGOs must establish robust internal audit capabilities, with internal auditors overseeing organizational processes and information. This corresponds with the COSO (2013) framework, which underscores the independence and objectivity of the audit function as a fundamental element of efficient internal control systems. Christopher et al. (2009) emphasize that the efficacy of

internal auditing markedly enhances when the audit scope is extensive and unimpeded, facilitating the detection of control deficiencies and rising risks. Consequently, NGOs must establish internal policies that require unlimited audit access and guarantee that internal auditors may deliver thorough and impartial evaluations of both financial and operational processes.

### 5.4.2 Implications for Theory

The incorporation of Stakeholder Theory, Risk Management Theory, and Institutional Theory offers a multi-faceted perspective for comprehending these variables. Stakeholder Theory emphasizes the significance of stakeholder interaction within the control environment, advocating for the incorporation of metrics such as corporate governance and duty rotation. NGOs are accountable to a multifaceted network of stakeholders, including donors, beneficiaries, regulators, and the community; failing to satisfy their expectations can significantly impact funding, reputation, and viability.

Risk Management Theory directly informs the justification for indicators such as prompt communication and information veracity. Eniola (2020) emphasizes the necessity for enterprises to actively recognize and mitigate both internal and external risks within a cohesive risk management framework. Clear, real-time, and honest communication of risk information is crucial for attaining strategic and operational objectives. This theory endorses the utilization of monitoring activities, including internal audits and management reviews, as essential instruments for risk mitigation. Precise and prompt monitoring can avert systemic breakdowns and guarantees adaptation in a swiftly evolving operational landscape, as encountered by numerous foreign NGOs in urban and peri-urban Nairobi.

Institutional Theory elucidates the pressures that multinational NGOs encounter to implement and formalize internal controls that align with both local expectations and international standards. The increasing demand from donors and host governments for transparency, along with the necessity for quantifiable impact, compels NGOs to adhere to institutional standards. Indicators like internal audits, information quality, and stakeholder involvement transform from mere managerial options into institutional necessities. International NGOs that do not exhibit strong control mechanisms may forfeit legitimacy and, thus, access to funding.

### 5.4.3 Implications for Practice

The existence of strong authorization and approval mechanisms, as outlined in the control environment, is essential to mitigate the risks of fraud and illegal transactions that often erode donor trust. Recurring instances of fund embezzlement in the NGO sector frequently arise from inadequate permission mechanisms or insufficient division of roles. By instituting clear responsibility lines and consistent authorization frameworks, NGOs may promptly rectify detected control deficiencies. Prompt response systems to audit recommendations enhance internal operations and bolster the reputation of NGOs among external stakeholders, particularly donors and regulatory bodies. This technique should be institutionalized and reinforced by obligatory compliance assessments and feedback mechanisms that monitor the execution of corrective measures.

## 5.5 Recommendations for further studies

This research found that the combination of internal control processes and Organization size was a major factor in explaining the difference in Operational performance of deposit accepting NGOs. Nevertheless, the research factors accounted for 79.8% of the difference in the Operational performance of international NGOs. Therefore, it can be inferred that there are other more factors

that contribute to operational performance of NGOs in Nairobi Kenya, apart from internal controls and Organization size. In comparable studies, researchers may try incorporating other factors, apart from moderating variables, to determine their impact on NGO operational performance.

Other researchers may also explore using other statistical methods, such as structural equation modelling, to analyze data in a systematic manner. An exclusively qualitative approach would provide a comprehensive understanding of the correlation between internal control, Organization size, and the operational performance of NGOs.

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## APPENDICES

**Appendix I: International Non-Governmental Organizations NGOs in Kenya**

1 ABC Children's Aid Kenya.

2 Accident Victims Relief Foundation.

2 Action in Focus.

4 Action Now Kenya.

5 Active Association for Community Development.

6 Adra South Sudan.

6 Africa Muslims Agency - Kenya.

7 Africa Rebuilding Foundation.

8 Africa Rural Link.

10 Africa Solidarity Fund.

11 Africa Solutions.

12 Africa Wheels of Hope Kenya.

13 African Foundation for Civil Society Organization.

14 African Old Age Network in Kenya.

15 African Poverty Research Network.

16 Afrika Neema Foundation.

17 Afro Vision Foundation.

18 Agency for Technical Co-Operation and Development Kenya.

19 Al - Momin Foundation.

20 Al-Munntada Al-Islamic Trust.

21 Amazing Grace International Inc - Kenya Chapter.

22 Amurt- Switzerland.

23 Arise and Help International.

24 Association for Aid and Relief (Ar) Japan.

25 Barhostess Empowerment & Support Programme.

26 Benando Breakthrough Support Mission.

27 Boma Welfare Organization.

28 Born to Aid.

29 Bread for Children Kenya.

30 Brook of Cherith Organization. 31 Buckner Kenya.

32 Caring for Environment for Development.

33 Caris Foundation International - Kenya.

34 Catholic Fund for Overseas Development.

35 Centre for International Programs - Kenya.

36 Centre for Artists for Development.

37 Centre for Community Law and Rural Development.

38 Change Agent for Peace International.

39 Child Counselling and Related Issues Advisory and Consultancy.

40 Child Ife Missions of Kenya.

41 Child Servval Centre.

42 Children Welfare Association Fund (Cwaf).

43 Christian Aid.

44 Christian Reformed World Relief Committee - Kenya.

45 Combined Fellowship of Pastors and Leaders.

46 Community Emergency Response Volunteers.

47 Community Integrated Development International.

48 Community Leadership Advancement Network.

49 Community Organization and Training for Risk Reduction.

50 Community Progress Empowerment Programme.

51 Community Transformation and Rural Development.

52 Compassion International Inc.

53 Compassionate Hearts Organization.

54 Compassionate Neighbours Mission.

55 Concern Worldwide.

56 Counselling and Health Information Centre.

57 Danoko Outreach Organization.

58 Darat Hiv/Aids International Agency.

59 Deaf Community Development and Relief Services

60 Desert Rose Organization

61 Development and Relief Organization of Kenya

62 Diakonie Emergency Aid

63 Direct Aid International

64 Disaster Support Agency

65 Dorcas Aid International - Africa

66 Dorcas Aid International - Kenya

67 Dr. Taaitta Toweett Foundation

68 Dream Builders Initiative Programme

138 Dutch International

70 Education and Public Awareness Media Centre

71 Empower Africa

72 Ethiopian Relief and Rehabilitation Organization

73 Expert Foundation

74 Faith Homes of Kenya

75 Family Care Relief Organization

76 Family Enrichment Organization

77 Feed the Children Kenya

78 Focus 2000 Child Rescue Programme

79 Focusing on Women and Children Organization

80 Forum for Environmental Sustainability, Poverty Eradication and Gender Equality (Fespege)

81 Forum for International Co-Operation

82 Foundation for Biodiversity Conservation

83 Foundation for Human Rights and Resources Monitoring

84 Fred Outa Foundation

85 Friends for Children Development Initiative

86 Friendship Awards Organization

87 Furaha Children's Home and Rehabilitation Centre

88 Global Children International

89 Global Forces Support Programme

90 Global Fund Kenya

91 Global Rescue Emergency Disaster Victims and Development (Gredvad Rescue International)

92 Global Victims Support Programme

93 Golden Services Organization

94 Good People World Family

95 Great Hope Resource Youth Centre

96 Gusii Poverty Eradication Programmes

97 Halal Development Organization

98 Hand in Hand Kenya

99 Hands of Compassion Support Project

100 Harambee in Progress (Kenya)

101 Health Serve Kenya

102 Health Support International

103 Help Child/Mother Organisation

104 Helpers of Africa International

105 Helping Hands International Foundation Inc

106 Heshima Kenya

107 Hope Africa Management Initiative

108 Hope for The Nations Kenya

109 Hope of Grace International

110 Hope Poverty Eradication Organisation

111 Horn Relief

112 Humanitarian Aid and Development Organization (Had) Kenya Chapter

113 Humanitarian Assistance for South Sudan

114 Humanitarian Development Organization Inc

115 Ideal Educational Counselling Centre

116 Imani Rehabilitation Agency

117 Impact on Health 118 Institute for Development and Welfare Services

119 Institute of Capacity Development

120 Institute of Democracy and Governance

121 Integrated Pastoralist Assistance and Development

122 Integrated Programme On HIV/Aids in Kenya

123 International Association for The Marginalized Children

124 International Association for The Protection of Marginalized Children

125 International Community Assistance Organisation (Icao)

126 International Development and Peace Organization

127 International Medical Collaboration Unit Kenya

128 Intex Welfare Foundation

129 Isukha Heritage Organisation

130 Jabali Development Organization

131 Jitolee - East African Volunteering

132 Joy Homes Africa Services

133 Julikei International Women and Youth Affairs

134 Jumuika Empowerment Programme

135 Kensudan Youth for Peace and Development Agency

136 Kenya Basic Support Foundation

137 Kenya Community Health Network

138 Kenya Disaster Concern

139 Kenya Drug Education Programme

140 Kenya Peace Association Ministry

141 Kenya Red Cross Society

142 Kenya Relief and Educational Services

143 Kenya Support of Centres and Children Homes

144 Kenya Urban Slum Service Organisation

145 Kenya Youth Development Assistance

146 Kibera Human Development Project

147 Kibera Slums Community Development Program

148 King of Kings International

149 Landmine Action (Kenya)

150 Life Focus Network

151 Life in Abundance- Kenya

152 Life Reformation International

153 Lifebloom Services International

154 Love A Child Africa

155 Manna Programme Community Centre

156 Masinet World Agencies

157 Mchanganyiko Unity Women Organization

158 Medical Aid and Disaster Management Services

159 Mennonite Board in Eastern Africa

160 Merciful Children Care and Education Centre

161 Merciful International Guild

162 Mercy Corps

163 Mercy USA For Aid and Development Kenya

164 Mission of Hope International

165 Mitigation International 166 Mooyo International

167 Mount Olives Learning Centres

168 Moving Mountains Kenya

1138 Multi-Sectoral Development Programme

170 Muslim World League

171 Muungano Wa Wanawake Na Watoto Wa Kenya

172 National Organization for Private Public Partnership

173 Natural Health Organization

174 Natural Resources and Environment Conservation Partnership of Kenya

175 Nazarene Compassionate Organization

176 Network for Education and Development Foundation

177 New Sudanese Indigenous NGOs Network (Nesi-Network)

178 Nile International Development Programme

179 Noble Charity Homes for Destitute

180 Norwegian Church Aid 181 Novib Oxfam Netherlands

182 Nub Relief, Rehabilitation and Development Organization

183 Nuba Relief Rehabilitation and Development Organisation

184 Oasis of Friends Restoration Centre 185 Odyssey Women International Education Services

186 Ogiek Rural Integration Project

187 Orphelins Sans Frontieres France

188 Oxfam Gb

189 Pamoja Charity Foundation

190 Paramount Integrated Relief Initiative 191 Partners with Vision

192 Passionate Funds International

193 Peace and Development partners

194 Peace Building, Healing and Reconciliation Programme

195 Peace Officers for Christ International

196 Peacebuilding Healing and Reconciliation Programme

197 Poverty Alleviation Partners for Africa

198 Practical Action 199 Prieumber Charity Fund

200 Program for Indigenous Community Initiatives

201 Progressive Initiatives and Methodologies for Social and Economic Enhancement in Kenya

202 Provide International

203 Ranalo Child and Old - Age Development Programme

204 Ravens Mueller Foundation

205 Refugee Consortium Of Kenya

206 Regional Communication and Development Organization

207 Regional Counselling and Psychosocial Organisation

208 Regional Strategies Organization

209 Relief International - Kenya

210 Relief, Reconstruction and Development Organization

211 Rescue Youth Africa

212 Resource evaluation And Community Intensive Participation to Eradicate Poverty in Kenya

213 Restoration and Rehabilitation Centre

214 Revive Africa International

215 Roots Africa Development Organization

216 Rural and Urban Community Initiative Support Organization

217 Rural Initiative Approach

218 Safe Harbor International Relief

219 Salama Community Association

220 Samaritan's Purse International Relief

221 Save A Soul Organization

222 Save Sub-Saharan Orphans 223 Seeds of Compassion 224 Shelter 2000

225 Skills for Living - Kenya

226 Skills for Living- Kenya

227 Slums First-Kenya

228 Social Needs Network

229 Southern Economic Development Organization

230 Special Ministries

231 Springs of Life International

232 Stara Peace Women Organisation

233 Stay Alive Community Organization

234 Stepping Out by Choice International

235 Strategic Rural Economic Empowerment Project

236 Strategy for Poverty Eradication and Advancement

237 Sub-Sahara Development Initiative

238 Sudan Education and Development Organisation

239 Sudan Relief and Rehabilitation Association

240 Support Initiative for Health Education and Development

241 Sustainable Agriculture Community Development Program

242 Sustainable Development for All - Kenya

243 Tact Africa

244 Tawa Economics Empowerment Organization

245 Tender Hands Initiative 246 The Bridge Network

247 The Great Alter call Fellowship Ministry

248 The Hut of Orphans of Kenya 249 The Junior Shelters

250 The National Health Development Organisation

251 The National Organization for Private Public Partnerships

252 The Sanctuary

253 The Source Solution Integration Programme Kenya

254 The Turning Point Trust-Kenya

255 The Usenge Community Health and Education Organization - Kenya

256 The World life Foundation

257 To Love Children Educational Foundation International - Kenya

258 Tolosio Community Health Organization

259 Tumaini Fund for Economic Development International

260 Under Forty Patriots

261 United Kenya Environmental Development Program

262 United Scholars Association International Cooperation

263 Upper Nile Kalaazar Education Association

264 Urafiki Wa Kutoa Misaada Ya Kimataifa - Kenya

265 Urban Centre International

266 Value Addition and Cottage Industry Development Initiative Africa

267 Vet works Eastern Africa

268 Village Women Organization - Kenya

2138 Vision Africa Give a Child A Future

270 Vision Integrated Community Development Programme

271 Wings of Hope

272 Wish Kenyan Children Well

273 Woman to Woman Africa

274 Women Against Poverty International

275 Women Awareness and Development Initiative

276 Women Capacity Development International Organization

277 Women Federation for World Peace - Kenya

278 Women’s Federation for World Peace - Kenya Chapter

279 World Concern International

280 World Service of Mercy

281 World Vision Kenya

282 Young Muslim Association

283 Youth Alliance for Leadership and Development in Africa - Yalda (K)

284 Youth Impact Network International

285 Youth Peace Alliance

286 Youth Peace for Africa International

287 Zion Counselling and Education Support Centre International

288 Zoa Refugee Care-Netherlands

Source: NGOs Coordination Board (2023)

**Appendix II: Research Questionnaire**

The charts contain research questions covering each of the internal control (control environment, risk assessment, monitoring activities, and control activities) and their effect on the operational performance of NGOs in Nairobi. The questions are structured to allow respondents to indicate their level of agreement or disagreement with each statement.

**Section A: Personal Information Questions**

| No. | Question | Response Options |
|---|---|---|
| 1. | Education level? | Secondary / Diploma level / First degree / Master's / PhD / Other (specify) |
| 2. | Working experience? | I year and below / 1 to 3 years / 4 to 6 years / 7 to10 years / Above 10 years |

**Section B: Internal Control**

This section provides responses on internal control characteristics where 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

**Control Environment**

| No. | Question | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | The firm has a code of conduct and ethics policies that are well-communicated and enforced. | | | | | |
| 2. | Senior management are committed to tasks. | | | | | |
| 3. | The organizational structure is well-defined. | | | | | |
| 4. | The organization has competent and skilled personnel. | | | | | |
| 5. | The audit committee (or equivalent) is independent and has sufficient authority and resources to carry out its responsibilities effectively. | | | | | |
| 6. | There is a separation of duties and responsibilities to prevent conflicts of interest and fraud. | | | | | |
| 7. | The organization's human resource policies promote integrity and accountability. | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 8. | The organization has an effective and independent audit committee. | | | | | |
| 9. | The control environment fosters an atmosphere of trust, open communication, and a commitment to competence. | | | | | |

**Risk Assessment Questions**

| No. | Question | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | There is a formal enterprise management of risk in place. | | | | | |
| 2. | The organization regularly identifies and assesses the risks (strategic, operational, organizational, and compliance) that could affect the achievement of its objectives. | | | | | |
| 3. | The organization has effective risk analysis techniques. | | | | | |
| 4. | The organization has appropriate risk response strategies (e.g., avoid, mitigate, transfer, accept) for identified risks. | | | | | |
| 5. | The risk assessment process is regularly reviewed and updated to ensure its effectiveness. | | | | | |
| 6. | The risk assessment process considers both internal and external factors. | | | | | |
| 7. | The risk assessment process is integrated into the organization's decision-making and strategic planning. | | | | | |
| 8. | The risk assessment process has improved. | | | | | |

**Monitoring Activities**

| No. | Question | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| 1. | The organization has an audit that evaluates the effectiveness of internal controls. | | | | | |
| 2. | The internal audit workforce efficient to carry out its responsibilities. | | | | | |
| 3. | The organization conducts regular risk-based audits covering key organizational and operational processes. | | | | | |
| 4. | The organization has a process for monitoring and addressing internal control deficiencies identified through audits or other means. | | | | | |
| 5. | The organization regularly reviews and updates its monitoring activities to ensure their effectiveness. | | | | | |
| 6. | The organization engages external auditors to conduct independent evaluations of controls and organizational statements. | | | | | |
| 7. | The organization promptly addresses and resolves control deficiencies identified during monitoring activities. | | | | | |
| 8. | The monitoring activities have helped to improve the effectiveness of internal controls over time. | | | | | |
| 9. | The monitoring activities have contributed to better risk management and resource utilization. | | | | | |

**Section C: Organization size**

| **No.** | **Question** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| 1. | Our NGOs reach a large group of people which makes it close to people | | | | | |
| 2. | The organization has experienced a good pool of financial resources from well-wishers who support our ideologies | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3. | The organization has a large beneficiary team that has always given us a good reputation | | | | | |
| 4. | The organization has a strong staff team that is up to task | | | | | |
| 5. | The organization has a networking strategy that has kept us on the global map | | | | | |
| 6. | Our organization do partner with likeminded organizations | | | | | |

**Section D: Operational performance**

| **No.** | **Question** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| 1 | The organization consistently achieves its annual budgets and organizational targets. | | | | | |
| 2 | The firm experienced growth in donor funding levels over the past few years. | | | | | |
| 3 | The organization efficiently utilizes its resources to achieve its objectives. | | | | | |
| 4 | The organization has a strong liquidity position and can meet its organizational obligations on time. | | | | | |
| 5 | The organization has a sustainable organizational model and is not overly dependent on internal audits. | | | | | |
| 6 | Our organization funding trends have been on growth trajectory | | | | | |
| 7. | The organization audit reports indicate organizational soundness | | | | | |
| 8. | There exists donor and grantor transparency for our firm | | | | | |

**Appendix III: Summary of Literature and Research Gaps**

| Author | Study Area | Objectives | Methodology | Findings | Research gap & solution |
|---|---|---|---|---|---|
| **David *et al* (2019)** | Effect of control environment on operational performance of county governments in the coastal region of Kenya. | Control environment, control activities, information system | The study used a descriptive research design | Control environment has a significant effect on operational performance of county governments in the coastal region of Kenya. | The study was on control environment but failed to articulate risk assessment and lacked moderator. This study comprehensively examined all five components of internal control and their collective impact. The study was in Nairobi and not costal region. |
| **Adegboyegun *et al*. (2020)** | Effect of monitoring functions on operational performance of Ondo State, Nigeria's | Control activities, risk assessment, information system | A cross sectional survey was used which targeted 65 manufacturing firms in Kenya. | Monitoring functions has a significant effect on operational performance of Ondo State, Nigeria's | Focused on monitoring as a variable. It left out institution and stakeholder theories. The current study investigated how monitoring/control interact with other control components to influence operational performance. |
| **Riungu (2018)** | Influence of internal control environment on operational performance of companies listed on the Nairobi Securities Exchange. | Control environment control activities, information system | The study used descriptive and diagnostic research design | Internal control environment has a significant positive effect on operational performance of companies listed on the Nairobi Securities Exchange. | Failed to examine agency, risk management and institution theory that this study employed. This study employed risk assessment as part of variables. It further has organization size as moderating variable. |
| **Tetteh *et al*. (2022)** | Effects of monitoring functions on operational performance of listed | Control activities, information system | Correlational research study. The target population was 423 | Effects of monitoring functions on operational performance | This study analysed the combined effect of all five internal control components on NGO operational performance, providing |

| Author | Study Area | Objectives | Methodology | Findings | Research gap & solution |
|---|---|---|---|---|---|
| | firms in Ghana | | respondents from the 47 listed firms | of listed firms in Ghana | a holistic view of internal control effectiveness in the NGO sector. |
| **Ofei *et al.* (2020)** | Influence of the internal control environment on firm operational performance among companies listed on the Nairobi Security Exchange | Risk management, control activities, information system | Applied pragmatism philosophy and descriptive survey research design were used | Internal control environment has a significant effect on firm operational performance among companies listed on the Nairobi Security Exchange | The study focused on Nairobi international NGOs and not NSE firms for past study. Further had organization size as moderating variable. |

## Appendix IV: Time Frame

| Activity | JAN-FEB | MAR-APRIL. | MAY-JUN | JUL-AUG | SEP-OCT. | NOV-DEC. |
|---|---|---|---|---|---|---|
| Proposal writing | | | | | | |
| Proposal submission To supervisors | | | | | | |
| Submission to University | | | | | | |
| Acquisition of permit | | | | | | |
| Data collection and Analysis | | | | | | |
| Dissertation writing and correction | | | | | | |
| Publication of Project and final submission | | | | | | |
| Submission of Final copies | | | | | | |

**Appendix V: Budget**

| SR.NO | ACTIVITY | ITEM | COST (KSH) |
|---|---|---|---|
| 1 | Consolidation of literature | Library search and travelling expenses | 10,000 |
| 2 | Printing and binding | Seven copies of research proposal submission to the department | 20,000 |
| 3 | Induction and training of 2 research assistants | Transport for researcher and research assistants | 10,000 |
| 6 | Main field data collection | Travelling expenses for researcher and two research assistants | 22,000 |
| 7 | Data processing | Data analysis and report writing | 52,000 |
| 8 | Printing and binding | Thesis | 16000 |
| 9 | Miscellaneous | | 20000 |
| **TOTAL** | | | **150,000** |

## Appendix VI: KCA Data Consent

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**BOARD OF POSTGRADUATE STUDIES**

*KCAU/BPS/2025* *Date: Friday, May 16, 2025*

**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION (NACOSTI)**
**P.O BOX 30623-00100**
**NAIROBI**

Dear Sir/Madam,

**RE: PETER MULI KIVINDU - REG NO. 22/08332**

It is my distinct pleasure to introduce Peter Muli Kivindu, a student at our institution pursuing a Master of Science in Commerce (Accounting) degree within the School of Technology.

Peter is conducting research on the topic ***"Internal control, organizational size and performance of international non-governmental organizations in Nairobi."*** His study has been reviewed and approved by the University's Ethics Review Committee, Certificate No. KCAUSERCSOB122. Approval period is January 2025 to April 2025.

Any assistance accorded to him is highly appreciated.

Yours faithfully,

**DR. JACKSON NDOLO**
**DIRECTOR, BOARD OF POST GRADUATE STUDIES**

## Appendix VII: NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **140914**

Date of Issue: **08/June/2025**

**RESEARCH LICENSE**

**This is to Certify that Mr.. PETER MULI KAVINDU of KCA University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: INTERNAL CONTROL, ORGANIZATIONAL SIZE AND PERFORMANCE OF INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS IN NAIROBI for the period ending : 08/June/2026.**

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**140914**

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