

Internal Control System and Financial Performance of Non-Governmental Organisations in Nigeria

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ABSTRACT: This study examined the impact of each of the internal control components such as control environment, risk assessment, and control activities on the financial performance of some selected NGOs in Nigeria. The study was anchored on stakeholders' theory and adopted a descriptive survey research design to describe the relationship between the variables. The population consists of 200 key staff of the 20 purposely selected NGOs in Nigeria. A structured questionnaire was used to collect data from the respondents and the data collected were analysed using the descriptive statistic of mean and standard deviation while a linear regression model was used to test the relationship between the variables. The findings revealed that control environment and risk assessment to some extent influence the financial performance of surveyed NGOs while control activities have a significant effect. The study concluded that each of the internal control components considered in the study has an impact on financial performance. Inadequacy or nonexistence of any will negatively affect the financial performance of an NGO and vice versa. This study recommended that the management of NGOs should create and maintain a strong internal control system since the organisation's financial success is influenced by the strength of the control system. This can be accomplished by establishing standards, processes, and organisational structures that serve as the pivot for internal control throughout the organisation.

KEYWORDS: Control environment, Financial performance, Internal control system, NGOs, Risk assessment.

INTRODUCTION

Organisations are established to achieve different objectives, which are embedded within the missions and visions of an organisation. Organisations can be divided majorly into two; profit making and non-profit making. The primary aim of profit-making organisations is to maximise shareholders' value. While non-profit making organisations seek to satisfy some social needs at little or no cost. Non-profit organisations usually referred to as NGOs differ in size, structure, and breadth which could make it challenging for management to provide firsthand and personal supervision of operations. Given the nature of NGOs, management supervision is essential to achieve its objectives.

A Non-Governmental Organisation (NGO) is a non-profit organisation that operates independently of the government. NGOs play critical roles in national and international development. NGOs are non-profit, although their annual budgets can range from millions to billions of dollars. As a result, they rely on a wide range of financing sources, including private donations, membership dues, and government subsidies. The global financial crisis has reawakened the donor community's desire to monitor the actions of non-governmental organisations (NGOs) working in many parts of the world. Hence, to satisfy the requirements of various donors, the continued existence and actualising their set objectives, NGOs must establish a strong internal

control system in all their operations. Internal controls that are robust and effectively lower the risk of asset loss, help guarantee that plan information is comprehensive and accurate, and financial statements are dependable.

Internal controls are the systems used by an organisation to manage risk and diminish the incidence of fraud. The internal control structure is made up of the control environment, accounting system, and control activities. Several years ago, the Committee of Sponsoring Organisations (COSO), an independent, private-sector group whose five sponsoring organisations to identify and address specific accounting issues or projects regularly, convened to address the issue of internal control deficiencies in organisations' operations and accounting systems (COSO, 2021). Oftentimes, firms confront different sorts of risk, but when internal control mechanisms fail, the chance for fraud, asset misuse, and employee or workplace misconduct increases. Internal control safeguards a company's assets and prevents it from breaking any regulations, all while accurately capturing the company's financial activity in accounting records. Accounting records are used to compile financial statements that the owners use to evaluate a firm's operations, which include all corporate and staff actions. Internal controls entail more than just reviewing how items are documented in the company's accounting records; they also include comparing

the accounting records to the company's real operations (BCcampus, 2021).

Many recent business failures around the world have been ascribed in part to internal control problems. It is well known that the failure of some companies around the world, including Enron Energy Corporation, WorldCom, Tyco (in the United States), Maxwell Communications Corporation, the Mirror Group Newspaper (in the United Kingdom), NITEL and NAFCON (in Nigeria), and some new generation banks in Nigeria, was caused by internal control failure and, by extension, corporate governance failure (Abdulrashid & Aliyu, 2019).

The performance of any organisation is subject to measures integrated to support its operations and facilitate the achievement of its objectives by protecting its resources against waste, fraud, and inefficiency, assuring the quality and dependability of financial and operating data, ensuring compliance with corporate policies, and assessing the degree of performance in all organisational units. Such measures include, but are not limited to, having policies and procedures in place for the execution of operations, establishing standards for employee recruitment and competency development, developing policies that govern the behaviour of organisational members, having security measures in place to protect assets, establishing proper record keeping procedures, defining reporting relationships among organisational members, and establishing procedures for authorisation. These measures, along with several others such as internal audits, budgeting, performance evaluation, and so on that an organisation may implement the organisation's internal control system helps it achieve its goals.

Financial performance is a subjective evaluation of a company's ability to generate revenue through asset utilisation. Financial performance, which is illustrated using ratios and trend analysis, can also be used to compare similar enterprises in the same industry or to compare the performance of the company over the years. There are numerous ways to assess financial success, but all measures should be aggregated. Revenue from operations, operating income, or cash flow from operations, as well as total unit sales, can all be used. In addition, the analyst or investor may want to dig further into the financial accounts to search for margin growth rates or any falling debt (CFI, 2021). For NGOs, the stakeholders include trade creditors, public users, investors, employees, management, government, and funders. Each group has a vested stake in the organisation's financial performance. Analysts learn about financial performance from publicly available data, commonly known as annual reports (CFI, 2021).

Internal controls are expected to assist organisations, whether profit-making or not, achieve their objectives. However, the collapse of organisations like Enron, WorldCom, NITEL, NAFCON, and some notable NGOs in Nigeria has raised concerns about the relevance and influence of internal

control, especially as it affects the financial performance of an organisation. In addition, many related empirical studies carried out by various researchers focus on industrial sectors such as manufacturing, banking, tertiary education, agriculture as well as business organisations. There appears to be little empirical research on the influence of internal control on the financial performance of NGOs in Nigeria, particularly in the Southwest region and Oyo state. As a result, there is a need to research the impact of internal control on NGOs' financial performance, as well as the nature of the relationship between internal control and NGOs' financial performance.

The main essence of running a non-governmental organisation is not to make a profit but to achieve some social objectives. However, the financial viability of such an organisation is very important as it ensures growth, and continued existence and attracts donors. No funding organisation will be interested in doing business with a firm that is perceived to mismanage funds and fails to render proper financial reports. The emphasis on the need to have a strong and functioning internal control system has always been on commercial or profit-making organisations, whereas it is as well important for nonprofit making to guarantee their sustainability and growth. Internal controls are financial management measures that are applied routinely to prevent asset misuse and misappropriation caused by theft or embezzlement. A strong internal control system reduces the risk of fraud and financial misappropriation, guarantees compliance with applicable rules and regulations, and ultimately improves an organisation's productivity.

According to Global Fund Audit, numerous NGOs in Nigeria have lately been barred from applying for new grants, and many have lost bids for new project awards as a result of their organisations' inadequate internal control systems. Following this development, fund mobilisation which is critical to the existence, successful project delivery, and sustainability of services in humanitarian organisations rely greatly on how effective the control system is instituted in actualising their goals and how impactful and lasting are their accomplishments in the lives of the targeted recipients.

In addition to the aforesaid developments, some indigenous and multinational humanitarian organisations ceased to exist as a result of negative feedback from targeted beneficiaries, as indicated by inadequate service offered by some NGOs. This is primarily due to an insufficient Internal Control System (ICS), which has an impact on the sustainability of these organisations because they are financially unstable, provide poor and low-quality service to the targeted communities, and focus more on how to avoid prioritising employee satisfaction and development in achieving organisational objectives (Abdulrashid & Aliyu, 2019). Around US\$ 19.2 million was set to be recovered by the Global Fund from grants in eight countries, with US\$ 17 million of these grants reported to be for tasks and assigned

responsibilities that were poorly accounted for, were not budgeted in the work plan, or fell within the Global Fund's recent definition of unallowable expenses (The Global Fund, 2021). As a result of the ICS's poor performance, many NGOs failed to provide a good account of stewardship to stakeholders.

Moreover, many related empirical studies carried out by various researchers focus on industrial sectors such as manufacturing, banking, tertiary institutions, agriculture as well as business organisations (Ejoh, & Ejom, 2014; Eke, 2018; Adedeji, & Olubodun, 2018; Abdulrashid, & Aliyu, 2019; Ogbemor, Osundina, & Oyamendan, 2020). There appears to be little empirical research on the influence of internal control on the financial performance of Non-Governmental Organisations (NGOs). Hence, the need to explore the effects of internal control on the financial performance of NGOs by investigating how each internal control component influences financial performance. Accordingly, raising awareness of the need for a proper internal control system at NGOs in Nigeria, or improving the present one.

OBJECTIVES OF THE STUDY

This study examines the effect of the internal control system on the financial performance of non-governmental organisations in Nigeria. The specific objectives are to:

1. ascertain the effect of the control environment on the financial performance of NGOs in Nigeria.
2. determine the impact of risk assessment on the financial performance of NGOs in Nigeria.
3. assess the effect of control activities on the financial performance of NGOs in Nigeria.
4. assess the influence of information and communication on the financial performance of NGOs in Nigeria.
5. ascertain the effect of monitoring on the financial performance of NGOs in Nigeria.

CONCEPTUAL REVIEW

Internal Control

Internal control is defined as a whole system of controls financial or otherwise, established by the management to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and ensure as far as possible the completeness and accuracy of the records. Internal control systems are found in all areas of an enterprise (including accounting function, administrative function, production function, and store-keeping function) and under the circumstance where resources are scarce and the risk of irregularities exists. The nature and extent of controls will vary between enterprises and also from one part of an enterprise to another. The controls used will depend on many factors such as the nature of the enterprise, the size, and

volume of the transaction, the degree of control that members of management can exercise personally, the geographical distribution of the enterprise, and many other factors (Oyetunji, 2005).

Internal control comprises internal checks, internal audits, and other control devices. Even though internal control and internal audit are connected, they are not the same. Internal control refers to the systems, rules, procedures, and processes put in place by the board of directors, management, and other people to protect the company's assets, restrict or control risks, and fulfill the firm's goals. Internal auditing provides an impartial, independent examination of operations, internal controls, and management information systems to assist the board and management in monitoring and evaluating the adequacy and effectiveness of internal controls. Effective internal controls are the backbone of a safe and sound organisation. A well-designed and consistently implemented a system of operational and financial internal control assists the board of directors and management in protecting the company's resources, producing credible financial reports, and adhering to laws and regulations. Internal controls that are effective also limit the chance of severe errors and irregularities and aid in the prompt detection of fraud and error. Internal control systems are equally vital to the management and the auditor. It enables the organisation to achieve its objectives more effectively (Kumuthinidevi, 2016).

Internal control is critical in any organisation since it is the set of methods, rules, and procedures that a corporation uses to assure the accuracy of financial and accounting data, encourage responsibility, and prevent fraud. Internal controls can help enhance operational efficiency by enhancing the accuracy and timeliness of financial reporting, in addition to complying with laws and regulations and preventing personnel from stealing assets or committing fraud.

Types of Internal Control

Internal controls are widely classified as preventative and investigative operations. Preventive control operations, which include detailed documentation and permission standards, try to prevent errors or fraud from occurring in the first place. Detective controls are backup procedures meant to catch objects or events that the first line of defense missed. The following are a description of some types of controls that the auditor may find in many enterprises, some or a combination of which he may seek to place some degree of reliance:

Physical: These are primarily concerned with asset custody and involve procedures and security measures designed to limit access to assets to authorised individuals. This includes both direct access and access through documentation. These safeguards are especially important when dealing with valuable, portable, exchangeable, or desired items.

Authorisation and Approval: It indicates that all transactions must be authorised or approved by an

appropriate responsible person. The scope of these authorisations should be defined.

Personnel: There should be a mechanism in place to guarantee that individuals have the skills required for their roles. Inevitably, the efficient operation of every system is dependent on the ability and integrity of the people in charge. The qualification, selection, and training of individuals, as well as their natural personnel traits, are all key factors to consider when establishing any control system.

Arithmetical and Accounting: These are the controls within the recording function that ensure the transactions to be recorded and processed have been allowed, are all included and are successfully recorded and processed. Checking the arithmetic accuracy of the records, maintaining and checking totals, reconciliation, controlling accounts and trial balances, and accounting for documents are examples of such controls.

Management: These are the controls implemented by management outside of the system's day-to-day operations. They include management's overall supervisory controls, the evaluation of management accounts and their comparison with budgets, the internal audit function, and any other review procedures.

Organisation: Enterprises should have an organisational plan that defines and assigns roles as well as identifies lines of reporting for all areas of the enterprise's operation, including controls. The distribution of authority and duty must be precise.

Supervision: Any internal control system should have accountable officials supervising and documenting day-to-day transactions.

Segregation of Duties: One of the most important measures of control is the separation of those activities or duties that, if combined, would allow one person to record and process a whole transaction. The separation of roles decreases the possibility of intentional manipulation or error while increasing the aspects of the inspection. Authorisation, execution, possession, recording, and, in the case of a computer-based accounting system, systems development and daily operations are examples of functions that should be separated (Oyetunji, 2005).

Financial Performance

Financial performance is the successful accomplishment of an organisation's financial performance for a specific period covering the collection and allocation of funds as assessed by capital adequacy, liquidity, solvency, efficiency, leverage, and profitability. Financial performance is the ability of the company to manage and govern its resources. Cash flow, balance sheet, profit-loss, and capital change can serve as the foundation for business decision-making. It is critical to comprehend basic and technical analysis, as well as finance to understand the company's financial behaviour through economics, financial management, and accounting. Financial ratios must be in good shape. One way to determine whether a firm is of healthy size or not is to examine its financial

performance. How the company generates profit, its ability to pay the debt, control debts, capital turnover, and so on. As a result, the financial statements are being scrutinised. In truth, the company's size varies; there are small, medium, and giant enterprises. Individual enterprises, family firms, joint ventures, corporations, and conglomerates are all examples. If the business scale differs, the measurement of financial performance differs as well and cannot be comparable. The purpose of studying actual performance is to comprehend the ideal standards provided with input data from the firm's empirical reality (Jusni & Mochamad, 2018).

Financial performance is a subjective evaluation of a company's ability to employ assets from its principal method of operation to create revenue. The phrase is also used to describe a firm's overall financial health during a certain period. Financial performance is used by analysts and investors to evaluate similar enterprises in the same industry or to compare industries or sectors in aggregate. Financial performance informs investors about a company's overall status. It is a picture of its economic condition and management's performance. The balance sheet, income statement, and statement of cash flows are financial statements used to evaluate overall financial performance. Financial performance indicators are quantitative measurements used to assess a company's performance. No one metric should be used to characterise a firm's financial position, but all measures should be taken in aggregate. Line items such as operating income, revenue from operations, or cash flow from operations, as well as total unit sales, might be employed. Additionally, the analyst or investor may want to dig further into the financial accounts to search for margin growth rates or any falling debt. This is where the Six Sigma approaches come into play (Kenton, 2021).

Non-Governmental Organisations

Non-governmental organisations (NGOs) are non-profit, non-religious, and non-military organisations. They are a self-governing voluntary association of people who work together on a continuous basis to achieve some collective aim other than obtaining government office, making money, or engaging in illegal actions. As described by Abdulrashid and Aliyu (2019). Non-governmental organisations are non-profit, volunteer, service-oriented/development-oriented organisations that exist to assist its members (grassroots groups) or other members of the public (an agency) NGOs are notable for their emphasis on social objectives, ideals, and aims over financial ones, their diversity of stakeholders, and their action-oriented rather than administrative culture. NGOs are often not for profit and are focused on social goals such as poverty reduction, community development, sustainability, or health and social care. As a result, there is no institutionalised bottom-line profit with which to judge the work of non-governmental organisations. Furthermore, the objective of non-governmental organisations (NGOs) is often oriented towards a specific

group of clients or beneficiaries, such as a local community of people with health or social needs. This means that measuring efficacy and impact must obviously include examining how the organisation has influenced those groups, which raises questions about the NGO's contribution to those results.

THEORETICAL REVIEW

This study is hinged on the stakeholder theory which is primarily concerned with the nature of the organisation and how it should be conceived. A general idea of the Stakeholder principle is a redefinition of the corporation. It was stated that the association itself should be seen as a shareholder's community, to address its priorities, needs, and points of view (Friedman & Miles, 2006). The managers of a corporation are regarded to oversee stakeholder management. On the one hand, managers should manage the company for its stakeholders to ensure their rights and involvement in decision-making. Stakeholders are very concerned about the active management of the environment, relationships, and the promotion of shared interests to establish business plans (Friedman & Miles, 2006).

According to the stakeholder theory, each stakeholder in a company or organisation is equal and treated equally, its priorities must be coordinated, and the responsibility of a director or businessman is to decide whether consumers, suppliers, societies, employees, and financiers are involved in that road. Each of these groups is critical to a company's success, and managers and entrepreneurs must determine where their interests overlap. One of the most recent applications of the Stakeholders Theory is organisational risk management, which seeks to understand the mutual consequences of various hazards in the interest of all parties involved (Chen, Beasley & Nunez, 2006).

From an analytical standpoint, a stakeholder approach can assist managers in analysing how the company fits into their larger environment, how its standard operating procedures affect stakeholders within the company (employees, management, shareholders), and stakeholders immediately beyond the company (customers, suppliers, financiers).

Many businesses now build an internal control system not only to meet regulatory requirements but also to verify that all administrative procedures are carried out correctly. Companies see it as their obligation to prepare, inform, and sensitise their employees on how to use such internal control mechanisms, as their success is dependent on the knowledge and efficiency of those who use them. All of these control measures ensure that any risks that may jeopardise the company's capacity to achieve its objectives are adequately avoided, and they should take place at all levels and in all organisational functions (Doyle, Stanley, Strayer, Jacobson & Schmidt, 2005). Internal management is divided into three categories: preventive, investigative, and punitive. Preventive systems anticipate prospective problems, adapt, or prevent a

mistake, absence, or malevolent act from occurring until it occurs. Detective controls are used to discover and report a possible omission, error, or malicious behaviour. Finally, the correction controls seek to reduce the impact of a danger, determine the source of an incident, and identify the appropriate errors that come from the problem. Corrective checks rectify detective control flaws and adjust the processing system to reduce the occurrence of the problem in the future (Singleton, Singleton, Bologna & Lindquist, 2006).

EMPIRICAL REVIEW

Previous research was conducted on the effect of monitoring and evaluation on financial sustainability of NGOs in Kenya, as financial sustainability is a measure of NGO self-sufficiency and determines the organisation's ability to meet all its resource and financing obligations. The study established that the financial monitoring and evaluation had positive and significant effect on NGO financial sustainability (Chelangat & Sang, 2018). Likewise, in a similar study conducted on the organisational structure and educational sector in Kenya, it is often stated that projects carried out by NGOs in developing countries have been characterised by high failure rates and unsatisfying performance, but study established a significant and positive correlation between organisation structures and monitoring and evaluation. However, the performance of projects in the education sector was found to have a weak positive correlation with monitoring and evaluation (Rumenya & Kisimbi, 2020).

Chowdhury (2021) assessed the impact of internal control on the financial performance of Bangladeshi commercial banks. According to this study, the monitoring system and the information and communication process have a good impact on commercial banks' financial performance; but the environment, risk measurement, and control activities have a negative impact. It has also been observed that regulatory authorities have less control over commercial banks in terms of adhering to existing laws and regulations. However, a similar study conducted in Nigeria reveals that the control environment, risk assessment, control activities, information and communication, and monitoring have a considerable favourable impact on deposit money institutions' liquidity and solvency (Afolabi, Ogunleye & Olukoya, 2020). Also, Umar and Umar (2019) carried out the effect of internal control on the performance of commercial banks in Nigeria. The study's findings demonstrated a positive and significant association between the four internal control components (control environment, control activities, monitoring, and risk assessment) and bank performance. While it was discovered that knowledge and communication had a negligible beneficial association with bank performance. The study suggested that future research should include other characteristics such as risk culture and corporate governance.

Future researchers can also investigate control variables such as bank size, bank age, and so on.

Equally, in Nigeria, a study on the effects of internal control system and financial performance on risk management and employees’ performance in manufacturing companies showed that risk management has significant and positive effect on financial performance of manufacturing companies listed in Nigeria. According to the study’s findings, manufacturing organisations that invested in effective internal control systems outperformed those with a weak internal control system in terms of financial success (Akinyemi, Ogbekor, & Cole, 2021). Likewise, the control environment and monitoring have a significant impact on staff performance because manufacturing firms prioritise the adoption of internal control system components since they influence personnel performance and, ultimately, organisational performance (Adedeji, & Olubodun, 2018). Abdulrashid and Aliyu (2019) examined the impact of the internal control system on the financial accountability of NGOs in Nigeria. The study’s findings demonstrated how internal control systems are proven to have considerable potencies of increasing or derailing the quality of services supplied by NGOs, as well as having the combined impact of predicting proper accountability in NGOs when all parameters are held constant. The study also showed that NGOs must prioritise employee welfare and development because they are change agents. Furthermore, to improve financial performance reporting, donors and funding agencies should tighten their evaluation processes through frequent audits and on-site assessments.

Eke (2018) investigated the internal control and financial performance of hospitality organisations in Rivers State. The analysis discovered that internal controls have a substantial impact on the financial performance of hospitality organisations and that there is a positive association between internal controls and the financial performance of HOs in Rivers State. According to the study, the control environment

determines total revenue and thus the financial performance of hospitality organisations; its absence or inadequacy may spell disaster for an organisation. One of the recommendations was that HO management should refresh their information and communication framework regularly to cope with the continuous changes in the worldwide environment and, as a result, increase their financial performance. Ejoh and Ejom (2014) investigated the association between internal control activities and financial performance at Cross River State College of Education in Akamkpa, Cross River State, Nigeria. The study indicated that the institution carefully adheres to the provisions of the yearly departmental budget and that controls are in place to prevent spending more than the authorised funds. The study results also demonstrate that there is no significant association between internal control activities and Cross River State College of Education’s financial performance.

METHODOLOGY

The descriptive survey research design was adopted for this study using a structured questionnaire. The questionnaire is based on important concerns derived from past research evaluated, discussions with field professionals, and the nature of the investigation. The population of the study is 200 members of staff of selected NGOs in Nigeria. The study’s population is made up of senior/key staff members that are purposely selected in the departments within 20 (twenty) Non-Governmental Organisations in Nigeria, Nigeria. The study adopts purposive sampling to select the actual respondents because it targeted the caretakers of the internal control systems as they are the only relevant respondents in the sampled organisations. The data analysis was carried out utilising Pearson Product Moment Correlations and the Statistical Package for the Social Sciences (SPSS). The Product Moment Pearson Correlations validity test was performed by connecting each item’s questionnaire score with the overall points.

RESULTS AND DISCUSSION OF FINDINGS

Table 1: Demographic Data Presentation

N	Variables	Frequency	Percentage %
1.	Gender	Female	51
		Male	49
2.	Education	NCE/ND	12
		BSc/HND	53
		MSc	32
		PhD	3
3.	Work Experience	1 – 5 years	40
		6 -10 years	42
		Above 10 years	18

Source: Field Survey, 2022

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The distribution of the respondents’ demographic data is summarised in Table 1. Based on the results, 51% (100) of the respondents are male while 49% (96) are female. This indicates that slightly more males work in the selected departments of the NGOs surveyed. The educational qualification of the respondents was measured, and the results show that 12% of the respondents have NCE/ND, 53% possess BSC/HND, while 32% and 4% hold the educational qualification of MSc and Ph.D. respectively. It implies that the majority of the respondents (88%) hold bachelor’s and Master’s/PhD degrees which justified that sample NGOs have adequate experienced personnel that is in a better

position to implement internal control systems in the surveyed organisation based on their level of education. The length of time the respondents had serviced their current organisations was also established. The findings revealed that 40% (78) of the respondents had worked in their current organisation between 1 to 5 years, 42% (82) worked between 6 to 10 years, while 18% (36) had worked above 10 years in their current organisation. Having 60% of the respondents who had worked in their current organisation for more than 5 years shows the majority of the respondents have vast experience and adequate knowledge and information about the operation of the NGOs.

Table 2: Control Environment of NGOs

	Obsv	Min	Max	Mean	Std Dev.
The board of director exercise oversight responsibility for internal control	196	1.00	2.00	1.62	0.46
Does the organisational structure support effective internal control	196	1.00	3.00	1.75	0.51
The management established realistic goals and objectives	196	1.00	3.00	1.82	0.57
Are the management and employees assigned the appropriate level of authority to facilitate effective control	196	1.00	3.00	2.11	0.47

Source: Field Survey, 2022

Table 2 shows the results on the state and quality of control environment in the surveyed NGOs in Nigeria. Mean 1.62 (sd 0.46) depicts that the respondents agreed that the board of directors exercises oversight responsibility for internal control, and they agreed that the organisational structure supports effective internal control (mean 1.75, sd 0.51). Mean

1.82 (sd 0.57) indicates that the respondents accepted that the management established realistic goals and objectives, and as well agree that the management and employees are assigned the appropriate level of authority. In summary, the respondents agreed that the organisation has a strong internal control environment.

Table 3: Risk Assessment of NGOs

	Obsv	Min	Max	Mean	Std Dev.
The organisation has an effective risk management committee	196	1.00	3.00	1.91	0.40
Risks are identified and analysed to determine how they should be managed	196	1.00	4.00	1.60	0.77
Actions are taken to address the identified risk to the achievement of financial objectives	196	1.00	3.00	1.88	0.53
Potential material misstatement due to fraud has been identified and managed.	196	1.00	4.00	2.07	0.57

Source: Field Survey, 2022

The results shown in Table 3 reveal that with an average mean of 1.87 (sd 0.57), the respondents agreed that their NGO has a well-functioning risk assessment procedure. The respondents agreed that their organisation has an effective risk management committee (mean 1.91, sd 0.40), the risk is

identified and properly analysed (mean 1.6, sd 0.77), and actions are promptly taken to address identified risks (mean 1.88, sd 0.53), and potential material risks are identified and well managed.

Table 4: Control Activities of NGOs

	Obsv	Min	Max	Mean	Std Dev.
Approval and authorisation procedures are established	196	1.00	2.00	1.79	0.37
Are internal audits regularly carried out in your NGO	196	1.00	3.00	1.75	0.51
The organisation has documented a succession plan	196	1.00	3.00	2.08	0.49
Performance reviews are regularly carried out	196	1.00	3.00	2.05	0.52

Source: Field Survey, 2022

Based on the results in Table 4, the respondents agreed that approval and authorisation procedures are established in their NGO (mean 1.79, sd 0.37), internal audits are regularly carried out (mean 1.75, sd 0.51), and their NGO has documented succession plan (mean 2.08, sd 0.49), and performance

review are regularly carried out (mean 2.05, sd 0.52). This implies that the respondents agreed to quality control activities in their respective NGOs (average mean 1.92, sd 0.47).

Table 5: Information and Communication System of NGOs in Nigeria

	Obsv	Min	Max	Mean	Std Dev.
The organisation has an effective information system in place to capture and process data	196	1.00	2.00	1.84	0.33
Stakeholders are well informed regularly on matters affecting the organisation objectives	196	1.00	3.00	1.70	0.68
There is an established means of proper flow of information between the levels of management and employees	196	1.00	3.00	1.75	0.51
Information used to execute other control components are well managed	196	1.00	3.00	2.21	0.49

Source: Field Survey, 2022

Results of survey display in Table 5 depict that the respondents agreed that their NGO has a strong and working information and communication system in place (average mean 1.88, sd 0.50). The respondents agreed that their NGO has an effective information system to capture and process data (mean 1.84, sd 0.33), stakeholders are well informed on

matters affect the organisation (mean 1.70, sd 0.68), there is an established means of flow of information between management and staff (mean 1.75, sd 0.51), and that information used to execute other components are well managed (mean 2.21, sd 0.49).

Table 6: Monitoring in NGOs in Nigeria

	Obsv	Min	Max	Mean	Std Dev.
Activities are monitored to ensure they are in line with plan	196	1.00	2.00	1.86	0.30
There is regular evaluation by management to ensure internal controls are functioning well	196	1.00	3.00	1.66	0.61
Internal control deficiencies are identified and communicated to the responsible stakeholders	196	1.00	4.00	1.91	0.65
Internal audits are done regularly	196	1.00	3.00	2.33	0.57

Source: Field Survey, 2022

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The summarised result in Table 6 reveals that the respondents in the surveyed NGOs agreed that there is effective monitoring with average mean of 1.94 and standard deviation of 0.53. The respondents agreed that activities are well monitored (mean 1.86, sd 0.30), there is regular management

evaluation of internal control (mean 1.66, sd 0.61), internal control deficiencies are identified and communicated appropriately (mean 1.91, sd 0.65), and that there is regular internal audits (mean 2.33, sd 0.57).

Table 7: Financial Performance of NGOs in Nigeria

	Obsv	Min	Max	Mean	Std Dev.
The organisation has enough cash to meet obligations	196	1.00	4.00	2.13	0.76
Grant incomes income has consistently increase over time	196	1.00	2.00	1.79	0.37
Assets base has increased over time	196	1.00	3.00	2.27	0.53
The organisation overall surplus has been on steady increase over time	196	1.00	4.00	2.21	0.63
There is cost saving measures put in place to ensure prudence in donor funds	196	1.00	4.00	2.24	0.64
The number of donations from donors consistently increased over the years	196	2.00	4.00	2.34	0.62
Receipts and expenditure are well captured and accounted for	196	1.00	4.00	2.24	0.60
The organisation is funded by both government institutions and private organisations	196	1.00	4.00	2.01	0.57
The overhead charged by your NGO on grants is enough to cater for the administrative needs finance with income from overhead	196	1.00	3.00	2.21	0.57
The overhead cost is consistently charged on all projects	196	2.00	4.00	2.51	0.62

Source: Field Survey, 2022

The responses presented in Table 7 reveal that the respondents agreed that there is sound financial performance in the NGOs surveyed (overall average mean 2.20, sd 0.59). They agreed that their organisation has enough cash to meet obligations (mean 2.12, sd 0.76), grant income has increased consistently over time (mean 1.79, sd 0.37), their assets based has increased over time (mean 2.27, sd 0.53), and as well the organisation surplus has been on steady increase (mean 2.21, sd 0.63). The mean 2.24, sd 0.64) connotes that the respondents agreed that their NGO has a cost saving measures, and also agreed that the number of donations from

different donors has increased over time (mean 2.34, sd 0.62), and that receipts and expenditure are well captured and accounted for (mean 2.24, sd 0.60). They also agree their organisation is funded by both government and private institutions (mean 2.01, sd 0.57), and that their overhead charge is enough to settle administrative needs that are being financed with overhead recoveries (mean 2.21, sd 0.57). However, the respondents disagreed with the assertion that overhead costs are consistently charged on all projects (mean 2.51, sd 0.62).

Table 8: Regression Model of Control Environment and Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.484 ^a	0.246	0.223	4.923

a. Predictors: (Constant), Control Environment

b. Dependent Variable: Financial Performance

Table 8 represents the results of the regression model estimated to analyse the effect of the control environment on

the financial performance of NGOs in Nigeria. The regression analysis results in the model summary Table 5 revealed that

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the control environment accounted for a 24.6% increase or decrease in the financial performance of surveyed NGOs in Nigeria. This was indicated by an R square of 0.246 implying that to some extent, the control environment contributes to financial performance in selected NGOs in Nigeria. The Analysis of Variance ANOVA results indicated that the control environment significantly affects financial performance in surveyed NGOs and this was revealed by the

F value of 25.316 and Sig value of 0.002, since the sig. value (0.002) was less than 0.05 which is the maximum level of significance required to declare a significant effect. This implies that a controlled environment contributes to financial performance in selected NGOs. The coefficient table indicated that considering the standard error, the control environment significantly influences financial performance in surveyed NGOs. ($\beta = 2.411$, sig. = 0.001).

Table 9: Regression Model of Risk Assessment and Financial Performance

Model	R	R Square	Adjusted R Square	R Std. Error of the Estimate
1	.456 ^a	0.212	0.206	4.053

a. Predictors: (Constant), Risk Assessment
 b. Dependent Variable: Financial Performance

Table 9 presents the results of the regression model estimated to analyse the impact of risk assessment on the financial performance of NGOs in Nigeria. The results shown in Table 4.9 revealed that the coefficient of correlation (R) is 0.456, while the coefficient of determination (R²) is 0.212 at a 5% level of significance. The correlation coefficient of 45.6% indicates a positive linear relationship between risk assessment and financial performance. The coefficient of determination, on the other hand, indicates that 21.2% of the increase in financial performance is influenced by risk

assessment measures implemented by the NGOs surveyed while 78.8% is due to the other variables. The ANOVA results indicated that risk assessment significantly impacts financial performance in surveyed NGOs. It was revealed by the F value 23.412 at 0.000 Sig value. Since the sig. value was less than 0.05, which shows that risk assessment significantly impacts financial performance. The coefficient table depicts that considering the standard error, risk assessment significantly impacts financial performance in surveyed NGOs in Nigeria. ($\beta = 2.411$, sig. = 0.001).

Table 10: Regression Model of Control Activities and Financial Performance

Model	R	R Square	Adjusted R Square	R Std. Error of the Estimate
1	.492 ^a	0.443	0.321	3.854

a. Predictors: (Constant), Control Activities
 b. Dependent Variable: Financial Performance

Table 10 presents the results of the regression model estimated to analyse the effect of control activities on the financial performance of selected NGOs in Nigeria. The regression analysis results in the model summary table indicated that control activities significantly influence financial performance at the rate of 44.3% based on the R square of 0.443. The ANOVA result shows an F value of 25.316 and Sig. value of 0.000 which means there is a positive significant relationship between control activities and

financial performance since the sig value of 0.00 is less than 0.05 which is the maximum level of significance required to declare a significant effect. This implies a strong instituted control activities will increase finance performance in the surveyed NGOs in while poor control activities will reduce it. The correlation coefficient table revealed control activities significantly affect the financial performance of selected NGOs in Nigeria considering the standard error ($\beta = 2.411$, sig.= 0.001).

Table 11: Regression Model of Information and Communication on Financial Performance

Model	R	R Square	Adjusted R Square	R Std. Error of the Estimate
1	.416 ^a	.222	.211	3.513

a. Predictors: (Constant), Information and communication
 b. Dependent Variable: Financial Performance

Table 11 display the results of regression model estimated to analyse the effect of information and communication on the financial performance of surveyed NGOs in Nigeria. The results in model summary shows that the coefficient of correlation (R) is 0.416 and the coefficient of determination (R²) is 0.222 at 5% level of significance. The correlation coefficient of 41.6% indicates a positive linear relationship between information and communication and financial performance in the surveyed NGOs. The coefficient of determination indicates that 22.2% increase in financial performance is influenced by information and communication while 77.8% is influenced by other variables.

The ANOVA result is a further attest to the regression model given the significance of the parameters. The F value 29.34 and sig. value 0.000 which is less than 0.05 level significance indicated that information and communication highly influence financial performance. It implies smooth and effective information and communication system will improve financial performance in the NGOs while poor information and communication system will reduce it. The coefficient table indicated that considering the standard error, information and communication significantly influence financial performance in the surveyed NGOs in Nigeria ($\beta = 3.432, sig. = 0.001$).

Table 12: Regression Model of Monitoring on Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439 ^a	0.246	0.223	4.923

a. Predictors: (Constant), Monitoring

b. Dependent Variable: Financial Performance

Table 12 shows the results of the regression model estimated to analyse the effect of monitoring on the financial performance of surveyed NGOs in Nigeria. The results in the summary of regression model reveals that the coefficient of correlation (R) is 0.439 and the coefficient of determination is (R²) is 0.246 at 5% level of significance. The correlation coefficient of 43.9% indicates a positive and linear relationship between monitoring and financial performance in the survey NGOs. The coefficient of determination depicts that 24.6% increase in financial performance of the NGOs surveyed is influenced by monitoring while other variables are responsible for other. The ANOVA result revealed a positive and significant effect of monitoring on financial performance in the surveyed NGOs as evidenced by F value of 22.624 and sig. value of 0.000. Since the sig value is less than 0.05, it implies monitoring highly affects financial performance. High level of monitoring will improve financial performance while poor monitoring will reduce it. The coefficient table reveals that monitoring significantly affects financial performance of survey NGOs in Nigeria. ($\beta = 2.326, sig 0.000$).

DISCUSSION OF FINDINGS

The results presented in the study shows that the surveyed Non-Governmental Organisations have an effective internal control system that enhances their financial performance. The average mean of 1.83 obtained for the control environment implies that the NGOs surveyed have a strong internal control environment. The average mean of 1.87 obtained for risk assessment confirms that surveyed NGOs have an effective approach to identifying and analyse potential events that may negatively impact their operations. The average mean (1.92)

obtained for control activities indicates that the surveyed NGOs have established actions designed to minimise identified risk. The average mean of 1.88 obtained for information and communication reveals that the surveyed NGOs have measures in place that enhance information processing and dissemination. The average mean of 1.94 obtained for monitoring indicates that the surveyed NGOs have a strong system to monitor the operation of their internal control system.

The findings on the effect of the control environment and financial performance reveal that there is a linear relationship between the control environment and financial performance of surveyed NGOs as evidenced by a correlation coefficient of 48.4% which indicates a positive linear relationship and some degree of correlation between control environment and financial performance. Based on the results, a controlled environment significantly affects financial performance, a strong and effective internal control environment will increase the financial performance of NGOs and a poor internal control environment will reduce financial performance. The regression results do not support the null hypothesis and it was therefore rejected. The findings correspond to previous studies (Eke, 2018; Ofei, Asante & Andoh, 2020) that concluded that the control environment influences the financial performance of organisations.

The findings on the impact of risk assessment on the financial performance of NGOs reveal a positive linear relationship and there is a significant correlation between risk assessment and financial performance as evidenced by the correlation coefficient of 45.6%. The results indicate that risk assessment impacts financial performance. Effective organisational risk identification and analysis will increase financial

performance and a poor risk response will lessen it. The null hypothesis which stated that there is no significant impact of risk assessment on the financial performance of NGOs in Nigeria was rejected since the regression results do not support it. The findings agree with that of the previous studies which concluded that risk assessment influences profitability and by extension financial performance (Eke, 2018), and another study that found that risk management significantly affects the financial management of NGOs (Mohamed, 2018).

The findings on the effect of control activities on the financial performance of NGOs in Nigeria revealed a correlation coefficient of 49.2% which indicates a positive linear relationship and significant correlation between control activities and the financial performance of surveyed NGOs in Nigeria. Based, on the results obtained, control activities affect the financial performance of NGOs. Strong control activities to minimise risk will significantly increase financial performance while poor control activities will significantly reduce it. The null hypothesis which states that control activities have no significant effect on the financial performance of NGOs in Nigeria was rejected as it was not supported by the results. A previous study conducted agreed with the findings, stating that there is a positive and significant relationship between control activities and financial performance.

The findings on how information and communication influence the financial performance of NGOs in Nigeria reveals that there is a positive linear relationship that exist between information and communication and financial performance in surveyed NGOs in Nigeria. This is evidenced by correlation coefficient of 41.6% and coefficient of determination of 22.32%. This depicts a positive correlation and indeed information and communication influences financial performance of surveyed NGOs in Nigeria. An effective information and communication system will enhance financial performance while a poor information and dissemination system will reduce it. The null hypothesis which stated that there is no significant influence of information and communication on the financial performance of NGOs in Nigeria was not accepted as the results do not support it. This is in line with previous study which concluded that information systems have influence on the financial performance (Bett & Memba, 2017) and another previous study that found a positive relationship but insignificant relationship between internal control and performance (Hussaini & Muhammed, 2019).

The findings on the effect of monitoring on the financial performance of NGOs in Nigeria indicates that there is positive linear relationship and correlation between monitoring and financial performance. This is evidenced by the result of correlation coefficient of 43.9% and coefficient of determination of 24.6%. Hence, monitoring affects financial performance of surveyed NGOs in Nigeria. The null

hypothesis which states that monitoring has no significant effect on the financial performance of NGOs in Nigeria was rejected as it was not in line with the results obtained. The findings are in line with the previous study that concluded that there is a weak positive relationship between monitoring and financial management (Lagat, Okelo & Terer, 2016).

CONCLUSION AND RECOMMENDATIONS

The control environment influences the financial performance of NGOs; its inefficiency or non-existence will have a detrimental impact on the organisation's operation and continued existence, whereas a well-functioning internal control environment will improve their financial performance. Risk assessments have an impact on NGOs' financial performance and enable them to detect and/or manage potential occurrences that could negatively impact their operations. Control efforts have a substantial impact on the financial performance of non-governmental organisations. It assists NGOs in taking action to handle circumstances that may hinder them from reaching their goals, especially financial goals.

Information and communication influence the financial performance of NGOs. An ineffective system of flow of information and dissemination up, down and across the organisation may spell doom for such an organisation. Monitoring has significant effect on the financial performance of NGOs. It enables an NGO to evaluate whether its internal controls are operating as intended.

The following are therefore recommended based on the findings from this study:

- i. The management of the selected NGOs should create and maintain a strong internal control environment since the organisation's financial success is influenced by the strength of the control environment. This can be accomplished by establishing standards, processes, and organisational structures that serve as the foundation for internal control throughout the organisation.
- ii. The management of the NGOs should promptly identify events or circumstances that may threaten the organisation ability to achieve its objectives. This can be done by regular assessment of the operating environment of the organisation to identify potential threats arising from government legislation, technological changes, and so on to enhance their financial performance.
- iii. The management of NGOs should strive to set mechanisms to reduce the risk that is identified through the risk assessment. This action will minimise risk and significantly improve financial performance.
- iv. NGOs should update their information and communication systems on a regular basis in order to keep up with developments in the global

environment. They should also use the internet and social media to increase their visibility to potential donors, which will boost their financial performance.

- v. Management of non-governmental organisations (NGOs) should conduct continuous evaluations of existing internal controls to determine whether they are functioning as intended and communicate flaws to appropriate authorities for timely corrective action. This will ensure that the organisation's goals, particularly its financial goals, are met.
- vi. It is also important for NGOs should engage internal and external auditors.
- vii. Management of NGOs should ensure that all records are available for taxation purposes.
- viii. The legislative arm of government should ensure the existence of enabling laws to guide the conducts of NGOs.

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