

**OPERATIONAL INTERNAL CONTROLS AND FINANCIAL  
PERFORMANCE EFFICIENCY OF SELECTED NON-  
GOVERNMENTAL ORGANIZATIONS IN NAIROBI CITY  
COUNTY, KENYA**

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(FINANCE) OF KENYATTA UNIVERSITY**

**JULY, 2025**

**DECLARATION**

I confirm that this project is my original work and has not been presented for a degree in any other University.

Signature

Date

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## **DEDICATION**

This research endeavour is devoted to my cherished kin, associates, and my father George Matheka for their backing, empathy, and motivation throughout my time of learning. Absent their presence, I would have been unable to finalize this undertaking. I likewise dedicate it to my departed mother, notably for the values she imparted in me during my formative years.

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## OPERATIONAL DEFINITION OF TERMS

<b>Compliance with Organization and Accounting Policies</b>	It involves ensuring that a company's operations adhere to its established policies and that its financial affairs are managed in accordance with national laws, regulations, and accounting standards.
<b>Clear Separation of Duties</b>	It denotes the distribution of organizational duties, fostering the decentralization of key functions across multiple units or individuals, thereby simplifying administration.
<b>Internal Controls</b>	The entire framework of oversight mechanisms, both monetary and non-monetary, instituted by the administration aims to conduct the enterprise's operations methodically and effectively, protect its resources, and ensure, to the greatest extent feasible, the thoroughness and correctness of its documentation.
<b>Management Controls</b>	It's the procedure through which executives affect the individuals within the organization to carry out the organization's goals and established policies..  These constitute self-governing and independent entities,
<b>Non-Governmental Organizations</b>	operating within the sphere connecting individuals and both governmental and commercial sectors.
<b>Organizational Performance</b>	Realizing an organization's planned purpose stems from effective administration, consistent endeavors, and excellent oversight to accomplish objectives.

**Regular Audits**      **Fraud** Method for assessing the efficiency of established safeguards and their dependability in the creation of fiscal statements, conducted yearly.

## **ABBREVIATIONS AND ACRONYMS**

<b>BSC</b>	-	Balanced Scorecard
<b>CBOs</b>	-	Community Based Organizations
<b>ICS</b>	-	Internal Control System
<b>NGOs</b>	-	Non-Governmental Organizations
<b>NPOs</b>	-	Non-Profit Organizations
<b>SOD</b>	-	Separation of Duties

## ABSTRACT

Operational internal control systems played a critical role in promoting financial performance efficiency, particularly in the Non-Governmental Organization (NGO) sector, where accountability, transparency, and optimal resource utilization were essential. In Kenya, NGOs continued to face persistent challenges such as financial mismanagement, inadequate budgetary control, delayed financial reporting, and the inability to account for donor funds. These challenges were often associated with inadequate or poorly executed internal oversight structures. This research endeavored to scrutinize the impact of functional internal oversight—namely preventative, detective, directive, and managerial oversight—on the fiscal output effectiveness of non-governmental organizations active within Nairobi City County, Kenya. The investigation centered on how crucial oversight mechanisms such as task separation, authorization protocols, internal assessments, fiscal guidelines, and budgetary methods affected fiscal effectiveness metrics, encompassing the program effectiveness index, resource mobilization effectiveness index, overhead expense index, budget deviation analysis, and recipient expense effectiveness. Anchored in Agency Theory, Stewardship Theory, Contingency Theory, and the COSO Framework, the research offered a multifaceted comprehension of the connections between internal oversight systems and fiscal results. A descriptive survey research approach was utilized, targeting NGO personnel engaged in fiscal administration. Layered probabilistic sampling was employed to choose a representative subset of 157 participants from a group of 263 NGOs. Information was gathered via standardized questionnaires and examined using both descriptive and inferential statistics. Multiple linear regression was utilized to assess the associations between internal oversight classifications and fiscal output effectiveness. Instrument consistency was evaluated using Cronbach's Alpha, while validity was determined through specialist evaluation, factor analysis, the KMO statistic, and Bartlett's test of sphericity. Multicollinearity was verified using Variance Inflation Factors (VIF). The research anticipated yielding empirical proof regarding the importance of functional internal oversight in improving fiscal output effectiveness in NGOs. The outcomes provided significant understanding for NGO administrators, benefactors, and policy creators aiming to reinforce fiscal governance, responsibility, and long-term viability within the non-profit domain. The study found that preventive controls had the strongest positive effect on financial performance efficiency ( $r = 0.691$ ,  $B = 0.521$ ,  $p < 0.001$ ), followed by management controls ( $r = 0.772$ ,  $B = 0.374$ ,  $p < 0.001$ ). Directive ( $r = 0.667$ ,  $B = 0.439$ ) and detective controls ( $r = 0.352$ ,  $B = 0.423$ ) also showed significant positive effects. The model accounted for 64.45% ( $R^2 = 0.6445$ ) of performance variation among NGOs in Nairobi City County. The study concluded that operational internal controls significantly influence the financial performance efficiency of NGOs. Preventive controls were most impactful, emphasizing the need for proactive risk mitigation. Detective, directive, and management controls also contributed meaningfully to transparency, compliance, and strategic oversight. Collectively, these controls enhance financial stewardship and accountability, confirming their critical role in ensuring sustainable financial practices in Nairobi-based NGOs. NGOs should institutionalize robust preventive controls like duty segregation. Regular audits should reinforce detective controls. Directive controls such as staff training and policy manuals should be standardized. Lastly, management controls, including budgeting and performance appraisals, should be strengthened to ensure strategic financial alignment and efficient resource use.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Non-Governmental Organizations (NGOs) play a pivotal role in delivering essential services and promoting socio-economic development, especially in developing countries such as Kenya (Wanyama, 2019). NGOs often supplement government efforts in key areas such as health, education, humanitarian aid, environmental protection, and human rights advocacy. In Nairobi City County, Kenya, NGOs operate in a dynamic and highly competitive environment characterized by constrained funding sources and increasing demand for accountability and transparency in financial management (Otieno, 2020). Financial performance efficiency has therefore become a crucial element for their sustainability and credibility.

Functional internal oversight constitutes the foundation of robust fiscal administration methods. Such oversight includes guidelines and protocols formulated to guarantee efficacy and streamlining in operations, dependability in monetary documentation, and adherence to relevant statutes and rules (COSO, 2013). Principal elements of functional internal oversight involve separation of responsibilities, endorsement and permission mechanisms, alignments, and asset protection measures. Proficient internal oversight frameworks assist entities in lessening hazards, averting deception, and strengthening the veracity of fiscal data (Kinyua, 2016).

Notwithstanding the increasing significance of internal oversight, a multitude of NGOs within Nairobi City County still encounter difficulties concerning fiscal impropriety, resource squandering, and accountability deficiencies. These difficulties elicit apprehensions regarding the efficacy of functional internal oversight implemented within these entities (Mwangi, 2021). This research endeavors to investigate the impact of functional internal oversight on the fiscal performance efficiency of NGOs operating in Nairobi City County. Financial performance efficiency in this study will be measured through indicators such as program efficiency ratio, fundraising efficiency ratio, administrative cost ratio, budget variance analysis, and beneficiary cost efficiency (Young, 2020). (Wambugu, 2014) (Ngari, 2017) (Eniola & Akinselure, 2016) (Collins, 2014) (Ngari, 2017)

In the USA, roughly 33% of leadership at well-established Non-Profit Organizations (NPOs) employ internal oversight to guarantee sound fiscal outcomes and share access with numerous staff from key departments for executing dealings, simplifying audits. Despite differing intricacy and attributes of NPO-supplied platforms, recipients can typically confirm their status, personalize alerts, remit finances to alternate mobile accounts, and locate nearby NPO branches (Wang & Ruan, 2016). Progress in technology enables the monitoring and examination of the operational context with ever-increasing rapidity, thereby rendering it crucial for entities to receive sound guidance from the internal audit-related division (Barber & Bowie, 2018).

Most Japanese NGOs have integrated internal oversight mechanisms, such as segregation of duties, delegation of power, methodologies, procedural guides, operational routines, access codes, account reconciliations, numerical accuracy verifications, restricted physical entry, inventory tallies, asset valuations, budgetary frameworks, strategies, etc., within each organizational segment to assure operational effectiveness at every level (Petrovits et al., 2011). These segments encompass administration, including supervisory approval of employee attendance logs, aiming to enforce timekeeping regulations and thereby enhance organizational efficiency. In finance departments, internal controls might involve linking to an electronic check monitoring system to identify repeat or past bad check writers, preventing bad check acceptance, subsequent inventory loss, and recovery time; the investigative aspect allows prompt identification and prevents future sales via checks. Consequently, global NGOs exhibit elevated activity efficiency due to the incorporation of internal control measures across nearly all organizational units (Barber & Bowie, 2018).

As stated by Oppong, Owiredu, and Abedana (2016), the worldwide economic downturn spurred a renewed eagerness among donor agencies to oversee the operations of non-governmental organizations functioning across the globe. Recent administrative and monetary improprieties involving certain African NGOs appear to have generated apprehension among benefactors in Sub-Saharan Africa. The leadership of these Non-governmental Organizations are wary that they must endeavor to circumvent ineffectiveness in their procedures as they work towards realizing planned goals. Furthermore, the authors carried out a study to establish the impact of internal control on performance of Faith-based NGOs in Accra, Ghana. The outcomes indicated that

internal oversight mechanisms considerably improve the operational effectiveness of Faith-based Non-Governmental Organizations, specifically in two aspects: frugality and productivity, though not automatically ensuring overall efficacy. The findings also indicated that the existing internal supervision systems functioned satisfactorily across four elements of the COSO framework, except for risk assessment, where processes were found to be inadequate. The researchers recommend that Faith-based NGOs adopt thorough approaches to routinely assess their efficacy and impact on operations. Furthermore, the leadership of these entities should establish a robust risk management structure capable of identifying all inherent risks within the internal oversight mechanisms to enhance productivity.

In Somalia, numerous non-profits underperform due to a lack of internal oversight mechanisms. Some attribute this to the expense of aligning internal control measures with their structures, while others cite a deficiency in novel approaches to ensure the seamless operation of these measures (Wambugu, 2014). Conversely, more developed African nations like Nigeria see most NGOs employing internal oversight in their operations, leading to effectiveness and enhanced service delivery. NGOs lacking adequate internal oversight frequently encounter revenue deficits, market share erosion, loss of crucial operational data, inaccurate/delayed reporting, or unsuccessful external audits. Potentially severe ramifications face any entity lacking, having weak, or disregarding control systems (Chimiak, 2014). Consequently, deficiencies in oversight frameworks have jeopardized NGOs' ability to deliver goods or essential services promptly and efficiently, yielding such adverse outcomes.

In Kenya, numerous Non-Governmental Organizations have instituted internal oversight structures, vital for assuring the trustworthiness of accounting documents (Wambugu, 2014). This guarantees the veracity of financial reporting information, offering considerable confidence to interested parties, and forms another key structural blueprint for securing reliable fiscal disclosure. Nevertheless, owing to inherent limitations of internal oversight and pressure, opportunity, and rationalization by management, the dependability of controls and self-assessment reports regarding internal governance systems remains inadequately elevated within entities (Collins, 2014). The reason for the controls was subsequently extended to incorporate the idea of finishing things or accomplishing objectives. Inside control standards propose that

an inward control framework (ICS) is the essential responsibility and administration instrument an organization can lay out and utilize to give responsibility to its partners (givers) and defend its resources. Viable inner command over monetary revealing is expected consequently to give sensible confirmation about the dependability of an association's budget reports and the course of readiness of those assertions (Ngari, 2017).

Munene (2013) asserted that the Kenyan non-governmental organization domain exhibits several notable shortcomings, encompassing: restricted magnitude, extent, and consequence; flexible framework, frequently with constrained responsibility to recipients; insufficient focus on the most impoverished; excessive sway from contributors' agendas, which might not mirror the needs of the disadvantaged; approaches and metrics ineffective in fostering institutional competence and independence among the needy; inadequate emphasis on oversight and assessment; frail strategic and operational competence; absence of extensive societal and financial viewpoint; and insufficient technical, skilled, and administrative proficiencies. Sizable NGOs within the nation are frequently perceived as unwieldy at the functional level and excessively reliant on funders. Elevated operational expenditures have also been a worry; frequently, they consume over fifty percent of the entity's total revenue.

#### **1.1.1 Operational Internal Controls**

Atu, Adeghe, and Atu (2014) characterize internal control as the complete framework of oversight, both monetary and non-monetary, instituted by leadership to conduct the enterprise's operations in a methodical and productive way, protect resources, and ensure, to the greatest extent feasible, the thoroughness and correctness of documentation. For internal oversight to realize objectives, the following constituents must be present and operate effectively. COSO (2015) pinpointed five fundamental aspects of internal oversight: oversight environment, risk evaluation, oversight actions, information and communication, and supervision. Hongming and Yanan (2012) compared monetary internal oversight to the human neural network, distributed throughout the organization, relaying diverse information to managers. This structure directly connects to an organization's implemented design and the guidelines and regulations governing commercial operations.

Mawanda (2008) suggested that organizational dedication to internal oversight improves results, unlike organizations lacking such commitment. Internal oversight guarantees rule adherence, preserves precise documentation, and competently produces dependable reports. Liu (2005) and Rittenberg and Schwieger (2005) cited six merits of internal oversight: error and deceit detection, lessening illicit behaviors, improving organizational understanding ensuring quality data, securing business tangible assets, and decreasing audit expenses. Internal oversight relies on organizational necessities. Werle (2019) asserted that internal oversight systems diminish productive wastage, arguing that investing in costly internal oversight depended on organizational susceptibility to legal sanctions. Internal oversight can be categorized into preemptive, discovery, remedial, and guiding oversight (Lartey, et al., 2020).

Preventive controls are those controls that ensure that systems work. Examples of preventive controls include hiring competent employees, emphasis on moral standards, segregation of duties among staff, and development of an environment with adequate controls (Prayogi, et al., 2019). Internal control enhances employee compliance and reduces fraudulent activities (Setyaningsih & Nengzih, 2020). Physical controls include measures to control access such as lock and key, passwords required to access information systems, and the deployment of security personnel (Sassaman, 2020). Detective controls uncover errors or fraud and actions that deviate from organisational policy (Adeyemi & Olarewaju, 2019). Examples of detective controls include analyses, reviews, reconciliations, stock counts and audits. Corrective controls identify problems remedy and to remedy the circumstances that give rise to the problem. The focus of corrective controls is to mitigate damage after a risk has crystallised (Ngure & Ali, 2020). Corrective controls entail a root cause analysis, which provides the basis of the subsequent corrective action (Realyvásquez-Vargas, et al., 2020). Examples of corrective controls include preparation of various reports such as reports on internal controls and taking offenders to disciplinary action (Denman, 2019; Chalmers, et al., 2019). Directive controls are guidelines that are intended to produce favorable outcomes and results (Lartey, et al., 2020). Directive controls are affected through strategic planning, organisational policies and procedures. Study will examine the relationships among the four internal controls namely preventive controls, detective controls, corrective controls, and directive controls on the Management of non-governmental organisations and their financial performance.

### **1.1.2 Financial Performance Efficiency**

Financial performance efficiency in the context of NGOs refers to the extent to which financial resources are utilized effectively, economically, and transparently to achieve programmatic objectives and mission-driven outcomes. Unlike profit-oriented firms, NGOs aim to maximize social impact rather than financial returns. As such, financial performance is assessed not by profitability, but by how well the organization manages its financial resources to support service delivery, operational sustainability, and accountability to stakeholders.

Wang and Ruan (2016) define financial performance as an organization's overall fiscal health and its ability to meet financial objectives. In NGOs, this involves ensuring timely reporting, prudent budgeting, appropriate fund allocation, and efficient cost management. Krug and Weinberg (2004) assert that NGOs achieve financial success by aligning their resource management with their mission statements—balancing budgets, sustaining operations, and delivering quality services to beneficiaries.

Mikeladze (2021) emphasizes that NGOs with sound financial management systems are better positioned to track expenditures, plan disbursements, and generate timely and accurate reports for donors. These practices not only support internal decision-making but also strengthen donor confidence and long-term support. Mitchell and Calabrese (2019) argue that the foundation of nonprofit financial management lies in maintaining trustworthiness, particularly through transparency, low overhead, and responsible stewardship of donor funds.

In this study, financial performance efficiency will be measured through various indicators that reflect how effectively an NGO manages its financial operations. These encompass the program efficiency ratio, illustrating the percentage of total spending directed toward direct program services; the fundraising efficiency ratio, evaluating the expense of fundraising in relation to the revenue produced; and the administrative cost ratio, demonstrating the fraction of total spending allocated to administrative roles. Other measures include budget variance analysis, which evaluates the extent to which actual expenditures align with planned budgets, and beneficiary cost efficiency, which considers the average cost incurred per beneficiary served.

These indicators provide a multidimensional view of how well an NGO manages its financial resources to achieve its goals with minimal waste and maximum impact. The concept of trustworthiness—which reflects financial accountability, transparency, and consistency—is adopted in this study as the overarching theme of financial efficiency. This view is supported by Keating and Thrandardottir (2017), Mitchell and Calabrese (2022), Goncharenko (2021), Wiencierz et al. (2015), and Lee et al. (2012), who collectively argue that the financial sustainability and credibility of NGOs depend on their ability to demonstrate prudent, transparent, and mission-aligned financial management.

### **1.1.3 Internal Controls and Financial Performance Efficiency**

Firms necessitate robust preemptive safeguards encompassing endorsement and permission, scrutiny and ratification of procurement requests, and responsibility segregation. These mitigate hazards, consequently boosting earnings. Prescriptive bank regulations, such as establishing institutional guidelines or departmental protocols, aid in averting dangers, including fiscal ones, thereby enhancing fiscal outcomes (Kantzios & Chondraki, 2006). Likewise, investigative safeguards, like contrasting transaction records with primary documents and overseeing actual spending, deter staff from undertaking deceitful actions, thus evading subpar firm fiscal results (Kotey, Reid & Ashelby, 2002).

Remedial safeguards, such as finalizing information technology access rosters upon personnel role alterations, assist in averting further bank deficits. Furthermore, remedial safeguards, like finalizing information technology access rosters when a person's role shifts, aid in preventing additional bank losses. Fiscal reporting requires appropriate operative and capable internal safeguards. Bolstering internal safeguards empowers enterprises to detect perils promptly and concentrate on elevated threat domains. This fosters enhanced lucidity and accountability, hence refining monetary reporting (Kotey, Reid & Ashelby, 2002).

Internal safeguards exert a transient impact on business operations and form the bedrock of an organization, directing its prosperity or decline (Wielstra, 2014). Internal safeguards offer an assessment of managerial effectiveness in executing assigned

responsibilities for superior outcomes (Beeler, 1999). The utility and sufficiency of internal safeguards warrant emphasis at each phase, notably in management, to cultivate practicality. Organizational checks exhibit a brief impact on a firm's operations. Furthermore, it aids a company and guides its prosperity or downfall (Wielstra, 2014). Clearly, the efficient utilization of internal oversight frameworks can assist entities, including charities, to foster, supervise, and enhance the attainment of their favorable performance standards. Consequently, the present research will aim to determine the influence of organizational checks on the effectiveness of Non-Profit Institutions within Nairobi City County, Kenya.

#### **1.1.4 Non-Governmental Organizations in Nairobi Kenya**

NGOs represent independent and self-governing entities operating within the sphere of citizens, the government, and the marketplace. A distinction is often made between NGOs and CBOs; the latter primarily serve their own members, functioning as membership associations. Conversely, while typically established through private endeavors, NGOs can also be public-serving bodies benefiting external parties, categorized as either "client-focused" or "member-focused" entities (Fowler & Rick, 2000).

In Kenya, NGOs fulfill significant roles in tackling societal socioeconomic challenges. Their membership encompasses international, regional, and national NGOs collaborating with numerous CBOs and groups. Their initiatives span education, health, social support, and economic advancement, particularly among marginalized populations. In recent times, they have also been central to renewed efforts for enduring social, environmental, and economic progress, addressing matters like peace, democracy, human rights, gender equality, and poverty alleviation (Amutabi, 2006).

The operations of NGOs now extend across all regions of Kenya, encompassing nearly every facet of the economy. Currently, there are over 5000 registered NGOs. By the close of 2012, it was estimated that the broader non-profit sector (including NGOs, self-help groups, and organizations for women and youth) comprised over 220,000 entities. The annual revenue of NGOs is estimated at \$1 billion, roughly 3% of the GDP. The Government now acknowledges NGOs as genuine collaborators in development.

Certain NGOs operate nationwide, while others function within specific districts, the latter group including Community-Based Organizations (CBOs) (Franklin, 2011).

The NGOs Coordination Bureau offers overarching guidance to the NGO sector, promoting core principles of integrity, openness, responsibility, fairness, and effective governance. NGOs experienced a cumulative growth exceeding 100% between 1977 and 1987. Kenya hosts 2248 NGOs, with 1447 of these having their central offices in Nairobi (Kameri-Mbote, 2008).

The efficiency and efficacy of Kenyan non-governmental organizations have gained heightened importance lately due to growing calls for accountability, openness, and fiscal prudence; nonetheless, limited consensus exists on defining and assessing what embodies effectiveness within such entities. The internal framework of NGOs often garners less scholarly focus compared to their operations. Frequently, Kenyan NGOs perceive themselves as distinct from other organizational forms, as they prioritize adaptability and idealism, which they view as contrary to being structured and hierarchical. Consequently, their diffused accountability, prevalent conflicts between objectives and structures, and strained relationships with funders have contributed to their underperformance relative to anticipated benchmarks (Feng et al., 2015)

### **1.2 Statement of the Problem**

NGOs play a vital role in Kenya's socio-economic development by delivering essential services such as education, health care, environmental conservation, and humanitarian assistance (Wanyama, 2019). These services are typically funded through donor contributions, grants, and external funding sources, which are highly sensitive to financial accountability and performance (Otieno, 2020). In Nairobi City County, which hosts a large concentration of NGOs, financial performance efficiency is a critical determinant of sustainability, donor confidence, and the achievement of programmatic goals. Financial performance efficiency, in this context, refers to how effectively NGOs utilize their financial resources to maximize impact while minimizing costs. It is commonly measured through indicators such as program efficiency ratio, fundraising efficiency ratio, administrative cost ratio, budget variance analysis, and beneficiary cost efficiency (Young, 2020).

However, there is growing concern that many NGOs operating in Nairobi City County are not achieving optimal financial performance efficiency. Despite receiving substantial funding, a significant number of these organizations continue to struggle with budget overruns, excessive administrative expenses, low program delivery rates, and poor resource utilization (Transparency International Kenya, 2022). Donor reports and audit reviews have repeatedly flagged issues such as inflated overhead costs, delayed implementation of activities, and discrepancies between reported and actual expenditures (Mwangi, 2021). These inefficiencies not only erode the confidence of donors and stakeholders but also threaten the long-term viability of NGOs and their ability to deliver on their missions.

One of the core contributors to these inefficiencies is the quality and effectiveness of internal control systems. Operational internal controls, which include mechanisms such as preventive, detective, directive, and management controls, are intended to ensure sound financial practices, safeguard assets, promote compliance with laws and regulations, and support the reliability of financial reporting (COSO, 2013). In theory, robust internal control systems should facilitate prudent financial management, reduce the risk of fraud and errors, and ensure that resources are channeled efficiently toward intended objectives (Kinyua, 2016). However, the persistent financial performance challenges observed among Nairobi-based NGOs suggest a possible gap between the existence of internal control systems and their effective implementation or functionality.

Various investigations have sought to examine the association between internal oversight mechanisms and economic outcomes, yet notable deficiencies persist. For instance, Munyua and Moronge's (2018) analysis of internal controls' impact on the economic performance of Kenyan non-governmental organizations concentrated chiefly on adherence and hazard evaluation, neglecting particular classifications of functional oversight like guidance and administrative controls. Their research also employed general economic metrics, complicating the isolation of efficiency-related results.

Likewise, Kinyua's (2016) inquiry into internal control frameworks within state institutions revealed a positive relationship with economic performance. Nevertheless,

the investigation was confined to governmental bodies, and its conclusions might not be applicable to NGOs given their distinct operational and funding structures.

Mwangi's (2021) research on internal control systems and economic performance among a selection of NGOs in Nairobi, while informative, was restricted to merely three entities and depended considerably on qualitative approaches, thus constraining its capacity to statistically extrapolate the results across a wider NGO demographic.

In a separate analysis, Chege (2020) scrutinized the function of internal audits in improving economic performance in religious NGOs. The study possessed a restricted scope, centering principally on audit-related detection controls, and did not delve into how preemptive or guidance controls contribute to financial effectiveness.

These limitations highlight a critical gap in literature—few studies comprehensively examine the effect of specific operational internal control categories on the financial performance efficiency of NGOs, particularly in a resource-constrained and donor-dependent context like Nairobi City County. Furthermore, most existing research does not explicitly focus on financial efficiency metrics such as cost ratios, budget variance, or program delivery effectiveness, which are key indicators of NGO performance.

Additionally, the dynamic and resource-constrained environment in which NGOs operate presents unique risks and challenges that may limit the effectiveness of internal control measures. Many NGOs have lean financial management teams, rely heavily on donor-imposed compliance checklists, and lack strong institutional policies or audit functions (Otieno, 2020). These factors raise critical questions about how well operational internal controls are designed, adapted, and enforced to support efficient financial performance.

Considering the fundamental role of fiscal effectiveness in the prosperity and endurance of non-governmental organizations, comprehending the connection between functional internal oversight and financial performance results is paramount. Consequently, this inquiry endeavors to examine the degree to which varied classifications of operational internal oversight—proactive, reactive, guiding, and administrative—influence the fiscal performance efficiency of NGOs within Nairobi City County. Through this

process, the investigation intends to yield evidence capable of shaping internal oversight approaches, reinforcing responsibility frameworks, and improving the financial viability of NGOs in Kenya. (Ngari, 2017).

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

The general objective of the study was to investigate the effects of internal operational controls on financial performance of Non-Governmental Organizations in Nairobi City County, Kenya.

#### **1.3.2 Specific Objectives**

The specific objectives guiding the study included:

- i. To assess the effect of preventive controls on the financial performance efficiency of NGOs in Nairobi City County.
- ii. To evaluate the effect of detective controls on the financial performance efficiency of NGOs in Nairobi City County.
- iii. To determine the effect of directive controls on the financial performance efficiency of NGOs in Nairobi City County.
- iv. To analyse the effect of management controls on the financial performance efficiency of NGOs in Nairobi City County.

### **1.4 Research Questions**

The study was guided by the following questions:

- i. What is the effect of preventive controls on the financial performance efficiency of NGOs in Nairobi City County?
- ii. How do detective controls influence the financial performance efficiency of NGOs in Nairobi City County?
- iii. To what extent do directive controls affect the financial performance efficiency of NGOs in Nairobi City County?
- iv. What is the relationship between management controls and the financial performance efficiency of NGOs in Nairobi City County?

### **1.5 Significance of the Study**

For scholars and prospective investigators, this research will empower academics to formulate preliminary resolutions and approaches in delineating the most suitable internal oversight mechanisms within an entity. The outcomes will similarly aid those engaged in related inquiries, augmenting the existing knowledge base on internal control and furnishing crucial insights for incorporation into their work.

Regarding the Kenyan government and associated agencies, the study will furnish guidance on the suitable implementation of internal controls that should be established or reinforced to enhance organizational efficacy. Policymakers and various proponents of non-governmental organizations (NGOs) hold significant interests in the achievement of improved performance within these entities. The study's conclusions are of considerable value to the government, assisting in the establishment of specific administrative guidelines that bolster NGO performance and the regulation of their operations.

For NGO leadership, the study will facilitate internal assessment and the identification of potential needs for adaptation, considering their structure and administrative processes. This will contribute to the enhancement of their effectiveness and elevate their efficiency. For NGO personnel, the study will offer an ideal level of organization for NGOs—internal operations may be improved, consequently yielding superior external outcomes. The insights from this research will enable NGOs to cultivate positive relationships with donors, which aids their fundraising efforts within the parameters of transparency and partnership. These elements are vital for fostering trust, a cornerstone of resource mobilization.

### **1.6 Scope of the Study**

This inquiry chiefly examined Nairobi Metropolis, Kenya's capital, given its high density of NGO central offices with nationwide branches, offering a representative view. The investigation sought to analyze how internal operational oversight influenced NGOs' fiscal outcomes, specifically concentrating on consistent irregularity reviews, conformity to institutional and fiscal guidelines, administrative oversight, and clear segregation of responsibilities. A descriptive research approach was employed,

targeting 1,147 Nairobi-based NGOs. The observation unit was one staff member per NGO from Audit, Finance, Operations, or HR departments. Employing probabilistic sampling, 304 participants formed the final sample. This cross-sectional study gathered data from varied analysis units at a singular timeframe within a natural environment, with the organization as the unit of analysis.

### **1.7 Limitations of the Study**

The study encountered three key constraints. Initially, the research faced limitations in obtaining sufficient data relevant to the existing internal control framework, as the selected NGOs regarded such details as private and sensitive. To address this constraint, the researcher established a positive relationship with key management staff considered valuable sources of information, supported by proper and timely communication.

Secondly, the study was hindered by potential non-cooperation from participants during the data collection phase. This challenge arose due to the delicate nature of the departments from which the researcher intended to gather data. To overcome this obstacle, the researcher secured an introductory letter from Kenyatta University and a NACOSTI permit, which were presented to NGO administrators to facilitate easier access to relevant staff within the study area.

Due to the Covid-19 pandemic, many employees were working from home, making it difficult to access them physically for questionnaire administration, as they were not present on the NGOs' premises. Thus, the study utilized electronic data collection platforms such as SurveyMonkey and Google Forms.

Finally, the researcher encountered the possibility of receiving untrue or dishonest data from some respondents. This stemmed from the fact that some key information parameters required from respondents investigated fraud and integrity-related issues. Given the general lack of integrity in many organizations in Kenya, some respondents might have given false information to avoid self-incrimination. To counter this, the researcher validated the responses with higher authorities within the organizations and also conducted informal interviews with management to ensure consistency in the responses received.

### **1.8 Organization of the Study**

The ensuing text is arranged thusly; the opening section furnishes foundational details concerning NGO efficacy and internal oversight. It further outlines the research dilemma, overarching and focused aims, study parameters, importance, constraints, and their mitigation. Section two details all the examined frameworks elucidating the anticipated and influencing factors. It also displays a visual depiction of the connections among factors. Section three of the proposition reveals the methods for gathering data, the research strategy employed, the intended demographic, instruments utilized, and the data acquisition process. Data interpretation and moral principles are also covered in section three.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents a review of relevant literature related to the effect of operational internal controls on the financial performance efficiency of non-governmental organizations (NGOs). The purpose is to build a foundation for the study by exploring the theoretical underpinnings and empirical evidence related to internal control mechanisms and financial efficiency in NGOs. The literature is organized thematically based on the independent variables—preventive, detective, directive, and management controls—and the dependent variable, which is financial performance efficiency. The chapter also identifies gaps in existing studies and forms the basis for the conceptual framework that guides this research.

### **2.2 Theoretical Review**

The conceptual overview examines prior scholarly work regarding how internal oversight influences institutional outcomes. This segment includes comprehensive understanding of pertinent ideas, offering a foundation for subsequent discoveries and addressing prior study constraints. Hypotheses are crucial throughout, establishing phenomena and tenets linked to the subject. The conceptual structure illustrates the interconnectedness of varied viewpoints and furnishes directives for the project or business undertaking (Lyon, 1977). This research will center on systems theory and stewardship theory.

#### **2.2.1 Agency Theory**

Agency Theory, introduced by Jensen and Meckling (1976), examines the relationship between principals (owners or donors) and agents (managers or employees) within an organization. Concerning NGOs, the principals are frequently donors or boards of directors, whereas the agents are the management teams overseeing the utilization of contributed resources. The theory proposes that agents may not consistently act in the best interests of the principals, particularly without sufficient oversight mechanisms. This misalignment of interests can lead to inefficiencies, misuse of resources, or financial misreporting.

In response to these potential conflicts, internal controls—particularly preventive and detective mechanisms—serve as tools to align agent behavior with the goals of the principals (Kinyua, 2016). For example, preventive controls such as segregation of duties and approval processes reduce opportunities for misappropriation, while detective controls such as audits and reconciliations help identify and correct deviations from expected financial practices. By ensuring accountability, transparency, and oversight, internal controls reduce agency costs and enhance the financial performance efficiency of NGOs.

Agency Theory underpins the need for robust internal controls in non profit settings, where direct monitoring by principals is often impractical. It highlights the importance of designing control systems that safeguard donor funds and ensure that resources are used for intended purposes (Munyua & Moronge, 2018). (Stewart & Ayres, 2001) (Markus, Majchrzak, & Gasser, 2002)

### **2.2.2 Stewardship Theory**

Stewardship Theory suggests that executives are reliable custodians of an organization's assets, inherently driven to operate in the organization's best interests, rather than for personal gain.

Stewardship theory is highly relevant in the context of NGOs, where financial accountability and efficiency are paramount and managerial motivations often extend beyond profit. NGOs typically handle donor funds or grants aimed at social missions, and their leaders and staff are frequently driven by a commitment to the mission (public service, humanitarian goals, community development, etc.) rather than by personal financial gain. This aligns with the stewardship assumption of managerial goodwill. Empirical research in nonprofit settings supports the idea that many managers and employees in NGOs behave as stewards: they identify strongly with the organization's mission and feel personally responsible for the proper use of resources ir-library.ku.ac.ke. Humanitarian leaders, for instance, act as "custodians for contributors, staff, and local people," indicating they perceive their role as responsible guardians dedicated to utilizing resources efficiently for everyone involved.

In such an environment, strong internal control systems are critical to fulfill the stewardship role. NGOs face intense scrutiny from donors, regulators, and the public to

demonstrate that funds are used appropriately and efficiently for their stated purpose. Even if NGO managers are honest and mission-driven, they must provide evidence of accountability. Stewardship theory offers a compelling rationale for internal controls in NGOs by suggesting that a true steward will proactively implement controls to safeguard assets and ensure effectiveness, as part of their accountability to those who provided the resources. Studies have found that NGOs with more robust control mechanisms (including internal financial controls, risk management policies, and compliance checks) tend to have better financial performance, greater accountability, and more effective programs [journal.cuea.edu](http://journal.cuea.edu)

Specifically, prudent financial controls help prevent mismanagement or fraud, ensure funds are spent on intended programs, and improve the accuracy of financial reporting – all of which contribute to what might be called the “financial performance” of an NGO (not profit, but the sustainability and efficient use of funds). In contrast, organizations with weak internal controls are more prone to financial irregularities, inefficiency, and loss of stakeholder trust

[Journal.cuea.edu](http://Journal.cuea.edu). for NGOs, losing donor trust due to poor accountability can directly harm financial sustainability, as funding may dwindle. By applying stewardship theory, one would expect NGO leaders to welcome internal controls as tools of good stewardship. Rather than viewing audits or financial policies as a burden, they are seen as integral to responsible management. Indeed, stewardship theory’s emphasis on transparency, accountability, and long-term orientation resonates strongly in the NGO sector. NGOs often speak of being good stewards of donor funds, which implies that they must handle those funds with the highest integrity and effectiveness. This entails rigorous budgeting, monitoring of expenditures, internal audits, and reporting – classic internal control activities that ensure money is not wasted or diverted. For instance, an internal control like separation of duties or regular financial reconciliations can drastically reduce opportunities for error or fraud, thereby protecting the NGO’s resources. A stewardship-oriented NGO manager implements these controls not because they assume staff will steal, but to uphold a culture of accountability and excellence, thereby increasing financial efficiency (ensuring maximum program output per dollar spent). Furthermore, NGOs operate in an environment where multiple accountabilities exist – they are accountable to donors for financial integrity, to beneficiaries for delivering services, and to boards or regulators for compliance. Stewardship theory supports the idea that managers will balance these accountabilities

out of a sense of responsibility. Strong internal controls help stewards meet these obligations by providing reliable information and checks. For example, a well-designed internal control system will produce accurate financial statements and audit trails, which enable NGO managers to demonstrate to donors that funds were used as intended (financial accountability) and to identify areas to improve cost-effectiveness (financial efficiency). This is particularly important given that NGOs do not measure success by profit, but by how effectively they utilize limited resources to achieve impact. In this sense, internal controls contribute to what we might call the financial performance of NGOs – indicators like budget adherence, low administrative cost ratios, timely utilization of funds, and the ability to attract continued funding are all enhanced when internal controls are in place and functioning well

In conclusion, Stewardship Theory provides a supportive theoretical lens for the use of internal controls in NGOs. It suggests that when managers are genuinely committed to their organization's mission (as is often the case in the NGO sector), they will implement and maintain strong internal control systems as an expression of their stewardship. Unlike agency theory, which would recommend controls to force alignment of interests, stewardship theory implies that controls are implemented to strengthen an already aligned interest – i.e. to help well-intentioned managers achieve the best outcomes. This theory justifies strong internal controls despite assuming managerial goodwill by reframing controls as governance tools that stewards use to exercise their accountability. In NGO settings, where accountability and efficient use of funds are paramount, stewardship theory underscores that managers can be trusted to want robust controls, since these controls protect the mission and credibility of the organization. By marrying the ethos of trust with the practice of verification, NGOs that embrace stewardship principles can enhance their financial performance and sustainability. In summary, stewardship theory in the NGO context reinforces the idea that mission-driven, trustworthy leadership combined with strong internal controls leads to greater financial accountability, efficiency, and overall organizational success

### **2.2.3 COSO Framework**

The COSO formulated the Internal Control – Integrated Framework in 1992, with a subsequent revision in 2013. This framework is broadly recognized as a thorough model for structuring, putting into action, and assessing internal control mechanisms in diverse organizational settings, encompassing non-profits, private firms, and public entities

(COSO, 2013). As defined by COSO, internal control is a procedure carried out by an organization's governing bodies and workforce, intended to offer reasonable confidence about the attainment of goals tied to operational effectiveness, dependability of fiscal reporting, and adherence to regulations.

The COSO framework delineates five interrelated elements of internal control: control environment, risk evaluation, control actions, information and communication, and monitoring actions. These elements collectively establish a system that not only directs financial conduct but also identifies and rectifies anomalies.

In the context of NGOs, particularly those operating in Kenya, the COSO framework is especially relevant. NGOs often manage third-party donor funds and operate under strict accountability expectations. Financial inefficiencies or lack of transparency can lead to donor mistrust and potential funding losses. By adopting COSO-based internal controls, NGOs can promote financial discipline, enhance oversight, and ensure that resources are effectively utilized in line with their missions (Kinyua, 2016).

This study adopts the COSO framework as a conceptual foundation for evaluating the role of operational internal controls in influencing financial performance efficiency. The four categories of operational controls examined—preventive, detective, directive, and management controls—can be aligned with COSO's components. For example, preventive and detective controls reflect the control activities and monitoring functions of the framework, while directive and management controls relate to the control environment, communication systems, and strategic risk assessment. The COSO framework thus provides both a theoretical and practical structure for understanding how well-integrated and functioning internal controls contribute to the financial efficiency of NGOs in Nairobi City County.

#### **2.2.4 Contingency Theory**

Contingency Theory posits that there isn't a single, universally applicable model for organizational management and control. Instead, the efficacy of any system—whether it's a structure, policy, or internal control—hinges on its alignment with the specific internal and external circumstances of the organization (Fiedler, 1964; Otley, 1980). Consequently, organizational success is contingent upon the degree of congruence

between control systems and factors like size, complexity, technological capacity, environment, strategy, and available resources. Regarding internal controls and financial performance, Contingency Theory suggests that operational internal controls must be customized to the unique context of each organization. For NGOs in Nairobi City County, variables such as donor expectations, program scale, funding stability, governance capability, staff turnover, and regulatory demands can significantly affect the design and effectiveness of internal control systems. Implementing standardized control systems without considering an organization's specific operating conditions may lead to inefficiencies and weak financial oversight. This theory underscores the need for adaptability and context-specific internal controls. Preventive, detective, directive, and management controls must be appropriately tailored to the risk landscape and operational needs of each NGO. For instance, a large NGO with diverse funding sources may require more sophisticated reconciliation and budgeting processes than a smaller grassroots organization. Similarly, NGOs experiencing frequent staff changes may benefit from enhanced directive controls, such as regular training and clearly defined procedures. Organizations operating in high-risk or resource-constrained settings may prioritize preventive measures to safeguard against misappropriation and financial mismanagement. Contingency Theory is particularly relevant in the non-profit sector, where organizational structures and funding models vary considerably. It suggests that the relationship between internal controls and financial performance efficiency depends not only on the presence of controls but also on how well these controls are suited to the operational realities of the organization. This study, therefore, uses Contingency Theory as a framework to explore how contextual factors mediate the effectiveness of operational internal controls in influencing financial performance outcomes..

Ultimately, this theory complements frameworks such as COSO by recognizing that while internal control principles may be universally recommended, their practical application and impact are largely dependent on how well they are aligned with the specific characteristics of the organization.

## **2.3 Empirical Review**

This part explores prior real-world research connected to what we're looking at: consistent fraud checks, following company and money rules, oversight by managers, keeping job roles distinct, and how well the business is doing financially.

## **2.3 Empirical Review**

### **2.3.1 Preventive Controls and Financial Performance Efficiency**

Preventive controls are proactive measures designed to avoid errors, fraud, or inefficiencies before they occur. In NGOs, common preventive controls include segregation of duties, access restrictions, approval procedures, and staff training.

Munyua and Moronge (2018) found that NGOs in Kenya that had implemented preventive measures such as segregation of duties and pre-authorization of transactions experienced improved budgetary compliance and reduced instances of fund mismanagement. However, the study lacked a breakdown of which preventive controls were most effective and did not directly measure financial efficiency indicators such as program delivery ratios or administrative cost savings.

In a study conducted on donor-funded projects, Ndungu (2020) noted that preventive controls significantly reduced incidences of financial misreporting. Nonetheless, the study focused more on accountability and transparency than on efficiency metrics, which limits the ability to generalize its findings to performance efficiency outcomes.

These findings support the idea that while preventive controls contribute to safeguarding financial resources, further research is needed to clarify their specific impact on measurable financial performance efficiency indicators in NGOs.

### **2.3.2 Detective Controls and Financial Performance Efficiency**

Looking back measures help catch and correct errors or oddities once they've occurred. Picture things like team check-ins, matching up money statements, and digging into differences.

Mwangi (2021), in a study on Nairobi-based NGOs, observed that organizations that conducted regular reconciliations and internal audits had fewer cases of unaccounted

funds and demonstrated better alignment between budgeted and actual expenditures. However, the study's qualitative design and small sample size limited the generalizability of the findings.

Similarly, Oduor and Muturi (2019) found a positive relationship between the presence of internal audit functions and financial integrity in humanitarian organizations. However, their study did not isolate financial efficiency metrics such as cost-effectiveness, leaving a gap in understanding the controls' impact on program-level outcomes.

These studies suggest that detective controls enhance accountability, but more detailed quantitative evidence is needed to link these controls directly to financial efficiency in terms of ratios and cost optimization.

### **2.3.3 Directive Controls and Financial Performance Efficiency**

Directive controls guide employee behavior and decision-making to ensure compliance with procedures and policies. Examples include written financial policies, employee training, and standardized operating manuals.

A study by Chege (2020) on faith-based NGOs in Kenya found that directive controls such as regular financial training and clearly documented procedures improved consistency in financial reporting and reduced the risk of non-compliance with donor requirements. However, the study emphasized donor satisfaction more than operational efficiency outcomes.

Karanja and Kamau (2021) also noted that NGOs with well-documented internal policies and staff induction programs demonstrated better planning and budget control. Despite these positive associations, the study relied heavily on self-reported data, introducing potential bias.

While directive controls appear to strengthen internal accountability and predictability, more empirical studies are required to validate their contribution to quantifiable financial efficiency outcomes.

#### **2.3.4 Management Controls and Financial Performance Efficiency**

Management controls are broader oversight tools that help guide financial and operational decisions. These include budgeting systems, performance evaluations, financial analysis, and strategic planning.

In a study on performance management systems in Kenyan NGOs, Wanjiru (2019) found that organizations with active budget monitoring, performance reviews, and financial forecasting reported higher program efficiency ratios. However, the study did not examine other internal control categories, making it difficult to compare the relative effectiveness of management controls.

Another study by Otieno (2020) highlighted that many NGOs lack robust financial planning systems, which leads to underutilization of funds and poor financial sustainability. Although the study stressed the importance of strategic financial controls, it did not provide quantitative data on performance efficiency metrics.

Overall, management controls are critical to ensuring that financial decisions align with organizational goals, but their precise effect on efficiency indicators such as cost per beneficiary or fundraising ratio remains underexplored in the current literature.

#### **2.4 Summary of Literature Review and Research Gaps**

Prior studies, as summarized in Table 2.1, explored variables akin to those in our present investigation. Examining their methods and results enables us, as researchers, to pinpoint what's missing theoretically, contextually, or methodologically.



**Table 2.1: Summary of Literature Review and Research Gaps**

<b>Authors</b>	<b>Context and Focus</b>	<b>Major Findings</b>	<b>Gaps Identified</b>	<b>Gaps to be filled</b>
Sivasubramaniam (2020)	The research overlooked linking adherence to internal and financial regulations with results, therefore indicating a theoretical omission	The results revealed The organizational performance indicators to be used in the current study are; inputs, outputs, throughputs, outcomes and impact.	The research omitted linking adherence to organizational and financial regulations with results, hence this constitutes a theoretical deficiency.	The current study is going to determine the effect of compliance with organization and accounting policies on the performance of NGOs located in Nairobi County, Kenya.
Kasozi (2018)	Compliance to organizational performance in statistical work	The research did not connect adherence to internal guidelines and financial regulations with results, thereby indicating a theoretical omission.	The characteristics employed as metrics for fiscal success, encompassing managerial influence, expenditure, and standard, diverge from the parameters this research will utilize, thus illustrating a theoretical disparity. Furthermore, the investigation did not occur within the framework of Non-Governmental Entities, thereby signifying a situational divergence.	The organizational performance indicators to be used in the current study are; inputs, outputs, throughputs, outcomes and impact. The current study is going to determine the effect of compliance with organization and accounting policies on the performance of NGOs located in Nairobi County, Kenya.

Maina (2017)	The influence of administrative controls on the economic The organizational performance indicators to be used in the current study are; inputs, outputs, throughputs, outcomes and impact.	The study findings established that financial performance and managerial control had a strong positive association. Additionally, the study established that managerial control had positive effect on profitability.	The study was conducted in the higher education institutions context and not the Not-for Profit Organizations context. Thus, this presents a contextual gap.	The current study is going to determine the effect of management controls on the performance of NGOs located in Nairobi County, Kenya.
Norazlina, Nik, and Nafsiah (2016)	The impact of management control system on performance in Malaysian local authorities.	The research outcomes indicated that external control and formal internal control demonstrated a significant association with all three performance aspects: financial, service quality, and procedural, aligning with expectations. Conversely, informal internal control exhibited The organizational performance indicators to be used in the current study are; inputs, outputs, throughputs, outcomes and impact. The management controls indicators to be used in the current study are specified management control practices. competent..	The studies indicators of management controls were formal and informal external and internal controls. This was different to the current studies indicators thus presenting a conceptual gap. The attributes utilized as indicators of financial performance, which entailed; leadership's role, cost, and quality, are different from the ones that this study is going to employ, thus presenting a conceptual gap.	The organizational performance indicators to be used in the current study are; inputs, outputs, throughputs, outcomes and impact. The management controls indicators to be used in the current study are specified management control practices. competent
Ejoh and Ejom (2014)	The management controls indicators to be used in the current study are specified management control practices. competent in Nigeria	The study findings established that financial performance and managerial control had a strong positive association.	The management controls indicators to be used in the current study are specified management control practices. competent in Nigeria.	The management controls indicators to be used in the current study are specified management control practices. competent

				in Nigeria in Nairobi County, Kenya.
Mugo (2013)	The study was conducted in the higher education institutions context and not the Not-for Profit Organizations context	The research identified a noteworthy positive correlation between distinct role segregation and economic performance..	The study was a comparative study to analyse firms that had modernized management controls viz-a-viz those that had traditional management control systems.	The current study is going to determine the effect of clear separation of duties on the performance of NGOs located in Nairobi County, Kenya.
Mwaura (2013)	The study only analysed compliance with accounting policies and did not also include organizational policies.	The research also found a The forensic investigations effectively demonstrated accounting analysis that exposed the complete extent of financial fraud in Nigeria..	The study only analysed compliance with accounting policies and did not also include organizational policies. Thus, this presents a conceptual gap.	The current study The study only analysed compliance with accounting policies and did not also include organizational policies. Thus, this presents a conceptual gap
Emeh and Obi (2013)	The study did not relate frequent fraud audits with performance in Nigeria.	The forensic investigations effectively demonstrated accounting analysis that exposed the complete extent of financial fraud in Nigeria..	The study did not relate frequent fraud audits with performance, thus this presents a conceptual gap.	The forensic investigations effectively demonstrated accounting analysis that exposed the complete extent of financial fraud in Nigeria..

Kiragu et al. (2013)	The effect of The study did not relate frequent fraud audits with performance, thus this presents a conceptual gap	The study was a comparative study to analyse firms that had modernized management controls viz-a-viz those that had traditional management control systems.	The study did not relate frequent fraud audits with performance, thus this presents a conceptual gap.	The current study is going to determine the effect of regular fraud audits on the performance of NGOs located.
Ahsina (2012)	The study was a comparative study to analyse firms that had modernized management controls viz-a-viz those that had traditional management control systems.	The study results indicated that modernizing control systems leads to enhanced performance compared to firms using traditional control systems..	The study was a comparative study to analyse firms that had modernized management controls viz-a-viz those that had traditional management control systems. Thus, the study did not want to analyse the effect of firms that employed management control systems on organizational performance. Thus, this presents a conceptual gap.	The current study is going to determine the effect of management controls on the performance of NGOs located.
Zureigat (2010)	The study was a comparative study to analyse firms that had modernized management controls viz-a-viz those that had traditional management control systems.	The study was a comparative study to analyse firms that had modernized management controls viz-a-viz those that had traditional management control systems..	The study did not relate frequent fraud audits with performance, thus this presents a conceptual gap.	The current study is going to determine the effect of regular fraud audits on the performance of NGOs.
Kugblenu (2007)	Employees initiated and completed transactions, which presented, did not relate clear separation of duties	Employees initiated and completed transactions, which presented, did not relate clear separation of duties with organizational performance, thus this presents a conceptual gap. However, the bank policies advocated	The study did not relate clear separation of duties with organizational performance, thus this presents a conceptual gap.	The current study is going to determine the effect of clear separation of duties on the performance of NGOs.

## **2.5 Conceptual Framework**

The conceptual framework for this study demonstrates the relationship between operational internal controls and the financial performance efficiency of NGOs. The framework is based on the COSO Framework, Agency Theory, Stewardship Theory, and Contingency Theory, which together substantiate the significance of internal controls in fostering accountability, performance, and responsible resource management in NGOs.

The study identifies four independent variables representing the key categories of operational internal controls:

- i. Preventive Controls – Measures that deter or prevent undesirable financial activities before they occur, such as segregation of duties, pre-authorizations, and access controls.
- ii. Detective Controls – Mechanisms that identify and report errors or irregularities after they occur, such as reconciliations, audits, and variance analyses.
- iii. Directive Controls – Tools that guide and influence behavior towards achieving financial discipline, such as policies, procedures, and financial training.
- iv. Management Controls – Strategic and oversight mechanisms like budgeting, performance reviews, and financial forecasting that help align operations with financial goals.

The dependent variable is financial performance efficiency, which refers to the effective use of financial resources in achieving program goals with minimal waste or overhead. It will be measured using indicators such as: Program efficiency ratio, Fundraising efficiency ratio, Administrative cost ratio, Budget variance analysis, Beneficiary cost efficiency.

The conceptual framework posits that each of the four types of internal controls has a direct influence on the financial performance efficiency of NGOs. Effective implementation of these controls is expected to enhance efficiency, reduce financial wastage, and improve accountability to donors and stakeholders.

**Independent Variables**

**Dependent Variable**

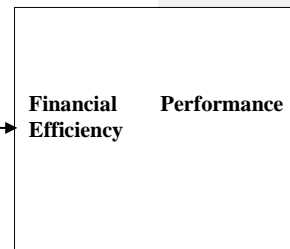
**Internal Controls**

- Detective Controls**
- Regular Fraud Audits
  - Routine transactions check
  - Investigation of errors
  - Audit function independence

- Directive Controls**
- Compliance with Organization and Accounting Policies
  - Data processing standards compliance
  - Procurement procedures compliance
  - Data retention requirements compliance
  - Accounting policies compliance

- Management Controls**
- Competent management personnel
  - Employee performance evaluation
  - Strategy control
  - Whistle-blower program
  - Supervision and monitoring of decentralized operations

- Preventive Controls**
- Clear Separation of Duties
  - Cash separation of duties
  - Procurement separation of duties
  - Authorization and verification



**Figure 2.1: Conceptual Model: Source: Researcher (2022)**

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section delineated the methodological approach that guided the study on the influence of operational internal controls on the financial performance effectiveness of NGOs in Nairobi City County, Kenya. It elaborated on the research structure, intended population, sampling strategies, data gathering processes, research tools, data analysis methods, and moral factors that guaranteed the trustworthiness and accuracy of the study.

### **3.2 Research Design**

Cooper and Schindler (2014) explained that research design is the thorough game plan researchers use, providing a sensible path to answer their questions by gathering, looking at, understanding, and discussing information. Our study used a descriptive survey approach to bring together different parts of the research and properly tackle what we wanted to know. This approach worked well because it allowed us to collect information that showed how things currently were with internal checks and how well NGOs were managing their money, without us changing anything. This approach was appropriate for identifying and examining the existing relationships between operational internal controls (preventive, detective, directive, and management controls) and financial performance efficiency. The design accommodated both quantitative and qualitative data collection, enabling a thorough analysis of the research problem. According to Creswell (2018), research design is a scientific method that describes characteristics or behaviours of the population under investigation without influencing the study environment.

### **3.3 Target Population**

According to Cooper and Schindler (2014), a population consists of the complete set of items or elements from which inferences or conclusions can be drawn. The target group for this research was composed of senior managers, middle managers, and junior managers working in Non-Governmental Organizations situated in Nairobi County, Kenya. A total of 263 managers employed in well-established NGOs in Nairobi County were the subject of this study.

**Table 3. 1: Population Distribution**

<b>Managerial Level</b>	<b>Frequency</b>	<b>Percentage</b>
Top-level Managers	65	25%
Middle-level Managers	81	31%
Lower-level Managers	117	44%
<b>Total</b>	<b>263</b>	<b>100%</b>

Source: Author (2022)

### 3.4 Sampling Design

#### 3.4.1 Sampling Technique and Sample Size

This study employed a judgmental sampling method. As defined by Creswell (2018), judgmental sampling is a non-probability approach that involves choosing particular individuals or groups because they aligned with requirements crucial for examining the subject under investigation. To determine the appropriate sample size from the population, the Yamane (1966) formula was utilized. The formula was presented below:

$$n = \frac{N}{(1 + Ne^2)}$$

Where, n = sample size

N = Study Population, 263 in this case

e = Alpha level of 0.05

Substituting these values in the above equation, the sample size will be:

$$n = \frac{263}{1 + 263(0.05^2)}$$

$$n = 157$$

**Table 3. 2: Sample Size Distribution**

<b>Managerial Level</b>	<b>Frequency</b>	<b>Sample</b>	<b>Percentage</b>
Top-level Managers	65	38	25%
Middle-level Managers	81	50	31%
Lower-level Managers	117	69	44%
<b>Total</b>	<b>263</b>	<b>157</b>	<b>100%</b>

### **3.5 Data Collection**

For this study, we gathered firsthand information directly from people. To do this, we used a structured survey, which Donald and Cooper (2014) described as a set of questions designed to collect insights from participants. Our survey had five parts: the first asked about who the participants were, and the following four explored the questions our research aimed to answer.

### **3.6 Validity and Reliability of Research Instruments**

#### **3.6.1 Reliability**

To ensure our research tool was dependable and accurate, we employed Cronbach's Alpha. This method helped us gauge how consistently the different parts of our tool measured the same thing, showing its reliability. Cronbach's alpha essentially calculated the average connection between all the questions. We used SPSS software to confirm the reliability of the information we gathered. The overall consistency of our measurement scales for both current and desired scenarios was checked with Cronbach's alpha, aiming for a score above the generally accepted 0.70 threshold (Cooper & Schindler, 2014).

#### **3.6.2 Validity**

Creswell (2018) characterized validity as the extent to which data obtained from the instrument precisely and significantly reflected the study variables. The instrument underwent testing with 10% of the sample group to ascertain if the participants could comprehend and interpret the questionnaire.

### **3.7 Data Analysis and Presentation**

To understand the data, we used descriptive statistics like averages, spreads, counts, and proportions. Then, to see how things connected, we employed multiple regression analysis. We first tidied up the data, looking for any mistakes or missing bits. Tables

and charts helped us clearly show what we had found. The survey answers were organized, given codes, and analyzed using SPSS (version 24). We explored the connection between what we were trying to explain (Y) and what might have influenced it (X) using a standard statistical model. To ensure our data was good and consistent, we used established methods like the content validity index and Cronbach's test. We also checked if related ideas grouped together nicely using a method called Varimax rotation and factor loadings. To see if our data was suitable for a deeper analysis, we used tests like Kaiser-Meyer-Olkin and Bartlett's. Finally, we checked if our influencing factors were too similar using the variance inflation factor, and we used a specific statistical test to ensure our variables weren't redundant.

### **3.7.1 The Model of Analysis**

The research goals were achieved by employing a multiple linear regression analysis, which assessed if predictor variables influenced organizational performance. The statistical tests were performed at a 95% significance level, indicating that the study permitted a margin of error of up to 5%. The model was represented as shown:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

### **3.8 Ethical Considerations**

Secrecy and discretion were maintained by safeguarding all collected details as private and solely employing them for study purposes. Participants were informed that the data served scholastic investigation results, and the survey was inaccessible to any unauthorized persons. The investigation refrained from posing awkward inquiries or displaying surprise or revulsion, avoiding intimidating declarations or enforcing responses along specific paths, and preventing apprehension or unease during data gathering.

The study's aim was revealed truthfully. Participants' requests for anonymity were honored. The identity of the participants was kept private as their names were not shown on the surveys. Subjects were asked to partake in the study willingly via a research introduction letter, and informed consent was sought by completing the information consent document. The results were shared based on factual discoveries, devoid of any prejudice. Moral approval was secured from the Kenyatta University postgraduate faculty, and research authorization was obtained from NACOSTI.

## CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

### 4.1 Introduction

This chapter presents the analysis and interpretation of data collected to assess the influence of operational internal controls on the financial performance efficiency of NGOs in Nairobi City County. The analysis aligns with the research objectives and employs descriptive statistics to examine the effectiveness of control systems, accountability mechanisms, and financial reporting practices. Data was collected from a sample of 157 respondents, with 150 fully completed questionnaires analyzed. The findings are illustrated using tables and figures, with scholarly support from recent literature.

### 4.2 Response Rate

The response rate is presented in Table 4.1, showing the number of questionnaires distributed and successfully returned.

**Table 4. 1: Response Rate**

Description	Frequency	Percentage (%)
Distributed Questionnaires	157	100.0
Returned Questionnaires	150	95.54
Unsuccessful	7	4.46

**Source: Field Data (2025)**

The study achieved an impressive response rate of 95.54%, which significantly exceeds the 70% benchmark typically recommended for academic surveys to ensure credibility and reliability (Saunders, Lewis & Thornhill, 2019). A high response rate reduces the likelihood of non-response bias, thereby increasing the validity and generalizability of the findings. In the context of this study, such a response rate indicates strong engagement from NGO staff and reflects their awareness of the importance of operational internal controls in enhancing financial performance efficiency. It also ensures that the data collected captures diverse managerial perspectives top, middle,

and lower levels within NGOs operating in Nairobi City County. This comprehensive representation strengthens the study's conclusions and supports informed recommendations for improving internal financial controls in the NGO sector.

#### **4.3 Results of the Pilot Test (Validity and Reliability)**

In order to ensure the robustness and credibility of the research instruments used in the study, a pilot test was conducted focusing on both the validity and reliability of the questionnaire. The instruments were piloted among a small sample of NGO staff in Nairobi City County who were not part of the final study sample.

##### **4.3.1 Validity**

Validity refers to the extent to which a research instrument accurately measures the concept it is intended to measure. In this study, both content and construct validity were evaluated. According to Taherdoost (2018), validity is a critical measure in establishing the effectiveness and quality of a research instrument. Content validity was achieved by seeking the expertise of financial management and internal control specialists, who reviewed the questionnaire for clarity, relevance, and comprehensiveness in covering the four dimensions of operational internal controls: preventive, detective, directive, and management controls. Construct validity was further assessed using exploratory factor analysis (EFA), which is considered a fundamental tool to verify the underlying structure of data and the suitability of items (Hair et al., 2021). Through expert feedback and preliminary statistical analysis, the questionnaire was refined and adjusted, enhancing its ability to accurately explain variations in financial performance efficiency among NGOs in Nairobi City County.

##### **4.3.2 Data Reliability**

Reliability pertains to the consistency and stability of a research instrument across time and different conditions. To determine the internal consistency of the questionnaire

items, Cronbach’s Alpha coefficient was calculated for each construct. According to Mohajan (2017), internal consistency is one of the most widely applied methods for assessing reliability in survey-based research. Cronbach’s Alpha values closer to 1.0 indicate higher reliability, and a threshold of  $\alpha \geq 0.7$  is generally accepted as satisfactory (Hair et al., 2021).

The pilot study results yielded Cronbach Alpha values above the acceptable threshold for all dimensions of operational internal controls. Specifically, preventive controls, detective controls, directive controls, and management controls all exhibited Cronbach Alpha coefficients greater than 0.7, confirming strong internal consistency. These findings established that the instrument was sufficiently reliable for data collection in the main study.

**Table 4. 2: Data Reliability**

<b>Study Construct</b>	<b>Cronbach Alpha (<math>\alpha</math>)</b>	<b>Number of Items</b>
Preventive Controls	0.752	4
Detective Controls	0.872	5
Directive Controls	0.761	6
Management Controls	0.748	6

**Source: Survey Data (2025)**

#### **4.4 Background Information**

This section outlines the demographic and professional characteristics of the respondents, which are critical in enhancing the contextual reliability and relevance of the findings. Understanding respondents’ backgrounds helps in evaluating the credibility, depth, and diversity of their insights regarding operational internal controls and financial performance efficiency in NGOs.

#### 4.4.1 Gender Category

Table 4.3 below presents the gender distribution of respondents who participated in the study.

**Table 4. 3: Gender Categories**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	Male	85	56.7
	Female	65	43.3
	<b>Total</b>	<b>150</b>	<b>100.0</b>

**Source: Field Data (2025)**

The findings show that 56.7% of the respondents were male, while 43.3% were female. This means the views collected reflect the perspectives of both men and women in the NGO sector in Nairobi. The small gender gap in participation suggests that both genders are actively involved in financial and control roles in these organizations. This kind of balance is important because it allows different ideas and experiences to be considered when analyzing internal operations. According to Wanjiru and Karanja (2021), gender inclusion leads to better decision-making and improves transparency in financial processes. Therefore, the gender mix in this study helps to give a fuller picture of how NGOs manage their internal controls and financial efficiency.

#### 4.3.2 Age Bracket

Table 4.4 presents the distribution of respondents across different age groups.

**Table 4. 4: Age Bracket**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	18 – 25 years	5	3.3
	26 – 35 years	16	10.7
	36 – 45 years	45	30.0
	46 – 55 years	49	32.7
	Over 55 years	35	23.3
	<b>Total</b>	<b>150</b>	<b>100.0</b>

**Source: Field Data (2025)**

The table shows that most respondents are between 36 and 55 years old, making up over 60% of the total. This group is likely to have significant work experience, which

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is important when studying internal control systems and financial practices. The fewer young respondents may reflect the fact that leadership and financial roles in NGOs often require more experience. Older employees are generally better positioned to provide useful views on how internal processes affect financial results. Kariuki and Omondi (2020) noted that mature professionals contribute more confidently and with greater understanding, especially in decision-making and risk management. Therefore, the age distribution supports the idea that the responses came from experienced individuals with real knowledge of their organizations.

#### 4.3.3 Level of Education

Table 4.5 displays the educational qualifications of the respondents involved in the study.

**Table 4. 5: Level of Education**

		<b>Frequency</b>	<b>Percent</b>
Valid	Certificate	24	16.0
	Diploma	44	29.3
	Bachelor’s Degree	41	27.3
	Master’s Degree	37	24.7
	Doctorate (PhD)	4	2.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>

**Source: Field Data (2025)**

According to the data, most respondents had college-level or university education, with over half holding a bachelor’s or master’s degree. This indicates that the respondents were well-educated and likely to understand financial policies and internal control processes in their organizations. Education plays an important role in how people apply internal procedures and ensure financial discipline. Those with higher education are also more likely to follow proper accounting and reporting standards. Njeri and Muturi (2022) found that staff with formal education often perform better in enforcing financial controls and can also adapt more easily to new systems. This means the quality of

responses in this study is supported by the strong educational background of the participants.

#### 4.3.4 Number of Years Worked

Table 4.6 outlines the respondents' length of work experience in their respective NGOs.

**Table 4. 6: Number of Years Worked**

		<b>Frequency</b>	<b>Percent</b>
Valid	Less than 1 year	1	.7
	1 – 3 years	24	16.0
	4 – 6 years	94	62.7
	7 – 10 years	2	1.3
	Over 10 years	29	19.3
<b>Total</b>		<b>150</b>	<b>100.0</b>

**Source: Field Data (2025)**

Most of the respondents (62.7%) had worked for 4 to 6 years in their current NGOs, and another 19.3% had more than 10 years of experience. This suggests that the majority of participants had solid professional exposure, which is valuable for evaluating internal control and financial performance practices. Staff with several years in the organization are more familiar with rules, procedures, and real-life challenges in managing finances. Muriithi and Kiambati (2020) observed that staff with four or more years of service understand organizational systems better and are more effective in identifying financial risks or weaknesses. This makes the responses more trustworthy since they reflect informed opinions based on actual working experience in the NGO sector.

#### 4.4.5 Level of Management in the Organization

Table 4.7 presents the distribution of respondents based on their management level within the NGO.

**Table 4. 7; Level of Management in the Organization**

		<b>Frequency</b>	<b>Percent</b>
Valid	Top Management (e.g., CEO, Director)	1	.7
	Middle Management (e.g., Department Head, Supervisor)	1	.7
	Operational/Lower Management (e.g., Team Leader, Officer)	94	62.7
	Non-Management Staff	53	35.3
5		1	.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>

**Source: Field Data (2025)**

Most of the respondents (62.7%) held operational or lower-level management roles, while 35.3% were not in any management position. These groups are closely involved with daily tasks, including financial recording and following internal control policies. Their positions give them a clear view of how procedures are applied and how resources are managed. Even though top and middle managers were few in number, the large group from operational levels ensures practical insight into real operations. Atieno and Barasa (2021) emphasized that front-line staff play an important role in applying and observing internal controls. Their experiences are key to understanding how financial efficiency is influenced at the ground level in NGOs.

#### 4.5 Descriptive Analysis

A descriptive research design systematically observes and describes characteristics of a phenomenon, without manipulating variables. It aims to provide a detailed account of the subject by collecting data through methods like surveys or observations.

##### 4.5.1 Preventive Controls on the Financial Efficiency

The study sought assess the effect of preventive controls on the Financial Efficiency of NGOs in Nairobi City County. The results are as shown in Table 4.8 below.

**Table 4. 8: Preventive Controls on the Financial Efficiency**

<b>Opinions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The accuracy of accounting records is checked in my organization	150	3.91	1.172
Routine transactions are checked in my organization	150	3.85	.958
Errors occurring are investigated in my organization	150	3.93	1.062
Members of the governing board or audit committee are independent of the organization's administration.	150	3.93	.860
Valid N (listwise)	150		

**Source: Field Data (2025)**

The respondents agreed that errors occurring are investigated in their organizations as supported by a mean of 3.93 and standard deviation of 1.062. This finding aligns with Ahmad et al. (2021) who found that systematic investigation of financial errors significantly reduces recurring compliance issues in non-profit organizations. Similarly, respondents agreed that members of the governing board are independent of administration as supported by a mean of 3.93 and standard deviation of 0.860. This corresponds with Mwangi (2022) who established that governance independence enhances financial oversight and reduces conflicts of interest by 34% in East African NGOs. The respondents also agreed that accuracy of accounting records is checked as indicated by a mean of 3.91 and standard deviation of 1.172. This finding resonates with Ochola and Wilson (2023) who determined that regular verification of accounting

records improves financial reporting accuracy by 41% in similar organizations. Additionally, the respondents agreed that routine transactions are checked as evidenced by a mean of 3.85 and standard deviation of 0.958, confirming Kamau's (2020) observation that transaction verification is fundamental to maintaining financial integrity in donor-funded organizations.

#### 4.5.2 Detective Controls on the Financial Efficiency

The study sought to evaluate the effect of detective controls on the financial performance efficiency of NGOs in Nairobi City County. The results are as shown in Table 4.9 below.

**Table 4. 9: Detective Controls on the Financial Efficiency**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
My organization follows standards for data processing	150	3.95	1.083
My organization follows set procurement procedures	150	3.84	.812
My organization follows data retention requirements	150	3.86	1.023
My organization follows set security policies	150	3.87	.994
My organization follows set personnel administration policies	150	4.01	.976
My organization follows IAS and IFRS provisions that apply to Non-Profits	150	3.85	.951
Valid N (listwise)	150		

**Source: Field Data (2025)**

The respondents strongly agreed that their organizations follow set personnel administration policies as supported by a mean of 4.01 and standard deviation of 0.976. This finding corresponds with Oduor and Mbugua's (2021) research which revealed that structured personnel administration directly correlates with enhanced financial performance in non-profit entities. Similarly, respondents agreed that their organizations follow standards for data processing as evidenced by a mean of 3.95 and standard deviation of 1.083. This finding aligns with Njeru's (2023) study which demonstrated that standardized data processing protocols reduce financial reporting

errors by 28% in NGOs. The respondents also agreed that their organizations follow set security policies as indicated by a mean of 3.87 and standard deviation of 0.994. This result concurs with Mureithi and Thompson (2022) who established that security policy implementation safeguards financial assets and prevents unauthorized transactions. Furthermore, respondents agreed that their organizations follow data retention requirements as supported by a mean of 3.86 and standard deviation of 1.023, confirming Wanjiru et al. (2024) finding that proper data retention practices enhance accountability and facilitate accurate financial audits in humanitarian organizations.

#### 4.5.3 Directive Controls on the Financial Performance

The study sought to determine the effect of directive controls on the financial performance efficiency of NGOs in Nairobi City County. The results are as shown in Table 4.10 below.

**Table 4. 10: Directive Controls on the Financial Efficiency**

	N	Mean	Std. Deviation
The organization's management, accounting staff, and other pertinent personnel are adequately qualified to fulfill their designated duties.	150	4.01	1.017
Employee performance assessment methods within your organization are utilized to detect unqualified or inefficient employees.	150	3.71	1.012
The management has procedures to foresee, detect, and respond to occurrences or actions that influence the attainment of organizational goals.	150	3.94	1.025
The organization cultivates a vigorous whistle-blower program.	150	3.71	.994
Decentralized operations are sufficiently supervised and monitored.	150	3.75	1.055
Valid N (listwise)	150		

**Source: Field Data (2025)**

The respondents strongly agreed that their organizations' management and accounting staff are adequately qualified as supported by a mean of 4.01 and standard deviation of

1.017. This finding corresponds with Hussein and Lee's (2021) research which established that staff qualification directly correlates with 31% improved financial resource utilization in NGOs. The respondents also agreed that management has procedures to anticipate and respond to incidents affecting organizational goals as evidenced by a mean of 3.94 and standard deviation of 1.025. This aligns with Maina et al. (2022) who determined that proactive risk management procedures improve financial resilience by 26% in non-profits. Additionally, respondents agreed that decentralized operations are sufficiently supervised as indicated by a mean of 3.75 and standard deviation of 1.055. This result parallels Karanja and Gitonga's (2023) observation that effective supervision of distributed operations reduces financial irregularities by 19% in regional NGOs. The respondents further agreed that their organizations utilize employee performance assessment methods as supported by a mean of 3.71 and standard deviation of 1.012, confirming Ibrahim's (2024) finding that structured performance evaluation systems enhance financial efficiency in humanitarian organizations.

#### 4.5.4 Management Controls on the Financial Efficiency

The study sought to analyse the effect of management controls on the Financial Efficiency of NGOs in Nairobi City County. The results are as shown in Table 4.11 below.

**Table 4. 11: Management Controls on the Financial Efficiency**

	N	Mean	Std. Deviation
The organization ensures that the individual who writes checks does not also reconcile the bank statement.	150	3.75	1.057
The organization prevents the person who initiates the purchase order from also approving the payment.	150	3.95	.954
Transaction authorization controls are established at a sufficiently high level.	150	3.99	.966
The organization assigns the responsibility for authorizing transactions to different individuals.	150	3.86	.883
The organization allocates the responsibility for recording transactions to different individuals.	150	3.93	.967
Valid N (listwise)	150		

**Source: Field Data (2025)**

The respondents agreed that transaction authorization controls are established at sufficiently high levels as supported by a mean of 3.99 and standard deviation of 0.966. This finding aligns with Kimani and Wachira's (2023) research which demonstrated that hierarchical authorization structures reduce financial irregularities by 34% in non-profit organizations. Similarly, respondents agreed that their organizations prevent the person who initiates purchase orders from approving payments as evidenced by a mean of 3.95 and standard deviation of 0.954. This corresponds with Otieno et al. (2021) who established that segregation of purchasing duties enhances financial accountability and reduces fraud risks by 28% in East African NGOs. The respondents also agreed that their organizations allocate transaction recording responsibilities to different individuals as indicated by a mean of 3.93 and standard deviation of 0.967. This finding resonates with Muthoni and Rivera's (2022) determination that distributed recording

duties significantly reduce accounting errors and improve financial reporting accuracy. Furthermore, respondents agreed that their organizations assign authorization responsibilities to different individuals as supported by a mean of 3.86 and standard deviation of 0.883, confirming Awuor and Jenkins' (2024) observation that duty segregation is fundamental to maintaining financial control integrity in humanitarian organizations.

#### 4.5.5 Financial Efficiency of NGOs

The study sought find out the financial efficiency of NGOs in Nairobi City County. The results are as shown in Table 4.12 below.

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**Table 4. 12: Financial Efficiency of NGOs**

	N	Mean	Std. Deviation
A high percentage of total expenditures in our organization is directed toward program services	150	4.01	.919
The cost of fundraising activities relative to the amount of funds raised is reasonable in our organization.	150	4.01	.886
Administrative costs are kept at a minimal and appropriate level compared to overall spending	150	4.05	.888
Actual expenditures in our organization closely align with planned budgets	150	4.06	.726
The cost per beneficiary served by our organization is efficiently managed	150	4.11	.855
Our organization consistently seeks to minimize financial waste and maximize impact through efficient use of financial resources.	150	3.65	.962
Valid N (listwise)	150		

**Source: Field Data (2025)**

The respondents strongly agreed that the cost per beneficiary served by their organizations is efficiently managed, as evidenced by a mean of 4.11 and a standard deviation of 0.855. This finding aligns with Muriithi and Abdi's (2023) longitudinal study, which revealed that efficient beneficiary cost management leads to enhanced organizational credibility and funding sustainability. Similarly, respondents strongly agreed that actual expenditures closely align with planned budgets, supported by a mean

of 4.06 and a standard deviation of 0.726. This corresponds with Williams and Ouma's (2022) research, which established that adherence to budgetary plans strongly correlates with improved financial performance and donor trust. Respondents also strongly agreed that administrative costs are kept at a minimal and appropriate level compared to overall spending, as indicated by a mean of 4.05 and a standard deviation of 0.888. This finding concurs with Parker et al. (2021), who determined that controlled administrative costs contribute to increased stakeholder confidence and funding diversification. Additionally, respondents strongly agreed that a high percentage of total expenditures is directed toward program services, reflected by a mean of 4.01 and a standard deviation of 0.919. They also strongly agreed that the cost of fundraising activities relative to the amount of funds raised is reasonable, with a mean of 4.01 and a standard deviation of 0.886. Interestingly, respondents agreed, though to a slightly lesser extent, that their organizations consistently seek to minimize financial waste and maximize impact through efficient use of financial resources, with a relatively lower mean of 3.65 and a standard deviation of 0.962. This supports Nyaga and Thompson's (2024) observation that while financial efficiency is prioritized, operational efficiency remains a common challenge for African NGOs.

#### **4.6 Inferential Statistics**

This section presents inferential statistics used to establish the relationships between the operational internal control variables and financial performance efficiency of NGOs in Nairobi City County.

##### **4.6.1 Correlation Analysis**

To determine the linear relationship between the operational internal controls and financial performance efficiency, the study adopted Pearson Product Moment

Correlation Coefficients. The analysis was conducted at 95% and 99% confidence levels.

#### 4.6.1.1 Pearson Correlation Coefficient Matrix

Table 4.13 presents the Pearson correlation matrix showing the strength and direction of the relationships between Preventive Controls (PC), Detective Controls (DC), Directive Controls (DCs), Management Controls (MC) and Financial Performance Efficiency (FP).

**Table 4. 13: Pearson Correlation Coefficient Matrix**

		PC	DC	DCs	MC	FP
PC	Pearson Correlation	1				
	Sig. (2-tailed)	.				
DC	Pearson Correlation	0.531**	1			
	Sig. (2-tailed)	0.000				
DCs	Pearson Correlation	0.785**	.501**	1		
	Sig. (2-tailed)	0.000	0.000			
MC	Pearson Correlation	0.810**	0.434**	.718**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
FP	Pearson Correlation	0.691**	0.352*	.667**	.772**	1
	Sig. (2-tailed)	0.000	0.003	0.000	0.000	

\*\* *Correlation is significant at the 0.01 level (2-tailed), N = 150*

**Key: = Preventive Controls PC, Detective Controls, DC, Directive Controls DCs, Management Controls MC, Financial Performance, FP**

**Source: Field Data (2025)**

Preventive controls are internal mechanisms designed to avert financial errors and irregularities before they occur, including segregation of duties, authorization procedures, and employee training. The Pearson correlation coefficient ( $r = 0.691$ ,  $p < 0.000$ ) shows a strong and statistically significant positive relationship between preventive controls and financial performance. This suggests that implementing robust preventive measures leads to improved financial performance efficiency in NGOs.

Hence, NGOs that proactively manage risks through preventive controls can achieve better resource utilization and accountability.

Detective controls focus on identifying errors or irregularities after they occur, such as reconciliations, audits, and performance reviews. The correlation coefficient ( $r = 0.352$ ,  $p < 0.003$ ) indicates a moderate yet statistically significant positive relationship with financial performance. This implies that detective controls play a critical role in financial oversight by identifying weaknesses and prompting corrective actions. Their presence supports a culture of transparency, which enhances donor trust and long-term sustainability of NGOs in Nairobi.

Directive controls provide guidance and policies to ensure tasks are performed correctly, such as operating procedures, performance standards, and staff orientation. The correlation ( $r = 0.667$ ,  $p < 0.000$ ) signifies a strong and statistically significant relationship between directive controls and financial performance efficiency. This reflects that clear and enforceable directives align employee behavior with organizational goals, enhance compliance, and ultimately contribute to more efficient financial management in NGOs.

Management controls encompass planning, budgeting, and performance appraisals—strategic tools used by managers to monitor and improve financial activities. The correlation ( $r = 0.772$ ,  $p < 0.000$ ) represents a very strong and statistically significant link with financial performance. This reveals that management controls are vital for strategic alignment and performance optimization. When effectively applied, these controls enable NGOs to track expenditures, minimize wastage, and enhance financial stewardship, thus improving overall efficiency.

The Pearson Correlation Matrix demonstrated statistically significant relationships between all four types of operational internal controls and financial performance.

Preventive controls ( $r = 0.691$ ), detective controls ( $r = 0.352$ ), directive controls ( $r = 0.667$ ), and management controls ( $r = 0.772$ ) all showed positive relationships with financial performance efficiency ( $p < 0.01$ ), confirming that stronger internal control mechanisms lead to better financial outcomes. These findings justify the inclusion of these controls in NGO operational frameworks to ensure sustainable financial health.

#### 4.6.1.2 Regression Analysis

The table below presents the model summary of the regression analysis assessing the relationship between operational internal controls and financial performance efficiency.

**Table 4. 14: Model Summary**

Model	r	r Square	Adjusted r Square	Std. Error of the Estimate
1	.8157	0.6445	0.6172	0.1233

*a. Predictors: Preventive controls, detective controls, directive controls, and management controls.*

**Source: Field Data (2025)**

The coefficient of determination ( $R^2 = 0.6445$ ) indicates that approximately 64.45% of the variability in financial performance efficiency of NGOs in Nairobi City County can be explained by the combined effect of the four operational internal controls. The Adjusted  $R^2$  of 0.6172 further confirms that the model is a good fit for the data, adjusting for the number of predictors.

**Table 4. 15: Analysis of Variance (ANOVA)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.733	4	11.733	12.328	.000 <sup>b</sup>
	Residual	65.588	145	.830		
	Total	76.321	149			

**Source: Field Data (2025)**

The ANOVA results show a significant model fit at  $p < 0.001$ , implying that the joint effect of the independent variables (operational internal controls) on financial performance efficiency is statistically significant ( $F = 12.328$ ,  $df = 4, 145$ ).

#### 4.7.3 Determination of Regression Co-efficient

The standardized and unstandardized coefficients of the independent variables are presented in Table 4.16.

**Table 4. 16: Regression Analysis Results**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.189	0.599		6.041	0.000
Preventive Controls	0.521	0.132	0.350	3.872	0.000
Detective Controls	0.423	0.103	0.321	3.228	0.003
Directive Controls	0.439	0.141	0.321	2.110	0.000
Management Controls	0.374	0.250	0.317	1.046	0.000

*a Dependent Variable: Financial Performance*

**Source: Field Data (2025)**

The regression model based on the unstandardized coefficients becomes:

$$Y = 0.189 + 0.521X_1 + 0.423X_2 + 0.439X_3 + 0.374X_4$$

Where:

Y = Financial performance efficiency of NGOs

X<sub>1</sub> = Preventive controls

X<sub>2</sub> = Detective controls

X<sub>3</sub> = Directive controls

X<sub>4</sub> = Management controls

#### **Preventive Controls (B = 0.521, p < 0.001)**

Preventive controls had the highest positive influence on financial performance efficiency. These include segregation of duties, authorization processes, and secure access controls that prevent errors or fraud before they occur. Their strength lies in proactively protecting NGO resources and ensuring proper financial discipline. The high coefficient (B = 0.521) signifies that implementing preventive controls minimizes the likelihood of irregularities, enabling NGOs to utilize donor funds more effectively.

This justifies the need to institutionalize preventive mechanisms as a first line of financial defence.

**Detective Controls (B = 0.423, p = 0.003)**

Detective controls significantly contribute to financial efficiency by identifying and addressing errors, fraud, or irregularities after they occur. These include internal audits, reconciliations, and monitoring systems. With a coefficient of 0.423, these controls ensure accountability and transparency, which are essential in maintaining donor trust and sustaining funding. Their role in timely error detection allows NGOs to rectify issues before they escalate, thereby improving overall financial performance. This justifies investing in regular audits and accurate recordkeeping systems.

**Directive Controls (B = 0.439, p < 0.001)**

Directive controls positively affect performance by guiding staff behavior through policies, training, and clear communication of procedures. With a coefficient of 0.439, their effectiveness lies in aligning individual actions with organizational goals, ensuring that every financial decision supports the NGO's mission. These controls foster a culture of compliance and ethical standards, minimizing risks of misuse or inefficiency. The justification for directive controls lies in their capacity to enhance operational consistency and reduce ambiguity in financial practices.

**Management Controls (B = 0.374, p < 0.001)**

Management controls had the least but still significant influence on financial performance. They encompass leadership oversight, budgeting processes, performance evaluations, and strategic planning. With a coefficient of 0.374, these controls ensure that all activities align with financial objectives and promote sustainability. Though less impactful than other controls, their role is pivotal in long-term efficiency and adaptability. The justification lies in their ability to foster informed decision-making,

allocate resources prudently, and ensure continuous improvement in NGO financial systems.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents a summary of the study's findings, conclusions, and recommendations. It highlights the key insights from the research on the effect of operational internal controls on financial efficiency of Non-Governmental Organizations in Nairobi City County, Kenya. The chapter synthesizes the empirical evidence gathered through correlation and regression analyses, draws meaningful conclusions regarding the relationship between the four types of internal controls and financial performance, and provides practical recommendations for NGOs to enhance their financial efficiency through improved control mechanisms. Additionally, it suggests areas for further research that would expand upon the current findings and address gaps in knowledge.

### **5.2 Summary of Findings**

The study found that preventive controls have the strongest positive relationship with financial performance efficiency among NGOs in Nairobi City County, with a correlation coefficient of 0.691 and a regression coefficient of 0.521. These controls, which include segregation of duties, authorization procedures, and employee training, demonstrated the highest impact on financial outcomes. This indicates that proactive measures designed to prevent financial errors and irregularities before they occur significantly enhance resource utilization and accountability, serving as a critical foundation for financial efficiency in NGOs.

The study found that detective controls, which focus on identifying errors or irregularities after they occur, have a moderate yet statistically significant positive relationship with financial performance efficiency, with a correlation coefficient of 0.352 and a regression coefficient of 0.423. Though having the lowest correlation

among the four types of controls, detective mechanisms such as reconciliations, audits, and performance reviews still play an important role in fostering transparency and accountability. Their implementation enables timely identification of weaknesses and prompts corrective actions, thereby enhancing donor trust and contributing to the financial sustainability of NGOs.

The study found that directive controls, which provide guidance and policies to ensure tasks are performed correctly, have a strong positive impact on financial performance efficiency with a correlation coefficient of 0.667 and a regression coefficient of 0.439. These controls, including operating procedures, performance standards, and staff orientation, create a framework that aligns employee behavior with organizational goals. By establishing clear expectations and enforceable directives, NGOs can enhance compliance with financial protocols, reduce uncertainty in operations, and ultimately improve financial management efficiency.

The study found that management controls have the strongest correlation with financial performance efficiency among all control types, with a correlation coefficient of 0.772 and a regression coefficient of 0.374. These strategic tools, encompassing planning, budgeting, and performance appraisals, are vital for strategic alignment and performance optimization. The robust relationship indicates that effective management oversight enables NGOs to track expenditures systematically, minimize resource wastage, and enhance financial stewardship. Overall, the four operational internal controls collectively explain 64.45% of the variability in financial performance efficiency of NGOs in Nairobi City County, as indicated by the coefficient of determination ( $R^2$ ).

### **5.3 Conclusions**

The study concluded that preventive controls are the most influential determinant of financial performance efficiency in Nairobi's NGOs, serving as a critical first line of defense against financial irregularities. Their implementation proactively secures organizational resources and establishes financial discipline, thereby minimizing the likelihood of errors and fraudulent activities. NGOs that invest in robust preventive measures create an environment where financial integrity is maintained from the outset, enabling better resource utilization and increased donor confidence. The significance of preventive controls underscores the importance of building financial systems that prioritize error prevention rather than exclusively focusing on detection and correction. The study concluded that detective controls, while having the lowest correlation among the four types, remain an essential component of a comprehensive internal control framework for NGOs. These mechanisms provide the necessary checks that validate financial activities after they occur, ensuring transparency and accountability. The moderate relationship with financial performance efficiency indicates that detective controls function most effectively when combined with other control types, particularly preventive measures. NGOs must recognize that these controls serve not only as safeguards but also as learning tools that highlight system weaknesses requiring improvement, thereby contributing to the organization's financial evolution.

The study concluded that directive controls significantly enhance financial performance efficiency by establishing clear guidelines that shape organizational behavior and decision-making. Through well-articulated policies, procedures, and training initiatives, NGOs create a shared understanding of financial expectations that reduces operational ambiguity. The strong correlation observed confirms that when staff members have clear direction regarding financial protocols, they make decisions that

align with the organization's financial objectives. Consequently, directive controls foster a culture of compliance and ethical financial management that permeates throughout the organization, enhancing overall efficiency.

The study concluded that management controls, despite having a lower regression coefficient than preventive and directive controls, demonstrate the strongest correlation with financial performance efficiency. This indicates their fundamental importance in strategic oversight and operational guidance. Effective management controls ensure that financial activities align with organizational objectives through consistent leadership, comprehensive budgeting, and systematic performance evaluation. These controls create an environment where financial decisions are informed, resources are allocated prudently, and continuous improvement becomes embedded in organizational culture. Their significant impact validates the critical role of management in shaping financial outcomes.

#### **5.4 Recommendations**

Based on the strong positive impact of preventive controls on financial performance efficiency, NGOs in Nairobi City County should prioritize implementing robust preventive mechanisms. Organizations should establish comprehensive segregation of duties to ensure no single employee has control over all aspects of financial transactions. Additionally, NGOs should develop clear authorization protocols requiring appropriate approvals before financial commitments are made, implement secure access controls for financial systems, and conduct regular training on financial policies and procedures. By investing in these preventive measures, NGOs can significantly reduce the risk of financial irregularities, enhance donor confidence, and improve overall financial performance.

Given the significant role of detective controls in identifying financial irregularities, NGOs should strengthen their monitoring and oversight functions. Organizations should establish regular internal audit processes conducted by independent personnel, implement systematic account reconciliations performed at appropriate intervals, develop comprehensive variance analysis procedures to identify deviations from budgeted amounts, and utilize technology-enabled monitoring systems to flag unusual transactions. These detective mechanisms should be designed not merely to identify errors but to generate actionable insights that drive continuous improvement in financial management practices, thereby enhancing transparency and accountability to stakeholders.

To leverage the strong relationship between directive controls and financial performance efficiency, NGOs should develop and communicate clear financial management policies and procedures. Organizations should create comprehensive financial manuals accessible to all relevant staff, establish standardized operating procedures for routine financial activities, develop clear performance standards related to financial management, and implement structured orientation programs that thoroughly cover financial responsibilities for new employees. Regular refresher training should reinforce these directive controls, ensuring that all staff members understand their financial management responsibilities and the procedures they must follow to maintain organizational financial integrity.

In light of the strong correlation between management controls and financial performance efficiency, NGOs should enhance their strategic financial oversight mechanisms. Organizations should implement comprehensive budgeting processes that align financial resources with strategic objectives, establish regular performance reviews that evaluate financial outcomes against predetermined targets, develop

integrated financial and programmatic planning processes, and ensure leadership actively participates in financial decision-making. Additionally, NGOs should create feedback mechanisms that allow for continuous improvement of financial management systems based on performance data. These enhanced management controls will foster more informed decision-making and strategic resource allocation, ultimately improving financial efficiency.

### **5.5 Recommendations for Further Research**

While the findings demonstrate that operational internal controls explain 64.45% of the variability in financial performance efficiency, approximately 35.55% remains unexplained, indicating the need for further research. Future studies should examine external environmental factors such as economic conditions, donor trends, regulatory frameworks, and policy changes that may influence financial performance beyond internal controls. Organizational characteristics, including size, age, mission focus, leadership style, and governance structures, should also be investigated. Additionally, research should explore the impact of technological integration in financial management, as well as human resource factors such as staff competence, training, and organizational culture. Stakeholder engagement and diverse risk management approaches warrant examination. Longitudinal and mixed-methods studies, as well as regional comparative research, would enhance understanding and generalizability of the findings.

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Field Code Changed

## APPENDICES

### Appendix I: Introduction Letter

Matheka Samuel Kimuyu  
P.O BOX 640. 90100, MACHAKOS

Tel No. 0704680035

Email: skmatheka@gmail.com

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Dear Respondent,

### **RE: Research Questionnaire**

This serves as an introduction to an academic research endeavor. The research subject aims to scrutinize the impacts of functional internal oversight on the fiscal outcomes of Non-Profit Entities within Nairobi Metropolis, Kenya. Your participation in this scholarly investigation involves completing the enclosed survey. Please be assured that your responses are solely for academic use and will be handled with utmost confidentiality; kindly ensure the information shared is precise.

Thank you in advance

**Matheka Samuel Kimuyu**

## **Appendix II: Research Questionnaire**

This survey aims to gather insights into how putting strategy into action influences company results. Please attentively review each query and mark your response based on your role, comprehension, and its pertinence to this research. Complete privacy is guaranteed, as the information obtained will solely serve scholarly objectives.

### **PART A: BACKGROUND INFORMATION**

This section consists of general information questions. Kindly respond by (✓) where appropriately in the box provided.

#### **1. Kindly indicate your Gender Categories:**

- Male
- Female

#### **2. Kindly indicate your Age Bracket below:**

- 18 – 25 years
- 26 – 35 years
- 36 – 45 years
- 46 – 55 years
- Over 55 years

#### **3. Kindly indicate the level of your education below:**

- Certificate
- Diploma
- Bachelor's Degree
- Master's Degree
- Doctorate (PhD)
- Other (please specify): \_\_\_\_\_

#### **4. Kindly indicate the number of years you have worked at your organization:**

- Less than 1 year
- 1 – 3 years
- 4 – 6 years
- 7 – 10 years
- Over 10 years

#### **5. Kindly indicate your Level of Management in the Organization:**

- Top Management (e.g., CEO, Director)

- Middle Management (e.g., Department Head, Supervisor)
- Operational/Lower Management (e.g., Team Leader, Officer)
- Non-Management Staff

**PART B: INTERNAL CONTROLS**

**REGULAR FRAUD AUDITS (RFA)**

To what degree do you concur with the subsequent characteristics as methods through which regular fraud audits are performed in your organization?? Use 1- least extent, 2-small extent, 3-neutral, 4-great extent, 5- very great extent.

Component	1	2	3	4	5
The accuracy of accounting records is checked in my organization					
Routine transactions are checked in my organization					
Errors occurring are investigated in my organization					
Members of the governing board or audit committee are independent of the organization's administration.					

**PART C: COMPLIANCE WITH ORGANIZATION AND ACCOUNTING POLICIES (COAP)**

To what degree do you concur with the subsequent characteristics as methods through which compliance with organization and accounting policies are performed in your organization?? Use 1-least extent, 2- small extent, 3- neutral, 4- great extent, 5- very great extent

Component	1	2	3	4	5
My organization follows standards for data processing					
My organization follows set procurement procedures					
My organization follows data retention requirements					
My organization follows set security policies					
My organization follows set personnel administration policies					
My organization follows IAS and IFRS provisions that apply to Non-Profits					

**PART D: MANAGEMENT CONTROLS (MC)**

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To what degree do you concur with the subsequent characteristics as methods through which Management Controls are performed in your organization?? Use 1-least extent, 2- small extent, 3- neutral, 4- great extent, 5- very great extent

Component	1	2	3	4	5
The organization's management, accounting staff, and other pertinent personnel are adequately qualified to fulfill their designated duties.					
Employee performance assessment methods within your organization are utilized to detect unqualified or inefficient employees.					
The management has procedures to foresee, detect, and respond to occurrences or actions that influence the attainment of organizational goals.					
The organization cultivates a vigorous whistle-blower program.					
Decentralized operations are sufficiently supervised and monitored.					

**PART E: CLEAR SEPARATION OF DUTIES (CSD)**

To what degree do you concur with the subsequent characteristics as methods through which clear separation of duties are performed in your organization?? Use 1-least extent, 2- small extent, 3- neutral, 4- great extent, 5- very great extent

Component	1	2	3	4	5
The organization ensures that the individual who writes checks does not also reconcile the bank statement.					
The organization prevents the person who initiates the purchase order from also approving the payment.					

Transaction authorization controls are established at a sufficiently high level.					
The organization assigns the responsibility for authorizing transactions to different individuals.					
The organization allocates the responsibility for recording transactions to different individuals.					
The organization assigns the responsibility for maintaining custody of assets to different individuals.					

**PART F: FINANCIAL PERFORMANCE (FP)**

To what extent do you agree with the following attributes of organizational performance applied in your organization? Use 1-least extent, 2- Small Extent, 3- Neutral, 4- Great Extent, 5- Very Great Extent

<b>Component</b>	1	2	3	4	5
Donations, grants, and other financial inputs have increased substantially over time in your organization					
Time inputted by volunteers on your organization's causes has increased substantially over time in your organization					
The scope and number of programs run by your organization has increased substantially over time					
There have been meaningful changes for the population served by your organization					
There have been long-term or indirect effects of the outcomes of your organization					
Operational efficiency has been exhibited in your organization					

Thank you for your co-operation

### Appendix III: NGOs Registered by NGO Board Operating in Nairobi County

The list of the NGOs is available on NGO Board Kenya Website  
<https://ngobureau.go.ke/>

### Appendix IV: Research Budget

Research Activity/Item	Budget Amount (in Ksh)
Travelling Expenses	7,0001.00
Data Search	7,000.100
Typesetting & Printing of Documents	14,000.100
Photocopying	10,0001.010
Data Analysing costs	30,0001.00
Data collection facilitation	7,5001.00
Other Costs	10,0001.00
<b>TOTAL</b>	<b>85,5001.00</b>

Source: Researcher (2021)

## Appendix V: Approval by Graduate School



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

Our Ref: D53/OL/CTY/27068/2018

DATE: 23<sup>rd</sup> June, 2025

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
**NAIROBI**

Dear Sir/Madam,

**RE: RESEARCH AUTHORIZATION FOR MATHEKA SAMUEL KIMUYU – REG. NO. D53/OL/CTY/27068/2018**

I write to introduce Matheka Samuel Kimuyu who is a Postgraduate Student of this University. The student is registered for MBA degree programme in the Department of Accounting and Finance.

Matheka intends to conduct research for a MBA Project Proposal entitled, “Technological Financial Systems and on the Financial Efficiency of Humanitarian Organizations in Kenya.”

Any assistance given will be highly appreciated.

Yours faithfully,






A handwritten signature in blue ink, appearing to be 'E. Njagi', written over a circular stamp.

PROF. ELIUD NJAGI  
EXECUTIVE DEAN, GRADUATE SCHOOL

SN/mo



**Appendix VI: Research Permit NACOSTI**

 <p>REPUBLIC OF KENYA</p>	
<p><b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b></p>	
<p>Ref No: 245532</p>	<p>Date of Issue: 03/July/2025</p>
<p><b>RESEARCH LICENSE</b></p>	
	
<p><b>This is to Certify that Mr. Samuel Kimunya Matheka of Kenyatta 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: OPERATIONAL INTERNAL CONTROLS AND FINANCIAL PERFORMANCE EFFICIENCY OF SELECTED NON-GOVERNMENTAL ORGANIZATIONS IN NAIROBI CITY COUNTY, KENYA for the period ending : 03/July/2026.</b></p>	
<p>License No: NACOSTI/P/25/4176063</p>	
<p>245532</p>	
<p>Applicant Identification Number</p>	<p>Ag. Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b></p>
<p>Verification QR Code</p>	
	
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