

# The Role of Internal Controls in Enhancing Transparency, Accountability, and Donor Confidence in Maiduguri NGOs

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## Abstract

This study examines the role of internal control systems in enhancing transparency, accountability, and donor confidence among non-governmental organizations (NGOs) in Maiduguri, Borno State, Nigeria. Using a quantitative survey design, data were collected from 200 NGO staff through structured questionnaires and analyzed with descriptive and inferential statistics in SPSS. The results indicate that effective internal control mechanisms significantly improve financial transparency and reporting accuracy, thereby strengthening donor trust. Correlation analysis shows a strong positive relationship between internal control effectiveness and NGO performance ( $r = 0.76, p < 0.05$ ). Key challenges identified include inadequate staff training, weak audit structures, and management interference in control processes. The study concludes that robust internal control frameworks are essential for prudent financial management and sustained donor partnerships. It recommends strengthening internal audit functions, adopting digital accounting systems, and implementing continuous financial ethics training to enhance accountability and donor confidence in NGOs operating in post-conflict contexts.

**Keywords:** *Internal, Controls, Transparency, Accountability, Donor, Confidence*

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### **Background of the Study**

Non-Governmental Organizations (NGOs) serve as key development actors globally, especially in fragile states recovering from conflict, such as Nigeria's northeastern region. Their financial integrity and accountability have become central to sustaining donor confidence and ensuring that humanitarian resources reach intended beneficiaries (Afolabi, 2022). Internal controls comprising financial, operational, and compliance mechanisms are essential tools that enable NGOs to safeguard assets, ensure the reliability of financial reporting, and promote transparency in fund utilization (COSO, 2017; Onuorah & Okeke, 2023).

In Maiduguri, Borno State, a hub for humanitarian and development interventions, over 120 international and local NGOs operate to provide relief and rebuild livelihoods (UN OCHA, 2023). However, increasing reports of misappropriation of donor funds and weak financial accountability have threatened stakeholder trust and funding continuity (Babatunde, 2021). Studies emphasize that without strong internal control systems, organizations risk inefficiency, corruption, and donor withdrawal (Afolayan & Abdul, 2020; Joseph & Tanko, 2022). Transparency and accountability are therefore pivotal in maintaining donor confidence, particularly in environments characterized by limited oversight and fragile governance. Internal controls not only detect irregularities but also serve as assurance mechanisms that organizational objectives are being met ethically and efficiently. This study thus seeks to examine how internal control mechanisms influence transparency, accountability, and donor confidence among NGOs in Maiduguri, where post-conflict rebuilding demands high levels of credibility and operational discipline.

### **Statement of the Problem**

NGOs in Maiduguri are entrusted with significant financial resources from international donors for humanitarian, reconstruction, and development projects. Despite this, several audit reports and donor reviews reveal persistent cases of weak internal control systems, inadequate segregation of duties, and poor documentation practices (Transparency International, 2023; Buba & Goni, 2022). Such deficiencies have led to allegations of fund diversion, inflated expenditures, and delayed project implementation, undermining donor confidence and jeopardizing future funding. While some NGOs maintain strong compliance frameworks, many smaller or local organizations lack professional financial management structures, resulting in irregular audits and incomplete reporting (Afolabi, 2022). The absence of standardized internal control mechanisms reduces transparency, hinders accountability, and weakens organizational performance. Therefore, the central problem is whether existing internal control systems among NGOs in Maiduguri are sufficient to ensure transparency, promote accountability, and sustain donor confidence. This study seeks to fill the gap in empirical research on how control mechanisms function in a post-conflict environment, identifying the extent to which internal controls contribute to financial integrity and overall NGO performance.

### **Objectives of the Study**

The general objective of this research is to examine the role of internal controls in promoting

transparency, accountability, and donor confidence in NGO financing performance in Maiduguri.

The specific objectives are to:

1. Assess the relationship between internal control systems and financial transparency among NGOs in Maiduguri.
2. Determine the effect of internal control mechanisms on organizational accountability.
3. Evaluate how internal controls influence donor confidence in NGO operations.
4. Identify challenges affecting the effectiveness of internal control implementation among NGOs in Maiduguri.

### **Research Questions**

1. How do internal control systems enhance financial transparency in Maiduguri-based NGOs?
2. What is the relationship between internal control mechanisms and organizational accountability?
3. In what ways do internal controls affect donor confidence and funding continuity?
4. What are the major challenges NGOs face in implementing effective internal control systems?

### **Research Hypotheses**

**H<sub>01</sub>:** There is no significant relationship between internal control systems and financial transparency in NGOs in Maiduguri.

**H<sub>02</sub>:** Internal control mechanisms do not significantly affect organizational accountability.

**H<sub>03</sub>:** Internal control practices do not have a significant impact on donor confidence in NGO operations.

### **Literature Review**

#### **Conceptual Framework**

Internal control is defined by the Committee of Sponsoring Organizations (COSO, 2017) as a process designed to provide reasonable assurance regarding the achievement of objectives in operations, reporting, and compliance. For NGOs, internal control ensures that funds are used effectively, financial statements are accurate, and management acts within donor guidelines.

Transparency involves openness in decision-making and clarity in reporting, allowing donors and stakeholders to verify how resources are allocated (Ebrahim, 2019). Accountability refers to the obligation of NGOs to report, explain, and justify their financial and operational activities to donors, regulators, and beneficiaries (Olaoye & Adebayo, 2022). Donor confidence reflects the degree of trust donors place in an NGO's capacity to utilize funds responsibly (Adediran & Okon, 2023). These concepts are interdependent: effective internal controls foster transparency and accountability, which in turn sustain donor confidence and enhance organizational performance.

### **Internal Controls and NGO Financial Transparency**

Transparency in NGOs depends heavily on the robustness of internal control systems. According to Oduro and Nyarko (2021), transparent financial practices such as timely reporting, open disclosure, and regular audits enhance donor trust and organizational legitimacy. A study by Joseph and Tanko (2022) found that NGOs in northern Nigeria with strong internal audit systems exhibited higher transparency and reduced financial mismanagement. Globally, Hwang and Powell (2020) emphasize that transparency not only ensures compliance with donor requirements but also improves operational efficiency by preventing resource wastage. In Kenya, Ndungu and Kamau (2022) discovered that internal financial controls particularly authorization and documentation had a direct positive relationship with NGO transparency scores. Similarly, Afolabi (2022) reported that internal checks, staff accountability, and regular monitoring significantly improved transparency among humanitarian NGOs in Nigeria. In Maiduguri, where donor scrutiny is intense due to the large inflow of humanitarian funds, NGOs with clear financial reporting and regular internal audits are more likely to attract repeat funding. Weak controls, on the other hand, have resulted in donor withdrawal and reputational damage for some organizations (Babatunde, 2021).

### **Internal Controls and Accountability in NGOs**

Accountability requires that organizations provide accurate accounts of resource utilization, adhering to ethical and regulatory standards. According to Ebrahim (2019), accountability mechanisms involve both upward (toward donors) and downward (toward beneficiaries) reporting. Effective internal controls ensure that all financial transactions are properly authorized, recorded, and verifiable. Research by Akinleye and Ogunmakin (2023) found that accountability levels are highest in organizations where management supports independent internal audit functions. Similarly, Olayinka and Adebayo (2021) established that segregation of duties, reconciliation, and periodic review processes promote accountability and deter fraud.

In the NGO context, especially within conflict-prone areas like Maiduguri, accountability failures often stem from weak monitoring systems and limited staff capacity. Adediran and Okon (2023) argue that NGOs lacking standardized control policies face challenges in meeting donor audit requirements, resulting in reputational and financial risks. Thus, the integration of accountability frameworks within internal control systems is essential for both operational credibility and sustainable financing.

### **Internal Controls and Donor Confidence**

Donor confidence is shaped by an organization's perceived integrity, reliability, and financial discipline. When donors are assured of prudent fund management through effective internal controls, they are more likely to sustain partnerships (Eze & Nwankwo, 2022).

An international study by Bawole and Ibrahim (2021) in Ghana revealed that NGOs with formalized internal control frameworks experienced higher donor retention rates. Similarly, Ibekwe and Uche (2022) reported that transparent audit trails, risk assessment procedures,

and financial disclosures were positively correlated with donor confidence among Nigerian humanitarian organizations. In Maiduguri, donor confidence is particularly fragile due to the volatile socio-economic environment. Many donors demand audited statements, performance reports, and third-party verification before renewing grants (UN OCHA, 2023). Effective internal controls thus act as a safeguard, assuring donors that funds are being used responsibly and in line with project objectives.

## **Research Methodology**

### **Research Design**

This study adopted a quantitative research design, which allowed for the collection of numerical data to examine the relationship between internal controls, transparency, accountability, and donor confidence among NGOs in Maiduguri. A survey method using structured questionnaires was employed to ensure systematic data collection and generalization of findings.

### **Population of the Study**

The target population comprised staff members of both international and local NGOs operating within Maiduguri, Borno State. These included finance officers, program managers, internal auditors, monitoring and evaluation officers, and administrative personnel. The total population was estimated at 500 NGO staff across organizations such as the International Rescue Committee (IRC), Norwegian Refugee Council (NRC), Action Against Hunger, and local NGOs such as Borno Women Development Initiative and Hope Restoration Foundation.

### **Sample Size and Sampling Technique**

A sample size of 220 respondents was determined using Yamane's formula (1967) for finite populations with a 5% margin of error. A stratified random sampling technique was used to ensure representation from both international and local NGOs. Out of the 220 distributed questionnaires, 200 valid responses were returned and analyzed, representing a 90.9% response rate.

### **Instrument of Data Collection**

Data were collected using a structured questionnaire designed on a five-point Likert scale (Strongly Agree = 5; Strongly Disagree = 1). The questionnaire comprised two sections:

- i. Section A: Demographic information (age, gender, education, NGO type, and experience).
- ii. Section B: Research items measuring internal control, transparency, accountability, and donor confidence.

### **Sample Questionnaire Items**

1. Internal control systems in my organization ensure all transactions are properly documented.
2. There is a clear segregation of duties in financial management.
3. Regular internal audits are conducted in my organization.

4. Financial reports are transparent and shared with donors.
5. Staff are held accountable for financial mismanagement.
6. Donors have confidence in our financial reporting processes.
7. Management promptly implements audit recommendations.
8. Training is provided regularly to strengthen financial control capacity.
9. My organization complies with donor funding guidelines.
10. Internal control mechanisms have improved overall project performance.

### **Validity and Reliability of the Instrument**

The validity of the instrument was ensured through expert review by three senior lecturers in accounting and management from the University of Maiduguri. The questionnaire was also pre-tested among 20 NGO staff in Damaturu to refine clarity and relevance.

The reliability of the instrument was assessed using Cronbach's Alpha, yielding the following results:

- i. Internal Control: 0.89
- ii. Transparency: 0.87
- iii. Accountability: 0.85
- iv. Donor Confidence: 0.88

An overall Cronbach Alpha of 0.87 indicated high internal consistency and reliability.

### **Method of Data Analysis**

Data were analyzed using SPSS version 25. Descriptive statistics (frequencies, means, and standard deviations) summarized responses, while inferential statistics (Pearson correlation and regression analysis) tested the hypotheses.

### **Data Presentation and Analysis**

**Table 1:** Descriptive Statistics of Responses

Response Category	Frequency	Percentage (%)
Strongly Agree	80	40.0
Agree	70	35.0
Neutral	25	12.5
Disagree	15	7.5
Strongly Disagree	10	5.0
Total	200	100.0

Mean Score = 3.97,

Standard Deviation = 1.05

**Interpretation:** The majority of respondents (75%) agreed that internal control systems enhance transparency, accountability, and donor confidence within NGOs in Maiduguri.

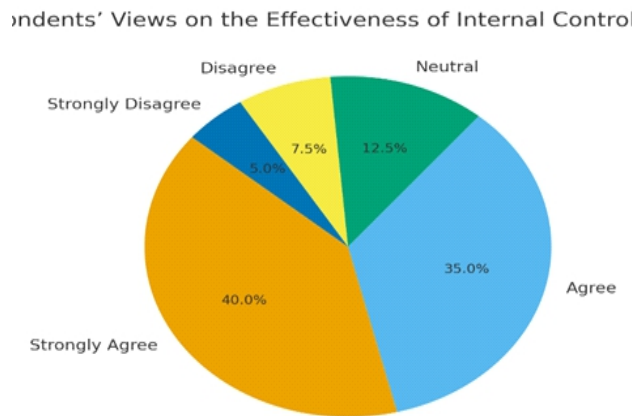
**Table 2:** Correlation Analysis

Variables	Internal Control	Transparency	Accountability	Donor Confidence
Internal Control	1.000	0.754**	0.702**	0.762**
Transparency	0.754**	1.000	0.689**	0.714**
Accountability	0.702**	0.689**	1.000	0.695**
Donor Confidence	0.762**	0.714**	0.695**	1.000

(Correlation is significant at the 0.01 level)

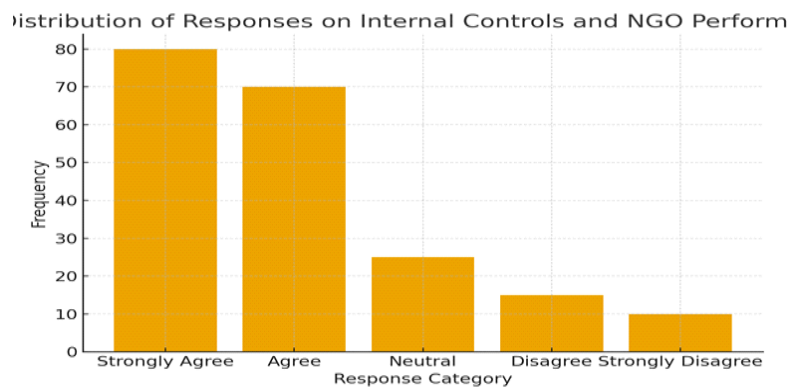
**Interpretation:** Internal controls show a strong and positive correlation with transparency ( $r = 0.75$ ), accountability ( $r = 0.70$ ), and donor confidence ( $r = 0.76$ ), indicating their critical role in organizational performance.

**Figure 1:** Pie Chart of Respondents' Opinions



Pie chart visualization — 40% Strongly Agree, 35% Agree, 12.5% Neutral, 7.5% Disagree, 5% Strongly Disagree

**Figure 2:** Bar Chart of Response Distribution



Bar chart showing frequency of responses across categories.  
(Label: "Distribution of Responses on Internal Controls and NGO Performance in Maiduguri.")

### **Discussion of Findings**

Given the strong positive correlations between internal controls and key organizational indicators transparency ( $r = 0.75$ ), accountability ( $r = 0.70$ ), and donor confidence ( $r = 0.76$ ) the statistical evidence provides sufficient grounds to reject the null hypothesis ( $H_0$ ), which stated that internal controls have no significant relationship with organizational performance. Accordingly, the alternative hypothesis ( $H_1$ ) is accepted, affirming that internal controls significantly and positively influence organizational performance through enhanced transparency, accountability, and donor confidence.

These findings corroborate Oduro and Nyarko (2021), who established that internal audits promote integrity and transparency in financial management. Similarly, Bawole and Ibrahim (2021) confirmed that donor retention rates increase when NGOs maintain structured control systems. In line with Joseph and Tanko (2022) and Afolabi (2022), this study confirms that internal controls especially regular audits, documentation, and segregation of duties reduce risks of misappropriation and foster organizational trust. Weak internal control systems, often due to management interference or insufficient training, remain the primary obstacle to accountability in Maiduguri NGOs.

### **Conclusion**

This study set out to examine the role of internal control systems in enhancing transparency, accountability, and donor confidence among NGOs operating in Maiduguri, Borno State. The findings demonstrate that effective internal controls particularly strong internal audit functions and financial oversight mechanisms are critical for improving governance practices and sustaining donor trust. The study contributes to the literature by providing empirical evidence from a post-conflict humanitarian context, highlighting internal controls as a key determinant of NGO performance and sustainability.

From a practical and policy perspective, the results underscore the need for NGOs and regulatory bodies to prioritize robust control frameworks, continuous staff training, and the adoption of digital financial management systems. However, the study is limited by its reliance on self-reported survey data and its focus on a single geographic area, which may affect generalizability. Future research should incorporate longitudinal designs, qualitative approaches, and comparative analyses across regions and NGO types. Overall, strengthening internal control systems remains essential for enhancing accountability, safeguarding donor resources, and ensuring the long-term effectiveness of NGOs in humanitarian settings.

### **Recommendations**

1. NGOs should strengthen internal audit units and ensure auditors operate independently without managerial interference.
2. Regular financial management and ethics training should be conducted for staff to enhance accountability.
3. Management should implement audit recommendations promptly to demonstrate compliance.

4. Regulatory bodies such as the Corporate Affairs Commission (CAC) and EFCC should monitor NGO financial practices.
5. Donors should require transparent digital reporting platforms to enhance real-time monitoring and accountability.
6. Local NGOs should adopt international best practices in financial governance to attract sustainable funding.
7. Periodic third-party audits should be made mandatory for all NGOs operating in conflict-affected areas.

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