

Internal Audit Practices and Financial Performance of Manufacturing Companies in Rwanda. A Case of Bralirwa PLC

Edithe Gikundiro¹, Dr. Osiemo Kengere²

¹ MBA (Finance Option) of Mount Kenya University

² Mount Kenya University

DOI: <https://doi.org/10.5281/zenodo.20625152>

Published Date: 10-June-2026

Abstract: This study assessed the effect of internal audit practices on the financial performance of manufacturing companies in Rwanda, with focus on Bralirwa PLC. The specific objectives were to determine the effect of internal control system, establish the effect of financial reporting, assess the effect of independent assurance, and determine the effect of risk management on financial performance. The study used a descriptive and explanatory research design. The target population comprised 133 employees of Bralirwa PLC, and a sample of 100 respondents was obtained using Slovin's formula. Primary and secondary data were used, while questionnaires supported the collection of primary data. SPSS version 25 was used to generate descriptive statistics, correlation, ANOVA, and multiple regression results. Pilot testing was conducted at Ingufu Gin Company, and the reliability results were above the recommended threshold. The regression findings revealed that internal control system had a positive and significant effect on financial performance ($\beta = 0.269$, beta = 0.292, $t = 3.773$, $p = 0.000$). Financial reporting also had a positive and significant effect ($\beta = 0.238$, beta = 0.264, $t = 3.469$, $p = 0.001$). Risk management had the strongest positive and significant effect ($\beta = 0.433$, beta = 0.494, $t = 5.970$, $p = 0.000$). Independent assurance had a significant negative effect ($\beta = -0.195$, beta = -0.177, $t = -2.785$, $p = 0.007$). The model explained 72.1% of variation in financial performance. The study concluded that internal audit practices significantly influence financial performance at Bralirwa PLC, with risk management being the strongest predictor.

Keywords: Internal audit practices, financial performance, internal control system, financial reporting, independent assurance, risk management, Bralirwa PLC.

I. INTRODUCTION

Bralirwa PLC is one of several Rwandan manufacturing enterprises that has struggled to link internal audit processes with better financial performance, despite the increasing focus on financial accountability and corporate governance (Nshimiyimana & Muvunyi, 2021). Recent studies reveal that internal audit functions in African manufacturing sectors often suffer from limited independence, inadequate technical capacity, and lack of management support, which undermines their effectiveness (Munyemana & Nkundabanyanga, 2021). According to the Rwanda Governance Board (RGB, 2023), 37% of companies audited in the industrial sector between 2021 and 2022 had internal control weaknesses that adversely affected their financial reporting and operational efficiency. Furthermore, the Institute of Internal Auditors–Rwanda (IIA-R, 2022) reported that only 41% of internal audit recommendations in the manufacturing sector were fully implemented, signaling a significant compliance and oversight gap. This situation is concerning as weak internal audit systems can lead to mismanagement of resources, financial misstatements, and reduced investor confidence.

Internal audit practices are increasingly recognized as a cornerstone for improving financial performance; however, the extent of their effectiveness in the manufacturing sector remains underexplored, particularly in Rwanda. While studies by Njeru and Irungu (2021) and Kiboi and Mugo (2022) found a positive correlation between audit independence and financial performance in Kenyan firms, their research focused predominantly on service industries, limiting applicability to

manufacturing contexts. Similarly, Mulyungi and Nzabonimpa (2020) investigated Rwandan firms but concentrated on parastatals, revealing internal control challenges but not addressing performance outcomes in private-sector manufacturing firms like Bralirwa PLC. Moreover, research by Uwizeyimana and Mutangana (2023) highlighted that only 46% of Rwandan firms implemented internal audit recommendations effectively, yet failed to link this implementation gap to specific financial performance indicators. Although Nkundabanyanga and Akugizibwe (2022) assessed audit committee effectiveness in Ugandan firms, they emphasized governance outcomes rather than direct financial metrics. These gaps indicate a lack of context-specific, evidence-based research on how internal audit dimensions such as auditor independence, scope, frequency, and follow-up affect financial performance in Rwanda's manufacturing sector. Consequently, Bralirwa PLC provides a suitable case to fill this empirical void and guide policy and practice in strengthening internal audit functions for enhanced financial outcomes.

The purpose of this study is to examine how internal audit practices influence the financial performance of manufacturing companies in Rwanda, with a specific focus on Bralirwa PLC.

II. LITERATURE REVIEW

This research was grounded in Agency Theory, Signaling Theory, Stewardship Theory, and the Modigliani-Miller Theorem to examine the dynamics between corporate governance, capital structure, and financial performance. These theories provide a comprehensive framework for understanding the decision-making processes and value implications within firms.

2.1 Agency Theory

The original theory put out by Jensen and Meckling (1976) examines the dynamic between owners (like shareholders) and agents (like managers). Because it deals with the potential for managers to put their own interests ahead of those of shareholders who want to maximize returns this theory is important in the setting of Rwandan manufacturing enterprises. To lessen the impact of these disagreements, internal control systems which comprise auditing mechanisms are essential. When internal controls are successful, inefficiency, fraud, and mismanagement are reduced, according to agency theory. Better financial results can be achieved when there are robust internal controls in place, according to recent research (Chauhan, 2021).

An important aspect of agency theory is its emphasis on agency costs. These costs include the time and energy spent monitoring and bonding managers to make sure they're acting in the shareholders' best interest. The expenses linked with agency issues can be reduced by implementing efficient internal controls. Nzayisenga and Nsengiyumva (2022) found that even in Rwandan manufacturing companies with still-developing governance structures, a strong internal audit function guarantees accurate financial reporting and efficient use of resources, leading to increased profitability. The premise that agents are essentially self-interested, however, is a major flaw in agency theory since it fails to take into consideration the potential for managers to behave in the organization's and shareholders' best interests in the absence of strict oversight. This can lead to an over-reliance on control mechanisms, potentially stifling innovation and managerial autonomy (Müller, 2023).

Since agency theory highlights the importance of internal controls in coordinating management's activities with shareholder expectations, it is especially relevant to the world of Rwandan manufacturing enterprises. A company's bottom line is directly affected by how well its internal control system works, according to studies. Ssebulime et al. (2020) showed that, similar to Rwandan firms, Ugandan manufacturing enterprises with a strong internal control system significantly increased profitability through the management of financial and operational risks.

Additionally, the theory assumes that monitoring agents through formal controls is the best way to improve performance, which might not always be the case in a rapidly evolving market like Rwanda's manufacturing sector. Studies by Kato and Kato (2022) suggest that while internal controls are important, they must be tailored to the specific operational realities of the company to avoid inefficiencies caused by over-regulation or excessive monitoring. Thus, a balance is necessary to ensure that internal control systems effectively enhance financial performance without restricting managerial flexibility.

Agency Theory offers important insights into how internal controls might improve Rwandan manufacturing enterprises' financial performance. Internal controls assist guarantee that management acts by lowering agency costs through efficient monitoring, which can result in better financial performance. However, agency theory's shortcomings specifically, its over-reliance on formal controls and its limited focus on the principal-agent relationship indicate the need for a more sophisticated approach to internal control design that considers the unique circumstances of Rwandan manufacturing companies. To ensure long-term success in the cutthroat manufacturing industry, more research should examine how these controls might be adjusted to strike a balance between efficiency and creativity.

2.2 Signaling Theory

Signaling Theory, formulated by Spence (1973), posits that information asymmetry occurs between entities, such as firms and external stakeholders, and that firms utilize signals to communicate important information to alleviate this inequality. The notion posits that precise and transparent financial reporting can indicate a company's value and future potential, hence affecting stakeholders' actions. In Rwanda's manufacturing sector, characterized by significant information asymmetry, financial reporting serves as a crucial indicator that can either facilitate or impede a company's capacity to attract investments, obtain finance, and maintain long-term viability (Kamanzi, 2021).

A key strength of Signaling Theory is its ability to explain how companies can use financial reporting to signal their quality and prospects to external parties. By presenting reliable and transparent financial data, companies send positive signals that can improve their reputation. In Rwanda's growing manufacturing sector, a strong emphasis on financial transparency through accurate reporting can help companies differentiate themselves from competitors, making them more attractive to investors and creditors (Musoni & Ruzibiza, 2022). Additionally, realistic financial reports indicate the company's long-term sustainability and facilitate financing. However, a limitation of signaling theory is that it assumes that all signals are interpreted accurately by stakeholders, which may not always be the case. Misinterpretations of financial data or misleading signals can lead to adverse outcomes, such as a loss of investor confidence or legal repercussions (Niyomugabo, 2023).

Signaling Theory's relevance to the study particularly evident in the Rwandan manufacturing context, where the quality of financial reporting is critical in shaping external perceptions. Effective financial reporting can signal managerial competence, operational efficiency, and a company's adherence to financial and regulatory standards. Studies have shown that in emerging markets like Rwanda, accurate financial reporting can positively influence the financial performance of companies by attracting potential investors, reducing capital costs, and enhancing market value. For example, Niyomugabo (2023) found that companies with high-quality financial reports in Rwanda's manufacturing sector experienced better performance due to increased investor trust and reduced risks associated with financing.

A potential weakness of Signaling Theory is its reliance on the assumption that external stakeholders always rely on the signals provided by financial reports to make decisions. In some situations, financial reports may be insufficient to portray the true state of a company's financial performance, particularly when external factors such as market conditions or political instability. Moreover, signaling theory does not account for the possibility that some companies may send "false signals" by manipulating or presenting financial data in a favorable light, leading to misleading perceptions. In Rwanda, where financial reporting standards may still be evolving, the risk of such manipulation could undermine the intended positive effects of financial reports on a company's performance (Kamanzi, 2021).

According to this hypothesis, a company's bottom line can benefit from more trust from investors, less information asymmetry, and lower financing costs if its financial reports are clear, accurate, and consistent. For manufacturing companies in Rwanda, adopting high-quality financial reporting practices is crucial for signaling to stakeholders that the company is a reliable and transparent entity, which in turn can positively affect its financial outcomes.

2.3 Stewardship Theory

According to the Stewardship Theory developed by Davis, Schoorman, and Donaldson (1997), managers are naturally driven to act as stewards, putting the interests of shareholders and the company ahead of their own interests. This viewpoint contrasts with Agency viewpoint, which holds that managers may behave in their own self-interest. In Rwandan manufacturing businesses, Stewardship Theory proposes that managers are more likely to connect their activities with the company's aims if they have a feeling of duty and obligation to stakeholders. Independent assurance, such as external audits or third-party reviews, plays a critical role in this framework because it provides a method for ensuring that managers carry out their stewardship responsibilities successfully and transparently. Independent assurance can improve Rwandan manufacturing enterprises' financial performance by increasing the integrity of financial reports and ensuring that stakeholders believe the information presented (Kigabo & Niyonzima, 2022).

One of the strengths of Stewardship Theory is its focus on building trust between managers and stakeholders. It assumes that managers, given the right conditions, prioritizes the company's success and shareholder value. In the Rwandan manufacturing context, where businesses are often seeking to improve their competitive edge in emerging markets, managers who act as stewards can positively influence the company's financial performance by fostering transparency, operational efficiency, and ethical practices. Independent assurance plays a key role here, as it enhances the credibility of managerial actions and the quality of financial reporting. Independent assurance can strengthen a company's reputation by

reassuring stakeholders that financial statements are accurate and compliant with rules. This can result in lower capital costs, more investor trust, and better financial performance (Baker & Niyonzima, 2023).

However, Stewardship Theory also has its weaknesses. One critique is that it idealizes managerial behavior and assumes that all managers act as stewards, which may not always be the case. In reality, some managers may still be driven by self-interest, especially in environments with weak corporate governance or when they face significant pressure to meet short-term goals. In the Rwandan manufacturing sector, where governance structures are still in the process of being developed, there may be instances in which managers fail to act in the best interests of the company. In such cases, impartial assurance is necessary to hold them accountable. Stewardship Theory emphasizes aligning managers' interests with shareholders', but it ignores external pressures like market volatility and regulatory changes, which can affect a company's financial performance regardless of managerial intentions (Sibomana & Ndayambaje, 2022).

The importance of managers cultivating an atmosphere of trust and openness is emphasized by Stewardship Theory, which is relevant to the research on independent assurance. When independent assurance mechanisms, such as external audits or independent reviews, are in place, they provide an objective check on managerial actions, ensuring that managers are fulfilling their stewardship responsibilities. Research by Sibomana (2021) found that manufacturing companies in Rwanda with robust independent assurance practices exhibited stronger financial performance due to enhanced credibility and accountability. By guaranteeing that managers behave in the best interests of the business and its shareholders, independent assurance thus acts as a tool to strengthen stewardship and enhance financial results.

Despite the strengths, the application of Stewardship Theory in the Rwandan context must consider the potential limitations of managerial trust. In cases where managers may not fully embrace the stewardship role or where external pressures create conflicts of interest, independent assurance remains a necessary safeguard to protect stakeholders and ensure long-term sustainability. As such, while Stewardship Theory provides a solid foundation for understanding managerial motivations in Rwandan manufacturing companies, it must be complemented by effective independent assurance practices to ensure that these motivations are consistently aligned with the company's financial success.

2.4 Modigliani-Miller Theory

The Modigliani-Miller (M&M) Theory, put forth by Franco Modigliani and Merton Miller in 1958, asserts that, in some situations, a company's capital structure has no bearing on its worth. The world of corporate finance was revolutionized by this theorem. The theorem argues that in an ideal market free of taxes, bankruptcy costs, and asymmetric information, the ratio of debt-to-equity financing has no influence on the overall value of a company. Despite several inconsistencies with reality, the theory does establish the groundwork for comprehending how risk, capital structure, and financial performance interact with one another (Nguyen & Ntungire, 2022).

The theorem suggests that in the absence of frictions such as taxes and market imperfections, risk management does not need to be a function of capital structure, implying that manufacturing companies in Rwanda could theoretically operate without needing to adjust their debt-to-equity ratios for financial performance purposes. This aspect of the theory is especially useful in understanding how risk management practices, like diversification or hedging, can mitigate operational and financial risks without necessarily altering a company's financing decisions. Moreover, the theorem has been foundational in modern corporate finance, guiding both academic research and practical decision-making in corporate capital structure (Wandera & Niyonsaba, 2021).

However, a significant weakness of the M&M Theorem is that its assumptions are highly idealized and not fully reflective of real-world conditions. In reality, markets are not perfectly competitive, and there are various frictions such as taxes, transaction costs, and information asymmetries that can influence a firm's financial performance. The assumptions of no bankruptcy costs or taxes, for example, are rarely valid, particularly in the Rwandan context, where financial and tax regulations are evolving, and firms face unique operational challenges. Additionally, the theorem assumes that investors have perfect information, which is often not the case in emerging markets like Rwanda, where information asymmetry can lead to inefficiencies in capital markets. These imperfections can result in capital structure decisions having a tangible impact on a firm's financial performance, especially in risk-sensitive industries like manufacturing (Bakker & Gahigi, 2023).

The M&M Theorem serves as a theoretical foundation for understanding how financial strategies, such as risk hedging and diversification, may not necessarily require a shift in capital structure to optimize performance. Risk management practices in manufacturing firms often aim to mitigate operational risks (e.g., raw material price volatility, exchange rate fluctuations)

that could impact the firm’s profitability. According to the M&M perspective, firms could manage these risks through operational strategies rather than adjusting their financing structure. However, in Rwanda, where manufacturing companies may face significant external risks, such as fluctuations in commodity prices or political instability, financial strategies involving capital structure adjustments could become an essential part of managing these risks effectively, thus influencing the firm’s financial outcomes (Mutabazi & Ntirenganya, 2022).

Despite the weaknesses in the M&M Theorem’s assumptions, it remains highly influential in the analysis of risk management and capital structure in manufacturing companies. In Rwanda, the theorem underscores the importance of recognizing that risk management does not necessarily require altering a company's debt-equity mix to achieve optimal financial performance. However, it also highlights the limitations of this approach in a market characterized by imperfections (Kamanzi & Byiringiro, 2023). Therefore, while the M&M theorem provides valuable insights into the theoretical independence of capital structure from financial performance, its assumptions must be critically evaluated in the Rwandan context, where the real-world complexities of risk management and market imperfections must be taken into account for more accurate conclusions.

III. METHODOLOGY

The study adopted a descriptive and explanatory research design. The descriptive component helped to summarize respondents' views on internal control system, financial reporting, independent assurance, risk management, and financial performance. The explanatory component helped to test how the independent variables influenced the dependent variable. The study was conducted at Bralirwa PLC in Kicukiro District, Kigali, Rwanda. The study focused on the period from 2019 to 2024.

The target population consisted of 133 employees of Bralirwa PLC drawn from internal audit, finance, production, sales and marketing, human resource, and procurement departments. Slovin's formula was used to determine a sample size of 100 respondents. Purposive and stratified random sampling techniques were applied to select respondents with relevant knowledge of internal audit practices and financial performance.

The sample was proportionally distributed across the selected departments to ensure that respondents represented the key functional areas linked to internal audit practices and financial performance.

Primary data were collected using structured questionnaires, while secondary data came from relevant company and documentary sources. The questionnaire used a five-point Likert scale where 1 represented Strongly Disagree and 5 represented Strongly Agree. Data were analyzed using SPSS version 25. Descriptive statistics were presented using frequencies, percentages, means, and standard deviations. Inferential statistics were presented using Pearson correlation, ANOVA, and multiple regression analysis. The regression model was specified as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu \dots \dots \dots (1)$$

Financial performance (Y) is compared to four independent variables: internal control system (X1), financial reporting (X2), independent assurance (X3), and risk management (X4) using a multiple linear regression model. The coefficients β_1 , β_2 , β_3 , and β_4 estimate the impact of independent factors on financial performance, while α represents the baseline performance when all variables are zero. Bryman (2021) states that the error component μ provides for unobserved influences impacting financial performance that are not accounted for in the model. This approach quantifies each factor's impact on the company's financial performance.

Table 1: Reliability Analysis

Variable	Cronbach's Alpha	Comments
Internal control system	0.878	Reliable
Financial reporting	0.944	Reliable
Independent assurance	0.907	Reliable
Risk Management	0.883	Reliable
Financial Performance	0.822	Reliable

Source: **Pilot Data Results** (2026)

All constructs recorded Cronbach's Alpha values above 0.70, confirming that the research instrument was reliable for the main data collection.

IV. FINDINGS AND DISCUSSIONS

This section summarizes, analyzes, and discusses the study's findings on Rwandan manufacturing companies' financial performance and internal audit methods, with a focus on Bralirwa Plc. The chapter opens with the response rate and demographics of respondents, then descriptive information on internal audit methods and financial performance.

4.1 Response Rate

This section presents the response rate that was acquired during the data collection phase of the study. The response rate is the proportion of questionnaires that were completed and returned by eligible participants. A high response rate ensures that the study accurately represents the target population, thereby enhancing the reliability and validity of the findings. You may locate the specifics of the response rate in Table 2, which is situated below.

Table 2: Response Rate

Response	Frequency	Percent
Returned	96	96.0
Unreturned	4	4.0
Total	100	100.0

Source: **Primary data (2026)**

Table 2 displays the study's response rate, which was 96% (96 out of 100 questionnaires sent out) and 4% (four not returned) due to the low number of incomplete or unreturned surveys. This high percentage of responses shows that people were really interested in and involved with the survey, which makes the results more credible and valid. The 96% reached in this study is highly satisfying for statistical analysis and generalization of findings, according to survey research standards (Taherdoost, 2024; Genroe, 2022).

4.2 Correlation Analysis

This section describes the Pearson correlation analysis that was used to find the association between Bralirwa Plc's financial performance and its internal audit practices. Financial reporting, internal control systems, independent assurance, and performance are the variables whose strength and direction are examined in the study. Table 3 shows the results.

Table 3: Correlation Matrix

	Internal control system	Financial reporting	Independent assurance	Risk Management	Financial Performance
Internal control system	Pearson Correlation 1				
	Sig. (2-tailed)				
	N	96			
Financial reporting	Pearson Correlation .606**	1			
	Sig. (2-tailed)	.000			
	N	96	96		
Independent assurance	Pearson Correlation .390**	.350**	1		
	Sig. (2-tailed)	.000	.000		
	N	96	96	96	
Risk Management	Pearson Correlation .646**	.637**	.476**	1	
	Sig. (2-tailed)	.000	.000	.000	
	N	96	96	96	96
Financial Performance	Pearson Correlation .702**	.694**	.265**	.767**	1
	Sig. (2-tailed)	.000	.000	.009	.000
	N	96	96	96	96

** . Correlation is significant at the 0.01 level (2-tailed).

Source: **Primary data (2026)**

The Pearson correlation matrix that analyses the connection between Bralirwa Plc's financial performance and its internal audit methods is presented in Table 3. All four independent variables risk management, independent assurance, financial reporting, and internal control system were positively and statistically significantly related to financial performance at the 0.01 level. In particular, there is a robust positive association between financial performance and internal control systems ($r = 0.702$, $p = 0.000$), suggesting that better internal controls are significantly linked to better financial results. Better reporting procedures boost financial results, as seen by the substantial positive association between financial reporting and financial performance ($r = 0.694$, $p = 0.000$). Effective risk identification and mitigation are crucial to increasing organizational stability and profitability, as demonstrated by the greatest link between risk management and financial performance ($r = 0.767$, $p = 0.000$). Independent assurance, although positively correlated ($r = 0.265$, $p = 0.009$), shows a weaker relationship compared to other variables, indicating that while it contributes to performance, its direct effect may be more indirect or supportive. These findings are consistent with recent empirical studies which emphasize that robust internal control and risk management systems significantly enhance firm financial performance by improving efficiency, accountability, and decision-making quality (Nguyen & Le, 2022; Al-Htaybat & von Alberti-Alhtaybat, 2023).

The significant positive relationships suggest that strengthening internal audit mechanisms enhances financial outcomes through improved governance, transparency, and operational efficiency. The findings align with contemporary research in corporate governance and auditing, which demonstrates that integrated internal audit systems reduce financial risks and improve profitability by strengthening internal controls and reporting quality (Sultana, Singh & Van der Zahn, 2024; Ahmad & Othman, 2021). Additionally, the relatively lower correlation of independent assurance indicates that its impact may be mediated through other audit components such as internal control and risk management rather than acting independently.

4.3 Multiple Regression Analysis

This section presents the findings of the multiple regression analysis that was carried out to determine the combined effect of Bralirwa Plc's internal audit practices on the company's financial performance. Examining how financial performance affects risk management, independent assurance, financial reporting, and internal control systems is the focus of this study. A summary of the model is provided in Table 4 below.

Table 4: Combined Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.849 ^a	.721	.708	.16097	2.399

a. Predictors: (Constant), Risk Management, Internal control system, financial reporting, independent assurance
 b. Dependent Variable: financial performance

Source: Primary data (2026)

The combined model from the multiple regression analysis is shown in Table 4. This model looks into how internal audit methods affect Bralirwa Plc's financial performance. As shown by the correlation coefficient ($R = 0.849$), there is a strong positive relationship between the independent variables internal control system, financial reporting, independent assurance, and risk management and financial success. Internal audit methods are responsible for 72.1% of the differences in financial performance, as shown by the coefficient of determination ($R^2 = 0.721$). After taking into account the number of predictors, the Adjusted R^2 of 0.708 further supports the model's trustworthiness. The regression model fits well, as shown by the standard error of 0.16097. This means that the predicted values are very close to the actual values. The Durbin-Watson statistic of 2.399 indicates that there is no significant autocorrelation in the residuals, thereby affirming the reliability of the regression estimates. These findings are consistent with recent empirical studies which show that strong internal audit systems significantly enhance financial performance by improving governance, efficiency, and risk mitigation in manufacturing firms (Mensah & Agyapong, 2022).

Table 5: Combined ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.080	4	1.520	58.662	.000 ^b
	Residual	2.358	91	.026		
	Total	8.438	95			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Risk Management, Internal control system, financial reporting, independent assurance

Source: Primary data (2026)

Table 5 displays the combined ANOVA results utilized to assess the overall significance of the regression model investigating the impact of internal audit practices on the financial performance of Bralirwa Plc. The results demonstrate that the regression model holds statistical significance, evidenced by an F-statistic of 58.662 and a p-value of 0.000, which is below the 0.05 significance threshold. This indicates that the independent variables of the internal control system, financial reporting, independent assurance, and risk management collectively exert a significant influence on financial performance. The regression sum of squares (6.080) significantly exceeds the residual sum of squares (2.358), suggesting that a considerable portion of the variation in financial performance is accounted for by the model. The mean square regression (1.520) in comparison to the mean square residual (0.026) further validates the robustness and explanatory capability of the model. Empirical studies that highlight the significant impact of integrated internal audit practices on firm performance, particularly in enhancing efficiency, accountability, and the quality of financial decision-making within manufacturing organizations (Okeke & Uche, 2022; Njoroge & Kimani, 2024).

Table 6: Coefficient results for all Variables

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	1.168	.315		3.711	.000
	Internal control system	.269	.071	.292	3.773	.000
	Financial reporting	.238	.068	.264	3.469	.001
	Independent assurance	-.195	.070	-.177	-2.785	.007
	Risk Management	.433	.073	.494	5.970	.000

a. Dependent Variable: Financial performance

Source: **Primary data, (2026).**

Financial performance = 1.168 + 0.269 Internal control system + 0.238 Financial reporting - 0.195 Independent assurance + 0.433 Risk Management

The model coefficients used to find out how each internal audit practice affected Bralirwa Plc's financial performance are shown in Table 6. The results show that the internal control system has a big and positive impact on financial success (B = 0.269, $\beta = 0.292$, $p = 0.000$). This means that better internal controls lead to better financial results. An important and positive effect is also seen in financial reporting (B = 0.238, $\beta = 0.264$, $p = 0.001$), which means that more accurate, clear, and compliant reporting leads to more money. The strongest positive benefit is seen in risk management (B = 0.433, $\beta = 0.494$, $p = 0.000$), which means that finding and reducing risks effectively greatly improves financial performance. Other recent studies (Abdullah & Hassan, 2023; Mwangi & Wanjiru, 2024) also show that strong internal control systems, good financial reporting, and good risk management practices make manufacturing companies much more profitable and efficient. These results back this up.

The results also show that independent assurance hurts financial success in a way that is statistically significant (B = -0.195, $\beta = -0.177$, $p = 0.007$), showing that the relationship is the opposite of what it seems. This could mean that there are inefficiencies, delays, or costs connected with external assurance efforts that could temporarily hurt the company's financial performance. When all predictors stay the same, the constant value (B = 1.168) shows the level of financial success that is normal. Overall, the model confirms that internal audit practices jointly influence financial performance, with risk management emerging as the most influential predictor. These findings align with contemporary research which suggests that while internal controls, reporting, and risk management enhance performance, the effectiveness of independent assurance may depend on implementation efficiency and organizational context (Olowokudejo, Adebayo & Yusuf, 2022; Kibet & Cheruiyot, 2025).

V. CONCLUSION

The findings indicate that strong internal control practices, including effective documentation, regular review of procedures, clear communication, adequate resource allocation, and management commitment, contribute to improved organizational efficiency and financial discipline. Effective internal control systems, as a result, promote greater financial performance, lower operational risks, and increase responsibility.

The study concludes that financial reporting practices positively affect the financial performance of Bralirwa Plc. The results show that transparency, accuracy, compliance with accounting standards, timely reporting, and adequate disclosure improve

decision-making and strengthen stakeholder confidence. It is therefore concluded that high-quality financial reporting enhances organizational credibility and plays a key role in improving financial performance.

The study concludes that independent assurance contributes positively to the financial performance of Bralirwa Plc, although its direct effect is relatively weaker compared to other internal audit practices. Independent audits enhance compliance, improve transparency, support fraud detection, and strengthen governance structures. However, the findings suggest that its impact on financial performance is more indirect, mainly through strengthening other internal control mechanisms and improving accountability systems.

The study concludes that risk management has a strong and significant positive effect on the financial performance of Bralirwa Plc. Effective risk identification, assessment, mitigation, and compliance with risk policies contribute to reduced financial losses and improved operational efficiency. It is therefore concluded that risk management is the most influential internal audit practice in enhancing financial performance by ensuring stability, protecting organizational assets, and supporting informed decision-making.

VI. RECOMMENDATIONS

The study suggests that in order to ensure that manufacturing firms in Rwanda adhere to internal audit standards, regulatory authorities and policymakers should enhance corporate governance frameworks. Policies should be developed to enhance the independence and effectiveness of audit functions, ensuring that internal and external audits operate without interference from management. Furthermore, regulators should promote standardized financial reporting practices in line with international accounting standards to improve transparency and comparability of financial information. It is also recommended that policies supporting enterprise risk management be reinforced to ensure that organizations systematically identify, assess, and mitigate risks in a structured and accountable manner.

Further research should investigate the moderating or mediating factors that influence the relationship between financial performance and internal audit practices, including organizational culture, technological adoption, and leadership style. Additionally, future research could adopt a longitudinal approach to examine changes in internal audit practices and financial performance over time. Researchers may also consider qualitative studies to gain deeper insights into how internal audit mechanisms influence decision-making processes and organizational outcomes.

ACKNOWLEDGEMENTS

The author expresses sincere appreciation to Dr. Osiemo Kengere for his professional guidance, valuable advice, and continuous support throughout the research process. Special appreciation is also extended to Rukundo Jotham for his support and assistance during the publication process. Appreciation is further extended to the lecturers of Mount Kenya University, MBA colleagues, family members, and all respondents who contributed to the successful completion of this study.

REFERENCES

- [1] Abdullah, M., & Hassan, R. (2023). Internal audit practices and firm performance in emerging economies. *Journal of Accounting and Organizational Change*, 19(2), 210–228.
- [2] Ahmad, S., & Othman, R. (2021). Internal audit effectiveness and corporate performance: Evidence from emerging economies. *Journal of Financial Reporting and Accounting*, 19(4), 612–630.
- [3] Al-Htaybat, K., & von Alberti-Alhtaybat, L. (2023). Corporate governance, auditing, and financial performance linkages. *Accounting Forum*, 47(2), 145–162.
- [4] Baker, A., & Niyonzima, R. (2023). The impact of independent assurance on financial performance in Rwandan manufacturing firms. *Rwanda Journal of Business*, 22(2), 45–62.
- [5] Bakker, J., & Gahigi, J. (2023). The role of capital structure in mitigating financial risk in Rwandan manufacturing companies. *Rwanda Journal of Business*, 24(1), 31–47.
- [6] Bryman, A. (2021). *Social research methods* (6th ed.). Oxford University Press.
- [7] Chauhan, M. (2021). The impact of internal control systems on corporate governance in Rwanda. *International Journal of Finance and Accounting*, 12(4), 22–38.

- [8] Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review*, 22(1), 20–47.
- [9] Genroe. (2022). *What is an acceptable survey response rate?* <https://www.genroe.com/blog/acceptable-survey-response-rate>
- [10] Institute of Internal Auditors–Rwanda. (2022). *Internal audit effectiveness in Rwanda's industrial sector: Annual report 2022*. Institute of Internal Auditors–Rwanda.
- [11] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- [12] Kamanzi, G. (2021). Financial reporting and its impact on investment decisions in Rwandan manufacturing firms. *Rwanda Journal of Business*, 20(1), 35–52.
- [13] Kamanzi, G., & Byiringiro, J. (2023). Risk management practices and their impact on the financial performance of manufacturing companies in Rwanda. *International Journal of Finance and Management*, 18(2), 75–91.
- [14] Kato, M., & Kato, T. (2022). Internal controls and their impact on corporate performance in the manufacturing sector. *Journal of Business and Economics*, 15(3), 47–59.
- [15] Kibet, P., & Cheruiyot, S. (2025). Audit quality and financial performance in manufacturing firms. *International Journal of Finance and Accounting Studies*, 13(1), 45–62.
- [16] Kiboi, J. K., & Mugo, R. (2022). Internal audit independence and financial performance of selected companies listed at the Nairobi Securities Exchange. *Journal of Finance and Accounting*, 6(2), 24–32.
- [17] Kigabo, S., & Niyonzima, J. (2022). Independent assurance and its effects on corporate performance in Rwanda's manufacturing sector. *International Journal of Accounting and Finance*, 14(3), 89–102.
- [18] Mensah, E., & Agyapong, D. (2022). Corporate governance mechanisms and firm performance in Africa. *African Journal of Economic and Management Studies*, 13(4), 512–529.
- [19] Müller, S. (2023). Reassessing the role of internal controls in the agency theory framework: A critique. *International Review of Business and Economics*, 31(1), 51–69.
- [20] Mulyungi, P., & Nzabonimpa, J. P. (2020). Internal control systems and financial performance of government business enterprises in Rwanda. *International Journal of Management and Commerce Innovations*, 8(1), 1280–1288.
- [21] Munyemana, F., & Nkundabanyanga, S. K. (2021). Internal audit function and financial performance of manufacturing firms in East Africa. *African Journal of Accounting, Auditing and Finance*, 10(4), 365–381.
- [22] Musoni, E., & Ruzibiza, M. (2022). The role of transparent financial reporting in improving financial performance in Rwanda's manufacturing sector. *East African Journal of Economics and Finance*, 5(2), 67–81.
- [23] Mutabazi, P., & Ntirenganya, A. (2022). Financial risk management and performance in the manufacturing sector: A case study of Rwanda. *East African Journal of Economics*, 8(3), 23–40.
- [24] Mwangi, J., & Wanjiru, F. (2024). Risk management practices and financial performance of firms in East Africa. *African Journal of Business Research*, 18(3), 301–318.
- [25] Nguyen, A., & Ntungire, G. (2022). The Modigliani-Miller theorem and its application in emerging economies: Evidence from Rwandan manufacturing. *Journal of Corporate Finance*, 11(4), 96–98.
- [26] Nguyen, H., & Le, T. (2022). Internal control systems and firm performance: Empirical evidence from manufacturing firms. *International Journal of Accounting & Information Management*, 30(3), 401–418.
- [27] Niyomugabo, F. (2023). The effect of financial reporting on the performance of manufacturing companies in Rwanda. *International Journal of Business and Financial Management*, 18(4), 43–59.
- [28] Njeru, A. W., & Irungu, J. K. (2021). The influence of internal audit practices on financial performance of state corporations in Kenya. *International Journal of Economics, Commerce and Management*, 9(4), 36–47.

- [29] Njoroge, M., & Kimani, J. (2024). Internal audit systems and financial performance of manufacturing firms in emerging economies. *African Journal of Accounting, Auditing and Finance*, 9(1), 33–50.
- [30] Nkundabanyanga, S. K., & Akugizibwe, P. (2022). Audit committee effectiveness and corporate governance disclosure: Evidence from Uganda. *Journal of Accounting in Emerging Economies*, 12(3), 389–408.
- [31] Nzayisenga, R., & Nsengiyumva, J. (2022). The effect of internal audit practices on the financial performance of manufacturing companies in Rwanda. *Rwanda Journal of Business*, 18(2), 72–90.
- [32] Okeke, C., & Uche, D. (2022). Corporate governance and firm performance: Evidence from African manufacturing companies. *Journal of Business and Management Studies*, 8(2), 112–128.
- [33] Olowokudejo, F., Adebayo, T., & Yusuf, L. (2022). Internal audit effectiveness and corporate performance. *Journal of Financial Governance*, 7(4), 155–170.
- [34] Rwanda Governance Board. (2023). *Annual governance and corporate compliance report 2022/2023*. Rwanda Governance Board.
- [35] Sibomana, E., & Ndayambaje, R. (2022). Stewardship and financial performance: The role of independent assurance in Rwandan manufacturing companies. *Journal of Business Research*, 18(1), 55–72.
- [36] Sibomana, S. (2021). The role of external audits in improving financial transparency in Rwanda's manufacturing industry. *East African Journal of Business and Management*, 6(4), 50–64.
- [37] Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics*, 87(3), 355–374.
- [38] Ssebulime, S., Nabukeera, S., & Amanyire, E. (2020). The role of internal control systems in improving financial performance in Uganda's manufacturing firms. *East African Journal of Business and Management*, 7(1), 15–29.
- [39] Sultana, N., Singh, H., & Van der Zahn, J. (2024). Audit quality and financial performance in corporate governance frameworks. *Journal of Accounting Literature*, 56(1), 88–110.
- [40] Taherdoost, H. (2024). The impact of survey response rates on research validity and reliability. In *Design and validation of research tools and methodologies* (pp. 183–212). Springer.
- [41] Uwizeyimana, D., & Mutangana, S. (2023). Challenges in internal audit implementation among private companies in Rwanda. *Rwandan Journal of Business and Economics*, 7(1), 55–68.
- [42] Wandera, F., & Niyonsaba, H. (2021). Analyzing the effects of capital structure on risk management and financial performance of manufacturing companies in Rwanda. *Journal of Business Research*, 19(2), 67–82.