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The Impact of Internal Control System on the Financial Accountability of Non-Governmental organisations in Nigeria: Evidence from the Structural Equation Modelling

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ABSTRACT

This study examines the impact of internal control system (ICS) on financial accountability of Non-Governmental organisations (NGOs) in Nigeria. Data was collected from primary source through the administration of three hundred and fifty-two (352) questionnaires distributed to the respondents that were selected through multi-stage sampling techniques of forty-four different NGOs in North-Western Nigeria. Data retrieved from the survey were analysed using multiple regressions analysis and the PLS in bound structural equation modelling technique. The findings of the study revealed how ICS is found to be having the significant potencies of enhancing or derailing the quality of services rendered by the NGOs and has the combined effects of predicting proper accountability in NGOs, taking all factors constant. In addition to the foregoing, the study discovered how a 1% decrease in risk assessment results to 0.155 increases in proper accountability in NGOs and vice versa. Failure of government to provide NGO regulatory laws and agencies or boards as well as the inactive participation of government in generating counterpart funding, poor attitude towards strengthening and sustainability of services often times result to poor service delivery to the targeted beneficiaries. As a result of these findings, it is recommended that government should support NGO intervention actively through the provision of counterpart funding, making policies that will be impactful in strengthening the activities of NGOs. The study also discovered that NGOs need to prioritize employees' welfare and development as they are the agents of change. Additionally, donors and funding agencies should strengthen their evaluation processes more through periodic audit and on spot assessment in a bid to strengthen financial performance reporting.

Keywords: Internal Control System, Non-Governmental organisations, Proper Accountability, Staff Welfare, Cross Sectional Models, PLS-SEM
JEL Classifications: L31, L78, I31, C42.

1. INTRODUCTION

Non-Governmental organizations (NGOs) in Nigeria have been playing significant roles in strengthening governmental inadequacies through the rendering of social services to the citizenry. They have done excellently well in strengthening adult education, making people have access to quality health services, they are advocates of poverty eradication among the working population, gender equality and economic empowerment among others. It is a point to be noted that the level of participation of NGOs is declining as levels of government in Nigeria are not having political will to strengthen and sustain some of the interventions by NGOs after the close-out of the projects. NGOs intervention programs in North-west Nigeria are enormous as the geo-political zone have high prevalence of health challenges ranging from malnutrition, HIV/Aids, TB, Malaria, Polio among others. Level of literacy is worrisome in the zone as many of their children are out of schools as reported by UNICEF (2017). NGOs have become a highly observable component of civil society and are now significant troupe in the fields of human rights, the environment

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and social development at local, national and transnational levels. They are increasingly persuasive in communities and grassroots activities, in policy making, planning and implementation (See Willet, 2009; Ramadan and Bogonovi, 2015).

Notwithstanding that and despite the magnitude of NGOs activities in Nigeria, they do face some challenges which stalled their objectives. Some are experiencing financial constraints, leadership problems, insecurity, tribalism and nepotism and above all corruption issues. Furthermore, Ngeh (2013) acknowledged corruption as the major impediment to humanitarian sectors in Nigeria. His assertion is justified as there is large scale misappropriation, larceny of funds (gifts and dues) and other unprogressive activities. The incidence of widespread corruption confines their scope of activities and impedes the growth of NGOs in Nigeria. It is interesting to know that many NGOs could not obtain grants to strengthen and sustain their activities, many that are awarded grants by donors are being asked to refund unallowable and ineligible expenses incurred for non-conformity to their approved budget. In the findings of, World Association of NGOs (WANGO, 2004), it stated that NGOs have requirements to commit themselves for betterment of the targeted beneficiaries in conformity to the code of ethical conduct. They have the bond to be transparent, honest, accountable, and ethical, to disclose accurate and reliable information in the interest of the stakeholders. However, in the year 2000 to 2013, there have been calls from stakeholders for NGOs to be transparent and proactive in their performance reporting owing to the recent operational and financial outrages involving transnational and NGOs across board. Procurement fraud of USD 20,000 in Oxfam's Acehoperations resulted in corrective action being taken against 22 employees in Indonesia in the year 2006.Theft of more than USD 1 million of foodstuffs (intended for targeted beneficiaries) by three World Vision International employees between 2005 and 2007.

With reference to Global Fund Audit Report (2011), HIV/AIDs related grants amounted to US$ 182 million under the supervision of the NACA, Yakubu Gowon Centre (YGC) for International Co-operation, the Society for Family Health and the Association for Family Health were not well accounted for. NACA's grant was not renewed as a result of poor performance against their deliverables, a derisory M and E system, data irregularity as well as tardy and unsatisfactory reporting by the PR. (Global Fund Audit Report, Nigeria, 2011). YGC could not provide adequate supporting documents to transactions worth US$ 2,172,712. NMCP and CiSHAN's managements could not substantiate the basis for management fees allocated to the program amounting to US$659,905 during Global Fund Audit in 2011 in consequence of weak functioning internal control systems (ICS) instituted in the above NGOs. In addition to the foregoing development, Cases of fraud and unprofessional conduct in Norwegian Refugee Council's Bajaur Agency operations resulted to the relief from duty of 16 employees including two senior managers and the surrogate of the agency's coordinator in Pakistan in the year 2012. Fraud and theft occasioned in the jailing of Oxfam's former head of counter-fraud for the mismanagement of >£64,000 while investigating alleged cases of fraud committed by aid workers in Haiti in the year 2014 to mention few (Jeremy, 2015).

Control frameworks instituted by some NGOs were not functioning to the fullest as Global fund Audit 2011 reported. Many diverted funds to serve other concern outside the scope and work plans and there were cases of overstated expenses, inadequate documentation, and wasteful inventory management practices which were traceable to weak functioning control system instituted. To this end, establishing well-functioning ICS enhances performances of humanitarian sectors as their goals will be actualized in harmony with the stakeholders' interests. ICS tends to prevent mismanagement of donors' funds, enhances proper accountability to the stakeholders, strengthens quality financial reporting and sustains organization over years. NGOs with well-functioning ICS are financially stable and tend to grow over the years as the donor agencies award to them arrays of projects for implementation to the targeted beneficiaries with the recommendations from the stakeholders.It is in view of this therefore that this study examined the effectiveness of ICS in relation to the accountability of selected NGOs in North-West Nigeria.

Apart from the foregoing development, Ayom (2013) conducted a study on Management Sciences for Health South Sudan between 2011 and 2013 where he disclosed a high level of mismanagement of funds in their operations. The author reported cases of overstated workshop activities/expenses, fictitious receipts and unsatisfactory support documentations. Global Fund Audit (2011) also reported that YGC for International Co-operation (YGC)'s financial record-keeping was deficient with transactions worth US$ 2,172,712 not supported with appropriate documentation. This necessitated to their financial statements being prepared contrary to best practice. National Agency for Control of HIV/AIDS (NACA) Round 1 grant was unable to secure extension due to poor performance against set targets, insufficient monitoring and evaluation system and deficient reporting as indicated in the Global Fund Audit 2011. About US$ 19.2 million were set to be recovered by Global Fund from grants in eight countries in which US$ 17 million of these grants was reported to for those tasks and assigned responsibilities that are poorly accounted for, not budgeted in the work plan, or fall within the Global Fund's recent definition of unallowable expenses. In consequence, many NGOs failed to give good account of stewardship to the stakeholdersas a result of weak functioning ICS.

Furthermore, many NGOs had issues with funding agencies by not disclosing accurate records and transactions as a result of ineffective internal controls in practice in their organisations. An effective ICS promotes proper accountability and strengthens quality financial reporting to the stakeholders as reasonable control systems instituted brings about consistency in successful operation in the area of procurement, good inventory management practices, engagement of consultant and outsourced staff, payment and banking, travel and logistics, payroll and accounting which have multiplier effects on the accountability and quality financial reporting to the stakeholders. Some indigenous and transnational humanitarian organisations ceased from existence as a result of negative feedback that the targeted beneficiaries reported to the funding agencies as evidenced by poor service rendered by some NGOs. An adequate ICS helps in the sustainability of the NGOs as the organizations tend to be financially stable, renders better and quality service to the targeted communities, prioritise employees'

satisfaction and development in accomplishing the organizational objectives. Admittedly, NGOs that instituted sound ICS often work in partnership with governments and well to do individuals before close-out of the project handed over to them for the services solidification and sustainability.

Moreover, an extensive review of the past studies on the ICS and performance in NGOs revealed that there exist literature, geographical, methodological and time frame gaps. Studies of Michina (2011), Bongani (2013), Etengu and Margaret (2016) mostly focused on the internal controls and financial performance of NGOs in Kenya, Zimbabwe and Uganda respectively. Above studies are constricted in their choice and focus of the variables involved as they essentially employed control environment, control activities and monitoring as the predictor variables while budget performance, financial reporting and accountability were considered as performance variables or proxies without considering non-financial performance. Ayom (2013) differently conducted a study in South-Sudan considering financial and non-financial performance. Above studies are not adequately reflecting the peculiar nature of NGOs in Nigeria. Apart from the above highlights, there is need for research work in general on the internal controls system and performance of NGOs in the area of accountability and financial reporting in Nigeria as available studies covered more on financial institutions, public parastatals and tertiary institutions in Nigeria. It is upon these evidences that this study filled the knowledge gap by examining ICS holistically considering its five components and measured performance of NGOs in terms proper accountability and quality financial reporting in the selected forty-four (44) NGOs in North-west Nigeria.

The general objective of this study is to examine the impact of ICS on accountability of NGOS in Nigeria. This study has the following specific objectives:

i. To establish the relationship between ICS and accountability of NGOs in Nigeria.
ii. To determine the nature of the relationship between ICS and financial reporting of NGOs in Nigeria.

2. LITERATURE REVIEW

Eric and Faisal (2007) described NGOs as private organizations "characterized predominantly by humanitarian or cooperative, rather than commercial, objectives that pursue activities to relieve suffering, promote the interests of the disadvantaged ones, provide basic social services, or undertake community development in developing countries. Ali (2005) stressed the fact that NGOs are expressions of people's acceptance that through their own creativity can improve their potential by working together, in so doing reduce the opportunity gap which exists between the advantaged and disadvantaged ones in the society. This implies engaging and empowering people, rather than either leaving them to fend for themselves or consigning them to the role of the helpless client of institutions.

In the views of Konteh (1999), th equality of non-governmental organizations as an effective check to state power and dynamic agents of grassroots empowerment and development has been recognized by successive governments since independence. NGOs will continue to play a principal role in the preferment of good governance, poverty alleviation, education, health, infrastructural development, human rights, peace building and conflict prevention. Zahir (2004) further acknowledged the following as the roles of NGOs in nation building; development and positioning of infrastructures; supporting innovation, demonstration and pilot projects; simplifying communication; technical assistance and training; research, monitoring and evaluation; advocacy for and with the poor. In his view, NGOs nationally and transnationally indeed have a crucial role in serving and heartening governments into taking the actions to which they have given support in international forum. Increasingly, NGOs are able to push around even the largest governments. They are now essentially important actors before, during, and increasingly after, governmental decision-making sessions.

Caplan (1999), internal controls are anticipated to help prevent and detect accidental errors, and employee wrong doing, but they do not directly dissuade management fraud. The internal control framework can only help the entity to achieve its goal but it cannot ensure the success of the company or its future existence. These aspects are subjective by elements such as the quality of managers, changes to the external environment or cooperative conditions, elements outside the control of management. Liu (2005) in his opinion, stated that ICS is considerable to the organization as it spots error and fraudulence, decreases illegitimate conduct, improves the competitiveness of a business entity, improves the quality of data and it reduces auditors fees. Beasley (2010) in his assertion, a system of internal control consists of policies and measures considered to provide management with representative assurance that the organization achieves its objects and goals. These policies and procedures are frequently called controls, collectively the make up the entity's internal control. Management typically has three broad objectives in designing an effective ICS: Reliability of financial reporting, Efficiency and effectiveness of operations and Compliance with laws and regulations. Poubel (2009) asserted that among the main purposes of the existence of an internal control, five stands out more importantly: Security in the action carried out and collecting appropriate information, upholding operational efficiency of the organ, stimulating obedience and respect of policies adopted, protecting assets and inhibiting corruption.

Committee of Sponsoring Organizations of the Tread Way Commission (2013) stated the five elements of internal control that need to be employed and incorporated into the business procedures to ensure that the overall business ideas are met must be integrated in the management process. The five elements are control environment, risk assessment, control activities, information and communication and monitoring activities. The five elements are control environment, risk assessment, control activities, information and communication and monitoring activities. Committee of Sponsoring Organizations of the Tread Way Commission (2013) defined the control environment as the basis of all the other mechanisms of internal control and sets the tone of an organization, inducing the control consciousness of its people. Control environment factors include the integrity, ethical values and proficiency of the entity's people; management's philosophy and operating style; the way management allocates authority and responsibility, and organizes and develops its

people; and the attention and direction provided by the board of directors. Mawanda (2008) affirmed that the control environment is considered as the most noteworthy component around which all the others operate. His arguments stemmed from the fact that control environment bothers on factors such as integrity, ethical values, commitment and competence which form the basis of the control consciousness of management and all employees' performing their duties assigned them. Control environment helps to regulate the risk level and the type of organizational structure in place with clearly defined roles. It therefore provides the framework within which the other mechanisms are built. On the contrary, however, these arguments are flawed by factors such as laughable supervisory roles and supersede of controls which all lead to weakened controls. All organisations face variety of risks from external and internal sources that must be assessed. A prerequisite to risk assessment is the establishment of objectives, linked at different levels and internally consistent (Committee of Sponsoring Organizations of the Tread Way Commission, 2013). Risk assessment component deals with the critical evaluation of factors that affect the possibility of not achieving anticipated consequence (Ndungu, 2013).

It is the identification and analysis of relevant risks to success of the objectives, forming a basis for determining how the risks should be managed (Committee of Sponsoring Organizations of the Tread Way Commission, 2013). Committee of Sponsoring Organizations of the Tread Way Commission (2013) defines control activities as the policies and processes that help ensure management directives are carried out. Mawanda (2008) describes control activities as basically policies, procedures and general rules an organization put in place to ensure that all directives set up my management are dully followed. They help ensure that necessary actions are taken to address risks to attainment of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of events as diverse as approvals, authorizations, verifications, reconciliations, assessments of operating performance, security of assets and segregation of duties. In theory, it is argued that one single person should initiate and complete transaction all by him or herself. Information and communication is the aspect of the internal control fundamentals which involves that all apposite information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems turn out reports, containing operational, financial and compliance-related information, that make it possible to run and control the business (Committee of Sponsoring Organizations of the Tread Way Commission, 2013). They deal not only with internally generated data, but also information about external events, activities and conditions required to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization.

However, Ndungu (2013) argued that authenticating pertinent information is not enough but should be supported by effective communication within the entire organization. In other words, there should be broad communication channels and medium that ensures that information flows easily from top, down and across all sections in the entity (Badara and Siti, 2013). They also need to be operative communication with external parties, such as customers, suppliers, regulators and shareholders. According to Theophanis et al. (2011), information and communication is one of the most influenced machineries of internal control because of its standing and ability to underpin good working relationships at all levels in the organization. Monitoring is the process that measures the quality of the organisations system's performance over time. Monitoring controls are controls designed with the primary aim of ensuring that the ICS put in place continue to work as intended. This is achieved through continuing monitoring activities, separate evaluations or a combination of the two (Committee of Sponsoring Organizations of the Tread Way Commission, 2013). Ongoing monitoring must occur in the course of operations. It must include consistent management and supervisory activities, and other actions personnel take in performing their duties. The scope and regularity of separate evaluations primarily depend on an assessment of risks and the effectiveness of ongoing monitoring procedures.

Any insufficiency in the internal control should be reported to the appropriate level higher in the chain of command for corrective actions, with serious matters reported to top management and the board. Internal control is most effective when controls are built into the entity's infrastructure and is a part of the heart of the enterprise. Ineffective and overdue corrective responds from management reduces the credibility of the monitoring exercise. The concept of accountability has been variously viewed by scholars. Najam (1996) in his conceptual framework for NGO accountability distinguished three categories of accountability considerations: NGO accountability to patrons, NGO accountability to clients, and NGO accountability to themselves. Davidson (2007) opined that accountability is the governance of the organization, its financial integrity (book-keeping, auditing system and use of funds), organization consistency and capacity (policies, process and management system, performance effectiveness, access by stakeholders to information about the organization and the organization responsiveness to complaints. However, Ebrahim (2003) in his view, accountability mechanisms used by NGOs are reports and disclosure statements, performance assessments and evaluation, participation, self-regularity and social audit. These accountability mechanisms are not in place in some of NGOs in Nigeria. The stakeholder approach identifies at least four possible categories of stakeholders for NGOs: Those who shape an NGO's operating environment (governments, donors), those internal to the organization (staff, boards, supporters, subsidiaries, local partners), civil society at large (social movements, the general public, other NGOs), and those that NGOs often try to affect (beneficiaries, private sector, global institutions, governments to mention few) (Ebrahim, 2003; Kovach et al., 2003, Sustainability and the Global Compact, 2003).

As Schedler (1999) noted, accountability represents an underexplored concept whose meaning remains evasive, whose boundaries are fuzzy, and whose internal structure is confusing. General definitions of accountability include the obligation of individuals or agencies to provide information about, and/or justification for, their actions to other actors. In his opinion, essence of accountability is answerability; being accountable means having the obligation to answer questions regarding decisions or actions. It is interesting to know that, a number of arguments are frequently put forth in favour of improved NGO accountability. Accountability has the potential

to increase the trust and commitment of stakeholders (Sustainability and the Global Compact 2003) because it can prove an organization's effectiveness and demonstrate whom the organization represents. It thereby increases the NGO's legitimacy. Accountability can increase organizational performance and learning (Brown et al., 2003). Accountability may help counter criticisms that NGOs are "secretive, undemocratic in their decision-making and have less than rigorous standards of governance" (Adair, 2000). ICS ensures that NGOs amplify the scope of risk assessment to consider whether their programmes are vulnerable to theft or misappropriation of funds or in-kind goods by warring parties, real or perceived inequities in the distribution of aid and sexual abuse and exploitation of beneficiaries by agency or partner staff.

While every situation is different, in all cases NGOs have to balance their commitment to humanitarian principles with the need to control the risk of corruption so as to be truly accountable to their beneficiaries and donors. They should also be transparent with stakeholders about these challenges, and how they may affect decisions about whether or not to continue their work. NGOs should strive for openness and honesty internally and toward donors and members of the public. Periodic accountings should be made. In essence, NGO should be transparent in all of its dealings with the government, the public, donors, partners, beneficiaries, and other interested parties, except for personnel matters and proprietary information. That is, NGO's basic financial information, governance structure, activities, and listing of officers and partnerships shall be open and accessible to public scrutiny and the NGO is to make effort to inform the public about its work and the origin and use of its resources. They should be responsible for their actions and decisions, not only to its funding agencies and the government, but also to the people they serve, their staff and members, partner organizations, and the public at large (Ali, 2005).

Mark (2015) stated that, It is vitally important for an NGO to ensure that the aids it receives from various donors or funding agencies are used according to their purposes and that no amount or quantity is accidentally side tracked for other purposes or activities. To actualize this hence, internal controls are essential to safeguard all assets of the NGO, improve consistency of the accounting data, improve agreement with applicable laws or contractual obligations, promote operational efficiencies, and meet the needs of stakeholders. He came up with the humanitarian aid resource and delivery framework to complement his assertion stressing on the overall aid cycle and the key processes within it, from the donor to the recipient for the receipt of donations to the procurement, delivery, disbursement, acceptance and accounting of relief goods and services See also Ming and Wang (2009) for similar assertion. The whole aid framework is broken into three cycles, and the requisite controls are embedded within each business process. In his view, expenditure cycle includes procuring, delivering, disbursing, accounting and reporting of aid delivery; also includes human capital, services and other resources used in the delivery of aid. Receipt cycle includes establishing agreements between donors and the NGO; collecting aids in accordance with objectives and agreements. Requisition cycledeals with telling the donors what and how much they need as well as acknowledging receipt of aid given. In the same vein, Ntongo (2012) agreed to this assertion that sound internal control facilitates the accomplishment of objectives. However, to make more meaning, he categorized the controls into two main forms. First type is the accounting controls which are controls of safeguarding assets which eventually ensure accurateness in financial records. The second type accordingly, is the functioning or administrative controls and they are primarily considered to provide and develop operational efficiency and compliance to policies, laws and procedures.

2.1 Theoretical Framework

This research considered two theories: The first theory considered in this study is the agency theory which was considered by many to be a conventional view of control. Agency theory provides a primarily economic explanation for the design and form of control systems. The second theoretical orientation is the institutional theory that offers a contrasting explanation for the development and form of control systems and uses a perhaps more sociological approach. According to agency theory, the firm is viewed as a connection of contracts between different stakeholders of the organisation (Jensen and Meckling, 1976). Thus, the owners and executives of an organisation may have differences in opinion with regard to the best interests of the organisation. Consequently, executives may be seen as using organisations to get as much as they can at the expense of the owners. Agency theory explains the submission of controls as being principally based on economic cost benefit analysis, where controls are installed in order to reduce information irregularities between principals and owners.

Additionally, the theory has been used to explain demands for monitoring controls such as the financial statement audit, external directors on boards and committees, audit committees, internal audit and compensation schemes (Arwinge, 2013). Thus, internal controls, financial reporting, budgeting, audit committees, and external audits are some of the many mechanisms used in business to address agency hitches (Jensen and Payne, 2003). Policy-makers and control professionals can also be expected to find agency theory more supportive in diagnosing situations and designing controls. This theory is relevant to this study as it considers the relationship between stakeholders (donors, donor agencies among others) and non-governmental organizations. More so, this theory strengthens NGOs' operation as rendering account of stewardship to the stakeholders (performance reporting) determines the sustainability of NGOs.

Above all, institutional theory by Fagorty (1996), an organization is designed and functions to meet social expectations in so far as its operations are visible to the public. Therefore organizational internal operations, which are often complex and difficult to identify, may take second place to the issue of external legitimacy. Fargoty (1996) developed this, asserting that the contribution of institutional theory is in the insight that the actual accomplishments of an organization and what its structure suggests should accomplish are often different. The organization operates with internal processes that are not normally visible to those external to it, while other structures maintained for outsiders do not significantly add to output. Fargoty (1996) observes that scrutiny by outsiders can be avoided if the right structures are adopted by organizations. Loose technological coupling enables organizations to show success in external problems whilst allowing flexibility in operational processes. Thus the institutions should be ready to

meet the high cost of adopting various technologies in the internal audit department and ensure that the staffs are trained in order for the department to operate efficiently.

3. METHODOLOGY

This study adopted descriptive survey and cross sectional data to examine the internal controls and accountability of NGOs in Nigeria. The selection of survey design over other research methods was determined by the assertion of Saunders, Lewis (2009) that survey is an appropriate and common strategy in business which is highly economical means of analyzing a large amount of data. The population of the study comprised all the registered NGOs implementing projects in Nigeria. Corporate Affairs Commission (CAC) as at March 2017, had registered ninety six thousand, eight hundred and forty-two (96,842) NGOs of which thirty-two thousand, three hundred and fifty-eight (32, 358) had implemented projects in North-West Nigeria. The study adopts multi-stage sampling techniques. Simple random sampling was used to select forty-four (44) national and transnational NGOs which implementing projects to the targeted beneficiaries in North-West Nigeria. Purposive sampling was adopted in selecting eight (8) respondents from each of the forty-four (44) sample NGOs. This was done to ensure that only experienced staffs with relevant information were considered to provide data that would be all-inclusive to gain better perception into the problem. Stratified random sampling further explained the category of respondents into the staff from finance, internal audit, operation, top management teams and other stakeholders who have vast knowledge about ICS in non-governmental organization.

To this end, a sample size of forty-four (44) NGOs was considered in which eight(8) respondents was chosen from each organisation (one procurement and logistics officer, one senior accountant, one compliance officer, a state team lead, a finance/admin manager, a vendor, one anchored person of a site covered by each organization with a beneficiary of the project from the targeted communities). However, the sample size of the study was derived using sample selection formula known as Taro Yamane Slovin's formula stated below:

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

Where n is the desired sample size

N-is the total population of NGOs implementing array of projects in North-West Nigeria for the periods 2007-2016

e-is the chance of random error or maximum acceptable margin of errors as determined by the researcher (15%).

1-is a theoretical or statistical constant.

$$n = \frac{32358}{1 + 32358(0.15)^2}$$

~n=44

However, Table 1 represents respondents or sections selected in the research:

A structured questionnaire was the main research instrument in this study. The questionnaire was adapted from the relevant issues emanated from studies reviewed, discussion with the professionals in the field. This instrument is more suitable as earlier studies on internal controls and performance in NGOs such as Michina (2011), Ntongo (2011), Bongani (2013), Ayom (2013), Etengu and Margaret (2016) among others considered questionnaire for data collection. A pilot study was conducted on forty-five (45) respondents from four selected NGOs in Sokoto State to test the validity and reliability of the questionnaires towards generating the required data for analysis to achieve the stated objectives of the study.

The structured questionnaire was considered in a way to provide vibrant answers to the research objectives of this study. It contained a set of questions classified into two major sections; section "A" and section "B." Section "A" presented questions on bio-data of the respondents such as: Age, academic qualification and working experience of the respondents. The inclusion of these variables is indispensable as they aided to classify the respondents properly as well as analysed their responses.

Section "B" covered questions on the impact of internal controls on accountability of NGOs in Nigeria; these questions are designed predominantly to provide information for analysing the objectives. Respondents' opinions to these questions were required through 5-point Likert scale format which is a psychometric scale commonly used in questionnaires, and it is the most extensively used scale in survey research. The categories being tested here is strongly agreed/very adequate, agreed/adequate, Undecided/Not sure, disagreed/fairly adequate and strongly disagreed/inadequate. A total of three hundred and fifty-two (352) questionnaires were administered personally and assisted by research assistant who helped by simultaneously retrieving the completed questionnaires from the respondents. This method was adopted as it has the advantages of retrieving all the questionnaires administered in a relatively shorter period of time. A total of four weeks was used to administer the questionnaires where, two weeks was for the distribution and another two weeks for retrieval. 321 questionnaires were retrieved from the field survey representing 91% of the total questionnaire administered. See appendix 3 for a sample copy of the questionnaire and appendix 2 for the normality

Table 1: Detail of respondents' category to be employed in the research

Respondent category	Designation	Total respondent
Operation section	Procurement and logistics officer	44
Finance section	Senior accountant	44
Internal audit section	Compliance officer	44
Top management teams with other stakeholders	State team lead, finance and admin manager, executive director (anchored person of a site covered by each NGOs), a vendor with a beneficiary from the communities	220
Total respondents		352

Source: Field survey (2017)

test conducted on the data collected from the questionnaire samples and appendix 1 for the descriptive statistics of the data sample collected from the questionnaire samples.

The analysis is divided into both descriptive and empirical analysis. The descriptive analysis employs the use of tables, percentages and charts to describe the characteristics of the responses in the questionnaire while empirical analysis employs multiple regression with the use of Statistical Package for Social Sciences (SPSS) v23. The test was 2 tailed and significant P value was set at <0.05.

The normality of the data distribution was assessed by examining the histogram, normality plot and normality scatter graph (See similar application in Rafindadi and Kondo 2018; Rafindadi and Ogidan 2018). The Cronbach alpha estimation which is one of the most widely used methods of examining internal consistency (Galvan et al, 2006), was employed in this study. Cronbach alpha scores range from 0.00 to 1.00, with values at or above 0.75 generally considered to indicate adequate internal consistency reliability when one scale is involved (Galvan, 2006) or 0.7 or higher when five or more subscales are involved. All the study variables returned alpha values >0.7 as shown in Table 1 and were as such deemed reliable. To confirm this development, Table 2 presents the result of the Cronbach's alpha and the Alpha values were found to have perfect reliability fit.

The econometric model specification below developed by the researcher was used in regression equation to establish the relationship that exists between the dependent variable and the independent variable (see for instance [Rafindadi, 2016; Rafindadi and Ozturk, 2016]). The econometric model specification below was used in regression equation to capture the relationship between ICS and performance (accountability and financial reporting). The empirical model specification was following Rafindadi and Yusof (2013a, b, and c) and also Rafindadi and Yusof (2014a, b,c) and this is defined as follows:

$$\text{Accountability}=\beta o+\beta_1 A1+\beta_2 A2+\beta_3 A3+\beta_4 A4+\beta_5 A5+u \quad \text{Equation 1}$$

$$\text{Financial}=\beta o+\beta_1 A1+\beta_2 A2+\beta_3 A3+\beta_4 A4+\beta_5 A5+u \quad \text{Equation 2}$$

Where accountability connotes the proper accountability while financial represents the quality financial reporting in NGOs. A1 represents control environments, A2 connotes control activities, A3 is the risk assessment, A4 represents information and communication, A5 is the monitoring activities, $\beta 1–\beta_5$=The coefficient of Regression, β_0=Constant parameter or intercept u=Error term or disturbance term.

4. ANALYSIS

Table 3 presents analysis based on age, qualification and working experience of the respondents. Details of the respondents' demographics was noteworthy to this study as it confirmed respondents' ability to provide data that was comprehensive in attaining robust result. The overall average age of the respondents in the sample NGOs had 2.184 mean with standard deviation of 0.332 implying that majority of the respondents are adults who can give impartial response to any survey administered on them. This was justifiable as majority of the respondents fall within age brackets 30 and above representing 93% of the survey. Respondents are in the most prolific age brackets of their life and are reasonably experienced.

Table 2: Reliability test for variables

Completed	ICS	Accountability	Financial
Cronbach's alpha	0.755	0.764	0.771

Source: SPSS Output version 23, ICS: Internal control systems

Table 3: Summary statistics on demographic characteristics of the respondents

Descriptive statistics	Age	Qualification	Working experience
Mean	2.184	2.103	2.114
Standard deviation	0.332	0.288	0.297
Skeweness	0.150	0.033	0.096
Kurtosis	0.052	0.113	0.073
Minimum	1	1	1
Maximum	3	3	3
Range	2	2	2

Source: SPSS Output version 23

In addition, overall mean qualification of the respondents was 2.103 with standard deviation of 0.288 implying that majority of the respondents (89%) hold Bachelors, Masters/PhD degrees respectively which justified that sample NGOs have adequate experienced personnel that are in better position to implement ICS in the sample organization based on their level of education. More so, the overall mean of 2.114 with standard deviation of 0.297 showed that the majority of the respondents have vast experience and have adequate knowledge and information about the operation of the NGOs. The survey recorded that 78% of the respondents have 3 years and above working experience with selected NGOs. Impliedly, the selected NGOs have experienced staff that can provide vibrant information about the state of the internal controls in an organization.

Table 4 indicates that the dependent variables of accountability and financial reporting having overall means of 3.32 and 3.39 respectively. Impliedly, accountability and financial reporting can form basis for measurement of performance in NGOs as evidenced by high mean indicating that the variables bear respective proportions in the performance determination. More so, Table 4 recorded high mean of 3.25, 3.31 for control environment and control activities. Information and communication, risk assessment with monitoring activities recorded low means of 3.05, 3.11 and 3.19 respectively. Hence, it is obvious facts from Table 4 that the risk assessment, monitoring activities with information and communication mechanisms are not adequately functioning as evidenced from the survey.

Table 5 shows the responses from the survey. Respondents rated all internal control mechanisms outlined in Table 5 adequate with high mean as indicated in Table 5 except staff welfare and development, effective communication, documentation and filling, tax practices and petty cash practices which were rated low as evident by low means of 3.02, 3.04, 3.06, 2.91 and 2.81 respectively. The implication for these low mean in staff welfare

Table 4: Descriptive results of dependent and independent variables

Variables	Min	Max	Obsv	Mean	Standard deviation	Skeweness	Kurtosis
Control environment	1.18	4.0	320	3.25	0.289	−0.703	0.071
Control activities	1.25	4.0	320	3.31	0.322	−0.697	0.264
Monitoring activities	1.00	4.0	320	3.19	0.231	−0.845	0.842
Information and communication	1.00	4.0	320	3.05	0.331	−0.550	−0.317
Risk assessment	1.00	4.0	320	3.11	0.260	−0.697	0.421
Accountability	1.26	4.0	320	3.32	0.440	−0.750	0.357
Financial reporting	1.27	4.0	320	3.39	0.492	0.891	0.687

Source: SPSS Output Version 23

Table 5: Assessing adequacy of internal control system in NGOs

Measures	Mean±SD	Remarks
Written financial policies	3.37±0.66	Adequate
Procurement policies and procedures	3.41±0.59	Adequate
Human resources practices	3.34±0.65	Adequate
Logistics policies	3.16±0.72	Adequate
Petty cash practices	2.87±0.65	Adequate
Organization structure	3.30±0.69	Adequate
Risk management assessment practices	3.11±0.66	Adequate
Inventory management practices	3.22±0.73	Adequate
Management philosophy and operation style	3.11±0.72	Adequate
Assignment of authority and responsibilities	3.22±0.77	Adequate
Documentation and filing system	3.06±0.76	Adequate
Payment and banking	3.25±0.54	Adequate
Vehicle fleet management	3.24±0.64	Adequate
Bank reconciliation statement preparation and financial report	3.49±0.67	Adequate
Staff welfare and development	3.02±0.79	Adequate
Tax practices	2.91±0.89	Adequate
Effective communication	3.04±0.83	Adequate
Measure for non-compliance and its applicability	3.19±0.80	Adequate
Internal review and external audit	3.19±0.79	Adequate
Overall mean and standard deviation	3.21±0.68	Adequate**

Source: Field survey, 2017, SD: Standard deviation

Table 6: Correlation matrix of the variables

Variables	Internal controls	Accountability	Financial reporting
Internal controls			
Pearson correlation	1		
Sig. (2-tailed)			
N	320		
Accountability			
Pearson correlation	0.876**	1	
Sig. (2-tailed)	0.000		
N	320	320	
Financial reporting			
Pearson correlation	0.868**	0.884**	1
Sig. (2-tailed)	0.000	0.000	
N	320	320	320

Source: SPSS Output version 23

Table 7: Hypothesis testing

Relationships	Beta	Standard error	T value	Decision
ICS−>ACCT	0.7018	0.0514	1.9813	Supported
ICS−>RES	0.6227	0.0642	1.978	Supported

Source: PLS Version 2.0 Software, ICS: Internal control systems

and development is that the employees in such organizations will be demotivated as they will not fully committed or could even leave for sisters' organizations where attractive pay packages and staff development are prioritized. The findings from this study is related to the studies of Olatunji (2009), Charles (2011) and Muraleetharan (2013) whose studies on internal controls revealed poor welfare and training of staff as one of the findings.

The survey also revealed that some NGOs are experiencing ineffective communication as evidenced by low mean indicated in Table 5. This affects the performance of NGOs as their deliverables will not be accomplished before timeline and this result to poor service delivery to the targeted beneficiaries. Moreover, respondents' opinion through survey has shown that some NGOs have challenges in the area of documentation. That is inadequate supporting documentation as evidenced by the results of the respondents indicated in Table 5. This finding was in line with Global fund audit report (2011).Above all, respondents' opinions to the adequacy of internal control systems in their organizations indicated that the control frameworks were adequate as justified by overall mean of 3.21 shown in Table 5.

Table 6 presents the values diagonally on the matrix in an account stream of one (1) all through implying that each variable is perfectly correlated with itself. The Table shows that ICS is positively correlated with accountability and financial reporting. Impliedly, an increase in internal control mechanisms will result to increase in accountability and financial reporting as evidenced by the presence of very strong positive relationship between the variables. In summary, Pearson correlation values obtained for the variables in Table 6 indicate that there exist positive significant relationship (2 tailed) of 0.00<0.05.

The objective of any structural model is to test the hypothesized relationships among constructs. rom the Table, the relationship is found to be positive. Similarly, the structure in Figure 1. Provides a full clarification as spotted in Table 7 indicating the path coefficients, t-values and standard error at which they can be used as a basis for testing hypotheses. While Table 8 presents the results of construct convergent, validity and reliability test. From Figure 1, it indicate that the study hypothesis is accepted and possess a t-value which is >1.96 showing an adequate support for the hypothesis except financial reporting which is not adequately supported.

$$\text{Accountability}=\beta o+\beta_1 A1+\beta_2 A2+\beta_3 A3+\beta_4 A4+\beta_5 A5+u \quad \text{Equation 3}$$

$$\text{Accountability}=0.275+0.778A1+0.095A2 + (-0.155)\ A3 +0.390A4+0.216A5+u \quad \text{Equation 4}$$

With reference to the regression equation stated above which addressed Model 1, taking all factors constant, a 1% increase in A1, A2, A4, and A5 will increase proper accountability in NGOs by 0.778, 0.095, 0.390 and 0.216 respectively except A3 which has a negative relationship with proper accountability. This implies that a 1% decrease in risk assessment results to 0.155 increases in proper accountability in NGOs vice versa with the other indicators remaining constant. The implication of this in NGOs is that as risk assessment is at reduced rate, it will increase proper accountability in NGOs and this in consequence will result to excellent performance reporting to the stakeholders. In the above model, t values are significant at 0.05 for all predictor variables as indicated in Table 9. Moreover, the five explanatory variables (A1-A5) that were studied contributed 89.4% of the proper accountability in NGOs as represented by the R square. Impliedly, other factors not considered in this study contribute 12.3% to proper accountability in NGOs. Therefore, researchers should consider examining the remaining (12.3%) factors which predicts proper accountability in NGOs. In consequence, the finding from the model indicates that there exists significant relationship between internal controls and proper accountability in NGOs. F value 447.838is significant at 5% critical value which indicates that the model is well fitted. This is as a result of P-value which is <0.05. Thus, the model is statistically significant as the five explanatory variables above can predict proper accountability in NGOs.

Table 10 explains model 2 which relates quality financial reporting to ICS. This indicates that the predictor variables (ICS) have significant positive effect on the observed variable (quality financial reporting). The variables with positive effects are A1, A2, A4 and A5 as indicated in Table 10 Hence, an increase in any of these variables is expected to increase or improve goal attainment in NGOs with the exception of A3 (Risk assessment) which has a negative effect on the quality financial reporting. This implies that on the average and holding all other variables constant, a unit increase in risk assessment will reduce the quality financial reporting of NGOs vice versa. More so, t-values are significant in the model below @ 0.05 for all the predictor variables except A5 (0.052) which is not significant to the observed variables in 1% and 5% critical level respectively. In a similar way, the overall statistical significance of the model is satisfactory as f* is 439.840. This implies that predictor variables' influence on the observed variables were equally high (R2=0.876) meaning that 87.6% variation in quality financial reporting is being explained by ICS. Remaining 12.4% variation in quality financial reporting is influenced by other factors outside these five ICS.

$$\text{Financial}=\beta o+\beta_1 A1+\beta_2 A2+\beta_3 A3+\beta_4 A4+\beta_5 A5+u \qquad \text{Equation 5}$$

$$\text{Financial}=0.453+0.490A1+0.497A2+(-4.101)\,A3+0.082A4+0.074A5+u \qquad \text{Equation 6}$$

4.2 Discussion of Findings

With respect to the data presented and analyzed, the following findings were discovered and upon which conclusion were drawn: Respondents' opinions to the adequacy of control system was found to be reasonably high and satisfactory as evidenced by high means except staff welfare and development, effective communication, adequate documentation, tax practices among others which were rated low. Impliedly, there were indications that some NGOs were not communicating well the progress of their activities with their

Figure 1: Structural equation model

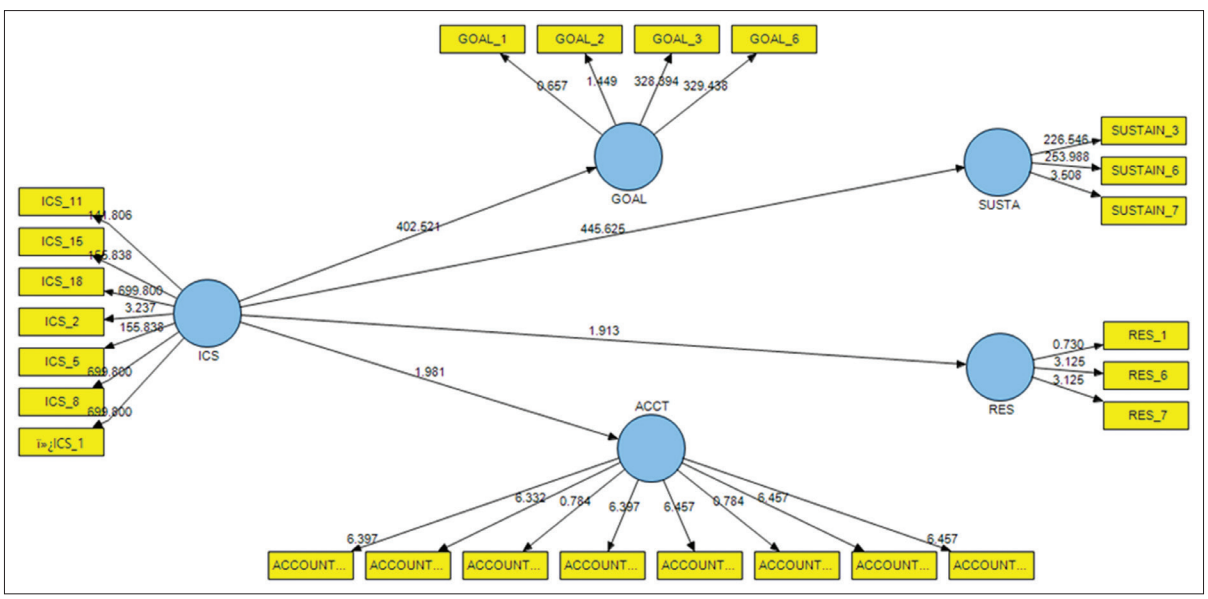

Table 8: Construct convergent validity and reliability

Variables	AVE	Composite reliability	R square	Cronbachs alpha	Communality	Redundancy
ACCT	0.7841	0.8524	0.0104	0.8249	0.816	0.0076
ICS	0.8528	0.8939	0.749	0.7568	0.823	0.6784
RES	0.8265	0.8671	0.151	0.8423	0.779	0.01

Sources: Survey Output, 2017, ICS: Internal control systems

Table 9: Variance decomposition analysis (predictors of proper accountability)

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.	Collinearity statistics	
1	B	Std. error	Beta			Tolerance	VIF
(Constant)	0.275	0.019		14.217	0.000		
Risk Assessment (A3)	−0.155	0.014	−0.184	−11.414	0.000	0.31	3.23
Information and Communication (A4)	0.390	0.010	0.080	5.021	0.043	0.65	1.54
Control activities (A2)	0.095	0.029	0.092	3.231	0.001	0.23	4.35
Monitoring activities (A5)	0.216	0.020	0.247	10.794	0.000	0.12	8.33
Control nvironment (A1)	0.778	0.026	0.837	30.056	0.000	0.02	50.00

R square: 0 0.877, Adjusted R square: 0.875, F* : 447.838, Sig. change: 0.000, Source: SPSS output Version 23

Table 10: Variance decomposition analysis (predictors of financial reporting)

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.	Collinearity statistics	
1	B	Standard deviation error	Beta			Tolerance	VIF
(Constant)	0.453	0.036		12.456	0.000		
Risk assessment (A3)	−0.101	0.026	−0.129	−3.937	0.000	0.31	3.23
Information and communication (A4)	0.082	0.020	0.115	4.161	0.000	0.65	1.54
Control activities (A2)	0.497	0.055	0.522	9.010	0.000	0.23	4.35
Monitoring activities (A5)	0.074	0.038	0.091	3.151	0.052	0.12	8.33
Control environment (A1)	0.490	0.049	0.571	10.070	0.000	0.02	50.00

R Square: 0.876, Adjusted R square: 0.872. F* : 439.840, Sig. change: 0.000, Source: SPSS Output Version 23

employees as respondents rated this index low. In consequence, poor service delivery is the end result. The findings from this study is related to the studies of Olatunji (2009), Charles (2011) and Muraleetharan (2013) whose studies on internal controls revealed poor welfare and training of staff as one of the findings. The survey also revealed that some NGOs are experiencing ineffective communication as evidenced by low mean this is as found in Table 5. This development affects the performance of NGOs as their deliverables will not be accomplished before timeline and this result to poor service delivery to the targeted beneficiaries. Moreover, respondents' opinion through survey has shown that some NGOs have challenges in the area of documentation. That is inadequate supporting documentation as evidenced by the results of the respondents indicated in Table 5. This finding was in line with Global fund audit report (2011). Above all, respondents' opinions to the adequacy of ICS in their organizations indicated that the control frameworks were adequate as justified by overall mean of 3.21 shown in Table 5.

The study found out that the organization financial information, governance structure activities, listing of officers and partnership are open and accessible to public scrutiny; that the organization regularly seek feedback on its activities from project beneficiaries as well as the stakeholders and there exist promotion of a high level of compliance with the organizational financial policies and procedures. This is evident by level of the respondents' agreement that ICS enhance proper accountability in Table 4 with high mean of 3.32. In a new development, the study discovered that the quality of financial reporting can be strengthened with the adoption of full functioning ICS in NGOs. Similarly, Regression model summary revealed that internal controls can strengthen quality financial reporting. There is significant positive relationship between internal controls and proper accountability. Respondents' answers to the survey revealed that some NGOs are not transparent enough in rendering the account of stewardship to the stakeholders. It was revealed that government agencies saddled with the responsibilities of regulating NGOs' activities are not performing to their expectations. FIRS, CAC, NCS among others need to do more in discharging their duties in the area of registration, audit, tax audit, procurements among others. So also, there is significant positive relationship between internal controls and quality financial reporting in NGOs. Respondents' submissions to the questionnaire revealed that quiet few NGOs are not maintaining adequate documentations in their operations. Some were unable to support their transactions with supporting documents relevant to the transactions. This is in line with the findings of Global Fund Audit Report (2011) See also Epstein and Faralan (2011), for similar research finding.

5. CONCLUSION, POLICY IMPLICATION AND RECOMMENDATIONS

Based on the findings of the study, the following conclusions are drawn for the sampled Non-Governmental Organization in North-West Nigeria. Specifically, the study concludes that ICS in the NGOs is a very vital mechanism that enhances quality of effective and efficient service delivery of the NGOs and it has become a sufficient factor that can combine to predict proper accountability in NGOs taking all factors constant. In consequence, the findings from the result of the analysis indicate that there exists significant relationship between internal controls and proper accountability in NGOs. The F value of 447.838 is found to be significant at 5% critical value. Moreover, the finding which indicated how the relationship between internal controls and quality financial reporting in NGOs is significant and this connote to the fact that

internal controls impact more on quality of financial reporting of NGOs in North-west Nigeria. This may have been occasioned by the monitoring and evaluations put in place by the donor agencies to track the grants awarded to NGOs. However, more still need to be done by the NGOs in ensuring that their financial reports are prepared in conformity to the best practices. Also, donor agencies should strengthen their periodic audit. This development indicates that the predictor variables used in this study (ICS) have significant positive effect on the observed variable (quality financial reporting). In addition to that the study found that the variables with positive effects are A1, A2, A4 and A5 as indicated in Table 10. Hence, an increase in any of these variables is expected to increase or improve goal attainment in NGOs which are in themselves strong candidates to efficient and effective service delivery mechanisms of the NGO's to the targeted beneficiaries.

The policy implication observed by way of conducting this study rests more heavily on the absence of government regulatory agencies to the NGO's in Nigeria. This gap has in the modern times led to suspicious activities within some existing NGO's in the country. This development has created excessive and abusive usage and applications of funds and has swayed the independence of the civil societies in Nigeria. Indeed there are allegations that some terrorist organizations are being funded externally by NGOs. Many NGOs in Nigeria could not account properly to their stakeholders in consequence of weak ICS instituted in their organization. Where even they exist, these agencies are not discharging their primary responsibilities as expected. The study also discovered that employees' satisfaction and development are not being adequately considered in some NGOs. In consequence, competent personnel will be demotivated and will perform unsatisfactorily through rendering poor service to the targeted beneficiaries. This has effects on the funding agencies, donors, NGOs and government in the long run. The study further revealed that some NGOs cannot give accurate stewardship of the grants awarded to them. It is on this note that policy makers should vigorously push for the need to implement full functioning internal controls system in all existing NGO's in Nigeria and the establishment of NGO regulatory laws and bodies that will check mate their project execution, project evaluation and project commissioning in Nigeria. This development will help to prevent and detect inadvertent use and application of funds, leakages, terrorist financing, errors and frauds and facilitate proper accountability to the stakeholders and at the same time keeping the government abreast of financing objectives.

In line with the findings and conclusions of the study, the following recommendations were made: Staff welfare and development should be given more preference by NGOs' players as it ensures that employees are committed in carrying out their responsibilities, prevents them from fraud and other mismanagement practices. Inconsequence, this will ensure that the organisational goals are actualized. Above all, it will prevent organizations from losing their committed and experienced staff to their competitors and save them from wastage of funds of training and retraining of new staff. Finally, the study revealed that many organizations are evading taxes that would have been used to provide basic needs for their citizenry in consequence of weak functioning control framework instituted by the governmental agencies. FIRS, CAC, NCS and NIS and other agencies of government responsible for revenue generation among others should be more proactive towards regulating NGOs activities by performing outstandingly in ensuring NGOs actualize their goals through compliance to the best practices and making sure that erring and non-complying NGOs are brought to book. NGOs should strengthen their reporting to the donor agencies with adequate documentation ensuring that their financial reports are prepared and presented in conformity to Generally Acceptable Accounting Practices. This will go a long way in facilitating proper accountability to the stakeholders and ensuring better service delivery to the targeted beneficiaries thereby creating assurances of being awarded grants to implement arrays of interventions. Donors and funding agencies should strengthen the evaluation processes the more through periodic audit and on spot assessment by visiting major players as this will assist them in ascertaining current state of the grants. Beneficiary communities and stakeholders should participate actively in the grants implementation as this will make them hold NGOs implementing the projects within their community answerable if they refused to render the agreed support package.

The recommendation for further research will be in the area on the need for researchers to consider both primary and secondary data to examine the significance of internal control as well as external audit on the performance of manufacturing companies, communication industries and public corporations in Nigeria using organisation factors such as staff welfare and development, working experience and technology as mediating variables. Moreover, previous studies reviewed considered research techniques such as simple regression, Pearson correlation, one sample statistics, and multiple regression among others. This study adopted both PLS SEM and multiple regression to examine the current state of internal controls in relation to performance of NGOs. Future studies should consider Probit and Logit regression, Granger causality among others in assessing internal controls and performance of various NGOs. More so, studies reviewed in Nigeria failed to research on the internal controls and performance in terms of financial and non-financial factors. Future researches should be carried out to consider both financial and non-financial performance in different sectors using larger samples in different geographical zones to give room for the harmonization of the findings. In addition to that, this study is conducted in Nigeria; as a result a comparative panel data study can be conducted across West Africa, Asia, Latin America, Arab countries and etc.

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APPENDIXES

Appendix 1

Table 1: Descriptive statistics

Variables	N	Range	Min.	Max.	Mean	Standard deviation	Skewness		Kurtosis	
	Sta.	Sta.	Sta.	Sta.	Sta.	Statistic	Sta.	Std. Error	Sta.	Std. Error
Age	320	2.00	1.00	3.00	2.1844	0.33152	0.150	0.136	0.052	0.272
Qualification	320	2.00	1.00	3.00	2.1031	0.28876	0.033	0.136	0.113	0.272
Working experience	320	2.00	1.00	3.00	2.1140	0.29714	0.096	0.136	0.007	0.272
Valid N (listwise)	320									

Table 2: Correlations

Internal controls	Internal controls	Goal attainment	Accountability	Financial reporting	Sustainability
Pearson correlation	1	0.876**	0.876**	0.868**	0.884**
Sig. (2-tailed)		0.000	0.000	0.000	0.000
N	320	320	320	320	320
Accountability					
Pearson correlation	0.876**	0.888**	1	0.884**	0.883**
Sig. (2-tailed)	0.000	0.000		0.000	0.000
N	320	320	320	320	320
Financial reporting					
Pearson correlation	0.868**	0.876**	0.884**	1	0.869**
Sig. (2-tailed)	0.000	0.000	0.000		0.000
N	320	320	320	320	320

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

Table 3: Coefficient

Model	Unstandardized coefficients		Standardized soefficients	T	Sig.	Collinearity Statistics	
1	B	Standard. error	Beta			Tolerance	VIF
(Constant)	0.386	0.064		5.997	0.000		
Control environment	0.523	0.020	0.658	26.476	0.000	0.31	3.23
Monitoring activities	0.065	0.009	0.148	7.412	0.000	0.65	1.54
Control activities	0.217	0.019	0.289	11.695	0.000	0.23	4.35
Risk assessment	0.511	0.114	1.337	4.474	0.000	0.12	8.18
Information and communication	−0.419	0.114	−1.100	−3.681	0.000	0.02	50.31

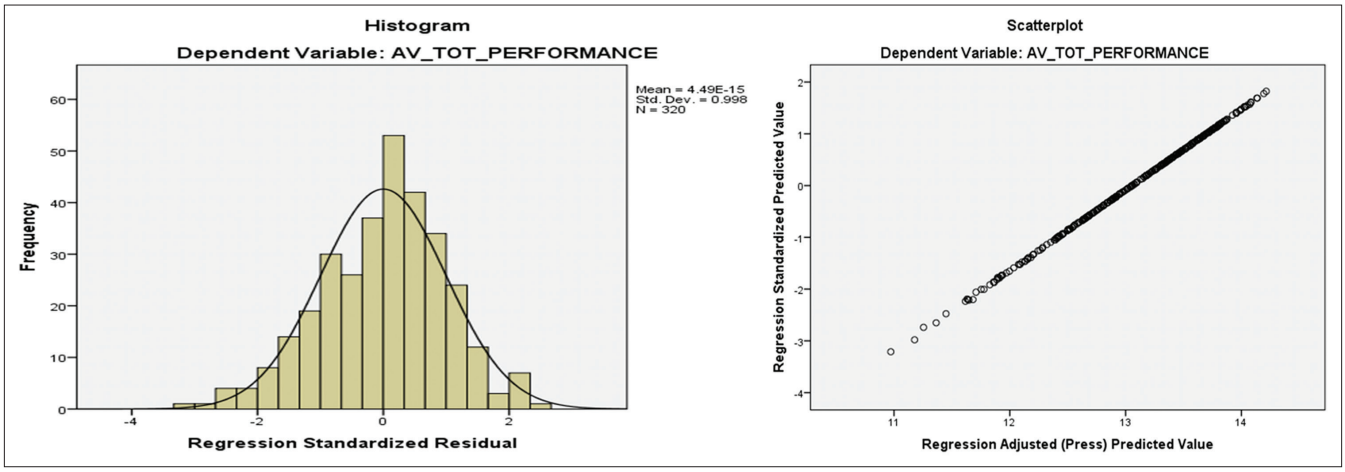
a. Dependent variable: Proper accountability

Table 4: Coefficients[a]

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.	Collinearity statistics	
1	B	Standard Error	Beta			Tolerance	VIF
(Constant)	0.386	0.064		5.997	0.000		
Control environment	0.523	0.020	0.658	26.476	0.000	0.31	3.23
Monitoring activities	0.065	0.009	0.148	7.412	0.000	0.65	1.54
Control activities	0.217	0.019	0.289	11.695	0.000	0.23	4.35
Risk assessment	0.511	0.114	1.337	4.474	0.000	0.12	8.18
Information and communication	−0.419	0.114	−1.100	−3.681	0.000	0.02	50.31

a. Dependent variable: Finanacial reporting

Appendix 2: Figures of normality test



Appendix 3: Questionnaire

PART A

Bio-Data

1. Age brackets: Under 30 years { } 30-40years { } 41years and above { }
2. Highest qualification: O'level{ }OND/NCE{ }HND/BSc{ } MSc/MBA/Ph.D. { }
3. Working experience with NGOs? 1–2 years{ } 3-6 years{ }Over 6 years { }.

PART B

Instruction: Kindly use the under listed key to answer the questions in part B of this part

Key:

5	Very adequate/strongly agreed
4	Adequate/agreed
3	Undecided/not sure
2	Fairly adequate/disagreed
1	Inadequate/strongly disagreed

General Objective: Assessing how adequate is internal control system of NGOs

How will you rate the following internal control mechanisms in your organization?

	Measures	5	4	3	2	1
1	Written financial policies					
2	Procurement policies and procedures					
3	Human resources practices					
4	Logistics practices					
5	Petty cash policies					
6	Organization structure					
7	Risk management assessment practices					
8	Inventory management practices					
9	Management philosophy and operation style					
10	Assignment of authority and responsibilities					
11	Documentation and filing system					
12	Payment of consultants					
13	Vehicle fleet management					
14	Preparation of annual report					
15	Staff welfare					
16	Tax practices					
17	Effective communication					
18	Measure for non-compliance and its applicability					
19	Internal audit					
20	External audit					

Objective 1: Establishing how internal control system enhances accountability in NGOs

		5	4	3	2	1
21	Recruitment process in your organization is transparent					
22	All employees have work schedules in your organization hence, no job conflict					
23	Transactions are authorized by responsible officers before payments					
24	Staffs are aware of the penalties for non-adhering to internal control procedures					
25	Transactions are properly documented in your organization for compliance and future reference					
26	Asset register are updated regularly and internal auditors work independently					
27	Management regularly checks the effectiveness of its risk management system in compliance with the organizational policies					
28	Security systems do identify and safeguard organization assets					
29	The organization recruits staff with vast experience and high degree of expertise in implementing their programs					
30	Risks are assessed in relation to changes in the operational environment					
31	Restructuring brings limited risks to the organization					
32	A change of staff is clearly examined for the risk it may cause to the organization					
33	Communication channels are in place for change in service delivery in your organization					
34	Staff have information on internal controls and accountability					
35	Projects are monitored and reported as required in the monitoring and evaluation criteria of the organization					
36	The organization accounting practices conform to generally accepted accounting practices and standards					
37	Stakeholders have vast knowledge about projects implemented by the organization					
38	The control system instituted in the organization helps to eliminate fraud and mismanagement practices					
39	Proper financial accountability in the organization has led to the better service delivery to the targeted population					
40	Proper controls instituted by the organization have resulted to financial transparency					

Objective 2: Determining how internal control system strengthens financial reporting in NGOs.

		5	4	3	2	1
41	Ineffective stock management practices often result to waste of donors' fund					
42	Procurement awarded without open competitions is susceptible to fraud					
43	Missing evidence of goods and services delivery signifies disbursement for goods and services not received in the organization					
44	Inadequate segregation of duties often pave way for fraudulent disbursement					
45	Organizations that do not consider the scope of risk assessment are vulnerable to theft or misappropriation of funds					
46	A well-documented and consistently applied policy in the organization enhances financial reporting					
47	Technology plays significant roles in rendering quality financial reporting to the stakeholders					
48	There is room for competition in procurement processes in your organization					
49	Donor agencies do award arrays of projects to the organizations with quality financial reporting					
50	Experienced and committed staff in the organization set pace for quality financial reporting					
51	Updates on changes to control systems are communicated to avoid conflicts in your organization					