



**MAKERERE UNIVERSITY**

**MAKERERE UNIVERSITY BUSINESS SCHOOL**

**FINANCIAL MANAGEMENT PRACTICES, INTERNAL CONTROL SYSTEM  
AND PERFORMANCE OF NON-GOVERMENTAL ORGANISATIONS IN WEST NILE  
REGION IN UGANDA**

**BY**

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MAKERERE UNIVERSITY.**

**PLAN A**

**March, 2022**

**DECLARATION**

I hereby declare that this is my original work and has never been published and/or submitted for any other degree award to any University. All sources of published and unpublished materials used have been acknowledged.

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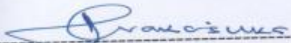
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## APPROVAL

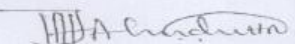
This is to certify that the research dissertation has been submitted with our approval as University Supervisors.

**APPROVAL**

This is to certify that the research dissertation has been submitted with our approval as University Supervisors.

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## DEDICATION

This dissertation is dedicated to my family and friends for their support and encouragement during the study. I also dedicate this work to God for giving me the wisdom, Knowledge and courage.

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## LIST OF ACRONYMS

|       |                                                    |
|-------|----------------------------------------------------|
| COSO  | - Committee of Sponsoring Organizations            |
| FP    | - Financial Performance                            |
| IC    | - Internal Controls                                |
| ICS   | - Internal Control System                          |
| KMTC  | - Kenya Medical Training School                    |
| MBA   | - Master of Business Administration                |
| NGO   | - Non-governmental Organization                    |
| SPSS  | - Statistical Package for Social Scientist Version |
| UNHCR | - United Nations High commissioner for Refugees    |

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## **ABSTRACT**

The study found out that financial management practices and internal control system predict performance of NGOs by 31.4% and 40.4% respectively. The study used cross sectional survey design using a sample of 64 NGOs, giving a response rate of 74.4%. The data was collected using questionnaire and was analysed using SPSS version 26. Pearson correlation and regression analysis were used to determine the degree of the relationship among financial management practices, internal control system and performance of NGOs in West Nile region, Uganda. Findings of the study revealed a significant positive relationship between financial management system, internal control system and performance of NGOs. The regression analysis results show that financial management practices and internal control system predict 42.9% of the observed variance in performance of NGOs. This implies that there are other predictors of performance of NGOs besides financial management practices and internal control system, thus, further research is called for, to find the other predictors of performance of NGOs. The study recommends that NGOs should put more emphasis on the financial management practices in improving the performance of NGOs by using good policy towards financial management practices and internal control system.

## **CHAPTER ONE**

### **1.0 Background of the study**

In recent times, many stakeholders are concerned about the global performance challenges of Non-Governmental Organizations (NGOs). The NGOs interest in performance checks has also risen lately as it is essential element for their survival and to demonstrate programme effectiveness (Nicoleta & Feraru, 2014). Performance according to Tusiime, Nkundabanyanga & Nkote, (2011) shows achievement of objectives. Kareithi and Lund, (2012) argued that the primary mission of NGOs performance is focused on goals desired by their targeted beneficiaries and communities. Much as NGOs form different partnerships such as alliances, networks, consortia and coalitions among others to improve service delivery, performance was not given the attention it deserved by most of them (Abdulkadir, 2014). For instance, NGOs in Pakistan are criticized for their poor performances in delivering services to their beneficiaries (Khan, Kasmi, Saboor & Ali, 2020). In African refugee settlement areas are experiencing declining performance as manifested in cuts in food rations, narrow targeting, inadequate shelters, overcrowded health

centers and classrooms (UNHCR, 2018). Most NGOs in Kenya collapsed due to financial sustainability imperatives (Omeri, 2015) and in Uganda, the deteriorating livelihood makes beneficiaries lose hope in the NGOs (Development Pathways, 2020). A concern highly noted is on West Nile refugee settlement areas that experience poor service delivery, shown in increased level of poverty causing families to turn to negative coping mechanisms (Nyulo, 2018). Various authors (like Carman, 2007; Teelken, 2008; Mohamedain, 2017; Nancy & Mine, 2004) measured NGO performance using different methods. For the purpose of this study, the researcher modified the methods developed by Mohamedain (2017) namely service delivery and financial sustainability to measure performance of NGOs. In the same way, financial management practices and internal control system were used as explanatory variables in the study (Demba, 2013; Araya, 2018).

In many NGOs, financial management is given a low priority, characterized by inappropriate financial planning and reporting (Karanth, 2015). Lewis, (2011) defined sound financial management practices as looking at and taking action on, financial issues of an entity that will have an effect on the organizations overall direction and impinge on its ability to attain current and future objectives. It was developed from systems theory of Easton (1965) which focuses on a set of patterned relations involving frequent interactions and interdependence of set of financial management practices that can be used to influence performance of NGO. Maclean, (2018) recognizes that good budgeting process and reporting improves performance of NGOs and its deficiency raises going concern as it affects their sustainability (NGO Council, 2012). Evidence has shown that UGX 187m spent by Arua District Local Government between 2017 and 2018 on ReHoPE Projects was rejected by UNHCR because the expenditure was outside the Public Procurement and disposal Act (UNHCR, 2019). IDRC report (2018) indicated project budget

lines exhausted before projected end time, with huge spending on unbudgeted activities; gross corruption and mismanagement of funds meant for refugees in West Nile (The Observer, 2018). Mohamedain, (2017) identified financial management in terms of financial planning and financial accountability while Demba, (2013) looked at it in terms of budget process, internal control, financial reporting and tracking. This study adopted and modified financial management practice measures of Demba, (2013), which include financial reporting and budgeting process since they are more applicable to UNHCR and its implementing partners in Uganda.

The recent financial scandals have prompted donors to urge NGOs to institute strong internal controls (Werekoh, 2014). Internal control system refers to measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions (Ntongo, 2012). It was developed from agency theory which viewed a firm as a nexus of contracts between different stakeholders of the organization (Ibid, 1976) and explains the application of controls which enables NGOs to achieve their objectives. Effective controls associated to monitoring of project activities, partner selection, designation of procurement to partners and timely signature of project agreements greatly improve performance of NGOs (UNHCR Audit Report, 2017). Internal audit division report (2018/097) for West Nile refugee settlement indicates that there are serious risk management and accountability lapses in the representations operational and administrative activities. Coggio (2018) noted fund misappropriation and fraud in West Nile refugee settlements which prompted United States and the European Union to replace its top country representatives. Oppong et al., (2016) urged that internal control system should be given the required maximum attention to respond to the risk threatening objectives and not just operate as checks and balances.

The objectives of NGOs operating in West Nile region were majorly to: - provide humanitarian assistance to refugees; promote food production among refugees and integrate these services into national structures (UNHCR, 2014). In fulfilling these objectives, the donors prescribed clear operational strategies like: - budgeting procedures, project risk mitigation measures, timelines, definition of project scope, implementation criteria, funds utilization etiquettes, procurement processes and ensuring that these strategies were in line with the legal, financial and policy frameworks of the country (NGO Council, 2012). Gaps still exist in the basic humanitarian assistance such as water, food, protection and education in Imvepi and Palorinya settlements in West Nile (UNICEF, 2021). On the same note, Nyumanzi refugee settlement in Adjumani faces scarcity of wood fuel, congestion at health facilities where 100 beds serve more than 300 patients (Ojok, 2019; UNICEF, 2021). A number of implementing partners failed to sustain projects in 2019 and this included; Peace Winds Japan project for shelter and construction, Rice West Nile project for environment and energy, Save the Children project for child protection, Humanitarian Aid and Development services project for environmental and livelihoods (UNHCR, 2020). It was on this basis that the researcher sought to examine the relationship between financial management practices, internal control system and performance of NGOs in Uganda.

## **1.2 Statement of the problem**

Although the NGOs in West Nile have elaborate strategies and policies geared towards successful achievement of their objectives, most of them did not provide effective and sustainable services to their beneficiaries (UCO, 2018). This was demonstrated by refugees in west Nile settlements having inadequate livelihood opportunities of 80%, 84% and 93% in 2017, 2020 and 2021 respectively and insufficient health facilities and medication supplies (Amanda et al., 2020; OPM, 2018 & UNHCR, 2021). Living conditions and wellbeing of the refugees at Imvepi, Palonyira and

Bidibidi settlements deteriorated drastically as service delivery was deficient (UNICEF, 2021). It was also noted that 55% of \$927M funding was provided; corruption and critical mismanagement among UNHCR officials affected financial sustainability (UNHCR, 2019; Parker, 2018). Poor performance of NGO negatively affects the livelihood of vulnerable people in the refugee settlements. Probably, this deplorable state could be attributed to inadequate financial management practices and weak internal control system observed by the donors. If left unchecked, scanty service delivery and insufficient financial sustainability could lead to dismal performance of NGOs in Uganda.

### **1.3 Purpose of the Study**

The purpose of this study was to determine the relationship between financial management practices, internal control system and performance of NGOs.

### **1.4 The objectives of the Study**

The study was guided by the following objectives:

- i. To assess the relationship between financial management practices and performance of NGOs.
- ii. To examine the relationship between internal control system and performance of NGOs.
- iii. To determine the predictive power of financial management practices and internal control system on performance of NGOs.

### **1.5 Research questions**

To achieve the above objectives, the study was guided by the following questions:

- i. What was the relationship between financial management practices and performance of NGOs?

- ii. What was the relationship between internal control system and performance of NGOs?
- iii. What would be the predictive power of financial management practices and internal control system on performance of NGOs?

## **1.6 Scope of the study**

This study covered content scope and geographical scope.

### **1.6.1 Content scope**

The study was limited to examining financial management practices (financial reporting procedure and budgeting process), internal control system (control environment, control activities, risk assessment, monitoring, information and communication) and performance (service delivery and financial sustainability) of NGOs in Uganda.

### **1.6.2 Geographical scope**

The study was carried out in NGOs in the Districts of Arua, Adjumani, Koboko, Moyo and Yumbe of West Nile in Uganda. The researcher selected UNHCR and its implementing partners of West Nile for the research because the major activities of the beneficiaries were concentrated in this location and key stake holders were discontented with the rampant closure of UNHCR implementing partners in the region which affected their performance (Regional Council Forum, 2019).

## **1.7 Significance of the study**

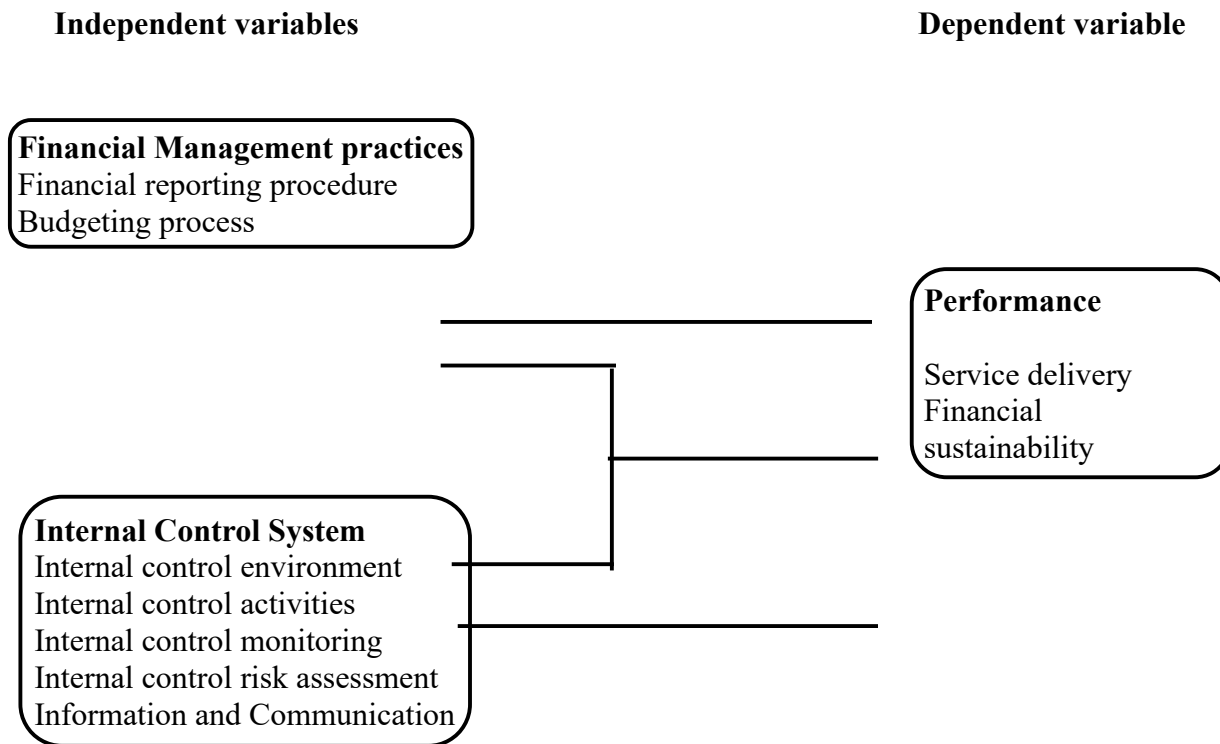
This study would benefit the following category of people:

- i. The report would be of immense importance to policy makers and technocrats to set appropriate strategies to address financial management practice issues and internal control system in order to ensure that NGOs meet their set targets.

- ii. NGOs could use the recommendations of the report to address limited performance issues in order to improve on service delivery and financial sustainability.
- iii. The results of this study would be of importance to scholars and academicians seeking to expand their knowledge as a reference point in areas of management practices, internal control system and performance of NGOs.
- iv. Donors would use the findings to enforce financial sustainability and service delivery in NGO world.

## 1.8 Conceptual framework of financial management practices, internal control system and performance.

Figure 1.1: Conceptual framework



*Source: Adopted from Demba (2013), Araya (2018; COSO, 2013) and (Mohamedain, 2017)*

Figure 1.1: is a diagrammatic presentation of a model that depicts relationship between independent variables (financial management practices, internal control system) and dependent variable (performance). The conceptual frame work shows the interconnections of financial management and internal control system with performance. In the conceptual frame work, the

findings indicate that if financial management practices and internal control system are operative, then the NGO performance in terms of service delivery and financial sustainability will be enhanced.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Literature review demonstrates familiarity of the researcher with the body of existing knowledge and establishes credibility (Newman, 2006) and shows the path of prior research, linking it to the current one. In view of this, the researcher will review, the variables, the theories that support internal control system and financial management practices and the existing literature relevant to the objectives of the study.

#### **2.2.0 DEFINITIONS OF KEY CONCEPTS**

This section covers the definition of key concepts such as performance, financial management practices and internal control system.

##### **2.2.1 Performance**

Many researchers have picked interest in performance of NGOs as confirmed by various scholars like Mohamedain (2017), Abdulkadi (2014), Carman (2007) and Teelken, (2008). In the NGO context, Adera, (2014) argues that performance embraces competence of an organization to transform the resources within the organization in an efficient and effective manner to achieve organizational goals and contribute to other people's efforts to improve their lives and society. Tamkin, (2005) suggested a set of core measures of performance that have a general implication including productivity, profitability, staff performance and quality. According to Kukundakwe et al. (2013), NGO performance is intricate and well influenced by several factors and contexts related to the time indicators of the past, the present and the future. Researchers have operationalized performance of NGOs differently but for the purpose of this research, the

researcher modified the constructs of (Mohamedain, 2017) and measured performance by service delivery and financial sustainability which are discussed as follows:

Service delivery is a mechanism used by an organization to meet the needs and aspirations of the people it is meant to serve (Mutabwire, 2013). Gjorzeous, (2016) defined service delivery as a component of business that defines the interaction between providers and clients where the provider offers a service, whether that is information or a task, and the client either finds value or loses value as a result. It is concerned with where, when, and how a service product is delivered to the client and whether this is fair or unfair in nature (Martins & Ledimo, 2015). Good service delivery is reliant on insight into the organizations internal processes which must be user focused (World Meteorological Organization, 2010).

Financial sustainability is critical to NGOs for stability and enhancement of growth (Omeri, 2015). Mohamedain, (2017) refers to it as the ability of an organization to raise the funds required to meet its functional requirements in the short, medium and long term. Financial sustainability of an NGO simply is the ability of the organization to reallocate assets in the wake of opportunities and threat and maintain sound financial balance over a long period (Omeri, 2015). Abdulkadir, (2014) observed that NGOs are faced with competition in obtaining funds from donors. Attainment of financial sustainability will allow the NGOs to graduate towards providing larger and more complex services (Gakuu, 2014). This study confirmed the assumption that NGOs that perform well have moral service delivery and financial sustainability.

### **2.2.2 Financial management practices**

Financial management practices are the outlines in management of financial resources (Muguchia, 2018). Financial management refers to the process of managing financial resources, including management decisions concerning accounting and financial reporting, forecasting, and budgeting, as well as capital budgeting decisions, which include decisions whether to lease or buy, and whether to issue debt or equity (Demba, 2013). According to Oduware, (2011) financial management entails planning for the future of a business enterprise to ensure a positive cash flow. Financial management practices are actions taken by management to secure and make good use of funds. Measuring financial performance represents a vital mechanism for improving the work of NGOs since these organisations face complicated challenges in delivering their programmes and services (Etengu, 2016). Mohamedain, (2017) identified financial management in terms of financial planning and financial accountability. Demba (2013) looked at budget process, internal control, financial reporting and tracking as the measures of financial management but for the case of this study the researcher modified the measures of Demba, (2013) to operationalize financial management practices using financial reporting procedure and budgeting process which are more applicable to NGOs as indicated here below.

According to Cordery, Crawford, Breen & Morgan (2019), financial reporting is an important accounting practice for not-for-profit organizations like NGOs to discharge their accountability in relation to donations and funding. Collins and Collins (1978) define financial report as a means of portraying financial accountability. Poor quality of financial reports greatly diminishes the quality of NGOs (Gale, 2003).

The other measure to consider is budgeting process which pushes managers to take time to create strategies, targets and goals before activity begins (Demba, 2013). The budgeting process is more than just a process of combining quantitative financial plans. It is a tool with which top management forces strategy goals to operating levels (Manclean, 2018). Venol, (2012) asserted that successful budgetary process pre-supposes clear allocation of authority, duties and responsibilities in an organization through the establishment of a department to oversee and monitor the entire budgetary process. This study was to confirm the assumption that there is relationship between financial management practices and performance of NGOs in Uganda.

### **2.2.3 Internal control system**

The Committee of Sponsoring Organizations (COSO) (2013) defined internal control system as a process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations. Internal control system is a measure and process instituted by management of organizations generally to provide realistic assurance on how the organizations objectives are achieved with particular regards to operational efficiencies, effectiveness and the level of compliance with applicable laws, rules and regulations (Mawanda, 2008). The derived definition of internal control system for this study is the ability and willingness of the staff in NGO world to adopt, follow and monitor policies to effectively utilize the scarce resources for better performance. Ntongo, (2012) asserted that sound internal control facilitates the achievement of objectives in the NGO world. Araya, (2018) examined internal control system using control activities, risk assessment, monitoring, control environment and information and communication

and this study adopted internal control system measures used by Araya, (2018) to evaluate performance of NGOs as below: -

The control environment is the foundation of all the other components of internal control and sets the tone of an organization, influencing the control consciousness of its people (Oppong, et al., 2016). This is achieved through ongoing monitoring activities, separate evaluations or combination of the two (COSO Framework, 2013). According to Mathew (2019), control environment refers to the overall attitude, awareness and action of directors and management regarding internal controls.

Control activities are policies, procedures and mechanisms put in place to ensure management directives are properly carried out (Ibrahim, Diibuzie & Abubakari, 2017). According to Widyaningsih, (2015) control activities consist of policies, procedures and practices which are developed to improve strategy of risk management. They help to ensure that necessary actions are taken to address risks for the achievement of the entity's objectives (Muraleetharan, 2013). Control activities strengthen the ability of an organization to manage risks, as well as detect and prevent fraud, (Iyinomen, & Nkechi, 2016). Otieno and Nyangechi, (2013) claimed that strict adherence to control activities is an indicator of well managed funds that enhance performance.

Monitoring is the process that assesses the quality of the organizations system's performance over time (Oppong *et al.*, 2016). Otieno and Nyangechi, (2013) asserted that monitoring determines whether proper procurement procedures were followed in purchasing, storage and use of instructional materials. Effah, (2011) recommended that, the internal control system should be supervised to assess the worth of its performance.

A risk assessment component deals with the critical evaluation of factors that affect the possibility of an NGO not achieving desired result (Ndungu, 2013). Risk assessment is the identification and analysis of relevant risks associated with the achievement of management objectives (Theofanis, Drogalas & Giovanis, 2011). All organizations face variety of risks from external and internal sources that must be assessed (Oppong *et al.*, 2016). Widyaningsih, (2015) argued that, preventive measures through establishing clear objectives can make an effective risk assessment, that significantly benefit organizations like NGOs around the world.

Information and communication is an aspect of the internal control system that requires that all pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities (Oppong *et al.*, 2016). Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business (COSO, 2013). Ndungu, (2013) argued that documenting pertinent information is not enough but should be backed by effective communication within the entire organization. NGOs in Uganda must ensure that they enforce full compliance to strong internal control system in order to perform well.

### **2.3.0 Theoretical foundation**

In this part, the theories that support and explain the independent variables- internal control system and financial management practices were reviewed. Their associated limitations in explaining the variables were also examined.

#### **2.3.1 Systems Theory**

Systems theory is applied in this study to indicate how the financial management practices of financial reporting procedure and budgeting process operate as a system to ensure that NGO finances are efficiently utilized to provide services to the people and ensure financial

sustainability. The systems theory was devised by Easton, (1965) who broadly posited that the theory focuses on a set of patterned relations involving frequent interactions and a substantial degree of interdependence among various components. It explains how a set of financial management practices like budgeting process and financial reporting procedure can be used to influence financial sustainability and service delivery of NGO.

Broback and Sjolander, (2002) described NGO financial management as consisting of key sub-components that are important in a development context and must improve service delivery. This theory is therefore used in this study to explain financial management practices like budgeting process and financial reporting procedure that can influence financial sustainability and service delivery of NGO.

However, in adopting the systems theory for the study, the researcher was aware that it was a theoretical perspective that analyzes a phenomenon seen as a whole and not as simply the sum of elementary parts (Mele, Pels & Polese, 2010). Robins, (1990) also noted that the theory's focus was on the means necessary to achieve effectiveness of financial management practices rather than the organization as a whole. Furthermore, measuring the means or process of an organization can be very difficult compared to measuring specific end goals.

Therefore, from the above discussion, systems theory cannot be used singly and thus, the basis that this study adopts an integrated approach with the agency theory, to explain performance of NGOs by adapting agency theory (Jensen & Meckling, 1976).

### **2.3.2 Agency theory**

Agency theory was originally developed by Jensen and Meckling, (1976). The theory postulates that, the firm is viewed as a nexus of contracts between different stakeholders of the organization

(Ibid, 1976). Thus, the owners and executives of NGOs may have differences in opinion with regard to the best interests of the organization. Consequently, executives may be seen as using organizations to get as much as they can at the expense of the beneficiaries leading to self-interested behavior. Agency theory explains the application of controls as being primarily based on economic cost benefit analysis, where controls are installed in order to reduce information asymmetries between principals and owners. To this effect, internal control system has been generated from this theory to explain its relationship with performance of NGOs. 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 problems (Jensen & Payne, 2003). To this effect, internal control system has been developed from this theory to explain its relationship with performance. However, the shortcoming of the agency theory is that it focuses only on self-interested and opportunity human behavior meaning, and thus it ignores a wider range of human motives.

## **2.4.0 EMPIRICAL LITERATURE REVIEW**

### **2.4.1 Financial management practices and performance**

Several studies have been done to establish the relationship between financial management practices and performance, for example, Demba, (2013) carried a study to find the effect of financial management practices on performance and found out that the annual budget process and financial reporting affected performance. The study concluded that financial reporting and tracking had the greatest effect on performance. Similarly, Wandera and Sang, (2017) investigated the effect of financial management challenges on financial sustainability of NGOs and the finding

indicated that budget control and financial reporting had a significant and positive relationship with financial sustainability. In addition, (Maclean, 2018) carried a study based on the foundation that budgetary and budgetary control play significant role in the resource management. On their part, Turyahebwa, Sunday and Ssekajugo, (2013) investigated the relationship between financial management practices and business performance and found a positive and significant correlation between financial management practices and business performance. In the same vein, (Peachy, 2019) established that there was a positive significant relationship between financial management practices like dividend policy, investment appraisal technique, financial performance assessment, working capital policy and capital structure decisions and organizational performance. Furthermore, Muguchia (2018) studied the effect of financial management practices on financial performance and concluded that financial management practices affected financial performance. Additionally, Ibrahim, Diibuzie and Abubakari, (2017) determined the impact of internal control variables on financial performance and found a positive relationship between internal controls and financial performance.

Contrary examination by (Kimani, 2014) on the effect of budgetary control on NGO performance indicated a weak positive effect of budgetary control on performance. Whereas (Ali and Isak, 2019) examined the effect of the financial management practice on financial performance and the result indicated that investment decision and working capital management had significant positive relationship with financial performance, while financial decisions did not have significant relationship with financial performance. Additionally, (Nthenge & Ringera, 2017) studied the effect of financial management practices on financial performance and the findings showed that considered individually, there was a positive relationship between working capital management, investment decisions, financial decisions and financial performance but the combined effect of

financial management practices had a moderate positive relationship with financial performance. Finally, Ojeka, Mukoro & Kanu, (2015) investigated the relationship between financial reporting disclosures in annual reports and the performance and the results indicated a significant relationship between financial reporting disclosures and financial performance except in the case of percentage of value added retained for expansion size where there was no significant relationship found.

#### **2.4.2 Internal control system and performance**

Internal control systems has become very popular and important in recent times in the wake of these fraudulent financial reporting in different countries around the globe. Internal control system has become very popular and important in recent times in the wake of these fraudulent financial reporting in different countries around the globe (Oppong, Owiredun & Abedana, 2016). Owiredun, Abedana and Asante, (2016) examined the effect of the current level of internal controls operated by seven faith-based NGOs on their performance and found that internal control system significantly enhanced performance. Likewise, (Ayom, 2013) carried a study to assess the impact of internal control system on performance and concluded that internal controls could affect performance of an organization. Another investigation by (Odongkara, 2016) on the relationship between internal control system (ICS) and financial performance concluded that internal control activities, internal control environment and audit positively affected financial performance in one way or the other. Similarly, Niyonsenga and Abuya, (2017) examined the relationship between internal control system and financial performance and concluded that internal control systems (directive, preventive, compensating and detective controls) contributed highly to financial performance. Additionally, Muhunyo, (2018) established the effect of internal control system on financial performance and realized that the control environment, risk assessment, control

activities and information and communication as indicators of internal control systems had significant influence on the financial performance. Byakagaba (2016) examine the relationship between internal controls and performance of non-governmental organization and concluded that internal controls affect the performance of an organization positively or negatively depending on how it has been done.

On contrary note, (Ejoh and Ejom, 2014) sought to establish the relationship between internal control activities and financial performance and the findings revealed no significant relationship between internal control activities and financial performance. While Araya, (2018) carried a study to determine the effect of internal control system on overall performance and the result indicated that control environment, control activities, information and communication, and monitoring had significant positive relationship with performance of NGOs but the risk assessment practices had weak influence on performance. It was assumed that if NGOs institute strong internal control system and monitor its effectiveness, they would continue to satisfy the needs of their beneficiaries.

#### **2.4.3 Financial management practices, internal control system and performance**

Gachoka *et al.*, (2018) carried a study to find out the intervening effect of internal control on the relationship between budgeting process and performance. Findings of the study showed that if adequately practiced, both budgeting process and internal controls could give positive effect on their performance. While on their part, Rosman *et al.*, (2016) examined the relationships between internal control, budgetary participation, and performance effectiveness of NGOs. The result indicated significant relationship between control environment, control activities, risk assessment,

monitoring and financial performance and in addition, the result also showed significant relationship between control environment, risk assessment, budgetary participation and non-financial performance. Furthermore, Mujannah, Artinah & Safriansyah, (2019) sought to find out whether performance-based budgets and the internal control system would have impact on performance and the results showed that implementation of budget, budget reporting, control and monitoring activities greatly influenced performance. Similarly, Ntongo, (2012) examined the relationship between internal controls, financial accountability, and service delivery and the study revealed that there was a significant positive relationship between the three variables and that both internal controls and financial accountability were significant predictors of service delivery.

On the contrary note, Demba, (2013) carried a study on the effect of financial management practices on performance. The study concluded that financial reporting and tracking had the greatest effect on performance, followed by annual budget process while level of internal controls had the least effect on performance.

## **2.5 CONCLUSION**

The literature review of the theories indicated that financial management practices influenced performance of NGOs. It was further indicated by most researchers that pitiable internal control system was one of the major hindrances to good performance of NGOs. The theories of system and agency helped to explain how financial management practices and internal control system could enhance NGO performance. Therefore, the findings indicated that organizations with effective financial management practices and strong internal control system perform well (Ntongo, 2012). However, none of the studies above looked at the contribution of financial management practices and internal control system on performance of NGOs in Uganda and this was the researcher's point of departure.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

In this chapter, the researcher described the research design, study population, sample and sampling techniques, research instruments, data sources, data collection instrument, measurement of variables and procedure for ensuring reliability and validity of the research instrument. The study also covered data analysis and presentation; as well as ethical issues related to the study.

#### **3.2 Research Design**

Research design is the conceptual structure within which research is conducted; it constitutes the blueprint for collection, measurement and analysis of data (Kothari, 2009). The researcher used cross-sectional research design with quantitative approach to analyze the relationship among financial management practices, internal control system and performance of NGOs in West Nile. This was used because it allowed the researcher to compare different population groups at a single point in time.

#### **3.3 Study population**

Sekaran and Bougie, (2011) refer to population as the entire group of people or events of interest that the researcher wishes to investigate. The researcher targeted a population of 108 UNHCR implementing partners in West Nile (UNHCR, 2019) as unit of analysis. Unit of inquiry included executive directors, monitoring and evaluation officers, accountants and project managers. West Nile region was chosen because it had a lot of UNHCR implementing partners and many stakeholders were discontented of their performance (Regional Council Forum, 2019).

### 3.4 Sample size and Sampling

Sample size is a count of individual samples or observations in any statistical setting such as a scientific experiment or a public opinion survey (Zamboni, 2018). Sampling is a process used in statistical analysis in which a predetermined number of observations are taken from a larger population (Tuovila, 2019). The researcher used a sample size of 86 NGOs and their implementing partners in West Nile as unit of inquiry obtained from (Krejcie & Morgan, 1970) table. The respondents were selected using purposive sampling because of the expertise they possessed in the organization. The NGOs were grouped according to their host districts using stratified sampling method and then 86 NGOs were proportionally picked from the strata using simple random sampling. The unit of inquiry consisted of four respondents picked from the 86 NGOs, including the executive director, monitoring and evaluation officer, accountant and project manager, thus giving a total of 344 respondents.

**Table 3. 2: Stratum of the population segmentation**

| <b>Host District</b> | <b>Population</b> | <b>Sample</b> | <b>No. of respondents</b> |
|----------------------|-------------------|---------------|---------------------------|
| Arua                 | 25                | 20            | 80                        |
| Koboko               | 12                | 10            | 40                        |
| Yumbe                | 21                | 17            | 68                        |
| Adjumani             | 27                | 22            | 88                        |
| Moyo                 | 8                 | 5             | 20                        |
| Nebbi                | 5                 | 4             | 16                        |
| Zombo                | 2                 | 2             | 8                         |
| Pakwach              | 5                 | 4             | 16                        |
| Okollo               | 3                 | 2             | 8                         |
| <b>Total</b>         | <b>108</b>        | <b>86</b>     | <b>344</b>                |

Source: Designed by the researcher

### **3.5 Data Sources**

Wikipedia, (2016) defines data as a set of values of qualitative or quantitative variables. The researcher used primary data to explore the topic. Primary data was the original data source that was collected using self-administered structured questionnaires.

### **3.6 Data collection instruments**

A self-administered questionnaire designed in line with the study objectives was used to collect data from large number of respondents in variety of locations. It was pre-tested and revised before final distribution to test for reliability of the instruments. The responses was measured on a 5-point Likert scale where 1=strongly disagree & 5= strongly agree. The likert scale questions were used since they were very flexible and could be constructed more easily (Amin, 2005). An odd Likert scale of 5 -point was preferred to cater for the interest of neutral respondents for gathering more accurate data without bias.

### **3.7 Measurement of Variables**

Measurement of variables was based on theoretical and conceptual framework; financial management practices as an independent variable was measured by modified constructs of financial reporting procedure and budgeting process (Demba, 2013). Internal control system was measured by its constructs of control environment, control activities, monitoring, risk assessment and information and communication (Araya, 2018; COSO, 2013). Performance was measured using service delivery and financial sustainability as modified from (Mohamedain, 2017).

### **3.8 Reliability and validity**

Reliability refers to the consistency of a measure (Chiang, 2015) and validity is the extent to which the scores from a measure represent the variable they are intended for. The research instrument was pretested and given to four experts as a way to check whether the instruments

were constructed well and covered the variables to be measured to determine face validity. The scores that were obtained from the pre-test were then correlated using Cronbachs Alpha Coefficient with the help of Statistical Package for Social Scientist (SPSS) Version 26 and a reliability coefficient of at least 0.7 was

**Table 3.2: Reliability Results**

| <b>Latent Variable</b>        | <b>Reliability test</b> |
|-------------------------------|-------------------------|
| Service Delivery              | 0.889                   |
| Financial Sustainability      | 0.823                   |
| Financial Reporting Procedure | 0.874                   |
| Budgeting Procedure           | 0.791                   |
| Control Environment           | 0.852                   |
| Control Activities            | 0.811                   |
| Monitoring                    | 0.877                   |
| Risk Assessment               | 0.782                   |
| Information and Communication | 0.863                   |

***Source: Primary Data***

According to Field, (2009) and Nunnally, (1978), a cut-off alpha coefficient of at least 0.7 is sufficient to prove that the instrument is reliable. Therefore, the reliability coefficients of the research instruments were higher than 0.7, implying that the instrument was reliable as recommend (Nunnally, 1978; Field, 2009).

To establish validity of the questionnaire, the items in the instruments were discussed with the finance and accounting experts to check for internal accuracy and relevancy and based on the discussions; a consensus was reached on the items that were included in the final instrument to ensure that the instrument was valid. Accordingly, content validity test was computed using the

formula  $CVI = \frac{K}{N}$  where N = Total number of items in the questionnaire and K = number of items in the questionnaire declared valid; and the results are tabulated below.

**Table 3.3: Validity Content Index**

| <b>Variable</b>                | <b>Total number of<br/>Items (N)</b> | <b>Total number of<br/>item valid (K)</b> | <b>CVI=K/N</b> |
|--------------------------------|--------------------------------------|-------------------------------------------|----------------|
| Financial management practices | 13                                   | 10                                        | 0.77           |
| Internal Control System        | 31                                   | 26                                        | 0.84           |
| Performance                    | 15                                   | 12                                        | 0.80           |

***Source; Primary data***

From the table above, the computed content validity index for all the constructs range between 0.77 and 0.84 which are above the threshold of 0.6. Thus, the variables under each construct are relevant and accurate to measure the constructs

### **3.9 Factor analysis Results**

Factor analysis was used to include those factors that explained better the study constructs through data reduction. According to Field, (2009), factor analysis is used to; 1) Reduce the data set to a more controllable size while retaining as much of the original information as possible. 2) Construct a questionnaire to measure an underlying variable. 3) Understand structure of a set of variables.

Factor analysis was done by running a rotated component matrix thereby reducing the questions to those that were more relevant to the study variables. Based on the results of the analysis, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy ( $KMO = 0.694 > 0.5$ ), and the Bartlett's test of Sphericity revealed Chi-square ( $X^2$ ) = 189.614; Degree of Freedom (DF) = 78 and P-value  $p = 0.00 < 0.01$  met the assumptions required in completing factor analysis. Using the Varimax method for principal components measurement, only those factors with an Eigen value greater than 1 were retained according to Guttman-Kaiser rule: The results in Table 3.2 showed that financial reporting procedure and budgeting procedure explain 63.58% of the financial

management practices of NGOs in Uganda. Of the 63.58% financial reporting procedure accounts for 35.00% and budgeting procedure accounts for 28.58%. This implies that financial reporting procedure contributed more in determining financial management practices than budgeting procedure.

**Table 3.4: Factor analysis of financial management practices**

|                                                                              | <b>Financial Reporting<br/>Procedure</b> | <b>Budgeting Procedure</b> |
|------------------------------------------------------------------------------|------------------------------------------|----------------------------|
| The financial report portrays financial accountability                       | .941                                     |                            |
| The information in our financial report is always accurate                   | .834                                     |                            |
| The financial reporting procedure is simple to follow                        | .783                                     |                            |
| The financial reports are prepared to provide relevant information to donors | .709                                     |                            |
| The financial report contains all relevant material information              | .619                                     |                            |
| The management periodically prepares financial statements                    | .545                                     |                            |
| There is a department responsible for budget preparation                     |                                          | .741                       |
| Budgets are prepared according to each projects demand                       |                                          | .727                       |
| Budgets are sometimes influenced by the donors                               |                                          | .687                       |
| There are budgetary systems followed in the organization                     |                                          | .682                       |
| Our budgets are approved by the donors before implementation                 |                                          | .574                       |
| Budgeting activities are based on the donors before implementation           |                                          | .905                       |
| Our organization's budgeting process is cost effective                       |                                          | .715                       |
| <b><i>Eigen value</i></b>                                                    | <b>4.55</b>                              | <b>3.72</b>                |
| <b><i>Variance (%)</i></b>                                                   | <b>35.00</b>                             | <b>28.58</b>               |
| <b><i>Cumulative Variance (%)</i></b>                                        | <b>35.00</b>                             | <b>63.58</b>               |
| Extraction Method: Principal Component Analysis.                             |                                          |                            |

|                                                     |  |  |
|-----------------------------------------------------|--|--|
| Rotation Method: Varimax with Kaiser Normalization. |  |  |
| a. Rotation converged in 3 iterations.              |  |  |

***Source: Primary data***

Two items loaded on financial management practices including financial reporting procedure and budgeting procedure. On financial reporting procedure, there were six scales loading and budgeting procedures there were seven scales loading.

Factor analysis results in Table 3 below further revealed that, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy ( $KMO=0.532>0.5$ ), and the Bartlett's Test of Sphericity revealed Chi-square ( $X^2=168.46$ ; Degree of Freedom ( $DF$ )=75 and P-value  $p=0.00<0.01$  met the assumptions required in completing factor analysis. Using the Varimax method for principal components measurement, only those factors with an Eigen value greater than 1 were retained according to Guttman-Kaiser rule. The results in Table 3 below showed that control environment, control activities, monitoring and information and communication were the major internal control system accounting for 73.78%. Of these, control environment accounted for 29.85%, control activities- 19.20%, monitoring- 17.73%, risk assessment 11.74% and information and communication explained 7.00%. This implied that internal control environment had the highest degree in explaining internal control system follow by control activities, monitoring and lastly information and communication.

**Table 3.5: Factor analysis of internal control system**

|                                                                                                                     | <b>Rotated Component Matrix<sup>a</sup></b> |                           |                   |                        |                                      |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------|-------------------|------------------------|--------------------------------------|
|                                                                                                                     |                                             | <b>Component</b>          |                   |                        |                                      |
|                                                                                                                     | <b>Control Environment</b>                  | <b>Control Activities</b> | <b>Monitoring</b> | <b>Risk assessment</b> | <b>Information and Communication</b> |
| There is effective coordination among the staff                                                                     |                                             |                           |                   |                        | .839                                 |
| There is easy access to information by employees                                                                    |                                             |                           |                   |                        | .817                                 |
| Communication in our organization helps to evaluate how well guidelines are followed                                |                                             |                           |                   |                        | .764                                 |
| The staff have the ability to communicate with the top management                                                   |                                             |                           |                   |                        | .725                                 |
| Our organization communicates control activities to the staff                                                       |                                             |                           |                   |                        | .755                                 |
| All channels of communication are utilized by the employees                                                         |                                             |                           |                   |                        | .560                                 |
| Management gives feedback to junior staff about decision made                                                       |                                             |                           |                   |                        | .761                                 |
| Management appropriately evaluates risk when planning for new process and activities                                |                                             |                           |                   | .777                   |                                      |
| Our risk management systems meet the minimum requirement                                                            |                                             |                           |                   | .772                   |                                      |
| Management identifies risks that affect achievement of performance of NGOs                                          |                                             |                           |                   | .737                   |                                      |
| Monitoring is effectively done in our organization                                                                  |                                             |                           | .738              |                        |                                      |
| Our organization has routine monitoring reports                                                                     |                                             |                           | .649              |                        |                                      |
| There is timely action taken to report on deficiencies of internal control detected during donor's compliance audit |                                             |                           | .859              |                        |                                      |
| We have clear procurement policy to be followed                                                                     |                                             |                           | .762              |                        |                                      |
| There is existence of a mechanism for reporting identified internal control deficiencies                            |                                             |                           | .721              |                        |                                      |

|                                                                                                   |              |              |              |              |             |
|---------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|-------------|
| In our organization, there is segregation of duties                                               |              | .709         |              |              |             |
| There is safeguard for protection against conflicts of interest                                   |              | .705         |              |              |             |
| Corrective actions are taken immediately to address irregularities                                |              | .703         |              |              |             |
| Our organization has financial manuals that clearly describe internal control policies            |              | .791         |              |              |             |
| Policies of our organization are being implemented well                                           |              | .765         |              |              |             |
| There is independent review conducted on all documents used to distribute items for beneficiaries |              | .632         |              |              |             |
| There is continuous independent review of internal control system                                 |              | .565         |              |              |             |
| Our supervisors are aware of their roles in the organization                                      |              | .553         |              |              |             |
| The organisation ensures that all payments are made within approved budget                        |              | .888         |              |              |             |
| Our expenditures are authorized before effecting payments                                         |              | .723         |              |              |             |
| The finance department effects all payments in accordance with organization policies              | .817         |              |              |              |             |
| Our staff are honest in carrying out all their duties                                             | .689         |              |              |              |             |
| In our organization, there is independent review of work by others                                | .614         |              |              |              |             |
| Our management follows the internal control procedure                                             | .604         |              |              |              |             |
| The responsibility of each unit of the organization is clearly spelt out                          | .710         |              |              |              |             |
| Our management has respect for all categories of staff                                            | .688         |              |              |              |             |
| In our organization, we have competent staff                                                      | .648         |              |              |              |             |
| Our staff have adequate skill to discharge their responsibility effectively                       | .555         |              |              |              |             |
| In this organisation, integrity is demonstrated by staff                                          | .793         |              |              |              |             |
| <b><i>Eigen value</i></b>                                                                         | <b>8.96</b>  | <b>5.76</b>  | <b>5.32</b>  | <b>2.70</b>  | <b>2.10</b> |
| <b><i>Variance (%)</i></b>                                                                        | <b>29.85</b> | <b>19.20</b> | <b>17.73</b> | <b>11.74</b> | <b>7.00</b> |

|                                                                                                         |              |              |              |              |              |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cumulative Variance (%)</b>                                                                          | <b>29.85</b> | <b>49.05</b> | <b>66.78</b> | <b>78.74</b> | <b>85.52</b> |
| Extraction Method: Principal Component Analysis.<br>Rotation Method: Varimax with Kaiser Normalization. |              |              |              |              |              |
| a. Rotation converged in 8 iterations                                                                   |              |              |              |              |              |

**Source: Primary data**

Four items were loaded on internal control system with the highest being control environment, there were thirteen scales loading, control activities there were ten scales loading, monitoring there were six scales loading and information and communication had one scales loading.

From the results of the analysis of performance as a variable, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy ( $KMO=0.703>0.5$ ), and the Bartlett's Test of Sphericity revealed Chi-square ( $X^2=243.562$ ; Degree of Freedom (DF)=105 and P-value  $p=0.00<0.01$  met the assumptions required in completing factor analysis. Using the Varimax method for principal components measurement, only those factors with an Eigen value greater than 1 were retained according to Guttman-Kaiser rule and the results in table 3.4 below showed that service delivery and financial sustainability explained 58.12% of the performance of NGOs in Uganda. Of the 58, 12% service delivery accounted for 38.37% while financial sustainability accounted for 19.75%. This suggested that service delivery contributed more in determining performance than financial sustainability.

**Table 3.6: Factor analysis of performance**

|                                                                     | <b>Service delivery</b> | <b>Financial Sustainability</b> |
|---------------------------------------------------------------------|-------------------------|---------------------------------|
| Our organisation provides quality services to the beneficiaries     | .882                    |                                 |
| Services delivered by our organisation meet the beneficiaries needs | .868                    |                                 |

|                                                                                          |                     |                     |
|------------------------------------------------------------------------------------------|---------------------|---------------------|
| Services from the organisation are addressing the priority needs of the beneficiaries    | .840                |                     |
| Our organisation staff do their work professionally                                      | .777                |                     |
| Our staff use organisation resources properly to help the beneficiaries                  | .699                |                     |
| Our organisation provides services to improve the living conditions of the beneficiaries | .676                |                     |
| In our organisation, allocation of resources for all projects, is done                   | .675                |                     |
| Our organisation provides beneficiaries opportunities to participate in its affairs      | .668                |                     |
| Projects are completed in time according to the planned budget                           | .601                |                     |
| Our organisation delivers services to all categories of beneficiaries                    | .580                |                     |
| The organisation has financial capacity to undertake the planned projects                |                     | .698                |
| We have accrued less debt in the last two years compared to the past                     |                     | .629                |
| Our organisation obtains sufficient donor funding                                        |                     | .865                |
| We have enough money for emergencies that may arise                                      |                     | .820                |
| The organisation has early warning system to forecast fund shortages                     |                     | .647                |
| <b><i>Eigen value</i></b>                                                                | <b><i>5.76</i></b>  | <b><i>2.96</i></b>  |
| <b><i>Variance (%)</i></b>                                                               | <b><i>38.37</i></b> | <b><i>19.75</i></b> |
| <b><i>Cumulative Variance (%)</i></b>                                                    | <b><i>38.37</i></b> | <b><i>58.12</i></b> |
| <i>Extraction Method: Principal Component Analysis.</i>                                  |                     |                     |
| <i>Rotation Method: Varimax with Kaiser Normalization.</i>                               |                     |                     |
| <i>a. Rotation converged in 3 iterations.</i>                                            |                     |                     |

***Source: Primary data***

Two items loaded on performance including service delivery and financial sustainability. On service delivery there were twelve scales loading and for financial sustainability there were three scales loading.

### **3.10 Data analysis and presentation**

Marshall and Rossman, (1999) describe data analysis as the process of bringing order, structure and meaning to the mass of collected data. The researcher used Statistical Package for Social Scientist (SPSS) version 25 for data entry and analysis, reliability testing and factor analysis to obtain items or variables that explained the pattern of correlations and regressions within set of observed variables. Pearson's product moment correlation was used to evaluate the relationship

between financial management practices, internal control system and performance of NGOs in Uganda. Descriptive statistics was used to describe the sample characteristics of the respondents, regression analysis to assess the predictive power of the independent variables (financial management practices and internal control system) towards the dependent variable (performance).

### **3.11 Ethical issues**

Research ethics involve requirements on daily work, the protection of dignity of subjects and the publication of the information in the research (Fouka & Mantzorou, 2011). The researcher strictly adhered to the professional ethical conduct of research by getting letter of introduction from the university dean and the consent of the organization to collect data before data collection exercise. Additionally, the researcher clearly gave the assurance about the purpose of the information obtained for academic research to the respondents and the identity of the respondent would not be disclosed in whatsoever the circumstance.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

#### 4.1 Introduction

This chapter covers the analysis, presentation and interpretation of the findings. It focused on the descriptive statistics of the variables, correlation and regression analysis of the study variables. These results were reported according to the study objectives.

#### 4.2 Response Rate

Four questionnaires were distributed to each of the 86 NGOs sampled for the study, making a total of 344 (86 x 4) staff of NGOs and only 256 (64 x 4) were returned generating a response rate of 74.4%. This response rate was a good representation of the whole population (Field, 2006). Some NGOs did not respond as a result of being busy or feared divulging information.

#### 4.3 Demographic and organizational characteristics of the respondents

The results elucidated below showed the distribution of respondents by gender, marital status, age, education level, position and length of period with the firm.

##### 4.3.1 Gender of Respondents

Respondents of different sex of NGO staff in West Nile were as illustrated in Table 4.1.

**Table 4.1: Gender of Respondents**

|       |              | Frequency  | Percent      | Cumulative Percent |
|-------|--------------|------------|--------------|--------------------|
| Valid | Male         | 169        | 66.0         | 66.0               |
|       | Female       | 87         | 34.0         | 100.0              |
|       | <b>Total</b> | <b>256</b> | <b>100.0</b> |                    |

*Source: Primary data*

Table 4.1 shows that 66.0% of the respondents were male and 34.0% of the respondents were female. This implied that more males responded to the questionnaires as compared to female community. This also suggested that more men work in NGOs than women.

#### 4.3.2 Marital Status

The Table 4.2 shows the marital status of the NGO staff in West Nile Districts.

**Table 4.2: Marital status**

|       |              | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|-------|--------------|------------------|----------------|---------------------------|
| Valid | Single       | 44               | 17.2           | 17.2                      |
|       | Married      | 206              | 80.5           | 97.7                      |
|       | Widow        | 5                | 2.0            | 99.6                      |
|       | Widower      | 1                | .4             | 100.0                     |
|       | <b>Total</b> | <b>256</b>       | <b>100.0</b>   |                           |

*Source: Primary data*

Table 4.2 demonstrated that 80.5% were married and 0.4% of the respondents of NGO staff were widower. This meant that majority of NGO staff were married, stable and committed to their work.

#### 4.3.3 Age bracket

Table 4.3 shows the age group of the respondents of NGO staff in West Nile districts.

**Table 3.3: Age bracket**

|       |                    | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|-------|--------------------|------------------|----------------|---------------------------|
| Valid | Less than 25 years | 1                | .4             | .4                        |
|       | 25 - 38 years      | 119              | 46.5           | 46.9                      |
|       | 39 - 45 years      | 93               | 36.3           | 83.2                      |
|       | 46 - 52 years      | 33               | 12.9           | 96.1                      |
|       | 53 years and above | 10               | 3.9            | 100.0                     |
|       | <b>Total</b>       | <b>256</b>       | <b>100.0</b>   |                           |

*Source: Primary data*

The Table 4.3 illustrates that 46.5% respondents lie between 25-38 years and 0.4% of the respondents lie in the age group less than 25 years. This showed that majority of the respondents were above the age of 25 years and therefore were mature enough to comprehend and respond to the questionnaire.

#### **4.3.4 Education level**

The Table 4.4 depicts the education level of NGO staff in West Nile districts.

**Table 4.4: Education Level**

|       |                       | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|-------|-----------------------|------------------|----------------|---------------------------|
| Valid | Certificate           | 2                | .8             | .8                        |
|       | Diploma               | 7                | 2.7            | 3.5                       |
|       | 1st Degree            | 123              | 48.0           | 51.6                      |
|       | Post graduate diploma | 74               | 28.9           | 80.5                      |
|       | Masters               | 44               | 17.2           | 97.7                      |
|       | Professional          | 3                | 1.2            | 98.8                      |
|       | PHD                   | 3                | 1.2            | 100.0                     |
|       | <b>Total</b>          | <b>256</b>       | <b>100.0</b>   |                           |

*Source: Primary data*

The results in Table 4.4 illustrated that 48.0% were 1<sup>st</sup> degree holders and 0.8% of the respondents were certificate holders. Therefore, on the basis of the above results, the respondents were deemed literate and able to read and write, as well as understand the questions. They seemed knowledgeable about financial management practices and internal control systems of the NGOs.

#### **4.3.5 Position**

The Table 4.5 shows the position of responsibility held in the NGOs by the staff.

**Table 4.5: Position**

|       |                                   | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|-------|-----------------------------------|------------------|----------------|---------------------------|
| Valid | Executive director                | 47               | 18.4           | 18.4                      |
|       | Monitoring and evaluation officer | 53               | 20.7           | 39.1                      |
|       | Project manager                   | 69               | 27.0           | 66.0                      |
|       | Accountant                        | 87               | 34.0           | <b>100.0</b>              |
|       | <b>Total</b>                      | <b>256</b>       | <b>100.0</b>   |                           |

*Source: Primary data*

The results in Table 4.5 revealed that 34.0% of the respondents were accountants and 18.4% were executive directors. This showed that the data collected was from the rightful staffs that were

knowledgeable about the financial management practices, internal control system and performance of NGOs.

#### 4.3.6 Time frame taken in the NGO

The Table 4.6 shows the range of years the staffs have worked for the NGOs.

**Table 4.6: Time frame taken in the NGO**

|       |                    | Frequency  | Percent      | Cumulative Percent |
|-------|--------------------|------------|--------------|--------------------|
| Valid | Less than one year | 10         | 3.9          | 3.9                |
|       | 1 - 3 years        | 87         | 34.0         | 37.9               |
|       | 4 - 6 years        | 114        | 44.5         | 82.4               |
|       | 7 - 9 years        | 23         | 9.0          | 91.4               |
|       | Over 10 years      | 22         | 8.6          | 100.0              |
|       | <b>Total</b>       | <b>256</b> | <b>100.0</b> |                    |

*Source: Primary data*

The results in Table 4.6 revealed that 44.5% of the staff had worked between 4 – 6 years and 3.9% had worked for less than one year. This implies that majority of the staff have worked for some good number of years and therefore were knowledgeable about NGOs activities.

#### 4.3.7 District of Location of the NGO

The Table 4.7 shows the district where the NGOs were carrying out their activities in West Nile region.

**Table 4.7: District of Location**

|       |          | Frequency | Percent | Cumulative Percent |
|-------|----------|-----------|---------|--------------------|
| Valid | Arua     | 19        | 29.7    | 29.7               |
|       | Koboko   | 9         | 14.1    | 43.8               |
|       | Yumbe    | 13        | 20.3    | 64.1               |
|       | Adjumani | 15        | 23.4    | 87.5               |
|       | Moyo     | 1         | 1.6     | 89.1               |
|       | Nebbi    | 3         | 4.7     | 93.8               |
|       | Zombo    | 1         | 1.6     | 95.4               |
|       | Pakwach  | 2         | 3.1     | 98.5               |

|  |              |           |              |       |
|--|--------------|-----------|--------------|-------|
|  | Okollo       | 1         | 1.6          | 100.0 |
|  | <b>Total</b> | <b>64</b> | <b>100.0</b> |       |

*Source: Primary data*

Table 4.7 shows that 29.7% of the NGOs were located in Arua district and 1.6% in Moyo, Zombo and Okollo districts. This implied that Arua being the mother district had more NGOs than other districts in West Nile region.

### 3.3.8 Number of years the NGOs take to implement the projects/programme

Table 4.8 indicates the number of years the NGOs implementing the projects/programme.

**Table 4.8: Number of years the NGOs take to implement the projects/programme**

|       |                    | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|-------|--------------------|------------------|----------------|---------------------------|
|       | Less than one year | 23               | 35.9           | 35.9                      |
|       | 1 - 5 years        | 21               | 32.8           | 68.7                      |
| Valid | 6 - 10 years       | 13               | 20.4           | 89.1                      |
|       | Above 10 years     | 7                | 10.9           | 100.0                     |
|       | <b>Total</b>       | <b>64</b>        | <b>100.0</b>   |                           |

*Source: Primary data*

Table 4.8 shows that 35.9% of the NGOs were implementing the projects for less than one and 10.9% were implementing their project/programme for more than 10 years. This implies that majority of the NGOs are there to exist for less than one years.

### 3.3.9 Nature of NGOs

Table 4.9 indicates the nature of the NGOs in term of project or programme base.

**Table 4.9: Nature of NGOs**

|       |              | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|-------|--------------|------------------|----------------|---------------------------|
|       | Project      | 46               | 71.9           | 71.9                      |
| Valid | Programme    | 18               | 28.1           | 100                       |
|       | <b>Total</b> | <b>64</b>        | <b>100.0</b>   |                           |

**Source; Primary data**

Table 4.9 shows that 71.9% of the NGOs are project base while 28.1% are programme base. This implies that majority of the NGOs have very few years or months to stay.

#### 4.4 Correlation Analysis

Correlation analysis was run in order to establish the relationships between pairs of the study variables which arose out of the objectives of the study. As such, the Pearson's product moment correlation analysis was carried, generating correlation coefficients to measure the magnitude of the relationship between the financial management practices, internal control system and performance of NGOs in West Nile region in Uganda. The analysis examined linear relationship and where it existed, the direction and strength of this relationship.

**Table 4.10: Pearson Correlation analysis**

|                                           | 1      | 2      | 3             | 4      | 5      | 6      | 7        | 8    | 9             | 10 |
|-------------------------------------------|--------|--------|---------------|--------|--------|--------|----------|------|---------------|----|
| Financial Reporting Procedure (1)         | 1      |        |               |        |        |        |          |      |               |    |
| Budgeting Procedure (2)                   | .412** | 1      |               |        |        |        |          |      |               |    |
| <b>Financial Management Practices (3)</b> | .596** | .839** | 1             |        |        |        |          |      |               |    |
| Control Environment (4)                   | .425** | .637** | .679**        | 1      |        |        |          |      |               |    |
| Control Activities (5)                    | .330** | .446** | .519**        | .587** | 1      |        |          |      |               |    |
| Monitoring (6)                            | .526** | .480** | .510**        | .380** | .520** | 1      |          |      |               |    |
| Risk assessment (7)                       | .221** | .047   | .200**        | .139*  | .122   | .066   | 1        |      |               |    |
| Information and Communication (8)         | .166   | .213   | .130          | .186   | .377** | .208   | .23<br>2 | 1    |               |    |
| <b>Internal Control System (9)</b>        | .447** | .658** | .732**        | .790** | .736** | .550** | .24<br>2 | .231 | 1             |    |
| <b>Performance (10)</b>                   | .470** | .571** | <b>.609**</b> | .551** | .436** | .269*  | .21<br>1 | .221 | <b>.634**</b> | 1  |

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

\**. Correlation is significant at the 0.05 level (2-tailed).*

**Source: Primary Data**

#### **4.4.1 Correlation of the study variables**

This is the most commonly used measure of association between two variables. Pearson's  $r$  measures the strength, direction and probability of the linear association between two interval or ratio variables.

#### **4.4.1 Correlation of the study variables**

As seen in Table 4.10, the study found a significant positive relationship between financial management practices and performance of NGOs ( $r = .609$ ,  $p < .01$ ). A similar result was manifested between performance of NGOs and all constructs of financial management practices, the most significant occurring with budgeting procedure ( $r = .571$ ,  $p < .01$ ). The result usually means that positive changes in the financial management practices of the NGOs in respect to financial reporting procedure and budgeting procedure are associated with positive changes in the Performance of NGOs in West Nile in Uganda.

From the findings in Table 4.10, there was a significant positive relationship between internal control system and performance of NGOs ( $r = .634$ ,  $p < .01$ ). Besides, the results showed that performance of NGOs was significantly correlated with all aspects of internal control, among which the most notable was control environment, ( $r = .551$ ,  $p < .01$ ). This meant that a high level of internal control system in regard to good control environment, control activities, monitoring, risk assessment and information and communication was associated with a high level of performance of NGOs.

## 4.5 Regression Analysis

A regression analysis of performance of NGOs was carried in order to establish how the variation in financial management practices and internal control system individually and in combination affect the variation in the performance of NGOs. The results are presented in Table 4.11.

**Table 4.11: Beta Coefficients of standardized, variance and model summary**

| Model                            | Unstandardized Coefficients |            | Standardized Coefficients | T     | Sig. | Collinearity Statistics |       |
|----------------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
|                                  | B                           | Std. Error | Beta                      |       |      | Tolerance               | VIF   |
| (Constant)                       | .964                        | .432       |                           | 2.230 | .029 |                         |       |
| 1 Financial Management Practices | .309                        | .137       | .314                      | 2.261 | .027 | .464                    | 2.157 |
| Internal Control System          | .439                        | .151       | .404                      | 2.913 | .005 | .464                    | 2.157 |

a. Dependent Variable: Performance

### Model Summary

$R = .669^a$ ,  $R^2 = .447$ ,  $Adjusted\ R^2 = .429$ ,  $Std.\ Error\ of\ the\ estimate = .16315$

*Source: Primary data*

$$Y = 0.964 + 0.314X_1 + 0.404X_2 + 0.16315$$

The beta values obtained were used to explain the regression equation above. The equation explains the contribution of each independent variable on to the dependent variable held at a constant value 0.964. The standardized beta coefficients give a measure of influence of each variable to the model and indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant.

### 4.6.1 Financial management practices and Performance of NGOs

As seen in table 4.11 above, the results reveal that financial management practices insignificantly determines performance of NGOs (Beta = .314,  $p=.027$ ,  $P>.01$ ). A unit increase in financial management practices leads to 0.314 increase in performance of NGOs. This implies that financial management practices had a positive influence on performance of NGOs in West Nile region.

#### **4.6.2 Internal control system and Performance of NGOs**

Similarly, from the regression equation and table 4.11 above, the results revealed that internal control positively influenced performance of NGOs in West Nile region (Beta = .404,  $p=.005$ ,  $p<.01$ ). A unit increase in internal control system leads to 0.404 increase in performance of NGOs.

#### **4.6.3 Financial management practices, internal control systems and Performance of NGOs**

A regression analysis was conducted to analyze the determinants of performance of NGOs in West Nile Region in Uganda so as to address all the objectives of this study. The regression model summary in Table 4.11 shows that the two predictor variables accounted for 42.9% of the total variation in performance of NGOs because the ‘adjusted R square’ value is 0.429. Therefore, further research should be conducted to investigate the other factors constituting 57.1% which influence performance of NGOs in West Nile region in Uganda.

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study was carried out to explain the Performance of NGOs in West Nile region in Uganda. This chapter consists of discussion of the findings as guided by objectives of the study, conclusion, recommendations, limitations to the study and suggested areas for further research.

#### **5.2 Discussion of the Findings**

The study focused on the predictive potential of financial management practices and internal control system on performance of NGOs as discussed below;

##### **5.2.1 Financial management practices and Performance of NGOs**

The first research objective sought to assess the relationship between financial management practices and performance of NGOs. The findings of the study revealed a positive and significant relation between financial management practices and performance of NGOs. Findings further revealed that financial reporting procedure was a better predictor element of financial management practices than budgeting procedure. These findings were in line with Demba, (2013) who carried a study to find the effect of financial management practices on performance and found out that the annual budget process and financial reporting affect performance. The study concluded that financial reporting and tracking had the greatest effect on performance. Furthermore, Wandera and Sang, (2017) investigated the effect of financial management challenges on financial sustainability of NGOs and the finding indicated that budget control and financial reporting had a significant and positive relationship with financial sustainability. In addition, Maclean, (2018) carried a study based on the foundation that budgetary and budgetary control play significant role in the resource management and confirmed

that budgeting and budgetary controls have significant contribution toward organization efficiency. On their part, Turyahebwa, Sunday and Ssekajugo, (2013) investigated the relationship between financial management practices and business performance and found a positive and significant correlation between financial management practices and business performance. Muguchia, (2018) studied the effect of financial management practices on financial performance and concluded that financial management practices affect financial performance. However, Kimani, (2014) investigated the effect of budgetary control on NGO performance and found that there was a weak positive effect of budgetary control on performance. Whereas Ali and Isak, (2019) examined the effect of the financial management practice on financial performance and the result indicated that investment decision and working capital management had significant positive relationship with financial performance, while financial decisions had no significant relationship with financial performance. Additionally, Nthenge and Ringera, (2017) studied the effect of financial management practices on financial performance and the findings showed that considered individually, there was a positive relationship between working capital management, investment decisions, financial decisions and financial performance but the combined effect of financial management practices has a moderate positive relationship with financial performance.

In contrast, the systems theory as devised by Easton, (1965) is applied in this study to indicate how the financial reporting procedure and budgeting process as constructs of financial management practices operate as a system to ensure that NGOs finances are efficiently utilized to provide services to the people and ensure financial sustainability.

Besides, factor analysis was carried on financial management practices, for financial reporting procedure, there were six scales loading which are; the financial report portrays financial

accountability, information in our financial report is always accurate, financial reporting procedure is simple to follow, financial reports are prepared to provide relevant information to donors, financial report contains all relevant material information and management periodically prepares financial statements.

As well, seven item scales were loaded on a factor called budgeting procedure and these included; there is a department responsible for budget preparation, budgets are prepared according to each projects demand, budgets are sometimes influenced by the donors, there are budgetary systems followed in the organization, our budgets are approved by the donors before implementation, budgeting activities are based on the donors before implementation, our organization's budgeting process is cost effective

### **5.2.2 Internal Control System and Performance of NGOs.**

The second research objective sought to establish a relationship between internal control system and performance of NGOs. The results of the study revealed significant positive relationship between internal control system and performance of NGOs. Findings revealed that improvising good control environment was the most important element of internal control system, followed by control activities, monitoring and information and communication for achieving better performance of NGOs. The results of the regression analysis indicated that internal control system contributed in explaining improvement of NGOs performance. This implied that an improvement in internal control system led to a better performance of NGOs. The study found out that improvising better internal control system by NGOs enhanced their performance. This was consistent with findings of Owiredu, Abedana & Asante (2016) who established significantly relationship between internal controls and performance of seven faith-based NGOs. Likewise, Ayom, (2013) assessed the impact of internal control system on performance and concluded that

internal controls greatly influence performance of an organization. Another investigation by Odongkara, (2016) verified that internal control activities, internal control environment and audit positively affected financial performance. Meanwhile, Niyonsenga and Abuya, (2017) in examining the relationship between internal control system and financial performance concluded that internal control systems contribute highly to financial performance. Furthermore, Muhunyo, (2018) who sought to establish the effect of internal control system on financial performance found out that all the components of internal control system have a significant influence on the financial performance. Byakagaba (2016) examined the relationship between internal controls and performance of non-governmental organization and concluded that internal controls affect the performance of an organization positively or negatively depending on how it has been done.

However, Ejoh and Ejom, (2014) findings did not reveal any significant relationship between internal control activities and financial performance. While Araya, (2018) who sought to determine the effect of internal control systems on overall performance found significant positive relationship between all IC components and performance except risk assessment which did not have any relationship with performance.

Internal control system has been generated from agency theory by Jensen and Meckling, (1976) to explain its relationship with performance of NGOs. 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 problems (Jensen & Payne, 2003).

The researcher's results of the hierarchical regression analysis therefore indicated that financial management practices and internal control system contributed in explaining improvement of NGOs performance. Thus, NGOs need to discharge their accountability in relation to donations and funding organizations need to reallocate assets in the wake of opportunities and maintain sound financial balance over a long period.

From factor analysis performed on internal control system, thirteen items were loaded on scales with highest being there is effective coordination among the staff, there is easy access to information by employees, communication in our organization helps to evaluate how well guidelines are followed, monitoring is effectively done in our organization, the staff have the ability to communicate with the top management, in our organization, there is segregation of duties, there is safeguard for protection against conflicts of interest, corrective actions are taken immediately to address irregularities, our staff are honest in carrying out all their duties, our organization has routine monitoring reports, in our organization, there is independent review of work by others and our management follows the internal control procedure.

Ten items were scales on control activities with the highest being In our organization, there is segregation of duties, There is safeguard for protection against conflicts of interest, Corrective actions are taken immediately to address irregularities, Our organization has financial manuals that clearly describe internal control policies, Policies of our organization are being implemented well, There is independent review conducted on all documents used to distribute items for beneficiaries, There is continuous independent review of internal control system, Our supervisors are aware of their roles in the organization, The organisation ensures that all payments are made within approved budget, Our expenditures are authorized before effecting payments,

Five items were loaded on monitoring and the highest was that monitoring is effectively done in our organization, our organization has routine monitoring reports, there is timely action taken to report on deficiencies of internal control detected during donor's compliance audit, we have clear procurement policy to be followed, there is existence of a mechanism for reporting identified internal control deficiencies.

Three items were loaded on risk management with the highest being management appropriately evaluates risk when planning for new process and activities, our risk management systems meet the minimum requirement and management identifies risks that affect achievement of performance of NGOs.

Seven items were loaded on information and communication with the highest as there is effective coordination among the staff, There is easy access to information by employees, Communication in our organization helps to evaluate how well guidelines are followed, The staff have the ability to communicate with the top management, Our organization communicates control activities to the staff, All channels of communication are utilized by the employees, Management gives feedback to junior staff about decision made.

### **5.3.3 Financial Management practices, internal control system and Performance of NGOs.**

The third research objective sought to determine the predictive power of financial management practices and internal control system on performance of NGOs. The results of the regression analysis indicated that financial management practices and internal control system contributed in explaining improvement of NGOs performance. These findings were in line with those advanced by Gachoka *et al.*, (2018) that if adequately practiced, both budgeting process and internal controls could give positive effect on their performance. While on their part, Rosman *et al.*,

(2016) established significant relationship between internal control components and financial performance. Furthermore, Mujannah *et al.*, (2019) avowed that performance-based budgets and the internal control system had great impact on performance. Similarly, Ntongo, (2012) found a significant positive relationship between the internal controls, financial accountability, and service delivery and that both internal controls and financial accountability were significant predictors of service delivery.

The systems theory was devised by Easton, (1965) who broadly posited that the theory focuses on a set of patterned relations involving frequent interactions and a substantial degree of interdependence among various components. Broback and Sjolander, (2002) described NGO financial management as consisting of key sub-components that are important in a development context and must improve service delivery. This theory is therefore used in this study to explain financial management practices like budgeting process and financial reporting procedure that can influence financial sustainability and service delivery of NGO.

## **5.4 Conclusion**

The objectives of the study were: - to assess the relationship between financial management practices and performance; establish the relationship between internal control system and performance and to determine the predictive power of financial management practices and internal control system on performance of NGOs in West Nile. The findings of the study demonstrated that financial management practices (financial reporting procedures, budgeting process) and internal control system (internal control environment, control activities, monitoring, information and communication) are predictors of performance (service delivery, financial

sustainability). This therefore implies that an improvement in financial management practices and internal control system would improve NGOs performance.

The study was also done to find the combined effect of financial management practices and internal control system. The results of the study indicated that financial management practices and internal control system jointly explain NGOs performance. Also noticeable in this study is the fact that with standardized beta coefficient and level of significance for financial management practices and internal control system respectively, internal control system was a better predictor of NGOs performance than financial management practices. Policy makers and NGOs leaders may use these findings as a way of improving NGOs performance in Uganda.

From the above the following conclusions can be drawn: First, financial management practices are vital in enhancing NGOs performance. As well, it was deduced that streamlining financial reporting and budgeting processes significantly enhanced NGOs performance. Second, it was established that an effective internal control system also improved NGOs performance. It was therefore concluded that applying appropriate financial management practices together with an effective internal control system greatly boost NGOs performance

## **5.5 Recommendations**

The recommendations were based on the findings of the study and discussions.

The management of NGOs should put more emphasis on internal control system since it has more predictive power (40.4%) on performance of NGOs. They need to put in place good control environment, control activities, monitoring, risk assessment and information and communication and policies to be adhered to by all finance staff. NGO management should also enforce good control environment, control activities, monitoring, risk assessment and information and

communication to be applied at all levels of management. The results of this study would be of importance to scholars and academicians seeking to expand their knowledge as a reference point in areas of management practices, internal control system and performance of NGOs. Donors would use this findings to enforce financial sustainability and service delivery in NGO world.

### **5.6 Limitations of the study**

The researcher faced the following problems during the study: -

- ❖ The researcher experienced o did not meet the full target of respondents as a result of fear of COVID 19 transmitted through touching unknown material (questionnaires) who never wanted to answer my questionnaires. This was mitigated by adhering to SOPs since the problem was fear of COVID-19. Respondents were not willing to disclose their failures relating to the work they do especially the group leaders. However, this was solved by re-assuring them that the research is strictly confidential and for academic purposes.
- ❖ Some staffs were not available to give data as they were busy with field work activities. This made the research time consuming especially in getting these respondents. However, this was solved by making appointment with them.

### **5.7 Areas for further study**

Basing on the finding of the study, the researcher suggests the following areas for further research: -

- ❖ There is also need to carry out a similar study on performance of NGOs, but using the longitudinal research design.
- ❖ A comparative study with other regions in Uganda and even with other countries needs to be carried out on financial management practices and internal control system and performance of NGOs.

- ❖ There is need to find out the other predictors of performance of NGOs since financial management practices and internal control system predicted 42.9% of the variance in Performance of NGOs in West Nile in Uganda.
- ❖ Research is also needed to establish the effect of internal control system on financial management practices.

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## Appendix 1: Questionnaire

### **MAKERERE UNIVERSITY BUSINESS SCHOOL GRADUATE RESEARCH CENTRE QUESTIONNAIRE FOR RESPONDENTS**

Dear respondent,

I am a student of Makerere University Business School Perusing Master of Business Administration (MBA) of Makerere University. As a requirement for award of this degree, I am carrying out a research on the topic: **Financial management practices, Internal Control System and Performance of NGOs in Uganda**. You have been carefully selected to participate in this study to provide data about the study and promise that the information you provide will be treated with utmost confidentiality and used for this study. Your contribution is highly appreciated.

Thank you for your cooperation, participation and time. God bless you.

**SECTION A: Background Information, (please tick as appropriate).**

**Respondents' Descriptive**

PERS1: Gender:

Male ☐

Female ☐

PERS2: Marital status: Single ☐ Married ☐ Widow ☐ Widower ☐

PERS3: Age of respondents

|                    |               |               |             |                    |
|--------------------|---------------|---------------|-------------|--------------------|
| Less than 25 years | 25 - 38 years | 39 - 45 years | 46-52 Years | 53 Years and above |
| 1                  | 2             | 3             | 4           | 5                  |

PERS4: The highest academic qualification of the respondent.

|             |         |                        |                       |         |              |     |
|-------------|---------|------------------------|-----------------------|---------|--------------|-----|
| Certificate | Diploma | 1 <sup>st</sup> degree | Post graduate diploma | Masters | Professional | PHD |
| 1           | 2       | 3                      | 4                     | 5       | 6            | 7   |

PERS5: Indicate your position in the organization.

|                    |                                   |                 |            |
|--------------------|-----------------------------------|-----------------|------------|
| Executive director | Monitoring and evaluation officer | Project manager | Accountant |
| 1                  | 2                                 | 3               | 4          |

PERS6: The time frame you have taken in this position.

|                    |           |           |           |               |
|--------------------|-----------|-----------|-----------|---------------|
| Less than one year | 1-3 years | 4-6 years | 7-9 years | Over 10 years |
| 1                  | 2         | 3         | 4         | 5             |

## Organisation's Descriptive

ORG1: The district in which your organization is located.

|      |         |        |       |          |      |       |       |         |        |
|------|---------|--------|-------|----------|------|-------|-------|---------|--------|
| Arua | Maracha | Koboko | Yumbe | Adjumani | Moyo | Nebbi | Zombo | Pakwach | Okollo |
| 1    | 2       | 3      | 4     | 5        | 6    | 7     | 8     | 9       | 10     |

ORG2: Number of years the NGOs take to implement the projects/programme

|                    |             |             |                    |
|--------------------|-------------|-------------|--------------------|
| Less than one year | 1 – 5 years | 6 – 9 years | 10 and above years |
|                    |             |             |                    |

ORG3: Nature of NGOs

|         |           |
|---------|-----------|
| Project | Programme |
|         |           |

## SECTION B

Indicate in your opinion which likert statements on scales by ticking the appropriate box on the basis of the following scale.

| Scale       | 1                                                                                        | 2        | 3        | 4     | 5              |
|-------------|------------------------------------------------------------------------------------------|----------|----------|-------|----------------|
| Description | Strongly disagree                                                                        | Disagree | Not sure | Agree | Strongly agree |
|             | <b>PERFORMANCE</b>                                                                       |          |          |       |                |
|             | <b>Service Delivery (SD)</b>                                                             |          |          |       |                |
|             |                                                                                          |          |          |       |                |
| SD01.       | Our organization provides quality services to the beneficiaries                          |          |          |       |                |
| SD02        | Services delivered by our organization meet the beneficiaries needs                      |          |          |       |                |
| SD03        | Services from the organization are addressing the priority needs of the beneficiaries    |          |          |       |                |
| SD04        | Our organization staff do their work professionally                                      |          |          |       |                |
| SD05        | Our staff use organization resources properly to help the beneficiaries                  |          |          |       |                |
| SD06        | The organization has financial capacity to undertake the planned projects                |          |          |       |                |
| SD07        | Our organization provides services to improve the living conditions of the beneficiaries |          |          |       |                |
| SD08        | In our organization, allocation of resources for all projects, is done                   |          |          |       |                |
| SD09        | Our organization provides beneficiaries opportunities to participate in its affairs      |          |          |       |                |

|      |                                                                                      |          |          |          |          |          |
|------|--------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| SD10 | We have accrued less debt in the last two years compared to the past                 |          |          |          |          |          |
| SD11 | Projects are completed in time according to the planned budget                       |          |          |          |          |          |
| SD12 | Our organization delivers services to all categories of beneficiaries                |          |          |          |          |          |
|      | <b>Financial Sustainability (FS)</b>                                                 | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| FS01 | Our organization obtains sufficient donor funding                                    |          |          |          |          |          |
| FS02 | We have enough money for emergencies that may arise                                  |          |          |          |          |          |
| FS03 | The organization has early warning system to forecast fund shortages                 |          |          |          |          |          |
|      | <b>FINANCIAL MANAGEMENT PRACTICES (FMP)</b>                                          |          |          |          |          |          |
|      | <b>Part I: Financial reporting procedure (FR)</b>                                    | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| FR01 | The financial report portrays financial accountability                               |          |          |          |          |          |
| FR02 | The financial reporting procedure is simple to follow                                |          |          |          |          |          |
| FR03 | The information in our financial report is always accurate                           |          |          |          |          |          |
| FR04 | The financial report contains all relevant material information                      |          |          |          |          |          |
| FR05 | The financial reports are prepared to provide relevant information to donors         |          |          |          |          |          |
| FR06 | The management periodically prepares financial statements                            |          |          |          |          |          |
|      | <b>Part II: Budgeting procedure (BP)</b>                                             | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| BP01 | Budgeting activities are based on the donors before implementation                   |          |          |          |          |          |
| BP02 | There is a department responsible for budget preparation                             |          |          |          |          |          |
| BP03 | Budgets are prepared according to each projects demand                               |          |          |          |          |          |
| BP04 | Our organization's budgeting process is cost effective                               |          |          |          |          |          |
| BP05 | There are budgetary systems followed in the organization                             |          |          |          |          |          |
| BP06 | Budgets are sometimes influenced by the donors                                       |          |          |          |          |          |
| BP07 | Our budgets are approved by the donors before implementation                         |          |          |          |          |          |
|      | <b>INTERNAL CONTROL SYSTEM (ICS)</b>                                                 |          |          |          |          |          |
|      | <b>Part i: Control Environment (CE)</b>                                              | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| CE01 | There is effective coordination among the staff                                      |          |          |          |          |          |
| CE02 | The finance department effects all payments in accordance with organization policies |          |          |          |          |          |
| CE03 | There is easy access to information by employees                                     |          |          |          |          |          |
| CE04 | Communication in our organization helps to evaluate how all guidelines are followed  |          |          |          |          |          |
| CE05 | The staff have the ability to communicate with the top management                    |          |          |          |          |          |
| CE06 | In our organization, there is segregation of duties                                  |          |          |          |          |          |
| CE07 | There is safeguard for protection against conflicts of interest                      |          |          |          |          |          |

|      |                                                                                                                     |          |          |          |          |          |
|------|---------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| CE08 | Corrective actions are taken immediately to address irregularities                                                  |          |          |          |          |          |
| CE09 | Our staff are honest in carrying out all their duties                                                               |          |          |          |          |          |
| CE10 | Our organization has routine monitoring reports                                                                     |          |          |          |          |          |
| CE11 | In our organization, there is independent review of work by others                                                  |          |          |          |          |          |
| CE12 | Our management follows the internal control procedure                                                               |          |          |          |          |          |
|      | <b>Part ii: Control Activities (CA)</b>                                                                             | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| CA01 | Our organization has financial manuals that clearly describe internal control policies                              |          |          |          |          |          |
| CA02 | Policies of our organization are being implemented well                                                             |          |          |          |          |          |
| CA03 | Our organization communicates control activities to the staff                                                       |          |          |          |          |          |
| CA04 | The responsibility of each unit of the organization is clearly spelt out                                            |          |          |          |          |          |
| CA05 | Our management has respect for all categories of staff                                                              |          |          |          |          |          |
| CA06 | In our organization, we have competent staff                                                                        |          |          |          |          |          |
| CA07 | There is independent review conducted on all documents used to distribute items for beneficiaries                   |          |          |          |          |          |
| CA08 | There is continuous independent review of internal control system                                                   |          |          |          |          |          |
| CA09 | Our staff have adequate skill to discharge their responsibility effectively                                         |          |          |          |          |          |
| CA10 | Our supervisors are aware of their roles in the organization                                                        |          |          |          |          |          |
|      | <b>Part iii: Monitoring (MO)</b>                                                                                    | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| MO01 | The organization ensures that all payments are made within approved budget                                          |          |          |          |          |          |
| MO02 | There is timely action taken to report on deficiencies of internal control detected during donor's compliance audit |          |          |          |          |          |
| MO03 | We have clear procurement policy to be followed                                                                     |          |          |          |          |          |
| MO04 | Our expenditures are authorized before effecting payments                                                           |          |          |          |          |          |
| MO05 | There is existence of a mechanism for reporting identified internal control deficiencies                            |          |          |          |          |          |
| MO06 | Monitoring is effectively done in our organization                                                                  |          |          |          |          |          |
|      | <b>Risk Assessment (RA)</b>                                                                                         |          |          |          |          |          |
| RAM1 | Management appropriately evaluates risk when planning for new process and activities                                |          |          |          |          |          |
| RAM2 | Our risk management systems meet the minimum requirement                                                            |          |          |          |          |          |
| RAM3 | Management identifies risks that affect achievement of performance of NGOs                                          |          |          |          |          |          |
|      | <b>Part iv: Information and Communication (IC)</b>                                                                  |          |          |          |          |          |
| IC01 | In this organization, integrity is demonstrated by staff                                                            |          |          |          |          |          |
| IC02 | Management gives feedback to junior staff about decision made                                                       |          |          |          |          |          |
| IC03 | All channels of communication are utilized by the employees                                                         |          |          |          |          |          |

*This completes your involvement in the questionnaire. Thank you for your involvement.*



**Appendix 2: Krejcie and Morgans Table to Determine Sample Size**  
**Sample size (S) required for the given population size (N)**

| N  | S  | N   | S   | N   | S   | N    | S   | N      | S   |
|----|----|-----|-----|-----|-----|------|-----|--------|-----|
| 10 | 10 | 100 | 80  | 280 | 162 | 800  | 260 | 2800   | 338 |
| 15 | 14 | 110 | 86  | 290 | 165 | 850  | 256 | 3000   | 341 |
| 20 | 19 | 120 | 92  | 300 | 169 | 900  | 269 | 3500   | 346 |
| 25 | 24 | 130 | 97  | 320 | 175 | 950  | 274 | 4000   | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500   | 354 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000   | 357 |
| 40 | 36 | 160 | 113 | 380 | 191 | 1200 | 291 | 6000   | 361 |
| 45 | 40 | 170 | 118 | 400 | 196 | 1300 | 297 | 7000   | 364 |
| 50 | 44 | 180 | 123 | 420 | 201 | 1400 | 302 | 8000   | 367 |
| 55 | 48 | 190 | 127 | 440 | 205 | 1500 | 306 | 9000   | 368 |
| 60 | 52 | 200 | 132 | 460 | 210 | 1600 | 310 | 10000  | 370 |
| 65 | 56 | 210 | 136 | 480 | 214 | 1700 | 313 | 15000  | 375 |
| 70 | 59 | 220 | 140 | 500 | 217 | 1800 | 317 | 20000  | 377 |
| 75 | 63 | 230 | 144 | 550 | 226 | 1900 | 320 | 30000  | 379 |
| 80 | 66 | 240 | 148 | 600 | 234 | 2000 | 322 | 40000  | 380 |
| 85 | 70 | 250 | 152 | 650 | 242 | 2200 | 327 | 50000  | 381 |
| 90 | 73 | 260 | 155 | 700 | 248 | 2400 | 331 | 75000  | 382 |
| 95 | 76 | 270 | 159 | 750 | 254 | 2600 | 335 | 100000 | 384 |

*Note: From R.V Krejcie and D.W. Morgan (1970), determining the sample size for research activities, educational and psychological measurement*