

**AUDIT QUALITY AND FINANCIAL ACCOUNTABILITY IN NON-GOVERNMENTAL
ORGANISATIONS IN NORTHERN UGANDA: THE CASE OF SELECTED NON-
GOVERNMENTAL ORGANISATIONS IN GULU CITY**

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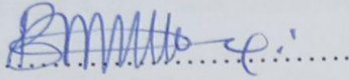
**A DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS AND
DEVELOPMENT STUDIES IN PARTIAL FULFILMENT FOR THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION OF GULU UNIVERSITY**

JULY, 2024

DECLARATION

This is to declare that this dissertation is my original work and that it has never been submitted any university or institution of higher learning for either professional or academic purposes.

Ojok Victor.....



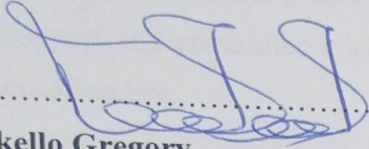
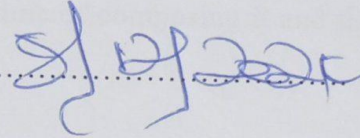
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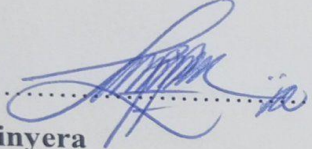
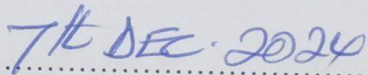
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APPROVAL

This to certify that this dissertation entitled "*Audit Quality and Financial Accountability in Non-governmental organizations in Northern Uganda: a case of selected non-governmental Organizations in Gulu City*" has been developed under our supervision and is now ready for submission.

Signature.......... Date.....
Dr. Nicholas Okello Gregory
(Supervisor 1)

Signature.......... Date.....
Mr. Martin Kinyera
(Supervisor 2)

DEDICATION

This dissertation is dedicated to my late parents who educated me and enabled me to reach this far and for their prayers and encouragement. I would also like to dedicate it to my father who has been taking care of me Mr. Aracher & family, Mr. Levi & family, my brother (Anywar Geoffrey, Oola Sivero Uma, Odong Moris) and sister (Agenorwot Judith, Nyakorach Caroline, Akello Irene, Abalo Nester, Akidi Grace) for their presence, moral support and endurance with me during my time of composing it and the entire duration of my education life.

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LIST OF ABBREVIATIONS AND ACRONYMS

CPA	Certified Public Accountant
EFT	Electronic Funds Transfer
GAAPs	General Acceptable Accounting Principles
LED	Local Economic Development
NGO	Non-Governmental Organizations
PPP	Public Private Partnership
QB's	Quick Books
SCI	Save the children international
SPSS	Statistical Package for social sciences
WV	World Vision

ABSTRACT

This study sought to establish the relationship between audit quality and financial accountability in non-governmental organizations (NGOs) in Gulu City. Specifically, this ought to have answered the following questions, how is audit quality assessed in selected NGOs in Gulu city? How is financial accountability carried out in selected NGOs in Gulu City? What is the relationship between audit quality and financial accountability in selected NGOs in Gulu City? To what extent does accounting policies moderate the relationship between audit quality and financial accountability in selected NGOs in Gulu City?

The study was done between February 2024 to June 2024. The study was done in selected NGOs in Gulu city. A cross-sectional research design was applied to investigate the different players in the audit quality and financial accountability, which comprised of; Internal auditor, Finance Departments, Program Departments, Monitoring & Evaluation Department. The study employed both quantitative and qualitative data analytical methods. Data was collected by use of structured questionnaires and interview guides. Krejcie and Morgan (1970) sampling technique was used to select 67 sample size from a population of 70 people.

The findings were presented by use of tables and charts with frequencies, valid percentages and model Summary, ANOVA was run to determine the relationship between audit quality and financial accountability in selected NGOs in Gulu city. The findings indicate that there is a correlation between audit quality and financial accountability in most of the NGOs in Gulu city such as World Vision (Gulu), Love one international (Gulu), Save the Children International (Gulu), SOS Children Village Uganda (Gulu), Carita Gulu, Gulu Women Economic Development and Globalization (GWED-G) and Thrive Gulu. This has built on the confident of staff, management and other key stakeholders to the organization.

In conclusion therefore, financial accountability is a key factor in the running of every organization that needs to be taken seriously. However, financial accountability also needs to be carried out hand in hand with audit quality. Cash is the blood that runs through the veins of every organization and it's a daily activity like recording the date of receipt, its accounting as well as the date of depositing the cheque-draft to the bank account are the same and needs a responsible person who will be responsible for managing all bank transactions.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This Chapter presents the background to the study, problem statement, purpose of the study, objectives of the study, conceptual framework, research questions, and geographical scope of the study and significance of the study.

1.1 Background of the Study

This background of study contains the historical background, theoretical perspective/agency theory, conceptual perspective and contextual background.

1.1.1 Historical background

Financial accountability is for the use of public funds that has always been at the center of attention of policy makers, lawyers and NGOs, economists as well as ordinary people. In the 11th and 12th centuries, the Greek philosophers devote considerable attention to the handling of public funds. The financial accountability was developed and gain various meanings, depending on the nature of the NGOs itself. During the medieval period, the key model of accountability was expressed in accountability of a servant to a ruler (Cangiano, Curristine, Lazare, 2016). Financial accountability provides a means of ensuring that public funds have been used in a respectable and productive manner. Therefore, it enhances verification of legality and regularity of financial accounts, but also about making sure that value for money is achieved in the use of resources.

Globally, NGOs face pressure from the public to provide services effectively, efficiently, timely and equitably (Ntongi, 2010). In Bangladesh, the concern with financial accountability originates from the dissatisfaction with the health system performance, availability and equitable distribution of basic services, the mismanagement of finances and corruption and lack of responsiveness

(Zochukwu, Mbachu, Okeke, Ibe, Okwuosa, 2016). Thus, financial accountability needs to be strengthened to enhance equitable service delivery.

In Africa, on the other hand, the immediate decades following independence were spent in strengthening the executive institutions at the expense of all other agencies of government including the public service. According to Ayobami (2014), there was a big challenge of making the public sector efficient and effective in a number of African countries due to poor financial accountability. However, the current donor-driven pressure on good governance has enhanced the level of accountability and delivery of public services in Africa (Bukonya, 2016).

Financial accountability in Uganda NGOs is aimed to improve service delivery through transferring powers closer to the people (Local Governments Accounting Manual, 2009). However, this has been betrayed by challenges surrounding financial accountability which have compromised the objective of improving service delivery (Amal, 2013). Some of these challenges include: weak budget control, weak legal process on fraud, individual selfish interest etc. In Uganda, Financial accountability improves service delivery in NGOs which bolster their functional independence, a virtue that is very important for institutions.

Financial accountability has also become something of a buzzword in the NGO sector given donor fatigue in rich nations. Economic recession all across the globe has dramatically influenced trends in donations, particularly from individuals, as most citizens in the developed economies have less disposable income to continue giving to non-profit organizations at the levels they had in previous years. In a survey of 800 non-profits at the end of 2018, 75 percent of non-profits reported feeling the effects of the downturn, with 52 percent already experiencing cuts in funding (Renz, 2019).

1.1.2 Theoretical background

Mulgan (2000) contended that in practice an agent is typically the more dominant participant and that this phenomenon creates the need to establish the principal's superiority, or control over the agent. He asserted that accountability requirements serve to provide opportunities for otherwise weak principals to impose some controls on individuals and organizations that are supposed to be serving in the principal's interests. The very act of reporting to a superior may be sufficient to induce action along the lines preferred by the superior. Similarly, assessments by auditors or other oversight bodies may lead to significant direction of, or alterations in, the behavior of those audited. For instance, oversight bodies such as the Auditor-General, through their scrutiny and auditing services may provoke responsible behavior by the agent through the prospect of intervention by the principal. Agency Theory states that the idea of financial accountability is most often rendered in terms of principals and agents' relationships. Principals delegate authority to agents, who are expected to act on the principals' behalf. In democracies, the people (or community) are the principals, and NGOs officials (Staff) are the agents (Garrido-Rodríguez, 2019). However, the problem of principal-agent theory is to ensure that agents do what principals have empowered them to do in order to promote public welfare. As such, agency theorists are routinely challenged to more fully clarify the omnipresent agency problem and how to address it. The problem arises whenever one party (principal) hires another (agent) to create value. The essential features of the agency problem are the divergence of the principal and agent interests, and the imperfect knowledge of the principal about the agent's contribution (Bosse and Phillips, 2016)

The separation of property and control functions engenders agency conflicts that are materialized in the context of asymmetric information by an opportunistic manager's behavior (Kouaib & Jarboui, 2014) and the demand for better audit quality in response to agency conflicts continuously comes

under the spotlight. Previous have extensively examined the demand for audit quality at different degrees of agency problems and the cost of equity capital (Lai & Liu, 2018). These studies provided evidence that external audit quality improves the quality of financial reporting, information asymmetry, lower the cost of capital equity (Houque et al., 2017) and, above all, reduce agency costs (Watts and Zimmerman, 1986; Corten et al., 2017). However, the financial scandals that occurred in the world (Enron, Parmalat, Batam) discredited audit firms that guaranteed their integrity (Mballa & Feudjo, 2016; Kueda & Feudjo, 2019; Kueda & Ngassa, 2019).

1.1.3 Conceptual background

The audit quality has been acknowledged to minimize risks, improve control issues, reduce external monitoring cost, reduce earnings management, mitigate fraud risks and minimize other opportunistic behaviors within an organization (Ege, 2014; Prawitt, Smith & Wood, 2009). However, Davidson, Goodwin-Stewart, and Kent (2005) found no evidence that the presence of audit quality could be associated with lower earnings management. Also, Ege 2014) suggest that if managers can control the audit quality, they can easily engage in opportunistic behaviors without being noticed. The implication of the above is that an organization may still have an audit quality function, yet management excesses may not be curtailed especially where aspects of the function can be contained by management.

Conceptually, financial accountability can be defined as the management of the finances of an organization in order to achieve the financial objectives of the organization (Tooley & Hooks, 2012). It broadly covers some aspects, namely: Financial planning which is a plan to ensure that enough funding is available at the right time to meet the needs of the organization for short, medium or long-term capital for example, how much money is needed to smooth out changes in debtors; creditors and other cash requirements; whether a new asset should be bought or leased. It also covers

budgetary control which seeks to assess whether the plan put forward meets the objectives of the organization in question (Williams, 2013).

In another study, Ebimobowei and Kereotu (2011) conducted a study of audit expectation gap in two southern states of Nigeria using 96 internal auditors in state ministries. Their study suggests that the widespread governance failures are a result of internal audit not performing its role. Their study ignored the quality of internal audit in arriving at their conclusion as the quality of internal audit is important both for role performance and contribution to organizational performance. Baltaci and Yilmaz (2006) acknowledged the limited number of studies on internal audit in the public sector especially at the local government level and called for more research. Furthermore, a close look at internal audit quality shows the similarity of the concept with that of internal audit effectiveness. Internal audit quality has been defined variously by researchers (Bamealdred, Brandon, Messier, Rittenberg, & Stefaniak, 2013; Prawitt et al., 2009). According to the Institute of Internal Auditors (2012), measures of internal audit quality include competence, objectivity, independence and integrity, and work performance.

In Africa, most of the NGOs have been accused of having a poor resources management strategy resulting in poor service delivery and financial sustainability. Even if they have fund, they are not able to utilize it in appropriate manner. In Zimbabwe, most of the local non-governmental organizations are financially unsustainable and risk closing down and stopping service delivery to the needy not reached by government or private sector program if external donors pull out (Maxwell, 2018). In 2017, a report by the Independent Development Trust signaled that many NGOs in South Africa were in serious financial difficulty, and that a number had collapsed. Abdel Karim (2018) noted that it is only NGOs capable of building sound financial systems and attracting or generating steady income flows that will be able to continue to exist in the near future.

1.1.4 Contextual background

In Uganda, financial accountability is not a matter of choice to those in charge of implementing public budgets, but one of the fundamental obligations they must perform (Public Finance Management Act, 2015). Public Finance Management Act, 2015 clearly lays down procedures of accountability practices expected from anybody in charge of public budget spending. Contrary to this, many NGOs officials tend to deviate from legally prescribed practices and resort to their own practices such as creative accounting, failure to adapt International Public Accounting Standards (IPSASs). Those fraudulent practices have led to loss of resources a situation that has compromised quality and quantity of service delivered to the public.

Poor allocation of funds indicated by massive finances being cancelled to recurrent expenditure show that funds are misplaced into priorities by those in charge of formulating NGOs budgets (Kiyemba, 2018). Poor or lack of budgetary controls have led to stalled projects, delayed projects, strikes and go-slows amongst employees who draw their remuneration from NGOs. There has been hue and cry from the members of the community premised on poor service delivery while, at the same time, NGOs staff allocate themselves massive allowances every financial year (Bukonya, 2016)

Furthermore, a report to the Government of Uganda on NGOs reveals that less than 25% of the NGOs operating in Gulu city were remitting annual returns, budgets and annual work plans to the NGO Registration Bureau as required by law, (Barr, Fafchamps & Owens, 2003). The report also showed that the majority of accounting information provided by the NGOs were misleading, with the above situation prevailing among the NGOs in Gulu city, there is need to study financial accountability in Gulu city NGOs to establish whether audit quality have an impact on financial accountability.

1.2 Problem Statement

Financial accountability has been one of the most problematic and prevalent issues for business worldwide for a long time; however, there has been much more attention and research dedicated to the topic after the scandals such as Enron, WorldCom and others. The 5th Global Economic Crime Survey performed by PwC (2009) reports that fraud remains a pervasive business risk and almost every NGOs is subject to occupational fraud in their daily business, leading to huge losses for business and society. Increase in financial misappropriation and number of corporate scandals had an important impact on understanding and analyzing financial accountability and in turn on audit of the same and its regulation.

Rose (2007) points out that poor economic management and governance by African Governments result in donors shifting their attention and increasing funding to NGOs from the early 1990s. Increased disbursements through NGOs led to the mushrooming of NGOs, who in turn used local community organizations as their entry point for development work at the grassroots. This result in proliferation of organizations in the development space; however, the growth has been inactive due to the mismanagement of funds in the NGOs institutions that led to fraud and corruption scandals and individuals abusing disaster relief.

Financial accountability has been ascendant among NGOs, with the demands from funders, taxpayers, and clients for non-profits to be more transparent about their fundraising and spending, governed, and utilization of resources (Kasturi, 2017). Non-governmental organizations in Uganda were facing growing scrutiny from regulators and donors to better account for the impact and integrity of their activities as they are seen to influence politics and financing political activities (OECD, 2016). Therefore, lack of accountability from NGOs in Uganda is likely to have more negative effect on financial accountability.

Non-governmental organizations (NGOs) in Gulu City were face with challenges of financial accountability, although they establish mechanisms to enable them present meaningful financial accountability (Sgueo, 2015). According to Theus and Benz (2011), for an organization to have sound financial accountability, it should have reliable financial reports, be compliant to its own policies together with those of the state and funding authority, have accurate and complete records books of accounts and that it should be timely in reporting to stakeholders. NGOs in Gulu city continue to have inaccurate and untimely financial reporting and not compliant to their own policies and their donors. Their books of accounts are full of inaccuracies. An audit report from the United Nations Internal Audit Division gives details of the anomalies (Ndiaye, 2010).

1.3 Purpose of the Study

The purpose of study was to establish the relationship between audit quality and financial accountability in non-governmental organizations (NGOs) in Gulu City.

1.4 Objectives of the Study

- i. To assess the audit quality in selected non-government organizations in Gulu City
- ii. To examine the financial accountability in selected NGOs in Gulu City
- iii. To establish the relationship between audit quality and financial accountability in selected NGOs in Gulu City
- iv. To establish the moderating role of accounting policies on the relationship between audit quality and financial accountability in selected NGOs in Gulu City.

1.5 Research Questionss

- i. How is audit quality assessed in selected NGOs in Gulu City?
- ii. How is financial accountability carried out in selected NGOs in Gulu City?

- iii. What is the relationship between audit quality and financial accountability in selected NGOs in Gulu City
- iv. To what extent does accounting policies moderate the relationship between audit quality and financial accountability in selected NGOs in Gulu City?

1.5.1 Research hypotheses

- i. There no statistically significant correlation between audit quality and financial accountability in selected non-governmental organization in Gulu City
- ii. Accounting policies do not have a statistically significant moderating effect on the relationship between audit quality and financial accountability in selected non-government organizations in Gulu City

1.6 Scope of the Study

1.6.1 Content scope

The study focused on the relationship between audit quality and financial accountability and specifically examined the financial accountability, assessed the audit and established the accounting policy effect on audit quality in financial accountability in selected NGOs in Gulu City

1.6.2 Geographical scope

The study focused on audit quality and financial accountability in NGOs with special focus on the selected NGOs operating in Gulu city, (Gulu NGOs Forum, 2022). The study will be carrying out from NGOs in Gulu city and the time scope to this study is between 2021 and 2023, and the time has been selected because several people came to Gulu city after the war.

1.7 Conceptual Framework

Like any research investigation, this study was also guided by a conceptual frame work. This is a diagram which shows how the various variable of a study are related to each other, the relationship between audit quality and financial accountability.

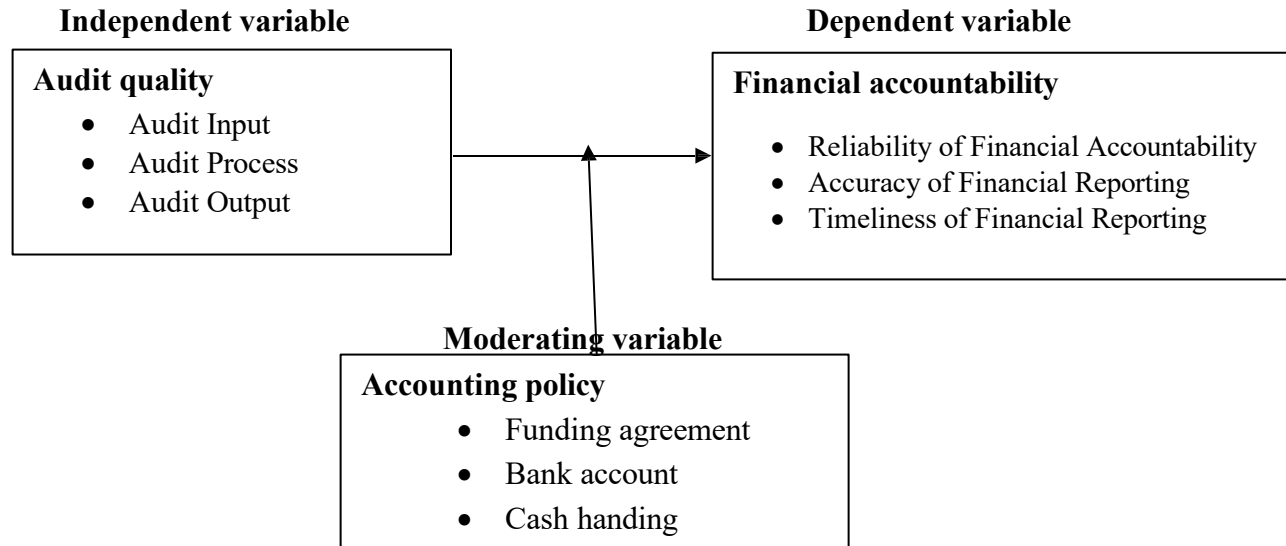


Figure 1: Conceptual framework on Audit quality and Financial Accountability

Source: Adopted by international federation of accountant (IFAC) 2014

As shown in the diagrammatic conceptual framework above, in this study it was conceptualized that the independent variable is audit quality which includes input, process and output. The first independent variable is input, it is conceptualized as the appropriate values, ethics and attitudes of auditors. Such auditors should be sufficiently knowledgeable, skilled, experienced and having sufficient time allocated to perform the audit work and the model assumes that effective audit quality leads to improved financial accountability. The second aspect of the independent variable is process which is conceptualized as the soundness of the audit methodology, the effectiveness of the audit tools used, and the availability of adequate technical support, all geared toward supporting execution of a quality audit. Audits quality involves auditors applying a rigorous audit process and quality control procedures that comply with laws, regulations and applicable standards. The above

conceptual framework assumes that process leads to improved financial accountability. The third aspect of the independent variable is output which is conceptualized as important influences on audit quality because the outputs are considered by stakeholders in their assessments of audit quality. For example, the auditor's report is likely to be viewed as positively influencing audit quality if it clearly conveys the outcome of the audit, the above conceptual framework assumes that effective output leads to financial accountability.

In this study, the dependent variable is financial accountability which was conceptualized as the act of accounting for the resources of an entity needed for legal accountability for budgetary resources, stewardship over assets, and protection of cash resources. Financial accountability includes the reliability, accuracy of report and timeliness. The above conceptual framework is premised on the assumption that financial accountability depends on effective audit quality.

The model suggests that accounting policy can only have a significant effect on financial accountability when accounting Policies have to tailor link with organization operation and accounting standards. The model assumes that when the organization do not have internal policies in place, it leads to financial irregularities and subsequent poor financial accountability.

1.8 Significance of the Study

The boards of Non-Government Organizations shall use the study findings to justify more emphasis on having effective audit quality as a basis for satisfactory financial accountability in the NGO sector.

Furthermore, the findings shall add to the existing literature on audit quality and financial accountability as well as the mediating effect of accounting policy on the relationship between audit quality and financial accountability in the NGO sector for future reference.

Lastly, the areas for further research indicated in this study shall stimulate interest of other researchers to carry out more research in the NGO sector on financial accountability.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The study literature highlighted the previous studies carries out locally and identifies research gaps that the study intends to cover. The literature review gathered information on studies carried outside Uganda and show how financial accountability has been handled in other places and its effects on audit quality and the conceptual framework highlights the relationship between audit quality and financial accountability in NGOs in Gulu City.

2.1 Theoretical Review

This study was conducted under two theories; credibility theory and financial accountability theory in selected NGOs in Northern Uganda

2.1.1 The credibility theory

The credibility theory suggests that adding credibility to financial statements is an integral part of auditing, making it a fundamental service auditors provide to clients. Audited financial statements boost users' confidence in an organization financial records and management's stewardship; in turn, improving their decision quality such as, investment or new contracts, based on reliable information. This is because stakeholders need to have faith in the financial statements. The credibility gained by financial statements would affect decisions by stakeholders for example credit limits provided by suppliers) and also helps shareholders put.

According to Birnbaum & Stegner (1979), the theory states that the credibility of the source is paramount in determining the value of evidence provided. On behalf of investors, the audit committee provides oversight on the quality of financial information provided by management. Hence the credibility of the audit committee (the source) and the major components of credibility,

source bias (or source objectivity) and source competence, are posited to affect investors' judgments about audit committee effectiveness and subsequent investment decisions.

Based on Source Credibility Theory, it is hypothesized that investors will assess higher audit committee independence when there are professional ties than personal ties, since members with professional ties are more likely to be objective to preserve their professional reputation. Further, personal ties are more likely to be associated with a closer, social allegiance to the CEO than professional ties (Westphal, 1999). We also hypothesize that investors will indicate the highest (lowest) level of overall audit committee effectiveness and likelihood of investment when the audit committee has no ties to the CEO and has industry expertise (personal ties to the CEO and no industry expertise). Finally, we extend Source Credibility Theory by considering circumstances where trade-offs between independence and competence are viable and warranted. We posit that industry expertise will attenuate concerns about independence emanating from personal ties.

To examine our hypotheses, we conduct two experiments. In Experiment 1, we employ a 3 x 2 between-participants, full-factorial experiment with 342 reasonably informed investors in which we vary disclosure regarding the type of ties between the audit committee and the CEO (no ties, professional ties, and personal ties) and the industry expertise (mention, no mention) of the audit committee. Our experiment triangulates with prior archival studies. However, the use of an experimental approach allows us to control the disclosure of the nature of ties and industry expertise. In contrast, archival research relies on currently mandated disclosures that are often incomplete and/or inconsistent with respect to ties between audit committee members and management as well as members' industry expertise. Further, archival research generally looks at main effects while in an experiment we are able to examine interaction effects. We are also able to control extraneous variables such as company size, industry, growth, and profitability. Finally, we are able to test the

boundary conditions of how industry expertise may influence investors' perceptions of the effectiveness and independence of audit committees with variations in professional and personal ties. Accordingly, an experiment provides an opportunity to make causal inferences about the effects of ties and industry expertise on investor judgments, not only for conditions that exist in practice today, but also for scenarios that have implications for future regulation and practice.

The theory of credibility is further explained by agency theory that emphasizes audit services which are employed in both the interests of third parties and management. An agency relationship exists between the agent (management) and principals (shareholders, employees, banks etc.); where the authority of decision-making is delegated to the agent. If both principals and agents want to maximize utility, the agent may not always act in the best interests of the principal as their interests may differ for example shareholders may want to maximize share value, management may be interested in company growth. Hence, agency theory focuses on the costs and benefits of an agent-principal relationship. Costs that arise due to the decision-making authority given to agents, in modern companies due to separation of ownership and control are 'agency costs', agency costs are the sum 'of the monitoring expense by the principal, the bonding expense of the agent and the residual loss.

Reid and Smith (2000); Chenhall (2003) and Woods (2009) in their studies postulated that organizational structure was contingent on contextual factors such as technology, dimensions of task environment and organizational size. They further stipulated the goals of audit in organizations

The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as

safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process

Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors. The quality and output of audits remain assured when audit teams use resources according to expertise and experience, and when auditors are flexible and can adapt to process fluctuations. For example, an auditor experienced in evaluating financial instruments can be effective in an audit exercise of a bank or hedge fund, even when the financial instruments the institution offers do not fit the typical mold.

Stakeholder theory refers to the ethical concept that addresses the outcome of organization decisions, trends, profits, and its collective impact on all stakeholders, including the shareholders, employees, financiers, government, customers, suppliers.

The stakeholder theory proposes that the corporate responsibilities and duties are not only restricted to shareholders but also extended to stakeholders like employees, creditors, prospective investors and shareholders, governmental and professional bodies, environmentalists, customers and suppliers (Culpan & Trussel, 2005). It is argued that each stakeholder has a right to be treated as an end, and not solely as means to an end (Shankman, 1999). These two theories seem to discuss the operating circumstances from where the firm operates (contingency) and the primary relationship between external stakeholders and the organization as the whole. Nevertheless, internal auditing seems to be more relevant in explaining the agency problems arising from within the organization, although

internal auditing indirectly explains the relationship between internal and external environment as the result of new definition of internal auditing by IIA in 2000.

On the basis of stakeholder theory, NGO with internal audit quality and board members who are independent of management, have expertise in financial related matters and can perform their roles are capable of meeting the various stakeholder needs. The managers of the NGO are responsible to deploy their wise decisions and best efforts in obtaining benefits for all stakeholders. The board of directors (BoDs) cannot ignore its responsibilities in safeguarding stakeholders' interests. Stakeholder theory is criticized based on the non-dominance interest for various groups or persons who can affect or is affected by the policy of the organization. They argue that the proponents of the theory decline to specify how to make tradeoffs among competing interests and they leave managers with a dilemma in making management decisions.

The credibility theory is a useful economic theory of accountability, which helps NGO to explain the development of the audit. A simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior. The credibility theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers. According to agency theory, audits are wanted for the reason that conflicts may arise between the managers and the owners or the shareholders of a given organization. The agency theory provides an explanation of the relationship that exists between shareholders and managers of accompany.

2.1.2 Financial Accountability theory

From the theoretical perspective, financial accountability was discussed in view of the principal-agent theory. The principal, who are the citizens grant some authority to the agents (politicians and civil servants) to act on their behalf (Shah, 2007; Agwor and Akani, 2017; Gailmardy, 2012). The principal-agent theory relates the customer (principal), who pays for services or goods, and the agent. More than often, however, the agent least does what the principal expects (Hlavacek and Hlavacek, 2006), yet the principal is limited in his ability to monitor and judge the contractor's input and output (Keil, 2005), which leads to mistrust and can only be avoided under high monitoring costs. In ideal situations, the public empowers government officials to promote public welfare using public resources. However, more often than none, government officials serve their own interests, which jeopardize service to the public. According to Berner & Smith (2004) accountability is interpreted as the ability of the principals (public) to question the conduct and behavior of the agents, and to impose sanctions where such conduct or behavior falls short of the requirement.

According to Birskyte (2013), the public attempts to demand accountability from politicians and civil servants however, a wider range of principals lack the capacity to hold agents accountable. This research argues that while the public can be involved in demanding accountability from politicians and civil servants, the public is also driven by personal interests, political patronage, resource shortage and foreign backings. In turn, the agents do not consider the targets of the constituent principals. In other words, the principal agent-theory cannot apply in dynamic situations where power is not directly delegated. As people continue to look to politicians for cash in exchange for their votes, this implies a decrease in their legality to demand accountability (United Nations, 2005). The strategic interactions between two parties, called the principal and the agent (Halachmi, 2004). The agent acts on behalf of the principal; with the assumptions that the actors are utility maximisers

driven by self-interest who act in situations of bounded rationality and normally differ in their aversion to risk (Eisenhardt, 1989). The theory assumes that the principal's access to information is limited, and that the principal cannot perfectly and without costs monitor the agent's actions (Jacobides & Croson, 2001). Principal-agent theory is concerned with the problem of the conflict of goals between the principal and the agent and the difficulty or the inability of the principal to verify what a product or service of low quality), and moral hazard or post-contractual opportunism (when a party to the contract uses information and expertise and act in its own self-interest, to the exclusion of the agreed upon goals). When the agent's behavior is not controlled or restrained, the goals of the principal are unlikely to be attained; to counteract the agency conflicts that principal agent relationship may bring about, theoretical research has focus on mechanisms that may help the principal to control his agent (Caers et al., 2006). This is the reason why CAT is receiving much attention from accounting researchers.

Within the broader concept of corporate governance, stewardship theory has been developed as an explicit counterpart to principal-agent theory. Stewardship theory which develops from organizational psychology and organization sociology serves as an alternative to the reasoning of principal-agent theory (Donaldson & Davis, 1991). Stewardship theory fails to consider the lack of trust within government agencies, the risk-averse dispositions of public managers and the lack of incentives for public officers; the deeply politicized environment and scrutiny for oversight and accountability create pressures for not developing trusting relationships because of external perceptions of corruption (Van Slyke, 2006). According to Sinclair et al. (2009) stewardship style of governance is only relevant for small organizations; stewardship model is incapable of meeting the equity needs of all stakeholders within a large organization. Study have showed that stewardship theory has not been tested particularly in voluntary sector research and public sector, and the

enthusiasm with which some of its proponents advocate this approach makes their claims seem too good to be true (Cribb, 2006; Van Slyke, 2006). Greiling and Spraul (2010) assert that stewardship theory delivers a theoretical critique but also fails to provide any empirical evidence for accountability in the public sector.

Critical Accounting Theory focuses explicitly on the reasons for unintentional reluctance to provide information; in contrast to principal-agent theory or stewardship theory, CAT does not focus on the tactical or strategic unwillingness of the accountant to give a full account, but rather on his or her inability to do so. In their article, *Accountability and The Challenges of Information Disclosure*, Greiling and Spraul (2010) examines two phenomena that may hinder the exchange of financial information in the accountability process, these includes the reluctance to disclose relevant information and deliberate and intentional information overload. The paper builds on the assumption that too much or too little information can be a challenge for public sector financial satisfactory, that reality could be better than it is (Laughlin, 1987). Brown and Dillard (2013) strongly object to the narrow technocratic way the accounting profession currently approaches the normative purpose of accounting, especially the taken for granted assumption that it should steer decision-making and accountability in line with the dictates of neoclassical economics. They also posit that mainstream accounting's lack of a critical dimension, leading it to deny, ignore or downplay the injurious effects of power relations in organizational and social settings especially in the current neoliberal context. The authors seek new critical accountings that are relevant to policy and practice and see democratic political theory as key in helping. Of the two broad theories explaining the conceptual frame work of this research work. The credibility theory is more superior than the financial accountability theory based on the advantages discussed in section 2.1.1.

2.2 Financial Accountability

The basic concept of accountability is based on a classification of marginal responsibility at each level in the organization aimed at the implementation of activities. Each individual ranks of the apparatus are responsible for the activities undertaken on its part. This concept distinguishes between controllable activities and uncontrollable activities. Controlled activities are activities that can actually be controlled by a person or a party, meaning that the activity is actually planned, implemented, judged by the authorized party. Accountability is defined as an embodiment of the obligation to account for the success or failure of the organization's mission in achieving the objectives and objectives that have been determined through a media accountability carried out periodically (Halim, 2007).

Financial accountability concerns tracking and reporting on allocation, disbursement and utilization of financial resources, using the tools of auditing, budgeting and accounting. The operational basis for financial accountability begins with internal agency financial systems that follow uniform accounting rules and standards. Beyond individual agency boundaries, finance ministries, and in some situations planning ministries, exercise oversight and control functions regarding line ministries and other executing agencies. Since many executing agencies contract with the private sector or with non-governmental organizations (NGOs), these oversight and control functions extend to cover public procurement and contracting. For example, as noted above, insurance fund agencies play a key role in financial accountability in health systems that pay providers for predetermined packages of basic services. As purchasers of services, these agencies are able to use their clout to exercise sanctions for financial accountability through contracting arrangements. Provider payment systems can be important mechanisms for enforcing increased financial

accountability and cost control among participating private providers (Bovbjerg and Marsteller 1998; Maceira 1998)

Agyemang et al., (2009), echoed similar meaning of financial accountability by outlining NGO accountability mechanisms in practice that in large part support the same definition of financial accountability discussed above. These are disclosure statements and reports; performance assessment and evaluation; participation; social auditing and self-regulation.

Abdimahad Hussein Abtidon, (2015), Financial accountability is a means of ensuring that public money has been used in a responsible and productive way. It is about verification of legality and regularity of financial accounts, but also about making sure that value for money has been achieved in the use of resources accountability is one of the most often found terms in current administrative law and public policy theory and practice.

Due to poor governance, one of the difficulties facing developing countries is the question of financial prudence and accountability (Idoko and Jimoh, 2013). This problem is currently a topical issue even in the non-profit sector because of the large number of resources these entities receive and the fact their performance is being questioned with mixed views as to their role, legitimacy, operations and strategy (Bagire, Aosa and Awino, 2014).

According to Brinkerhoff (2003) there are three categories of accountability; that is, financial, performance and political/democratic accountability. Financial accountability concerns tracking and reporting on allocation, disbursement and utilization of financial resources using the tools of auditing, budgeting and accounting. Performance accountability refers to demonstrating and accounting for performance in the light of agreed-upon performance targets. Its focus is on services, outputs and results. Political/democratic accountability has to do with institutions, procedures and mechanisms that represents citizens' interests and responds to societal needs and concerns. The

political process and elections are the main avenues for this type of accountability, but also involves policymaking. A central concern here is equity, where an important government responsibility is to remedy health care, market failures through both regulation and resource allocation.

In the NGO context, Sgueo (2015) argues that there are four key elements on which financial accountability is based. These are compliance with legal obligations; transparency about the use of resources, for example by publication of reports about revenue and expenditure; sound financial management and wise use of resources specially to avoid pursuing activities contrary to the not-for-profit status. Perceived as such financial accountability includes internal management practices as well as financial responsibility towards the members of the organization.

Theunis & Benz (2011), provide what constitutes NGO financial accountability. They argue that for an NGO to be regarded to have sound financial accountability, its financial information should be reliable, so that managers and the board can depend on the accurate financial information it generates to make decisions.

In addition, they contend that financial accountability would mean that the organization's policies are being followed. The policies regarding financial documentation, budgetary control and performance management are adhered to so as to operate efficiently and effectively. Compliance with government regulations is regarded as one key component of financial accountability. All organizations operate within set government regulations and as such non - compliance to government policies would be breach of the legal framework that would certainly attract penalties. According to Ali and Mohamed (2014), financial accountability across different entities has four dimensions. These are firstly, having sound financial control in which there is segregation of duties, documentation, authorization, physical control and record keeping. Secondly, having well developed budget practices whereby resources are raised and expended in accordance with the

budget and financial regulations in place. In this way, budgets are used as control devices in which budget to actual comparison statements are made and corrective actions of variances taken. Thirdly, there should be accounting, and financial reporting based on established procedures and accounting regulatory framework. The fourth dimension is having oversight in terms of external financial audits that provide independent opinions as to the true and fair state of financial reports from the entity as a way of providing assurance to stakeholders.

Financial accountability therefore is determined from the financial information that is usually embodied in financial statements. The International Accounting Standards Board, IASB, (2010) states that if financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable. An entity that purports to have sound financial accountability requires having useful financial information. The information must not only be reliable but also compliant to the regulatory framework. Besides, it should be accurate, complete and timely.

2.2.1 Reliability of financial accountability

Reliability relates to being free from error. IASB (2010) states that in order to be useful, financial information not only must represent relevant phenomena, but it also must faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, information has to be complete, neutral and free from error. A complete depiction includes all information necessary for a user to understand phenomenon being depicted, including all necessary descriptions, explanations and details. Moreover, in order to achieve faithful representation, a neutral depiction is mandatory. Neutral information does not mean information with no purpose or no influence upon behavior. Relevant information can make a difference in users' decisions.

2.2.2 Accuracy of reports of financial accountability

The accuracy of financial reporting affirms that classifying, characterizing and presenting information clearly and concisely makes it understandable. Some transactions are very complex and contain many details and, consequently, cannot be understood very quickly. In these cases, any available information may help the user to understand the transaction. The solution is not to exclude the information from the financial statements in order not to confuse the user, but to display all the available details.

2.2.3 Timeliness of financial accountability

Timeliness means having information available before it loses its capacity to influence decisions, IASB, (2010). Generally, the older the information is, the less useful it becomes. Anyway, there are cases when information continues to be timely long after the end of a reporting period. This happens when users need to identify and assess trends, to make predictions based on what has happened in the past.

2.3 Audit quality

The term of audit quality is frequently used in debates among scholars, even the stakeholders: regulators, standard setters, audit firms, auditors (Hyun & Ki-Chang, 2020). Audit quality is a complex subject and there is no definition or analysis of it that has achieved universal recognition (IAASB, 2014). The financial information should be relevant, timely and reliable to meet the needs of users. An external audit of the financial information is often required to give users confidence that the information can be trusted. The objective of the audit of financial statements is to form an opinion on the financial statements based on obtained sufficient appropriate audit evidence. The auditors are responsible for performing quality audits of financial statements. The audit quality is best achieved in an environment where there is support from and appropriate interactions among

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Audit quality is a concept that has different definitions for different people. Users of financial statements perceived audit reports to provide absolute assurance that company financial statements have no material misstatements and do not perpetrate fraud (Epstein & Geiger, 1994). Audit quality has been investigated within a variety of perspectives in the literature.

Conceptually, one can view audit quality in terms of three fundamental aspects: inputs, outputs, and process. There is vast body of literature on audit quality and its measurement; however. The most widely use definition of audit quality is still by De Angelo (1981) and Chu Gotti and Schumann (2013) stating that “the quality of audit services is define to be the market-assessed joint probability that a given auditor discovers a breach in the client's accounting system, and report the breach.

According to the KPMG (2015), the system of audit quality control accompanies thoroughness in ensuring an audit firm keenly observes the following elements: there should be leadership responsibility for quality audit within the audit firm. One of the elements is that the firm should have the right tone at the top by having structures that provide for inspection and monitoring of audit performance in areas of accounting, tax, auditing and attestation and financial reporting. Secondly, there should be satisfactory engagement performance. This means that aspects of design and

execution of an audit engagement, including the firm's audit methodology and supervision, documentation, review and communication of audit results are done methodically.

Edet & Salim (2016) indicate that training of an auditor has an influence on the quality of an audit. They argue that the training brings about an auditor's competence and that the more trained the auditor is the more thorough he will be in carrying out the audit process subsequently producing a quality audit.

2.3.1 Audit inputs and audit quality

Audits quality involve auditors that exhibiting appropriate values, ethics and attitudes and being sufficiently knowledgeable, skilled and experienced and having sufficient time allocated to them to perform the audit work.

An audit is a knowledge-based professional service producing an uncertain and unobservable outcome. Consequently, the resources needed for an audit depend on the personnel available for an engagement, the abilities and expertise of the audit team, and the audit technology and methodology being used. Thus, it is important to realize that inputs of audit quality cannot be defined in strictly quantitative terms as would be the case in a process that produces a large volume of nearly identical tangible products. The idiosyncratic nature of the audit process means that an auditor's effort level needs to be tailored to each client within the structure of the basic audit methodology as applied by the audit team using their best judgment. The ability to make sound judgments directly influences the quality of the audit so the better the personnel, the better the outcome of the audit is likely to be. However, to understand the quality of judgment it is important also to understand the nature of incentives and cognition in the audit process and how they relate to the inherent uncertainty and idiosyncrasies of the engagement.

There are many inputs to audit quality apart from auditing standards. One important input is the auditor's personal attributes such as auditor skill and experience, ethical values and mindset. Other inputs are auditor perception and compulsory audit tendering. Firms need to attract high quality individual with the necessary technical and interpersonal skills to improve audit quality (Duff, 2004).

Auditors who exercise higher levels of professional skepticism are more likely to confront a client or perform additional procedures when high risk irregularities arise, are more likely to detect fraud exhibit high quality assessments of evidence and are less trusting of a client, and more likely to invest in high levels of audit effort (Bowlin et al, 2012).

Auditor knowledge and expertise has a direct bearing on the quality of the audit. Domain specific knowledge is associated with higher quality auditor judgment (Bonner 1990) and is necessary for developing auditing expertise. For example, auditors with more domain-specific knowledge make decisions that are more consistent with professional standards and have a higher consensus level.

Auditors with industry specialization have been found to outperform non-specialists in error detection (Owhoso et al., 2002), in performing analytical procedures in assessing components of audit risks and in disclosing internal control deficiencies. Similarly, empirical evidence documents that industry experience is positively associated with compliance with Generally Accepted Auditing Standards and that clients with higher levels of industry experience have lower abnormal accruals (Reichelt and Wang, 2010).

Audit managers who perceive audit partners to value efficiency as compared to effectiveness may rely on questionable work by an internal auditor to a greater extent (Gramling, 1999) and engage in less skeptical behaviors during audit testing. Finally, research also finds auditors' perceived goals of the audit and perceptions of how the audit firm values those influences auditors' judgments.

Empirical research has also documented that time budget and time deadline pressures adversely impact the quality of audits. Time budget pressures have been found to result in tradeoffs of audit effectiveness for audit efficiency and to increase the likelihood of engaging in “reduced audit quality acts” such as under-reporting of time and prematurely signing off on audit work papers

2.3.2 Audits process and audit quality

The audit process concerns such matters as the soundness of the audit methodology, the effectiveness of the audit tools used, and the availability of adequate technical support, all geared toward supporting execution of a quality audit. Audits quality involve auditors applying a rigorous audit process and quality control procedures that comply with laws, regulations and applicable standards.

Another group of studies rely on audit process like audit environment, process performance, earning forecast and earning management. The audit process also concerns such matters as the soundness of the audit methodology, the effectiveness of the audit tools used, and the availability of adequate technical support, all geared toward supporting execution of a quality audit. Maijor and Vanstraelen (2006) studied the effect of audit environment, audit firm quality and presence in international capital markets on earning management.

According to Arens et al. (2012), auditor independence is one of the ways of achieving audit quality. Independence of an auditor is viewed to mean objectivity, which refers to having an attitude that does not take sides and is free from conflict of interests, (Messier, Glover, Douglas & Prawitt, 2008). Auditor qualifications and proficiency involves the auditor having the professional certifications, appropriate training and working experience. Al-Khaddash et al., (2013) argue that there is a positive association between audit quality and auditor qualifications and proficiency, auditor industry specialization; auditor’s fees and firm size.

Furthermore, they argue that auditors with industry specific experience and specialization are better equipped to detect errors or abnormalities than auditors without such expertise. They contend that there are fundamental differences in the characteristics of errors and methods of error detection across industries and thus, auditors who have industry specific expertise are more effective in such situations.

A process audit is an examination of results to determine whether the activities, resources and behavior that cause them are being managed efficiently and effectively. A process audit is not simply following a trail through a department from input to output - this is a transaction audit. Processes generate results therefore for an audit to be a process audit it has to establish whether the results are being generated by an effectively managed process.

An audit consists of a number of phases. In a very general sense this includes risk assessment, internal control evaluation, testing, and review. The quality of the audit depends on the quality of auditor judgments during all stages of the audit; therefore, we first discuss audit quality issues related to professional judgment and then explore specific aspects of the audit process in more detail. When applicable, for each aspect of the audit process, we highlight some of the common factors that may threaten audit quality.

Research in auditing has shown that auditors are subject to many of the same heuristics and biases that cause systematic errors in judgment that are observed in general decision-making settings. Most notably, auditors have been found to be susceptible to two common heuristics: anchoring and adjustment and representativeness, auditors tend to focus on an initial condition but then insufficiently adjust from that value to arrive at a judgment.

The use of heuristics is not always damaging, however. Simple judgment heuristics can be efficient and sometimes effective, that is, when the use of more complex judgment strategies may provide

little improvement in auditor decisions. Auditors are found to be least susceptible to biases when they have an appropriate level of expertise and familiarity with the task, the importance of matching the appropriate level of auditor experience and expertise is critical.

A number of studies have examined the nature of the audit production process and the factors that influence it. Most notably, the degree of client complexity and risk significantly influence audit production in terms. For example, the acceptance of higher risk clients is facilitated by employing the use of audit staff with greater expertise and auditor specialists. In addition to client risk, audit production is also influenced by earnings manipulation, corporate governance disclosure policies auditor business risk and the audit firm's political risk (Redmayne et al. 2010). Research further shows that induced reductions in auditor effort, not necessarily supported by underlying client characteristics, adversely affect audit quality.

The auditor risk assessments are important because they determine the nature, extent and timing of planned procedures. In this section, we note a few factors have been found to impair the quality of auditor risk assessments. The approach auditors use to assess risks can result in different. For example, experimental studies find that fraud risk assessments tend to be understated when auditors use holistic approaches as compared to an approach that separately assesses the risks of fraud for different components. The experimental studies suggest that auditors have a difficult time properly modifying the planned audit procedures in responses to risk assessments (Hammersley et al., 2011). Analytical procedures are an integral component of the audit process and greatly benefit risk assessments made by the auditor. In this section, we describe several factors that threaten the quality of auditor judgments when performing analytical procedures. First, a host of studies examine "interference effects" whereby thinking about or inheriting certain information (e.g., an incorrect non-error explanation) inhibits auditors' abilities to consider alternatives

More specifically, an auditor's ability to generate hypotheses for significant differences can be negatively influenced by information provided by management and the explanations provided by other auditors and other relevant information that causes interference. When developing an expectation, an auditor's knowledge of the client's book value can reduce the accuracy of auditor expectations.

The audit process for an engagement is dictated by the firm's audit methodology which can vary from firm to firm. An audit methodology is specifically designed to help an audit team cope with the uncertainty in an audit in a systematic manner. More specifically, audit support systems enable the audit process and enforce the audit firm's methodology. However, aspects of standard audit programs and decision support systems can restrict an auditor's decision process, potentially reducing the quality of auditor judgments (Dowling and Leech, 2007). For example, decision aids and standardized checklists could potentially reduce auditor performance by causing auditors to over-rely on the recommendations of the aids when professional judgment is required. Due to the iterative nature of an audit, auditors may fail to adequately consider the idiosyncrasies of a specific engagement. For example, auditor judgments often exhibit contrast effects whereby the performance of one task unduly influences performance on another task

Inherent uncertainty in the audit process and the application of accounting principles compounds the judgment challenges an auditor face. Unknown future events and subjectivity in standards serve to heighten an auditor's uncertainty about the appropriate accounting treatment of a transaction. For example, subjective probability phrases lead to lower levels of consensus among auditors and systematic errors in judgments further; prior experimental research finds that incentives can influence the quality of auditor judgments when auditors face uncertainty resulting from imprecise accounting standards

As part of the audit process, auditors negotiate with their client to produce the resulting financial statements. Auditor-client negotiations are influenced by several contextual features including external conditions and constraints (such as GAAP and GAAS), interpersonal factors (such as, auditor-client relationship, incentives), auditor characteristics (accounting expertise, negotiation experience), client characteristics (inherent risk), and other environmental factors (litigation risk, regulatory environment) (Brown and Wright, 2008). For example, negotiation experience has been shown to improve the auditor's negotiation performance, leading to more successful outcomes and reduced influence of the client's preferred position.

The higher levels of audit rank partners compared to managers tend to take a tougher stance against aggressive client-positions during negotiations (Trotman et al, 2009). On the other hand, experimental and survey evidence suggest that clients have a more favorable negotiation position when the audit firm has a shorter tenure a client's board is perceived as less conservative and contentious issues arise late in the financial reporting process

Much research demonstrates the positive effects of a good quality control and review processes on audit quality. However, a few studies identify some aspects of the review and quality control process that can lead to unintentional, negative effects on the quality of auditor judgments. First, auditor judgments are often biased when auditors are made aware of the reviewer's preferences prior to performing auditing tasks, i.e., biased in favor of the reviewers' preferences show partners tend to be over-confident in predicting the abilities of their subordinates which can adversely affect staffing decisions. Others show that reviewer judgments of a preparer's work can be biased by the preparer's performance reputation and by the congruency with their own initial opinions.

2.3.3 Audit Outputs

Outputs of the audit are also important influences on audit quality because often the outputs are considered by stakeholders in their assessments of audit quality. For example, the auditor's report is likely to be viewed as positively influencing audit quality if it clearly conveys the outcome of the audit. Equally, auditor communications to those charged with governance on matters such as qualitative aspects of the entity's financial reporting practices and deficiencies in internal control can positively influence audit quality.

Quality audits result in outputs that are useful and timely. They are described in relation to the entire financial reporting supply chain and include outputs from the auditor, the audit firm, the entity and the audit regulators. Outputs include reports and information that are formally prepared and presented by one party to another, as well as outputs that arise from the auditing process that are generally not visible to those outside the organization being audited.

Outputs of the audit have important influences on audit quality because often the outputs are considered by stakeholders in their assessments of audit quality, for example, the auditor's report is likely to be viewed as positively influencing audit quality if it clearly conveys the outcome of the audit. It was proved that when the tenure increases, the auditor's judgment is improved to give the appropriate audit opinion, this means that mandatory rotation will deteriorate audit quality by limiting the tenure not the opposite (Carey & Simnett, 2006).

A common indicator used to proxy for negative audit quality is the presence of an accounting restatement. Although sample size for the analysis of restatements is generally small (Francis, 2004), prior research shows that higher levels of audit quality are associated with a lower likelihood of accounting restatements. For example, the presence of restatements is negatively associated with various proxies for audit quality including auditor industry expertise auditor tenure and aggregate

audit team experience. Moreover, the occurrence of restatements is negatively associated with the ratifications of auditor selection by shareholders (Liu et al, 2009), and small auditors are more likely to be dismissed by their clients following the discovery of egregious restatements (Hennes et al, 2012).

Another potential adverse outcome suggesting negative audit quality is litigation against an auditor. Empirical work during the 1990's examined auditor litigation extensively; Prior literature identifies several key findings in this area. Auditors can only be sued when there is very strong evidence of financial statement fraud, that is, auditors were negligent in their audits and did not follow GAAS. Auditors are named in a small number of class-action lawsuits initiated under securities law. Finally, a majority of lawsuits against auditors are settled out of court and settlement amounts are often confidential. In general auditors contribute a small percentage to the overall settlements. Another common way to examine audit quality is to consider the overall quality of financial reporting or earnings quality (Behn et al., 2008). Given that no comprehensive or generally accepted measure of earnings quality exists, researchers have examined various dimensions of earnings quality such as neutrality, feedback value or earnings "credibility" and earnings conservatism.

Further, Francis and Michas (2012) find higher levels of clients' discretionary accruals for auditors whose offices have had a higher incidence of past restatements, suggesting that history of past audit failure is associated with a higher likelihood of future earnings management. It is, however, unclear whether discretionary accruals are an appropriate earnings quality proxy since they are already heavily scrutinized by auditors (Schelleman and Knechel, 2010).

The accuracy of audit reports is often viewed as a signal for audit quality. However, auditor reporting judgments such as issuing going concern opinions have proven to be difficult, resulting in relatively high levels of errors, suggesting that users perceive going concern reports as

informative to signaling higher audit quality. Others argue that the effectiveness of the auditor's report as an indicator of audit quality is limited due to the restricted content of the report, i.e., it is essentially a pass/fail report. In their synthesis of the literature, conclude the auditor's report has symbolic value, but it provides little communicative value

Mock et al. (2012) note that there are limitations related to the current auditor's report because of the "information gap" between auditors and users. Such information includes undisclosed audit information such as materiality, independence, significant audit risks, and the audit partner's name.

2.4 Accounting Policy

Accounting policies are the internal policies that set by the entity to process, measure, recognize, records, as well as disclose the specific items or transactions in its financial statements. Accounting Policies might be different from one company to another; however, those policies are tailor to meet the specific international accounting standard or other standard body like local standard or regulation relate in the purpose of financial reporting.

To make sure financial statements of the company are preparing in accordance with specific accounting standards or regulation, Accounting Policies have to tailor specifically link with company's operation and accounting standards. To ensure this, the companies setting up their own procedures and manuals to ensure the consistency of practices and to make sure that their accounting records are compliant with those accounting standards or local regulations.

2.4.1 Funding agreement

The most important documents for organization are the funding agreement between the donor and the organization. The agreement should typically have details related to clear mention of all the deliverables that are agreed between the donor and the NGO both quantifiable and qualitative

deliverables should be spelled out to avoid confusion at a later stage, the agreement should clearly specify the funds allocated for individual activities.

Pereira (2017) argues that social services are best offered by non-governmental organizations because they play roles that neither the State nor the market can deliver. However, he highlights the State's responsibility for public funding of such services. This will help organization in spending as per the allocated funds and reduce over-expenditure. All the deadlines should be clearly mentioned in the agreement and monthly, quarterly, annual reporting procedure both for narrative and financial dealings should be specified and procedure related to the release of payments should be clearly mentioned.

2.4.2 Bank account

In most countries, registered NGOs have a bank account and prefer to deal with their finance through banking facilities and services, the NGO accounting policy should clearly state the various procedures to be followed to ensure consistency in all transactions. Bank accounts for all project funds are typically opened in nationally recognized banks or those banks which are authorized by the central bank of the country, depending on the laws related to the country.

Obstfeld and Rogoff (2005) have argued that the correction of the U.S. bank account will require a large real depreciation, It is interesting to examine what the evolution of the real exchange rate would be if the current bank account deficit were optimal, reflecting expectations of growth in the U.S.'s share of world adjusted GDP.

Depending on the resolution of organization board, the organization can have a single signatory or two-signatories for bank transactions and they make sure that policy clearly spells out who is the authorized signatory for all banking instruments. Bank receipts are acknowledged by delivering an official receipt and the date of receipt, its accounting as well as the date of depositing the cheque-

draft to the bank account are the same and the policy also mention who will be responsible for managing all bank transactions.

2.4.3 Cash handling

Cash is the blood that runs through the veins of every organization. According to Khan and Jain (2013), cash is the most current asset of any organization; cash is also seen as the common denominator to which all current assets can be reduced to. Kavitha (2013) further explained that all other liquid assets of any given organization were converted to or expressed in terms of cash eventually. Karanja and Karuti (2014) in their study found that majority of NGOs in Ghana face cash management challenges, have an unreliable cash handling practices and are unable to meet the tough conditions set in accessing the funds. This shows that NGOs face financial management and sustainability issues, cash handling system of NGOs involves the planning, organising, controlling and monitoring the financial resources efficiently in order to achieve the key goals and objectives of the NGO. Adopting good cash handling system is important because the main source of most of the NGO is donor funds.

Among the many challenges that has continues to affect the operation of the NGOs is the cash handling and management of heavy volumes of cash for implementing program activities, Mpogole and Sabokwigina (2016) over that those challenges have led to instance of cash loss through robbery or theft among other incidence of misappropriation

2. 5 Summary of Literature Review

In line with the first objective, examine the financial accountability in selected non-governmental organization, Abraham (2006) studied financial accountability in the Non-profit Sector. He suggests that accounting is not necessary and it's attributed to weak organizations, contrary to Lusthaus et al. (2002) who hold that managing an entities financial resource is a critical capacity that is essential to

overall functioning of the organization. The divergent views of these scholars justified this study which provided independent findings relevant to NGOs in Uganda. This study filled the gap by establishing the effect of financial accountability on NGO performance and providing conclusions relevant for NGOs in Uganda.

Most of the existing studies, with few exceptions (Ndiaye, 2010) focused on inaccurate and untimely financial reporting. This study however adopts a triangulated approach by analyzing the information in the annual reports and semi structured questionnaires. These help to confirm the findings resulting from the annual report and also reveal insights which the analysis could not show and vice versa. This study addresses the above-mentioned gaps through an examination of audit quality and financial accountability of NGOs in Gulu City

Following the above literature review, it is evident that the above authors and writers do not close the gap between the audit quality and financial accountability of the NGO sector. Further, most of the literature about the study variables is for the public sector and still in the developed world. Therefore, this study will provide findings that tend to confirm this literature and to some extent close the gap between the study variables

The study found out that the relationship between audit quality system and financial accountability in NGOs appeared to be weak, and the actual contribution of financial accountability of the Organization is negligible. The study however, revealed that financial accountability is inadequate in non-governmental organization and that can be the gaps which should be address

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presented the research methodology used in the study which comprises of the research design, study population, sample size, sampling methods, data types and data sources, data collection instruments, data analysis and probable limitations of the study. Furthermore, it explains the how reliability and validity of the instruments to establish and that is the way data is analyzing.

3.1 Research Design

The study adopted a cross-sectional survey design to find out the opinion, attitudes, preferences and practices of a cross-section of the population about the subject under investigation (Amin, 2005). The triangulation approach was used because both methods supplement each other in that qualitative method provided the in-depth explanations while quantitative method provided the hard data needed to meet require objectives and test hypotheses. Both methods were used to avoid such bias in that each method were used to check the other during the study under investigation. For example, the subjectivity associated with qualitative research were minimize by the objectivity of quantitative research.

3.2 Study Population

The target population of this study were staff of World Vision (Gulu), Love one international (Gulu), Save the Children International (Gulu), SOS Children Village Uganda (Gulu), Carita Gulu, Gulu Women Economic Development and Globalization (GWED-G) and Thrive Gulu. According to Kothari (2006) an accessible population is the population from where the study sample is drawn and the accessible population of the study were the staff of NGO with knowledge on the aspects of audit quality and financial accountability in non-governmental organizations.

3.3 Sample Size Determination

A set of elements were picked from the population being studied from which information was obtained. The researcher first identified the appropriate sample size before planning and designing which data collection method was suitable in that specific case. Various approaches were used to generate a sample size from a particular population of a given study. For this study the sample size was determined by the use of Krejcie and Morgan (1970) formula. The study targeted respondents from the Finance departments, Monitoring & Evaluation and Programs departments. The respondents selected are responsible for the enforcement of audit quality and the financial accountability of the organization includes internal auditors, financial controllers, Program Managers and Monitoring & Evolution.

Table 1: Study Population and Sample Size

SN	Category of respondents	Accessible Population	Sample Size	Sampling Techniques
1.	Internal auditor	10	10	Purposive sampling
2.	Finance Departments	15	14	Simple Random Sampling
3.	Program Departments	20	19	Simple Random Sampling
4.	Monitoring & Evaluation Department	25	24	Simple Random Sampling
Total		70	67	

Source: Gulu City Council (2023)

3.4 Sampling Techniques

The study used both probability and non-probability sampling technique. Probability sampling technique are technique of sampling that utilize some form of random selection or every item in the population has an equal chance of being include in sample. One way to undertake random sampling would be if researcher were to construct a sampling frame first and then use a random number generation computer program to pick a sample from the sampling frame (Zikmund, 2002). Non probability sampling is often associated with case study research design and qualitative research. With regards to the latter, case studies tend to focus on small samples and are intended to examine

a real-life phenomenon, not to make statistical inferences in relation to the wider population (Yin, 2003), non-probability sampling on the other hand does not utilize random selection (Trochim, 2006). is needed for the inclusion of some cases or individuals rather than others.

3.4.1 Purposive sampling

This purposive sampling also known as judgmental, selective or subjective sampling, reflects a group of sampling techniques that rely on the judgement of the researcher when it comes to selecting the units (people, case/organizations, events, pieces of data) that are to be studied. According to Kothari (2004), the purposive technique enabled the researcher to choose respondents based on the fact that they have desirable characteristics and variables related to the issue being studied. These purposive sampling techniques include maximum variation sampling, homogeneous sampling and typical case sampling; extreme (deviant) case sampling, total population sampling and expert sampling.

3.4.2 Stratified random sampling

This technique was used to give more respondents in the population a chance to be part of the sample. To arrive at the sample, the researcher used a proportional method where the accessible population were divided by the total accessible population of the study and multiplied by the total sample of the study.

3.5 Response Rate

Upon collecting data, the response rate was established to be as presented below

Table 2: Response Rate

SN	Category of respondents	Sample Size	Actual Responded	Sample Size
1.	Internal auditor	10	8	80.0%
2.	Finance Departments	14	14	100.0%
3.	Program Departments	19	18	94.7%
4.	Monitoring and Evolution Departments	24	22	91.7%
Total		67	62	92.5%

Source: Primary Data

The study used a sample size of 67 but obtained responses from 62 respondents giving a response rate of 92.5%. This was considered to be adequate in enabling the collection of credible data for this study.

3.6 Sources of Data

Data collections in this study referred to gathering information for research purposes (Ballard, 2014). Collection of data relies on both primary and secondary data collection methods.

3.6.1 Primary data

Primary data are first-hand information (Ballard, 2014). Primary data that were collected from earmark sample of employees from organizations staff by use of well-design, pretest and administer questionnaires to collect the require information for this study. The study will employ a questionnaire as a research instrument for data collection. The use of self-administered questionnaires to collect quantitative data is justifiable on the account that they are the general acceptable instrument for quantitative data collection.

3.6.2 Secondary data

Secondary data were second hand information collected from secondary sources of data (Ballard, 2014). Secondary data collection relies on documentary sources to generate the need information. The collection of secondary data involves the review of official documents such as textbooks, journals, minutes of schedule meetings, and quarterly and annual reports. Financial accountability and audit reports formed the basis of all qualitative secondary data used in the study to compare responses from respondents with what is written by other scholars. Another important source of information was the internet, this was essential for avoiding duplication and for a critical and new analysis.

3.7 Data Collection Methods

Both the questionnaire survey method and the interview method were used.

3.7.1 Questionnaire method

The researcher used questionnaire surveys to collect data based on its advantages over some other types of surveys in that they are cheap, do not require as much effort from the respondents as verbal or telephone surveys, and often have standardized answers that make it simple to compile data. As a type of survey, questionnaires also have many of the same problems relating to question construction and wording that exist in other types of opinion polls (Kabir, 2016).

3.7.2: Interview method

An interview is one of the methods of collecting data from respondents to obtain information on the issues of interest (Sekaran, 2010). In-depth interviews with key informants (KIs) were conducted to generate findings that have been directly used in the report. Interviewing allowed KIs a wider chance to give detailed information that would not have been possible to obtain using questionnaires. The researcher gathered data through interviews with key informants and this helped the researcher to address the questions to one KI at a time.

3.8 Data Collection Instruments

The researcher also used self-administered as the main primary source of data collection and one set of questionnaires were presented to all respondents.

3.8.1 Questionnaire

The researcher used self-administered questionnaires as data collection instruments. A self-administered closed ended questionnaire designed on a 5-points Likert scale was employed to collect data from project officers and project assistants since they could write and read well and provided definite response to the subject of study. This enabled reached a sparse population and was time

saving to researcher and respondents, cost saving to researcher while ensuring confidentiality. According to Mugenda and Mugenda (2010), the questionnaire is useful for collecting data from literate population within a short period of time.

3.8.2 Interview guide

Interview guide is generally a face-to-face contact or conversation using structured questions (Armstrong et al, 2014). This method helped the researcher to get information from respondents who are always busy or have no time to fill a questionnaire. Besides, interviews helped to generate first hand and reliable data, for the respondents to give an immediate feedback and adequate probing was used to establish the specific information regarding the study problem.

3.9 Reliability and Validity

According to Bryman and Bell (2003), validity and reliability in research design refers to the need to ensure that concepts used in the study measure what they are actually intended to and that this measurement is consistent and stable for all respondents. Reliability and validity are closely related, but they mean different things. A measurement can be reliable without being valid. However, if a measurement is valid, it is usually also reliable.

3.9.1 Reliability

Reliability refers to the extent to which the same answers can be obtained using the same instruments more than one time. In simple terms, if your research is associated with high levels of reliability, then other researchers need to be able to generate the same results, using the same research methods under similar conditions. It is noted that “reliability problems crop up in many forms.

Reliability is a concern every time a single observer is the source of data because it will be no certain guard against the impact of that observer’s subjectivity (Babbie, 2010). According to Wilson (2010) reliability issues are most of the time closely associated with subjectivity and once a researcher

adopts a subjective approach towards the study, then the level of reliability of the work is going to be compromised. In terms of scientific investigation, the definition of reliability is the presence of a stable and constant outcome after repeated measurement (Jackson, 2014)

Table 3: Reliability Test Results

SN	Variable	Dimension	Cronbach's Alpha Coefficient	Number of Items
1	Audit quality	• Audit Input	0.778	5
		• Audit Process	0.892	5
		• Audit Output	0.701	5
2	Financial accountability	• Reliability	0.900	5
		• Accuracy of	0.856	5
		• Timeliness	0.752	5
3	Accounting policy	• Funding agreement	0.923	4
		• Bank account	0.833	5
		• Cash handing	0.765	5
Average			0.822	

Source: Primary Data

The Cronbach's alpha reliability test results show that the overall coefficient was 0.822 which is above the minimum acceptable value of 0.7. The results further show that all the sections of the tool in line with the variables and their dimensions also passed the test. This means that the data collected using this tool were credible.

3.9.2 Validity

Validity refers to the suitability of an instrument in measuring whatsoever it is projected to measure proposed by Amin, (2005) Puts it clearly that validity looks at the accuracy of instruments used in data collection. The questionnaires were discussed with the supervisor before use; however, validity was established through a validity test using the Content Validity Index (CVI). CVI is where a representative expert in the area of study gives their opinion on the suitability of the questions and the extent to which an instrument measures, performs and design is validity (Garraghan, 2014). To ensure validity of the mention instrument, the researcher ensure that questions or items in it conform to the study's objectives.

Validity of research can be explained as an extent at which requirements of scientific research method have been followed during the process of generating research findings. Oliver (2010) considers validity to be a compulsory requirement for all types of studies. There are different forms of research validity and main ones are specified by Cohen et al (2007) as content validity, criterion-related validity, construct validity, internal validity, external validity, concurrent validity and face validity. The CVI results upon conducting the test were as follows:

$$\text{CVI} = \frac{\text{Number of items considered to be correct}}{\text{Total number of items in the tool}} = \frac{42}{49} = \mathbf{0.857}$$

As such, with a CVI of 0.857, the tool was considered to have passed the validity test and suitable for collection of credible data.

3.10 Data Analysis and Presentation

The data processing was done using the Statistical Package for Social Scientists (SPSS) version 23, IBM SPSS statistics. Thereafter, the data were summarised in form of tables and other statistical forms found suitable for presentation of the findings.

After collecting and cleaning the data, it was entered in a computer using Statistical Package for Social Scientists (SPSS). The data were analyzed using descriptive statistics (frequencies and percentages) and presented in tables and charts. These included the factor analysis and multiple regression analysis was done to establish the relationship between Audit quality and financial accountability in the selected NGOs in Gulu City and correlation analysis. The results were presented in tables.

3.11 Limitations and Delimitations of the study

Limitations of study were those characteristics of design or methodology that impact or influence the interpretation of the findings from research. Therefore, delimitations are mainly concerned with the study's theoretical background, objectives, research questions, variables under study and study

sample. The alternatives to these and reasons for rejecting them, the particular sampling technique chosen out of many available, this was clearly presented so that the reader to fully understand.

In limitation some respondents were unwilling to participate in the study, due to fact that they were be too busy or scared to answer. Therefore, delimitation of some respondents may be willingness to participate in the study even if they are busy at work

Some respondents asked money to attend and fill interviews and questionnaires. However, the delimitation researcher explained to the respondents that the study is for academic purposes and not for profit making, so there is no need for payment.

Self-reported survey data were used in this study, which were one of the limitations of the study.

The reasons are: a) self-reported perceptions do not necessarily reflect actual learning and performance, and b) common method variance as a result of self-reported data may have inflated some of the relationships between the variables. Therefore, the delimitation of the researcher conducted the Harman's single factor test following the instructions of Podsakoff and Organ (1986) and did not find serious problems with the data (the procedure and results of Harman's single factor test is discussed in detail in the methodology chapter).

This study was limited to NGOs top management's opinion and may not be generalized for all employees within the NGO sector. More so the scope covered the work of selected NGOs and could be useful within this citation. However, the delimitation knowledge generalized represents typical organizations management and behavior and somehow it reflects a true situation of NGOs performance evaluation within the framework.

Delimitations are not positive or negative but rather a detailed account of reasoning which enlightens the scope of the study's core interest as it relates to the research design and underpinning philosophical framework. Therefore, the limitation is positive or negative scope of the study.

3.12 Ethical Considerations

The researcher followed standard ethical considerations in the process of carrying out the research study which include consent from respondents, plagiarism-not producing people's work, privacy-not using names of the respondents and confidentiality, anonymity and researchers' responsibility amongst others. The researcher also assures the respondents of confidentiality of the information given and protection from any possible harm that could happen from the study since the findings were used for the intended purposes only and the respondents provide feedback about the findings of the study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents the results of this study. It starts with the result son the background information of the respondents followed by the results the study objectives which were about (i) assessing the audit quality in selected NGOs in Gulu City (ii) examining the financial accountability in selected NGOs in Gulu City; (iii) establishing the relationship between audit quality and financial accountability in selected NGOs in Gulu City; and (iv) establishing the moderating role of accounting policies on the relationship between audit quality and financial accountability in selected NGOs in Gulu City.

4.1 Background Information of the Respondents

The background information of the respondents who were involved in this study includes; sex, age group, education levels, department and periods served in the NGO sector. A collection of facts with regard to background information of the respondents are summarized in section 4.1.

4.1.1 Gender characteristics of respondents

To ensure that information was collected from a diverse organization, the respondents' gender was recorded and assessed. As shown in Figure 2, the result indicates that male respondents dominated with 34 (54.8%) compared to female with 28 (45.2%) respondents. It is evident that although the respondents included both men and women, the majority of the them were male. This though implies that both the genders were represented.

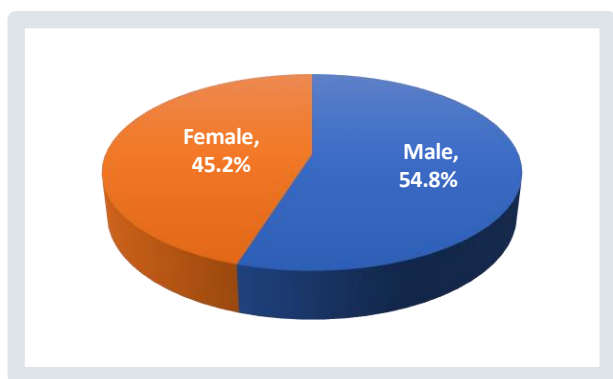


Figure 2: Gender of Respondents

Source: Primary data, 2024

The rationale of female to male who participated in the study was established but sex has less meaning in respect to assessing the relationship between audit quality and financial accountability in non-governmental organizations (NGOs) in Gulu City.

4.1.2 Age bracket of respondents

The age of the respondents was assessed to know the age group of the respondents who are engaged in audit quality and financial accountability. As shown in Table 4, the result shows that majority of the respondents were in the age group of 30 -39 years 34 (54.8%), followed by 20- 29 years 19 (30.6%) then 40-49 years 9 (14.5%) and no respondent in the study was in the age bracket of 50+ years. By definition 30-39 age group is actually very productive and active age group in the population in relation to NGO activities. It implies that the non-governmental organization sector employs majorly the youth in the area.

Table 4: Percentage Distribution of Respondents by Age Brackets

SN	Age Group	Frequency	Percentage
1.	20-29 years	19	30.6%
2.	30-39 year	34	54.8%
3.	40-49 year	9	14.6%
4.	Above 50 year	0	0.0%
Total		62	100.0%

Source: Primary data, 2024

4.1.3 Education level of respondents

Education level is one of the qualifications for recruitment and deployment into the employment world. The information obtained from the respondents are presented in Table 5;

Table 5: Frequency Distribution of Respondents by Level of Education

SN	Level of education	Frequency	Percent
1.	A level	5	8.1
2.	Certificate	2	3.2
3.	Diploma	3	4.8
4.	Degree	50	80.6
5.	Other Qualification	2	3.2
Total		62	100.0

Source: Primary data, 2024

Table 5 reveals that majority of the respondents that is 80.6% were degree holders, 8.1% were of A level, 4.8% were Diploma holders, 3.2% had Certificate level and 3.2% were of other qualification. This means that audit quality and financial accountability requires high level of education so as to perform the tasks required by the NGOs.

4.1.4 Departments of respondents

The study also ascertained the departments where each respondent belonged and the results were presented in the Figure 3 below.

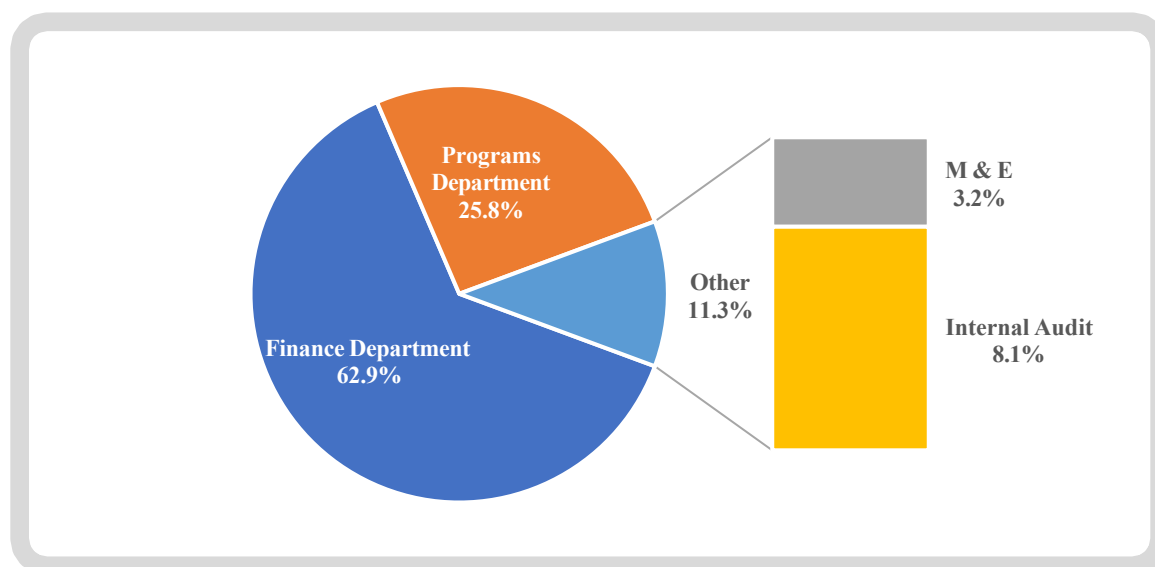


Figure 3: Percentage distribution of respondents by departments

Source: Primary Data, 2024

The results in Figure 3 revealed that majority of the respondents that is 62.9% were from finance department, followed by programs department with 25.8%, internal audit had 8.1% while 3.2% were from M & E department. The active section/department in NGOs of the study was finance because the finance department is the key department in the organization and it helped the respondents to give answers based on a wide range of experience of the problem under investigation.

4.1.5 Duration of time worked in the NGO section

The information on the actual number of years each respondent had worked in the organization's section was collected and summarized in the Table 6 below; and well conversant with the organization and the subject matter as well.

Table 6: Distribution of respondents by duration of time worked in the NGO section

SN	Number of years	Frequency	Percent
1.	1-5 Years	47	75.8
2.	6-10 Years	6	9.7
3.	11-15 Years	5	8.1
4.	16-20 Years	4	6.5
Total		62	100.0

Source: Primary data, 2024

Table 6 shows that majority of the respondents that is a total of 47(75.8%) had worked in the organization for 1-5 years, 6 (9.7%) had worked for 6-10 years, 5 (8.1%) worked for 11-15 years while 4 (6.5%) had worked for 16-20 years. This means that the study obtained quality information since most of the respondents had worked for more than a year which gives them insight and experience in the organization systems.

4.2 Financial Accountability

The dependent variable of financial accountability looked at how to examine the financial accountability in selected non-government organizations (NGOs) in Gulu city. It was measured in terms of reliability of financial accountability, accuracy of report, and the timeliness of the financial accountability. The results were as presented in the following three subsections.

4.2.1 Reliability of Financial Accountability

Table 7 presents the descriptive results on the reliability of financial accountability in GOs in Gulu City.

Table 7: Reliability of Financial Accountability

SN	Statements	SD	D	SD+D	NS	A	SA	SA+A
1.	I have reliable information of financial accountability for the donor	9.7	9.7	19.4	22.6	32.3	25.8	58.1
2.	In your organization the financial reports are presented to donor	3.2	0.0	3.2	22.6	37.1	37.1	74.2
3.	In your organization financial accountability has a lot of error	17.7	22.6	40.3	33.9	9.7	16.1	25.8
4.	I have a reliable information on project cash inflows and outflows	12.9	12.9	25.8	11.3	33.9	29.0	62.9
5.	In your organization financial reports demonstrate financial reliability	0.0	4.8	4.8	8.1	32.3	54.8	87.1
Average		8.7	10.0	18.7	19.7	29.1	32.6	61.6

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

The Table 7 show that on average, the reliability of financial accountability in NGOs in Gulu City is at 61.6%. Specifically, all the five statements were rated above 50.0% except one which was rated at 25.8% with 40.3% objecting to this statement. This lowest rated statement was that, “In your organization financial accountability has a lot of error”. The first statement which was about “I have reliable information of financial accountability for the donor” was scored at 58.1% while the second one which was about “In your organization the financial reports are presented to donor” was scored at 74.1%.

At the same time, the results reveal that, the statements “I have a reliable information on project cash inflows and outflows” and “In your organization financial reports demonstrate financial reliability” were scored at 62.9% and 87.1% respectively. This further means that financial reports are presented for proper financial accountability as required by the donors for a smooth financial flow and that, quite a number of respondents are not able to detect errors in financial accountability in the selected NGOs in Gulu city.

The results in Table 7 also show that majority of the respondents have reliable information on project cash inflows and outflows of the NGOs in Gulu city. The results indicate that 29.0% strongly agreed, 33.9% agreed, 11.3% were not sure, 12.9% disagreed while 12.9% strongly disagreed. Generally, 62.9% agreed to the statement meaning that majority of the respondents have knowledge on the reliable information on project cash inflows and outflows.

The findings also indicate that financial reports demonstrate financial reliability as shown in the table 4.2, 54.8% strongly agreed, 32.3% agreed, 8.1% were not sure, 4.8% disagreed while 0.0% strongly disagreed. Generally, 86.9% of the respondents agreed that financial reports demonstrate financial reliability. This means that financial is very important in the financial process as it drives the flow of finance in the organization.

From the qualitative results, it was revealed that the results agreed with those obtained using the questionnaire. For instance, many respondents stated there is reliable information of financial accountability for the donor and that financial reports are always presented to donors. In line with this, one of the key informants said,

Information in our organisation is taken very seriously that records are kept to ensure that we have reliability of financial accountability. Our finance department has up-to-date reliable financial reports and this enables us to assure financial accountability as demanded by our donors. I can attest to the fact that in my organization there is reliable information on project cash inflows and outflows.

4.2.2 Accuracy of report

The results on the accuracy of financial reports are as shown in Table 8.

Table 8: Accuracy of Financial Reports

SN	Accuracy of financial report	SD	D	SD+D	NS	A	SA	SA+A
1.	The financial reports provide relevant information to the donor	4.8	0.0	4.8	3.2	38.7	53.2	91.9
2.	The information in the organization financial reports is accurate	0.0	0.0	0.0	9.7	45.2	45.2	90.4
3.	The NGO's financial reports contain all relevant material information	0.0	6.5	6.5	12.9	46.8	33.9	80.7
4.	In your organization financial reports are accountability to the donor	3.2	0.0	3.2	3.2	37.1	56.5	93.6
5.	The information of accounting system can be use in decision-making.	3.2	0.0	3.2	11.3	51.6	33.9	85.5
Average		2.2	1.3	3.5	8.1	43.9	44.5	88.4

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

The Table 8 indicate that, on average, the accuracy of financial reports was rated at 88.4% as much as 3.5% were opposed to this and 8.1% indicated that they were not sure. This may imply that the accuracy of the financial reports in the selected NGOs in Gulu City has improved the financial accountability, majority of the respondent agreed the information in the organization financial reports is accurate and information of accounting system can be use in decision-making with a percentage of 53.2% of the respondent strongly agreed, 38.7% of the respondent agreed, 3.2% of the respondent were not sure, 0.0% of the respondent disagreed and 4.8% of the respondent strongly disagreed that The financial reports provide relevant information to the donor. Meaning majority of the respondent have got information in regards to the accuracy of financial report and information of accounting system can be use in decision-making.

The findings in Table 8 on the accuracy of the financial reports revealed that 45.2% of the respondents strongly agreed, 45.2% agreed, 9.7% were not sure, and none disagreed with the statement. The general findings indicate that 90.4% agreed meaning that the financial reports provide relevant and accurate information to the donor.

The Table 8 further indicate that the NGOs financial reports contain all relevant material information with the valid percentage response of 33.9% strongly agreed, 46.8% agreed, 12.9% not sure, 6.5% disagreed and 3.2% strongly disagreed. In total, 80.7% of the respondent were agreed that The NGOs financial reports contain all relevant material information, this means that the respondents have confidence and understand that the NGOs financial reports contain all relevant material information.

In response to whether financial reports are accountability to the donor, the findings show that 56.5% of the respondents strongly agreed, 37.1% agreed, 3.2% were not sure, 0.0% disagreed while 3.2% strongly disagreed with the statement. The general results indicate that 93.6% of the respondents agreed with the statement. This means that the financial reports are the answers to the donors' concern on management of the finance in the organization.

The findings in Table 8 also revealed that 33.9% of the respondents strongly agreed the information of accounting system can be use in decision-making, 51.6% agreed, 11.3% were not sure, 0.0% disagreed while 3.2% of the respondents strongly disagreed. Generally, 84.5% of the respondents agreed that the information of accounting system can be use in decision-making. This means that the information in the system is detailed enough to guide in the decision making for the organization. Interview results were established to be in support of the above quantitative results whereby, many of the key informants indicated that there is high level of accuracy of financial reports in the organizations an indication that they have credible financial departments and staff who can manage financial matters. In line with this, one key informant said,

Our financial reports provide relevant information to our donors and I can attest that the information in the organization financial reports is accurate. I am aware that just like in our case, many NGOs that I know normally have financial reports that contain all relevant financial material information.

4.2.3 The timeliness of the financial accountability

Table 9 presents the descriptive results on timeliness of financial accountability

Table 9: Timeliness of Financial Accountability

SN	Statements on Timelines	SD	D	SD+D	NS	A	SA	SA+A
1.	In your organization report are produce periodic for the donor	0.0	6.5	6.5	19.4	40.3	33.9	74.2
2.	In your organization financial information is free from errors	0.0	11.3	11.3	22.6	50	16.1	66.1
3.	The financial information provided by your organization is timely	4.8	8.1	12.9	12.9	40.3	33.9	74.2
4.	The financial information is corrected by accounting records	3.2	0.0	3.2	9.7	51.6	35.5	87.1
5.	In your organization resource are put into best use	3.2	12.9	16.1	9.7	48.4	25.8	74.2
Average		2.4	7.8	10.0	14.9	46.1	29.0	75.2

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

According to the results, the timeliness of the financial reports in NGOs in Gulu City is above average at 75.2%. The results further reveal that, the timeliness of the financial accountability in selected NGOs in Gulu city has improved, more than half of the respondents agreed with valid percentage of 74.2% of the respondents agreed with the statement that the selected NGOs produce report periodic for the donor, 19.4% were not sure and 6.5% disagreed with the statement. This means that the organizations produce regular reports for the donor according to the agreed period of time.

In the financial accountability, the information the findings also revealed that 16.1% of the respondents strongly agreed that in the organization financial information is free from errors, 50.0% agreed, 22.6% were not sure, 11.3% disagreed while none of the respondents strongly disagreed. In total therefore, 66.1% of the respondents agreed that in the organization financial information is free from errors. This means the reports are produced with very much keenness to suit the interest of the donor to avoid the break in the finance.

According to the Table 9 the findings indicate that 33.9% of the respondents strongly agreed that the financial information provided by your organization is timely, 40.3% agreed, 12.9% were not sure, 8.1% disagreed while 4.8% of the respondents strongly disagreed with the statement. The general results show that 74.2% of the respondents agreed that the financial information provided by the organization is timely. This means that the organization provides information within the stipulated time to be used.

The results on whether the financial information is corrected by accounting records show that 35.5% of the respondents strongly agreed, 51.6% agreed, 9.7% were not sure, 0.0% disagreed and 3.2% of the respondents strongly disagreed. In general, 8.1% of the respondents agreed that the financial information is corrected by accounting records. This means that accounting records play a crucial part in giving the right facts about the accounts of the organization.

The study also asked respondents whether resources are put to best use and the findings indicate that 25.8% of the respondents strongly agreed, 48.4% agreed, 9.7% were not sure, 12.9% disagreed while 3.2% strongly disagreed with the statement. The general results show that 74.2% of the respondents agreed which means that the organizations put their resources into the right and clean use according to the organizations' guidelines.

When interviewees were asked about the timeliness of financial accountability in their organizations, most of them stated that timeliness is assured at all times. They indicated that financial reports are produced and submitted to donor in a timely manner. For instance, one of the them had this to say,

We have set for ourselves very strict timelines for ensuring that financial reports are produced by our finance department in time for both our consumption ant for that of our donors and key stakeholders. Once the reports are out, we normally review them for accuracy before filing them as official records and sharing them with our donor.

4.2.4 Summary results on financial accountability

Going by the results on the different dimensions on financial accountability, the reliability of financial accountability in NGOs in Gulu City was scored at 61.6%, that on the accuracy of financial reports was rated at 88.4% and that on the timeliness of the financial reports at 75.2%. On average financial accountability was rated at 75.1% which is above average.

4.3 Audit Quality in NGOs in Gulu City

The variable of audit quality looked at how to assess the audit quality in selected non-government organizations (NGOs) in Gulu city. This section presents descriptive results three dimensions of the audit quality namely, audit input, audit process and audit output.

4.3.1 Audit input

Table 10 presents the descriptive results on audit input arising from five statements that were posed to the respondents.

Table 10: Audit input

SN	Audit Input	SD	D	SD+D	NS	A	SA	SA+A
1.	The auditors always observe ethical values during audits	0.0	6.5	6.5	3.2	50.0	40.3	90.3
2.	The organization are directly undertaken by that audit firm	4.8	0.0	4.8	6.5	53.2	35.5	88.7
3.	The organization audit reports are always of high	0.0	0.0	0.0	25.8	43.5	30.6	74.1
4.	In your organization experience of auditors make good audit report	0.0	3.2	3.2	3.2	56.5	37.1	93.6
5.	The auditor engagement level for the audit exercise is important	0.0	4.8	4.8	3.2	43.5	48.4	91.9
Average		1.0	2.9	3.9	8.4	49.3	38.4	87.7

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

According to the results, on average, audit input practices in NGOs in Gulu City was rated at 87.7%. this was against 3.9% of the respondents who were opposed to this and 8.4% who stated that they were not sure. Table 10 further reveals that all the five statements were rated above 70.0%. the results show that respondents strongly agreed that the auditors always observe ethical values during

audits for the donor with a valid percentage 40.3%, 50.0% agreed, 3.2% were not sure, 6.5% disagreed while 0.0% strongly disagreed. The general percentage show that 90.3% of the respondents agreed to the statement. This means that auditors observe their professionalism during the work and majority of the NGOs in Gulu City have information in regards to the input of audit quality.

The selected NGOs in Gulu City are directly undertaken by audit firms. Summarily, 88.7% of the respondents agreed with the statement that “The organization are directly undertaken by that audit firm”, meaning that the selected organizations are periodically audited by audited firms. At the same time, 74.1% of the respondents were in support of the statement that, “The organization audit reports are always of high” which means that the standard of the organization report is always high to the set standard.

The findings on whether the organization experience of auditors make good audit report revealed that 37.1% strongly agreed, 56.5% agreed, giving a total of 93.6% of the respondents who supported the statement meaning that most of the NGOs in Gulu city have experienced auditors who make good audit report for the management and the donor. Finally, the results reveal that, on the statement on whether the auditor engagement level for the audit exercise is important, 48.4% of the respondents strongly agreed and 43.5% agreed, giving a total of 91.9% of the respondents who supported the statement.

Just as audit input as a dimension of audit quality was rated highly under the quantitative results, so was it under the qualitative results. Most of the key informants pointed out that they believe that financial auditing has enabled them have credible financial reports. In support of this one respondent said,

We have an internal audit department and whose mandate is to ensure that there is financial discipline in our organization. The departments always make sure that the resources as obtained from whatever source are utilized in line with our annual budget. I believe that our internal audit staff are highly qualified and up to the task.

4.3.2 Audit process

The descriptive results on the audit process in the NGOs in Gulu City were as presented in Table 11.

Table 11: The Audit Process

SN	Statements on Audit process	SD	D	SD+D	NS	A	SA	SA+A
1.	In your organization management achieve effective audit process	0.0	9.7	9.7	8.1	50.0	32.3	82.3
2.	In your organization auditor ensures the quality of work	8.1	9.7	17.8	11.3	45.2	25.8	71.0
3.	The auditors comply with standards laws and regulations	0.0	3.2	3.2	21.0	46.8	29.0	75.8
4.	In your organization auditors apply appropriate professional skills	3.2	12.9	16.1	8.1	50.0	25.8	75.8
5.	The audit procedures are established and monitored	3.2	4.8	8.0	8.1	53.2	30.6	83.8
Average		2.9	8.1	11.0	11.3	49.0	28.7	77.7

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree

According to the results in Table 11, the audit process in NGOs in Gulu City was scored above average at 77.7%. The results further show that most organization management achieve effective audit process with percentage of 32.3% of the respondents who strongly agreed, 50.0% agreed, 8.1% were not sure, 9.7% disagreed while none of the respondents strongly disagreed. Generally, 82.3% of the respondent were agreed meaning that most of the NGOs in Gulu City have achieved effective audit process.

The audit process in NGOs in Gulu City ensures the auditor for the quality of work with the percentage of 25.8% of the respondents who strongly agreed, 45.2% of the respondents agreed, 11.3% of the respondents were not sure, 9.7% disagreed while 8.1% of the respondents strongly

disagreed. Generally, 80% of the respondents agreed with the statement which means that audit quality process in the selected NGOs in Gulu City have quality of work.

The table 11 show that the auditors comply with standards laws and regulations with the percentage of 29.0% of the respondents who strongly agreed, 46.8% agreed, 21.0% were not sure while 3.2% disagreed. A total of 75.8% of the respondents agreed with the statement meaning that meaning that auditors comply with standards laws and regulations in the selected NGOs in Gulu City.

In the selected NGOs in Gulu City, auditors apply appropriate professional skills with the percentage of 25.8% strongly agreed, 50.0% of the respondents agreed, 8.1% of the respondents were not sure, 12.9% disagreed while 3,2% strongly disagreed. Generally, 75.8% of the respondents agreed with the statement meaning that most of the auditors in Gulu City apply appropriate professional skills.

The results on whether the audit procedures are established and monitored indicate that 30.6% of the respondents strongly agreed, 53.2% agreed, 8.1% were not sure, 4.8% disagreed while 3.2% strongly disagreed. The general results show that 83.8% of the respondents agreed with the statement meaning that most of the selected NGOs in Gulu City were Note sure of the audit procedures.

The audit process was also rated to be running smoothly in the NGOs going by the responses from the interviewees when asked about it. In specific words, one of them stated that,

In my organization we have put in place a procedure that ensures that the audit process runs smoothly. In fact, we have gone further to the extent of having an annual work plan as to when the process takes place and when the reports are disseminated both internally and externally to our donors. Our auditors always comply with the national and NGO standards, laws and regulations pertaining to auditing

4.3.3 The audit output

Table 12 shows the descriptive results on the audit output in the NGOs in Gulu City.

Table 12: Audit Output

SN	Audit Output	SD	D	SD+D	NS	A	SA	SA+A
1.	Both internal and external auditors report are omission	9.7	16.1	25.8	24.2	37.1	12.9	50.0
2.	Audit quality leads to improvements in financial reporting	0.0	0.0	0.0	4.8	53.2	41.9	95.1
3.	In your organization auditor provide finding to managers	4.8	3.2	8.0	11.3	40.3	40.3	80.6
4.	The standard of auditing requires auditor communicate to managers	3.2	4.8	8.0	17.7	38.7	35.5	74.2
5.	The important output of audit is auditor's opinion as confidence	9.7	4.8	14.5	8.1	56.5	21.0	77.5
Average		5.5	5.8	11.3	13.2	45.2	30.3	75.5

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

Table 12 show that, on average, the audit output was rated at 75.5% which is way above average.

The results further reveal that, both internal and external auditors report are omission with the percentage of 12.9% of the respondents strongly agreed, 37.1% of the respondents agreed, 24.2% of the respondent were Not sure, 16.1% of the respondent disagreed and 9.7% of the respondents strongly disagreed. Generally, 50.0% of the respondents agreed meaning that most of the selected NGOs in Gulu City have internal and external auditors report for the management or donor. The findings on whether audit quality leads to improvements in financial reporting indicate that 41.9% of the respondents strongly agreed, 53.2% agreed, 4.8% were not sure while none of the respondents disagreed with the statement. The general percentage show that 95.1% of the respondents agreed with the statement meaning that NGOs in Gulu City have audit quality that led to improvements in financial reporting.

The results from the selected NGOs in Gulu City whether auditor provide finding to management show that 40.3% of the respondents strongly agreed, 40.3% agreed, 11.3% were not sure, 3.2% disagreed and 4.8% of the respondents strongly disagreed. The general percentage indicate that the majority of the respondents, that is 80.6% agreed with the statement meaning that auditor provide

finding to management and donor of the selected NGOs in Gulu City. In the selected NGOs in Gulu City, the standard of auditing requires auditor communicate to management of the organization with the strongly agreed percentage of 35.5% of the respondents, 38.7% agreed, 17.7% were not sure, 4.8% disagreed while 3.2% of the respondents strongly disagreed meaning that most of the NGOs have standard of auditing that requires the auditor to communicate direct to management of the organization.

The Table 12 show that in the audit quality output, the important output of audit is auditor's opinion and confidence indicate that 21.0% of the respondents strongly agreed, 56.5% agreed, 8.1% were not sure, 4.8% disagreed while 9.7% strongly disagreed. the majority of the respondents that is 77.5% agreed with the statement meaning that the output of the auditor opinion is more important in the audit quality

Just like with the quantitative results, the qualitative results revealed that audit outputs in the NGOs were highly rated. The key informants went further to point out that both internal and external auditors reports are always disseminated. In addition to this, one of them said that,

In my organization, auditor provide their audit findings to managers who then act on them, these findings are also shared with our donors because this is a contractual agreement. It is based on these reports that the donors release funds for the subsequent activities. This as such implies that we must always, and which we do, have quality audit reports

4.3.4 Summary results on audit quality

Going by the results on the different dimensions on audit quality, audit input practices in NGOs in Gulu City was rated at 87.7%, the audit process in NGOs was scored at 77.7%, and audit output was rated at 75.5%. On average audit quality was rated at 80.3% which is above average.

4.4 Relationship between Audit Quality and Financial Accountability

The third objective of this study was to establish the relationship between the study variables namely, audit quality and financial accountability. To do so, both Pearson correlation analysis and regression analysis were conducted and the findings were as presented in the following two sub-sections.

4.4.1 Pearson Correlation analysis results

Table 13 shows the correlation results involving the dimensions of the study (IV) and (DV).

Table 13: Correlation Analysis Results

		Correlations					
		Audit Input	Audit Process	Audit Output	Reliability	Accuracy of report	Timeliness
Audit Input	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	62					
Audit Process	Pearson Correlation	.438**	1				
	Sig. (2-tailed)	.000					
	N	62	62				
Audit Output	Pearson Correlation	.597**	.484**	1			
	Sig. (2-tailed)	.000	.000				
	N	62	62	62			
Reliability	Pearson Correlation	.366**	.490**	.534**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	62	62	62	62		
Accuracy of report	Pearson Correlation	.505**	.516**	.413**	.609**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	62	62	62	62	62	
Timeliness	Pearson Correlation	.399**	.407**	.414**	.563**	.518**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	62	62	62	62	62	62

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

Source: Primary Data

As seen in Table 13, all dimensions of the audit quality (audit input, audit process, audit output) were positively and statistically significantly correlated to those of financial accountability (reliability, accuracy of report, timeliness. Further, the results show that all the correlations were significant at the 99% level of significance while their strengths ranged from .366 (lowest) to .534 (highest). The specific results were as follows:

The audit input physical environment was established to be positively, statistically significantly and strongly correlated to reliability, accuracy of report, timeliness at ($r = .366^{**}$, $p = .000$), ($r = .505^{**}$, $p = .000$) and ($r = .399^{**}$, $p = .000$) respectively. On the other hand, audit process was statistically and significantly correlated to reliability, accuracy of report, timeliness at ($r = .490^{**}$, $p = .000$), ($r = .516^{**}$, $p = .000$) and ($r = .407^{**}$, $p = .000$) respectively. Finally, audit output was statistically and significantly correlated to reliability, accuracy of report, timeliness at ($r = .534^{**}$, $p = .000$), ($r = .413^{**}$, $p = .000$) and ($r = .414^{**}$, $p = .000$) respectively.

The above results point out to the fact that there is a positive, strong and statistically significant correlation between audit quality and financial accountability in the studied NGOs in Gulu City. This implies that the by further improving the audit quality in terms of its dimensions, financial accountability will improve.

4.4.2 Regression analysis results

To establish how the dimensions of the independent variable (work environment) affect the dependable variable (employee job satisfaction), linear regression analysis was conducted using SPSS version 23 and the results were as presented in the following subsections below under the model summary, Analysis of Variance (ANOVA), and the Coefficients tables.

Table 14: Model Summary of Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853 ^a	.644	.613	.311

a. Predictors: (Constant), Audit Input, Audit Process, Audit Output

Source: Primary Data

According to the model summary (Table 14), the value for the regression analysis (R square) was .644 while adjusted R-square was .613. The adjusted R-square in this model is the proportion of variation in financial accountability that is explained by the independent variable dimensions (audit

input, audit process and audit output). Based on the Adjusted R Square value, these results imply that 61.3% of the variation in financial accountability can be explained by the audit quality. To determine whether this model is statistically significant or not, the other output of the regression analysis- the Analysis of Variance (ANOVA) - was generated as shown in Table 15.

Table 15: The Analysis of Variance (ANOVA) Results

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.324	2	6.917	64.061	.000 ^a
	Residual	4.136	42	.193		
	Total	19.450	44			

a. Predictors: (Constant), Audit Input, Audit Process, Audit Output

b. Dependent Variable: financial accountability

Source: field Data

The results in Table 15 show that the proportion of variance explained in the model summary table is statistically significant at 99% level of significance considering that the p-value is .000. This implies that the overall model is statistically significant and that both the audit quality dimensions collectively have a significant combined effect on financial accountability. In summary, they have a significant combined effect on financial accountability, $F(2, 42) = 64.061$, $p < .001$. The final output of the regression analysis was the coefficient table as presented in Table 16 and this was about the regression coefficients.

Table 16: Coefficients of Regression Analysis**Coefficients ^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.239	.343		-.113	.911
Audit Input	.330	.126	.287	2.608	.012
Audit Process	.667	.119	.600	5.584	.000
Audit Output	.511	.133	.641	4.734	.002

a. Dependent Variable: financial accountability

Source: field Data

According to the findings as displayed in the coefficient table, the p-value of audit input was (Beta = .287, p = .012); that of the audit process was (Beta = .600, p = .000); and that of audit output was (Beta = .641, p = .002). This implies that all the three dimensions of audit quality can be considered to be significant predictors (or significantly related to) of financial accountability in selected NGOs in Gulu City at 95%, 99% and 95% levels of confidence respectively. Based on the above, the prediction equation using on the unstandardized coefficients, can be expressed as follows:

$$\text{Financial Accountability} = 0.239 + 0.330 \text{ Audit Input} + 0.667 \text{ Audit Process} + 0.511 \text{ Audit Output} + \text{constant (e)}$$

Where, the constant (0.239) is the predicted value of the financial accountability when the independent variable dimensions (physical and non-physical environments) have a zero value.

4.5 Moderation effect of Human Resource Policies

This section is about testing for the moderation effect of account policy on the relationship between audit quality and financial accountability in NGOs in Gulu City. It starts with the presentation of the descriptive results on the account policy, followed by the moderation test results.

4.5.1 Descriptive results on the dimensions of accounting policy

The accounting policy was the moderating variable and its dimensions were funding agreement, bank accounts and cash handling. The corresponding descriptive results were as presented in the following sub-sections.

4.5.1.1 Funding Agreement

Table 17: Funding Agreement

SN	Statements on Funding Agreement	SD	D	SD+D	NS	A	SA	SA+A
1.	Your organization has funding agreement in place	4.8	1.6	6.4	15.1	48.4	30.1	78.5
2.	The funding agreement with donor has been followed well	0	3.2	3.2	4.8	64.5	27.4	91.9
3.	The funding agreement is the legal documents that bind donor	4.8	0	4.8	22.6	35.5	37.1	72.6
4.	Before your organization activities start there must be funding agreement	8.1	8.1	16.2	12.9	33.9	37.1	71.0
5.	In your organization uncertainty has operational impacts on manager	4.8	0	4.8	17.7	59.7	17.7	77.4
Average		4.5	2.6	7.1	14.6	48.4	29.9	78.3

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

Table 17 show that, on average, funding agreement in NGOs in Gulu City is scored at 78.3%, although this was opposed by 7.1% and 14.6% stated that they were not sure about this. The results further show that, on whether the organization has funding agreement in place indicate that 30.6% of the respondents strongly agreed, 48.4% agreed, 16.1% were not sure, 16.1% disagreed while 4.8% strongly disagreed. Generally, the majority of the respondents that is 79.0% agreed with the statement. This means that the selected NGOs in Gulu City have the funding agreement in place for the manager and donor to review.

The findings whether the funding agreement with donor has been followed well indicate that 27.4% of the respondents strongly agreed, 64.5% agreed, 4.8% were not sure, 3.2% disagreed and 0.0% strongly disagreed. generally, the majority of the respondents that is 91.9% agreed with the statement

meaning that all the selected NGOs in Gulu City have funding agreement with donor and been followed well.

In the selected NGOs in Gulu City, the results on the funding agreement are the legal documents that bind donor indicate that 37.1% of the respondents strongly agreed, 35.5% agreed, 22.6% were not sure, and 4.8% strongly disagreed with the statement. Generally, the majority of respondents that is 72.6% of the respondents agreed with the statement that funding agreement was the legal documents that bind the organization and donors.

The Table 17 show that findings on whether before organization activities start there must be funding agreement revealed that 37.1% of the respondents strongly agreed, 33.9% agreed, 12.9% were not sure, 8.1% disagreed while 8.1% strongly disagreed with the statement. The majority of the respondents that is 71.0% of the respondents agreed with the statement meaning that before any selected NGOs activities start, there must be a funding agreement between the organization and the donors in place.

In the selected NGOs in Gulu City, the uncertainty has operational impacts on manager with the percentage of 17.7% of the respondents strongly agreed, 59.7% of the respondent agreed, 17.7% were not sure, 0.0% disagreed while 4.8% of the respondents strongly disagreed. The general report shows that 77.45% of the respondents agreed meaning that most of the selected NGOs in Gulu City were Not sure of the uncertainty that has operational impacts on manager.

4.5.1.2 Bank accounts

Table 18: Bank Account

SN	Statements on Bank Accounts	SD	D	SD+D	NS	A	SA	SA+A
1.	All major transaction of your organization made through the bank	0.0	0.1	0.1	4.8	41.9	53.2	95.1
2.	The organization bank account is control by at least three signatories	3.2	0.0	3.2	0.0	45.2	51.6	96.8
3.	In your organization bank reconciliation is prepared monthly	0.0	8.1	8.1	9.7	27.4	54.8	82.2
4.	In your organization bank sets condition for each type of account open	4.8	3.2	8.0	12.9	27.4	51.6	79.0
5.	The donor uses organization bank account for easy monitoring and accountability	0.0	3.2	3.2	9.7	35.5	51.6	87.1
Average		1.6	2.9	4.5	7.4	35.5	52.6	88.0

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

The results in Table 18 show that, on average, the bank accounts as an aspect of financial accountability were rated at 88.0%. The results further show that, in the selected NGOs in Gulu City, the findings on whether all the major transaction made through the bank indicate that 53.2% of the respondents strongly agreed, 41.9% of the respondents agreed, 4.8% were not sure and none of the respondents disagreed with the statement. General results show that 95.1% of the respondents agreed with the statement meaning that all major transactions are made through the bank by the selected NGOs in Gulu City.

The result on organization bank account control by at least three signatories indicate that 51.6% of the respondents strongly agreed, 45.2% agreed, while 3.2% strongly disagreed. Generally, 98.6% of the respondents agreed meaning that most of the selected NGOs in Gulu City the organization bank accounts are controlled by at least three signatories. the findings on whether the bank reconciliation is prepare monthly revealed that 54.8% of the respondents strongly agreed, 27.4% agreed, 9.7% were not sure, 8.1% disagreed while none of the respondents strongly disagreed with the statement.

The majority for respondents, that 82.2% agreed with the statement meaning that NGOs in Gulu City prepared bank reconciliation and book of account monthly.

According to table 18 on the whether bank sets condition for each type of account open, findings revealed that 51.6% of the respondents strongly agreed, 27.4% agreed, 12.9% were not sure, 3.2% disagreed and 4.8% strongly disagreed. Generally, 79.0% of the respondents agreed with the statement meaning that in the selected NGOs in Gulu City the bank sets condition for each type of account open by the organization.

The results on whether the donor uses organization bank account for easy monitoring and accountability indicate that 51.6% of the respondents strongly agreed, 35.5% agreed, 9.7% were not sure, 3.2% disagreed while none of the respondents strongly disagreed. The general results indicate that 87.1% of the respondents agreed with the statement meaning that the donors use organization bank account for easy monitoring and accountability.

4.5.1.3 Cash Handling

Table 19: Cash handling

SN	Cash Handling	SD	D	SD+D	NS	A	SA	SA+A
1.	In your organization cash payments is on daily basis	3.2	12.9	16.1	25.8	33.9	24.2	58.1
2.	In your organization cash management is taken very seriously	0.0	0.0	0.0	0.0	41.9	58.1	100.0
3.	Your organizations use cash register daily	4.8	12.9	17.7	3.2	48.4	30.6	79.0
4.	In your organization financial instruments are used in cash handling	3.2	3.2	6.4	8.1	46.8	38.7	85.5
5.	In your organization there is no financial management	29.0	2.9	31.9	8.1	43.5	16.5	60.0
Average		8.0	6.4	14.4	9.0	42.9	33.6	76.5

Key: SD = Strongly; D = Disagree; NS = Not sure; A = Agree; SA = Strongly Agree Disagree

The results in Table 19 show that, on average, cash handling in NGOs in Gulu City was above average at 76.5%. the results further show that, 38.7% of the respondents strongly agreed that organization financial instruments are used in cash handling, 46.8% agreed, 8.1% were not sure,

3.2% disagreed while 3.2% strongly disagreed. The general results indicate that 85.5% of the respondents agreed with the statement meaning that financial instruments are used in cash handling in the organization.

The findings on whether there is no financial management indicate that 6.5% of the respondents strongly agreed, 43.5% agreed, 8.1% were not sure, 12.9% disagreed while 29.0% strongly disagreed with the statement. The general results show that 50.9% of the respondents agreed and 41.9% disagreed with the statement meaning some organizations do not have financial management.

The Table 19 show that organization cash payments is on daily basis with the percentage of 24.2% of the respondents strongly agreed, 33.9% agreed, 25.8% not sure, 12.9% disagreed while 3.2% strongly disagreed. The majority of the respondents that is 58.1% of the respondents agreed with the statement meaning that there are activities within the organizations that need cash payments on a daily basis. the findings on whether cash management taken very seriously indicate that 58.1% of the respondents strongly agreed, 41.9% agreed, while none of the respondents were not sure or disagreed. Generally, the respondents unanimously agreed 100% with the statement meaning that cash management is a very vital responsibility that needs serious attention in order for the organization to achieve its goals since the activities are driven by the availability of cash.

The results in Table 19 show that organizations use cash register daily with the percentage response of 30.6% strongly agreed, 48.4% of the respondents agreed, 3.2% were not sure, 12.9% disagreed while 4.8% strongly disagreed with the statement. In fact, the majority of the respondents that is 79.0% agreed with the statement meaning that the organizations use cash registers on a daily basis so as to capture all the financial records.

4.5.2 Moderation test results for accounting policies

The fourth objective of this study was to establish the moderation effect of audit policy on the relationship between the audit quality and financial accountability in NGOs in Gulu City. This was done by undertaking a hierarchical regression analysis using SPSS version 23 and the results were as presented in the following two subsections as seen in terms of two outputs namely, the Analysis of Variance (ANOVA) table and the model summary table. The ANOVA was used to establish if the two models, one without the moderator and the other with the moderator, are significant and if the amount of variance accounted for in Model 2 with the interaction (audit policy) is significantly more than Model 1 (without the moderator).

Table 20: Analysis of Variance (ANOVA)

ANOVA^c

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.422	2	4.861	52.331	.000 ^a
	Residual	5.646	36	.102		
	Total	13.068	38			
2	Regression	8.930	3	3.323	42.815	.000 ^b
	Residual	5.138	35	.098		
	Total	13.068	38			

a. Predictors: (Constant), audit input, audit process, audit output

b. Predictors: (Constant), audit input, audit process, audit output, audit policy

c. Dependent Variable: financial accountability

Source: Primary Data

The results in Table 20, show that model 1 in this case (without the moderator) was significant, $F(2, 36) = 52.331$, $p < .001$ and so was model 2 (with the moderator), $F(3, 35) = 42.815$, $p < .001$. In both instances the p-value was .000 meaning that the relationships were significant at 99.0% level of significance. Having checked of the statistical significance of the models, the next step was to establish whether model 2 (with the moderator) accounts for significantly more variance than model 1 (without the moderator). The results were as presented in the Model Summary, Table 21.

Table 21: Model Summary Table

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.851 ^a	.725	.707	.320	.725	52.331	2	36	.000	
2	.862 ^b	.743	.733	.314	.019	42.815	1	35	.121	1.809

a. Predictors: (Constant), audit input, audit process, audit output

b. Predictors: (Constant), audit input, audit process, audit output, audit policy

c. Dependent Variable: financial accountability

Source: Primary Data

The results in Table 21, show that the R^2 change from model 1 to model 2 = .026(.733 -.707), $p = .000$ and this shows that there is a statistically significant moderation on the relationship between audit quality and financial accountability in NGOs in Gulu City. This implies that audit policy in terms of its dimensions play a critical role as a moderating effect and so for NGOs to maximally realize financial accountability through the audit quality, must take into consideration the audit policy.

CHAPTER FIVE

DISCUSSIONS OF THE FINDINGS

5.0 Introduction

Findings are discussed and summarized in line with the existing literature and research questions. This research investigated audit quality and financial accountability in non-governmental organizations in northern Uganda using Gulu City as a case study. The study's main purpose was to establish the relationship between audit quality and financial accountability in non-governmental organizations (NGOs) in Gulu city. The study also intended to address four specific objectives which included: examine the financial accountability, assess the audit quality, determine the relationship between audit quality and financial accountability and establish the accounting policy effect on audit quality in financial accountability in selected non-government organizations in Gulu city.

5.1 Financial Accountability

The discussions on financial accountability looked at how to examine the financial accountability in selected non-government organizations (NGOs) in Gulu city. The discussion covers the reliability of financial accountability, accuracy of report, and the timeliness of the financial accountability as presented in the following three subsections.

5.1.1 Reliability of Financial Accountability

The study revealed that reliability of financial accountability in NGOs in Gulu City is above average at 61.6%. The results show that there is reliable information of financial accountability for the donors in the NGOs and that the financial reports are always presented to donors. At the same time, the results reveal that, there reliable information on project cash inflows and outflows and that the NGOs financial reports demonstrate financial reliability. This means that financial reports are presented for proper financial accountability as required by the donors for a smooth financial flow and that, quite

a number of respondents are not able to detect errors in financial accountability in the selected NGOs in Gulu city.

The findings on reliability means that the information accountability is reliable though with some times with some errors, the reports are presented to the donors which are still used for projects cash flows. Therefore, as stated in IASB (2010) that in order to be useful, financial information not only must represent relevant phenomena, but it also must faithfully represent the phenomena that it purports to represent. This means that the relevant information and reliable can make a difference in users' decisions. This also means that the auditors being used in the organizations are well trained and know and value their work. this in line with Edet & Salim (2016) who indicated that training of an auditor has an influence on the quality of an audit. They argue that the training brings about an auditor's competence and that the more trained the auditor is the more thorough he will be in carrying out the audit process subsequently producing a quality audit.

5.1.2 Accuracy of report

The study established that the accuracy of financial reports by the NGOs is well above average (88.4%) implying that the accuracy of the financial reports in the selected NGOs in Gulu City has improved the financial accountability. Majority of the respondents agreed the information in the organization financial reports is accurate and information of accounting system can be use in decision-making. Further, the results reveal that the financial reports provide relevant information to the donor. Meaning majority of the respondent have got information in regards to the accuracy of financial report and information of accounting system can be use in decision-making.

These findings mean that the financial reports in the selected NGOs are well classified, characterized and presented clearly to make it understandable to the users. So, the accuracy of the report helps the users to understand the transaction as reported in the findings that the information of accounting

system can be use in decision-making and are also accountability to the donor because it contains all the relevant material information. Therefore, the financial information should be relevant, timely and reliable to meet the needs of users.

5.1.3 The timeliness of the financial accountability

According to the results, the timeliness of the financial reports in NGOs in Gulu City is above average (75.2%) and that, the timeliness of the financial accountability in selected NGOs in Gulu city has improved, and that the selected NGOs produce report periodic for the donors regularly. Additionally, the organizational financial information is free from errors meaning that the reports are produced with keenness to suit the interests of the donors.

These findings agree with IASB, (2010) which states that timeliness means having information available before it loses its capacity to influence decisions. This means that the reports have to be periodic so as the system is updated. The information also loses its strength when it is produced after the reporting period. Therefore, financial accountability is very crucial in the management and use of every finance in any organization. Without proper financial accountability, there can be discontinued flow of finance which affects so many activities and can also lead to the collapse and closure of any organization or institution.

5.2 Audit Quality in NGOs in Gulu City

The discussions on audit quality results are presented under three subsections namely, audit input, audit process and audit output as presented below.

5.2.1 Audit input

The study established that audit input practices in NGOs in Gulu City were rated above average (87.7%) and that the auditors always observe ethical values during audits for the donor. This means that auditors observe their professionalism during the work and majority of the NGOs in Gulu City

have information in regards to the input of audit quality. The NGOs audit reports are always of high quality which means that the standard of the organizational reports are also always high in standard. Duff (2004) argued that there are many inputs to audit quality apart from auditing standards; the auditor's personal attributes such as auditor skill and experience, ethical values and mindset. Therefore, Firms need to attract high quality individual with the necessary technical and interpersonal skills to improve audit quality

These findings are in line with the IAASB (2014) that users of financial statements perceived audit reports to provide absolute assurance that company financial statements have no material misstatements and do not perpetrate fraud (Epstein & Geiger, 1994). The KPMG's newsletter, (2015) also indicate that the system of audit quality control accompanies thoroughness in ensuring an audit firm keenly observes that there should be leadership responsibility for quality audit within the audit firm.

5.2.2 Audit process

According to the results, the audit process in NGOs in Gulu City was scored above average (77.7%) and that the NGOs always achieve effective audit processes. This thus means that audit quality process in the selected NGOs in Gulu City have quality of work. The auditors in the selected NGOs in Gulu City were established to comply with standards laws and regulations and that they apply appropriate professional skills.

These results are in line with the KPMG (2015) assertion that that the process of auditing accompanies thoroughness in ensuring an audit firm keenly observes that there should be leadership responsibility for the audit process within any organization that undertakes auditing.

5.2.3 The audit output

The study revealed the audit output in the selected NGOs in Gulu City was above average (75.5%) and the results further reveal that, both internal and external auditors reports are omission free. It was observed that the selected NGOs in Gulu City have internal and external auditors report for the management or donors and that the audit quality leads to improvements in financial reporting. This means that an external audit of the financial information is often required to give users confidence that the information can be trusted. The objective of the audit of financial statements is to form an opinion on the financial statements based on obtained sufficient appropriate audit evidence. The auditors are responsible for performing quality audits of financial statements. One of the elements is that the firm should have the right tone at the top by having structures that provide for inspection and monitoring of audit performance in areas of accounting, tax, auditing and attestation and financial reporting. Secondly, there should be satisfactory engagement performance.

5.3 Relationship between Audit Quality and Financial Accountability

The third objective of this study was to establish the relationship between the study variables namely, audit quality and financial accountability. Its findings on both the Pearson correlation analysis and regression analysis are discussed in the following two sub-sections.

The Pearson correlation analysis results revealed that all dimensions of the audit quality (audit input, audit process, audit output) were positively and statistically significantly correlated to those of financial accountability (reliability, accuracy of report, timeliness at the 99% level of significance. This implies that, by improving any or all of the audit quality dimensions, financial accountability of the NGOs in Gulu City will proportionately increase. On the other hand, the regression analysis results revealed that 61.3% of the variation in financial accountability can be explained by the audit quality meaning that there are also other factors other than audit quality that contribute to financial

accountability of NGOs in Gulu City. Further, the results show that all the three dimensions of audit quality can be considered to be significant predictors (or significantly related to) of financial accountability in selected NGOs in Gulu City.

These results were in line with Pereira (2017) who argues that social services are best offered by non-governmental organizations because they play roles that neither the State nor the market can deliver. However, he highlights the State's responsibility for public funding of such services. This will help organization in spending as per the allocated funds and reduce over-expenditure. All the deadlines should be clearly mentioned in the agreement and monthly, quarterly, annual reporting procedure both for narrative and financial dealings should be specified and procedure related to the release of payments should be clearly mentioned.

5.4 Moderation effect of Human Resource Policies

The fourth objective of this study was to establish the moderation effect of audit policy on the relationship between the audit quality and financial accountability in NGOs in Gulu City. The study established that audit policy in terms of its dimensions play a critical role as a moderating effect and so for NGOs to maximally realize financial accountability through the audit quality, must take into consideration the audit policy.

These results were established to be in line with Khan and Jain (2013) that cash is the most current asset of any organization; cash is also seen as the common denominator to which all current assets can be reduced to and that has to be handled in line with the financial policies. Kavitha (2013) further explained that all other liquid assets of any given organization were converted to or expressed in terms of cash eventually. These organizations in Gulu City indicated that there is no financial management meaning there are challenges with the handling of cash.

This is in accordance with Karanja and Karuti (2014) in their study found that majority of NGOs in Ghana face cash management challenges, have an unreliable cash handling practices and are unable to meet the tough conditions set in accessing the funds. This shows that NGOs face financial management and sustainability issues, cash handling system of Non-Governmental Organizations (NGOs) involves the planning, organising, controlling and monitoring the financial resources efficiently in order to achieve the key goals and objectives of the NGO. Adopting good cash handling system is important because the main source of most of the NGO is donor funds

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATION

6.1 Introduction

This chapter presents the conclusion, recommendation and areas of further studies. The conclusion, and recommendations drawn from the results of this study were centered on addressing the purpose of the study which was to establish the relationship between audit quality and financial accountability in non-governmental organizations (NGOs) in Gulu city.

6.2 Conclusions

In conclusion therefore, financial accountability is a key factor in the running of every organization that needs to be taken seriously. However, financial accountability also needs to be carried out hand in hand with audit quality. Cash is the blood that runs through the veins of every organization and it's a daily activity like recording the date of receipt, its accounting as well as the date of depositing the cheque-draft to the bank account are the same and needs a responsible person who will be responsible for managing all bank transactions. This therefore calls for accounting policies set by the entity to process, measure, recognize, records, as well as disclose the specific items or transactions in its financial statements. Accounting Policies might be different from one company to another; however, those policies are tailor to meet the specific International Accounting Standard or other standard body like local standard or regulation relate in the purpose of Financial Reporting

6.3 Recommendations

Following the findings of the study and the conclusions drawn, the following recommendation are suggested to help in enhancing and accelerating financial accountability in most of the NGOs in Gulu city and across the world.

- i. The NGO registration Bureau should ensure that the NGOs in Gulu city respect the legal requirements of financial accountability and audit quality by monitoring the operations of

- the NGOs and demanding the annual reports and audited financial statements are filed by the NGOs timely, and the NGOs registration Bureau should improve its database management to capture and provide timely and relevant reports about the NGOs in Gulu city
- ii. There is need for all the stake holders in the NGO sector to embrace the use of financial and audit quality in the organizations they operate in or deal with. These include but not limited to staff, suppliers, management, lenders and government. These can be done through trainings, fliers, tutorials and giving open ground and opportunity for all members to actively participate in the audit processes.
 - iii. There should therefore be more forums by NGOs in Gulu city should engage duly registered audit firms with qualified and experienced audit teams in NGO operations and financial reporting in orders to realize the benefits from audits.
 - iv. The study revealed that management policy positively relates to financial accountability and audit quality, and therefore, there is need for the management of the NGOs to enact various polices to guide their activities. Policies and procedures are essential part of any organization, they provide a road map for the day-to-day operations, ensure compliance with the different laws/rules and regulations, give guidance to decision making and streamline internal processes. As noted in the study most of the NGO recognize the significance of management policy on their growth.

6.4 Suggestion for further Study

This study concentrated on the financial accountability and audit quality in non-governmental organization in Gulu city alone therefore its findings cannot be a basis for generalization across all financial and audit in the selected NGO's in Gulu city. The researcher suggests the followings:

- i. Future researchers are hereby encouraged to look into the mediating effect of audit quality on the relationship between accounting policy and financial accountability for other sectors.
- ii. The areas of interest in the NGO sector are the incidence of corruption and financial accountability in NGOs in Gulu city and the relationship between audit quality and financial accountability, and the relationship between monitoring as a component of financial accountability.

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APPENDICES

Appendix A: Questionnaire

Dear Respondent,

I am Ojok Victor. As part of my course at Gulu University, I am carrying out research on audit quality and financial accountability in non-governmental organizations in Northern Uganda, the case of Gulu city. The study seeks to establish the relationship between audit quality and financial accountability in NGOs. As one of the target respondents, your views and opinions are very important to this study. I hereby request you to spare some time and fill this questionnaire. The responses obtained will be confidential and strictly used for academic purpose only. Thank you for your co-operation.

Names (optional).....

SECTION A: BACKGROUND INFORMATION.

Please tick the box were applicable

1. Gender?

Male ☐

Female ☐

2. Age?

20-29 ☐

30-39 ☐

40-49 ☐

Above 50 ☐

3. Level of Education?

O. Level ☐

A. Level ☐

Certificate ☐

Diploma ☐

Degree ☐

Other qualification (specify).....

4. Which section do you belong to?

Finance Department ☐

Programs Department ☐

M&E ☐

Internal Auditor ☐

5. Number of years you work in the NGOs section?

1- 5year ☐

6-10 year ☐

11- 15year ☐

16-20 year ☐

over 20 year ☐

Please tick according to the code provided below for the variables below:

Strongly Agree = SA. Agree =A. Not sure = NS. Disagree = D. Strongly Disagree =S D

SECTION A: FINANCIAL ACCOUNTABILITY

a) Reliability	SA	A	NS	D	SD
A1. I have reliable information of financial accountability for the donor					
A2. In your organization the financial reports are presented to donor					
A3. In your organization financial accountability has a lot of error					
A4. I have a reliable information on project cash inflows and outflows					
A5. In your organization financial reports demonstrate financial reliability					
b) Accuracy of report					
B1. The financial reports provide relevant information to the donor					
B2. The information in the organization financial reports is accurate					
B3. The NGO's financial reports contain all relevant material information					
B4. In your organization financial reports are accountability to the donor					
B5. The information of accounting system can be use in decision-making.					
c) Timeliness					
C1. In your organisation report are produce periodic for the donor					
C2. In your organization financial information is free from errors					
C3. The financial information provided by your organization is timely					
C4. The financial information is corrected by accounting records					
C5. In your organization resource are put into best use					

SECTION B: AUDIT QUALITY

QUESTION	SA	A	NS	D	SD
a) Input					
A1. The auditors always observe ethical values during audits					
A2. The organization are directly undertaken by that audit firm					
A3. The organization audit reports are always of high					

A4. In your organization experience of auditors make good audit report					
A5. The auditor engagement level for the audit exercise is important					
b) Process					
B1. In your organization management achieve effective audit process					
B2. In your organization auditor ensures the quality of work					
B3. The auditors comply with standards laws and regulations					
B4. In your organization auditors apply appropriate professional skills					
B5. The audit procedures are established and monitored					
c) Output					
C1. Both internal and external auditors report are omission					
C2. Audit quality leads to improvements in financial reporting					
C3. In your organization auditor provide finding to managers					
C4. The standard of auditing requires auditor communicate to managers					
C5. The important output of audit is auditor's opinion as confidence					

SECTION C: ACCOUNTING POLICY

QUESTION	SA	A	NS	D	SD
a) Funding Agreement					
A1. Your organization has funding agreement in place					
A2. The funding agreement with donor has been followed well					
A3. The funding agreement is the legal documents that bind donor					
A4. Before your organization activities start there must be funding agreement					
A5. In your organization uncertainty has operational impacts on manager					
b) Bank Account					
B1. All major transaction of your organization made through the bank					
B2. The organization bank account is control by at least three signatories					
B3. In your organization bank reconciliation is prepare monthly					
B4. In your organization bank sets condition for each type of account open					
B5. The donor uses organization bank account for easy monitoring and accountability					

c) Cash Handling					
C1. In your organization cash payments is on daily basis					
C2. In your organization cash management is taken very seriously					
C3. Your organizations use cash register daily					
C4. In your organization financial instruments are used in cash handling					
C5. In your organization there is no financial management					

In your opinion, do you think audit has improved finance management in non-governmental organization

Explain?.....

.....

What challenges do you think affects audit quality/report in non-governmental organization?

.....

.....

Appendix B: Interview guide

Dear respondent,

I am Ojok Victor Reg. No. 17/U/2618/MBA conducting a study leading to the award of a Masters of Business Administration of Gulu University, I am requesting to respond to the questions. The information you provide will avail our national as well as different institutions with important to be uses to identify financial accountability practices used, to establish barriers to effective financial accountability for development as well as to explore and propose future audit quality and financial accountability strategies for development of Organization in Gulu City. I strongly urge you therefore; please assist the research team in compiling the necessary data. I assure you that your answer will only be used for a framework of this study. Your information will be treated strictly confidentially. Please attach any relevant documents available.

A, Financial accountability

- i. What are activities done by NGOs in Gulu city on supporting financial accountability?
- ii. What are barriers to effective financial accountability for development of NGOs in Gulu city?
- iii. What is being done in NGOs for financial accountability strategies?
- iv. What are Challenges/demand associated with financial accountability in non-governmental organization?
- v. What is the financial accounting standard applied to ensure financial accountability in NGOs?

B, Audit quality

- i. What are audit quality practices use in Non-governmental organization?
- ii. To what extent can you describe the audit quality standards applied in Non-governmental organization?
- iii. What are the determinants and level of audit quality in non-governmental organization?
- iv. What are the most important elements of internal control systems of audit in non-governmental organization?
- v. What are factors associated with audit quality in non-governmental organization?

C, Accounting policy

- i. What is accounting policy being done in non-governmental organization?
- ii. Has your organization used the same accounting policies in its opening IFRS statement of financial position?
- iii. Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?
- iv. Does your organization have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds?
- v. Describe the non-governmental organization policy for retention of accounting records including supporting documents?

Thank you for your co-operation

Appendix C: Krejcie and Morgan (1070) Table of Sample Size Determination

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	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: “N” is population size “S” is sample size.

Source: Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970

Appendix D: Introductory Letter

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OFFICE OF THE DEAN FACULTY OF BUSINESS AND DEVELOPMENT STUDIES

Date: 27/10/2023

TO WHOM IT MAY CONCERN

RE: OJOK VICTOR

REG. NO. 17/U/2618/MBA

The above-named person is a final year student of Gulu University pursuing Masters of Business Administration (MBA) Degree of Gulu University.

In partial fulfillment of the requirements for the award of the Degree, he is carrying out research on the topic: **Audit Quality and Financial Accountability in Non-Governmental Organization in Northern Uganda: The Case Study of Gulu City.**

Due consideration accorded to him shall be highly appreciated.

Yours faithfully,

Dr. Kitambo -Research Coordinator (Ph D.)
Faculty of Business and Development Studies

