



**INTERNAL CONTROL SYSTEM, AUDIT QUALITY AND FINANCIAL
ACCOUNTABILITY IN NON-GOVERNMENTAL ORGANISATIONS: A CASE
STUDY OF GULU DISTRICT**

BY

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DECLARATION

I, Okiria Clement Epalat Okilipa do hereby declare that the following research is my original dissertation and that where the texts have been used, in any way; it is clearly indicated or acknowledged. Further, I declare that the work presented has not been presented for a degree in any other university.

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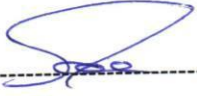
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APPROVAL

This dissertation has been submitted for examination with our approval as university supervisors.

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DEDICATION

This book is dedicated to my parents John Okilipa and Magdalen Okanya who incessantly struggled to shape me into a person of some use to society.

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My first and sincerest appreciation goes to Almighty God. He has been my strength, provider and wisdom. His special grace has brought me this far.

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LIST OF ACROYMNS

CPA	Certified Public Accountant
COSO	Committee of Sponsoring Organizations
GAAP	Generally Accepted Accounting Practices
NGO	Non-Governmental Organization
PPDA	Public Procurement and Disposal Authority
QUAM	Quality Assurance Mechanism
SAP	Standard Auditing Practices
UNHC	United Nations High Commissioner for Refugees
R	United States Agency for International Development
USAID	United States of America
USA	

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ABSTRACT

The study was intended to establish the relationship between internal control system, audit quality and financial accountability and the mediating effect that audit quality has on the relationship between internal control system and financial accountability. The study population was 140 NGOs from which a sample size of 103 NGOs was derived using table for determining sample size by Krejcie and Morgan, (1970). The NGOs for the study were selected basing on the simple random sampling methodology. Due to the various challenges and constraints in data acquisition and the limited time frame, the study targeted only respondents from the administrative, monitoring and evaluation and program departments, with preference to the finance departments of the NGOs. The unit of analysis was the NGO. Data was tested for reliability and validity and analyzed using SPSS version23 and results presented based on the study objectives.

The findings indicated a strong positive relationship exists between the internal control system and financial accountability; with internal control system a significant predictor of financial accountability. In addition, a moderate positive relationship was found to exist between audit quality and internal control system. The results however revealed that audit quality was not a significant predictor of financial accountability therefore the inclusion of audit quality, as the mediating variable could not alter the strength of the relationship between Internal Control System and financial accountability.

It was concluded that the enhancement of internal control system in selected NGOs in Gulu district would inevitably lead to significant improvement in their financial accountability. Moreover, it was concluded that improvement in the quality of audit could not be a stand-alone initiative towards the enhancement of financial accountability of NGOs in Gulu district.

It was recommended that NGOs in Gulu district should emphasize the establishment, implementation and enhancement of effective internal control system for them to have satisfactory financial accountability of donor funds.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This section provides the background to the study. The section is further divided into the statement of the problem; purpose of the study; objectives of the study; research questions; subject and geographical scope of the study; significance of the study and conceptual framework..

1.2 Background to the study

Financial accountability in the NGO sector has gained prominence because of the huge development grants flowing from donors and preferably channeled through NGOs, (Murtaza, 2012), (Monir & Swapan, 2015), (Alnoor, 2003). It is argued that financial accountability in NGOs is based on four key elements, namely: compliance with legal obligations, transparency in the use of resources, sound financial management and optimal use of resources, (Sgueo, 2015).

According to Salome and Rotimi, (2012) and Idoko and Jimoh (2013), financial accountability means justification of financial transactions as conforming to organizational rules and procedures, business concepts of morality, professional ethics and the law of the state. It means those in positions of authority and therefore responsibility have to explain their actions in the management of the financial resources entrusted to them.

To achieve financial accountability requires that organizations maintain effective internal control system. (Abdulkadir, 2014) argues that establishment of an internal control system in an organization ensures the reliability of accounting records in that an internal control system constrains management

and staff from possible errors and fraud resulting in authenticity in the content of financial reporting thus providing assurance to both internal and external stakeholders.

CPA Australia guidelines for NGOs, (2011) confirms that sound internal controls enhance financial accountability in various ways: they align the performance of the organization with the overall objectives through continuous monitoring and encouraging good management by ensuring management receives timely and relevant information on performance against targets. Besides, internal controls ensure proper financial reporting by maintaining accurate and complete reports required by legislation and management and minimizes time lost correcting errors and ensuring resources are correctly and efficiently allocated. In addition, an internal control system facilitates quick identification of errors and fraud thereby safeguarding assets from fraud, theft and errors. In this way, an internal control system reduces exposure to risks and minimises the chances of unexpected events thereby providing reliable and complete financial accountability.

In relation to completeness and reliability in financial reporting, (Queensland Audit Office, Australia 2012) and (Agyemang, Awumbila, Unerman, & O'Dwyer, 2009) explain that reliability in financial reporting will be incomplete without an assurance service from audit. According to Early & Scott (2010), a robust financial reporting framework plays a critical role in financial accountability and that an independent and quality audit provides the necessary check on the integrity of financial statements. Furthermore, the NGO Act, (2016) demands that certified auditors audit financial and operational activities of the NGOs every year. These audits are intended to ensure sound financial and operational activities in the NGO sector.

Furthermore, the donor community has expectations to be fulfilled before and after release of funding to the NGOs. According to Agyemang et al (2009), NGOs must have an effective internal control

framework that enables management to provide satisfactory accountability, timely disclosure statements and reports. That the framework should provide for performance assessment and evaluation, participation, auditing and self-regulation. Disclosure statements and reports are required from NGOs for not only reporting but also oversight purposes.

According to the NGO Act (2016), a registered NGO in Uganda is obliged to file annual returns to the NGO Bureau and its regional offices, have Generally Accepted Accounting Practices, (GAAPs) and have its books of accounts of accounts audited by a certified accountant. The annual returns to be filed by NGOs to the NGO Bureau offices are the annual report and audited financial statements by a certified auditor including estimates of income and expenditure and annual work plans.

An additional mechanism to ensure satisfactory financial accountability is the Uganda NGO Quality Assurance Mechanism (QuAM), a self-regulatory mechanism developed within the NGO fraternity, which has also issued 59 standards for Uganda NGOs to subscribe and adhere to. According to the standards, the NGOs should observe Generally Acceptable Accounting Principles (GAAPs); have independently audited and publicly accessible annual accounts whose recommendations are properly followed and accounted for and that the NGOs should maintain sound systems to ensure resources are effectively and transparently managed.

In Uganda, the NGO sector with a focus on relief and other social services has grown tremendously over the last two decades with a high concentration of NGOs being in Gulu. In 2006, Gulu reportedly, had the highest number of NGOs in Uganda, (Stephen Abili 2006). The upsurge of the NGOs in the district is associated with the internal strife that started in 1990s, (Pommier 2014) and culminated in

the declaration in 2003 of Gulu District being in dire need of humanitarian aid, Andrews (Scott 2013). In spite of the scale – down of NGO operations in Gulu district due to improved humanitarian situation, the district had 140 NGOs by the time of data collection for this study, (Gulu NGO Forum 2016).

Whereas there are strong financial accountability mechanisms available to the NGOs as observed, NGOs in Gulu district have been unable to provide satisfactory financial accountability to their stakeholders. Specifically, the NGOs have been non-compliant to the grant agreements in the way they account for the donor funds; they have been unable to provide timely returns to the NGO Bureau; they have provided inaccurate and unreliable accountability reports among others.

Examples of the above failures in the recent past include: the February 2015, USAID abrupt termination of the \$50m grant to Plan International in the NU-Hites project in Gulu and other surrounding districts due to failure to run and account for the funds according to the grant agreement “USAID cancels \$50m funding to Uganda”, (2015); the Acholi Kingship failure to account timely and accurately for the UGX 230 million of the 1.3 billion shillings grant from the Netherlands kingdom, (Lawino 2013) and in same year, the loss of the Uganda Shillings 500,000,000 meant for LRA abductees as the NGO failed to account for the money according to the grant agreement, (Makumbi Cissy & Owich James 2013). In addition , a UNHCR audit report for 2009 revelation that the UNHCR Gulu office and more-so her partner NGOs had not met the UN regulations on financial accountability by failing to award contracts competitively and incorrectly carrying out bank reconciliations, (United Nations Internal Audit Report, 2010).

Furthermore, a report to the Government of Uganda on NGOs revealed that less than 25% of the NGOs operating in Gulu 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 was misleading.

With the above situation prevailing among the NGOs in Gulu district, there was need to study financial accountability in the Gulu district NGOs to establish whether internal control system and audit quality have an impact on financial accountability. Further, the study also sought to establish the mediating effect audit quality has on the relationship between internal control system and financial accountability.

1.2 Statement of the problem

NGOs in Gulu district are faced with challenges of financial accountability although they have established 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 and books of accounts and that it should be timely in reporting to stakeholders. In addition, it must maintain an effective internal control system and have quality audits, (Abdulkaldir, 2014) and (Queensland Audit office, Australia, 2012). In spite of these mechanisms, NGOs in Gulu district continue to have inaccurate financial reports, are late in financial reporting and not compliant to their own policies and those of 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). This study was motivated to find out why this is so.

1.3 Purpose of the study

The purpose of this study was to establish the relationship between internal control system, audit quality and financial accountability in selected non-government organizations (NGOs) in Gulu district, Uganda. It was to establish the mediating effect audit quality has on the relationship between internal control system and financial accountability in the NGOs in Gulu district.

1.4 Objectives of the study

- i. To examine the relationship between internal control system and audit quality in selected non-government organizations (NGOs) in Gulu district.
- ii. To examine the relationship between audit quality and financial accountability in selected NGOs in Gulu district.
- iii. To examine the relationship between internal control system and financial accountability in selected NGOs in Gulu district.
- iv. To examine the mediating effect of audit quality on the relationship between internal control system and financial accountability in NGOs in Gulu district.

1.5 Research questions

- i What is the relationship between internal control system and audit quality in selected nongovernmental organizations (NGOs) in Gulu district?
- ii What is the relationship between audit quality and financial accountability in selected NGOs in Gulu district?
- iii What is the relationship between internal control system and financial accountability in selected NGOs in Gulu district?

iv What is the mediating effect of audit quality on the relationship between internal control system and financial accountability?

1.6 Scope of the study

1.6.1 Subject Scope

The study focused on the relationship between internal controls, audit quality and financial accountability in NGOs and the mediating effect that audit quality has on the relationship between internal control system and financial accountability. This was restricted to the NGOs within Gulu district.

1.6.2 Geographical Scope

The study targeted 140 NGOs in Gulu district. This considered the majority of NGOs currently operating in Gulu district, (Gulu NG O Forum, 2016).

1.7 Significance of the study

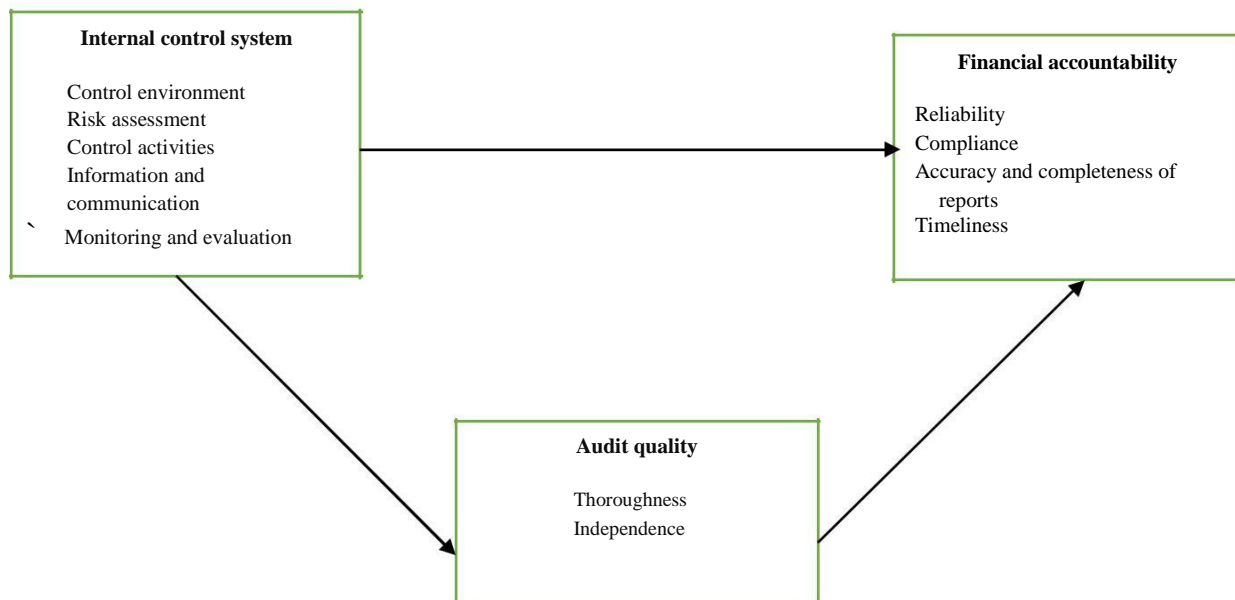
The boards of Non-Government Organisations shall use the study findings to justify more emphasis on having effective internal control system as a basis for satisfactory financial accountability in the NGO sector and NGOs in Gulu district in particular. The findings of the study shall also be useful to policy makers in plugging existing loopholes in their monitoring and evaluation of the NGO sector.

Furthermore, the findings shall add to the existing literature on internal control system, audit quality and financial accountability as well as the mediating effect of audit quality on the relationship between internal control system 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.

1.8 Figure 1. Conceptual framework.

The relationship between Internal Control system, audit quality and financial accountability



Source: (Arens, Elder, & Beasley, 2012), (Al-Khaddash, Al Nawas, & Ramadan, 2013), (Agyemang et al., 2009), (Theunis & Benz, 2011) and (COSO, (2013).

According to figure 1, there are two independent variables and one dependent variable. The independent variables are internal control system and audit quality. The dependent variable is financial accountability.

One independent variable, internal control system, has five components namely control environment, risk assessment, control activities, information and communication and monitoring and evaluation. The other independent variable, audit quality has two components, namely thoroughness and independence.

The dependent variable, financial accountability has four dimensions namely; reliability, compliance, accuracy and completeness of reports and timeliness. The dependent variable is that that is affected by the independent variables.

The conceptual framework illustrates that internal control system and audit quality have an effect on financial accountability. It shows that when there is an improvement in internal control system and audit quality, financial accountability improves. On the contrary, it also indicates that when there is poor internal control system and audits are of poor quality, financial accountability will be not be satisfactory.

The conceptual framework also indicates that audit quality has a mediating effect on the relationship between internal control system and financial accountability. The framework illustrates that an improvement in audit quality has an effect on the relationship between internal control system and financial accountability, indicating that if audit quality is improved, the improvement will result into more effective internal control system and better financial accountability and vice versa.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the existing literature on the study variables: internal control system, audit quality and financial accountability in selected non-government organizations (NGOs) in Gulu district and how they are related. The section is divided into sub-section as follows: internal control system, audit quality, financial accountability, and the relationships among the variables: Internal Control system and audit quality, audit quality and financial accountability, and internal control system and financial accountability in selected NGOs in Gulu district.

2.2 Internal Control System

An internal control system is involved in varying degrees in all organizational formations. The system is vital in not only the different types of organizations like governments, companies and NGOs but also in all activities in every level of these organizations. The COSO Integrated framework, (2013) explains that an internal control system is a system in terms of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. The system also relates to the organization's communication processes, internally and externally, and includes procedures for: handling funds received and expended by the organization, preparing appropriate and timely financial reporting to board members and officers, conducting the audit of the organization's financial statements, evaluating staff and programs and implementing personnel and conflict of interest policies.

Al-Zubi, Shaban, & Hamdallah, (2014), in their study reveal that employee compliance to internal control system brings about reliability and credibility of financial statements. In their study, they argue that effectiveness of an internal control system is attributed to its firm and consistent application by management. Further, they argue that audit failures and financial accountability problems result from either weak internal control systems or improper ethical values of employees. They therefore recommend monitoring, audit and tight recruiting policies as essential tools to address the issue.

In addition, Internal Control Bulletin, (2013) argues that the effectiveness of an internal control system is as good as the people who run it. Ethical issues such as collusion of staff; management override and human error are some of the limitations of the internal control system.

In addition, Ojua, (2016) explains that internal controls should not be based on trust of workers but primarily on basic accounting principles of authorization, segregation of duty, timely and accurate record keeping, monitoring through internal audit and personnel controls. In this way, he affirms that organizational assets will be secured and objectives met.

Bongani, (2013), also argues that establishing an internal control system in an organization is critical to ensure the reliability of accounting records, because internal controls constrain management and staff in committing possible random errors and fraudulent activities. This ensures the authenticity of the content of financial reporting thus providing reasonable assurance to stakeholders. In a similar vein, Paitoon, Chaiyuth, and Preeda, (2015) also found out that internal Control system provides a

firm foundation on which financial statements can be considered credible. Findings by Aramide & Bashir, (2015) affirm that proper and highly effective internal control system enhances financial accountability.

Abbas & Iqbal, (2012) also found that an internal control system helps organizations reduce operational risks and that it improves the reliability of financial reporting and in this builds confidence in them. Schneiderman, (2015) provides guidance on not-for profit Boards of Directors on the internal control system. He explains that for an NGO to have financial accountability there should a strong board that is conversant and able to enforce an internal control system.

The same author indicates that an internal control system has a supportive role for organizations in that it provides mechanisms for organizations to handle funds received; prepare appropriate and timely financial reports; provides for annual audits and evaluation of staff; ensures maintenance of inventory/asset records of real among others. He also concurred that an internal control system enhances financial accountability.

As can be seen from above, an internal control system has three key objectives, namely operational objectives; reporting objectives and compliance objectives, (Integrated COSO Framework 2013). The operations objectives pertain to effectiveness and efficiency of the entity's operations including operational and financial performance goals and safeguarding assets against loss. The reporting objectives pertain to the internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency or any other forms as set in the law. On the other

hand, compliance objectives pertain to adherence to laws and regulations to which the entity is subject.

According to the COSO Integrated framework, (2013), there are five components of an internal control system that when they function properly in an organization will lead to effectiveness and efficiency in operations including financial accountability. These are fostering a favorable control environment, conducting risk assessment, providing for effective information and communication throughout the organization, designing and implementing control activities in the form of policies and procedures and conducting ongoing monitoring of the effectiveness of control- related policies and procedures.

Under control activities, Otieno & Nyangechi, (2013) also wrote that these involve the following: having written policies and procedures, maintenance of books of accounts, delegation of responsibilities, production of audit reports, monitoring and evaluation and production of regular financial reports. The COSO framework (2013) explains the five components as follows:

2.2.1 Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all the other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors, (Nyakundi, Nyamita, & Tinega, 2014), (Mahadeen, Al-Dmour, Obeidat, & Tarhini, 2016) and (Perry, 2005).

2.2.2 Risk Assessment

According to Mary, Albert, & Byaruhanga, (2014), every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. (Shafii & Salleh, 2016). Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change, (Hardy & Maguire, 2016).

2.2.3 Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives, (Zhang, 2014). Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties, (Danescu, Prozan, & Danescu, 2011). Control activities strengthen the ability of an organization to manage risks, as well as detect and prevent fraud, (Iyinomen, & Nkechi, 2016).

In addition, findings by Iyinomen, & Nkechi, (2016) also revealed a positive relationship between control activities and financial accountability. They argue and support the view that gaps that lead to fraud should be sealed including extending the same to recruitment and employee monitoring where potential and in service employees should be subjected to rigorous background checks and earning and lifestyle audits respectively.

2.2.4 Information and Communication

According to the CPA Australia guidelines for NGOs, (2011), pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities, (Shafii et al., 2016). Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business, (Idris & Radzi), (2016). They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting, (Frazer, 2016).

Communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously, (Shafii et al., 2016). They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders, (Shafii et al., 2016).

2.2.5 Monitoring

According to Ayagre, Appiah-Gyamerah, & Nartey, (2014), an internal control system needs to be monitored--a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two, (Higgins, 2012). Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and

the effectiveness of ongoing monitoring procedures (Frazer, 2012). Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

According to Opong, Owiredu, Nbellah Abedana & Asante, (2016) there is synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. Internal control is most effective when controls are built into the entity's infrastructure and are a part of the essence of the enterprise. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions, (Mwachiro, 2013).

According to Ziad, Shaban, & Hamdallah, (2014) there is a direct relationship between the three categories of objectives, which are what an entity strives to achieve, and components, which represent what is needed to achieve the objectives. All components are relevant to each objectives category. When looking at any one category--the effectiveness and efficiency of operations, for instance--all five components must be present and functioning effectively to conclude that internal control over operations is effective, (Mwachiro, 2013).

To get expected results, Abbas and Iqbal, (2012), recommend that the establishment and supervision of internal control system is the responsibility of management. They emphasize that it is essential to have an adequate internal control system to protect assets and records of the organization. They argue that if the assets and records are not properly protected then they can be either stolen or damaged or

misused for personal purposes. Such events could cause interruption of accounting as well as working process of the organizations.

The internal control definition--with its underlying fundamental concepts of a process, effected by people, providing reasonable assurance--together with the categorization of objectives and the components and criteria for effectiveness, and the associated discussions, constitute this internal control framework, (Getachew, Aweke, & Hailu, 2014).

2.3 Audit Service

Audit plays an essential role in maintaining trust in financial reports. Audits performed in accordance with high quality auditing standards can promote appropriate implementation of accounting standards by reporting entities and help ensure that their financial statements are reliable, transparent and useful to the users, thus enhancing stakeholder confidence. Audit service is based on the control mechanism of the principal/agent relationship as portrayed in the agency theory.

2.3.1 Audit quality

There is vast body of literature on audit quality and its measurement. However, there is no single definition of audit quality. The most widely used definition of audit quality is still by De Angelo, (1981) and Chu Gotti and Schumann, (2013) stating that “the quality of audit services is defined to be the market-assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach.” From Angelo’s definition, it follows that audit quality is dependent on the skill of the auditor in detecting misstatements in accounting and auditor independence as viewed by the market.

2.3.2 The need for quality audits

Invariably, audit plays an important role in enhancement of global economy, organizational development and health. Auditors express opinions on the fairness of financial statements. This is important for the users of financial statements to gain assurance that the financial data reported is properly measured and fairly presented, (Francis et al., 2013). However, according to Tanasa, Horomnea & Ungureanu, (2012), financial scandals over the past decade have depreciated the confidence in the competence and responsibility of auditors' activity. The scandals have not only been in the corporate world and governments but also in the NGO sector.

2.3.3 Factors that influence Audit quality

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). It also means looking at and presenting facts as they are. An auditor should be independent in fact and in appearance. Auditor independence is regarded as one of the pillars of audit quality. Other factors that impact on audit quality, according to Al-Khaddash et al., (2013) are the following: auditor qualifications and proficiency; auditor industry specialization; auditor's fees and firm size.

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.

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.

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.

The findings by Sharma & Iselin, (2003); Goodwin & Kent, (2006) and Francis & Simon, (1987) indicate that large audit fees charged by the big audit firms gives these firms the capacity to provide higher quality audit services. Similarly, it is argued that larger audit firms are assumed to perform tests that are more powerful and therefore larger audit firms are more likely to be associated with more precise information than smaller audit firms are.

The study by Odia, (2015), supports the view that longer auditor tenure does not impair the quality of audit but rather improves it. He argues that the notion of auditor tenure and rotation as enhancing audit quality is not a conclusive one as there are conflicting findings so far on it with even U-turns made by its strong advocates in the USA.

Hosseinniakani, Inacio & Mota, (2014), also analyzed factors that affect audit quality and came up with audit firm factors on one hand such as audit firm size, industry expertise, audit fees charged, non-audit service and auditor firm reputation as key factors that affect audit quality but on the other

hand they also indicated that auditor's personal factors such as independence and professional competence of an auditor are influential in producing quality audits.

A study by Dunakhir, (2016), on the factors associated with audit quality from stakeholder perspective came up with issue of auditor capability as the most important factor. However, the findings noted that one cannot have uniform perceptions from around the world on the set of factors that affect audit quality using stakeholder perspective.

In addition, the findings by Al-Khaddash Al Nawas, and Ramadhan (2013) show the following as factors that give rise to audit quality: presence of effective internal system; firm size; auditor fees; auditors' independence; auditors' reputation; industry specialization and auditor qualifications and proficiency and thoroughness.

2.3.4 Thoroughness

Quality audits involve auditors applying rigorous audit processes and quality control that should comply with laws, regulations and applicable standards, (Salome & Rotimi, 2012). This is usually achieved in two levels. At the engagement level, the engagement team should comply with auditing standards, relevant laws and regulations and the audit firm's quality control procedures. In addition, the team should make use of information technology to do its work. Furthermore, at the firm level, the audit methodology requires effective supervision and review of audit work. The audit methodology should be adopted to developments in professional standards and to findings from internal quality control reviews and external inspection.

Literature on audit quality has indicated that quality audits are dependent on auditor qualifications and proficiency, (Al-Khaddash et al 2013). It is understood that the purpose of an audit is to assure

outsiders that the financial statements are free from material misstatements. It therefore follows that the audit should be able discover errors in reporting and that the audit report should actually indicate the discovered breaches.

According to the KPMG's newsletter, (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.

Findings by 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.

2.3.5 Independence

Auditor independence is important because it has an impact on audit quality. De Angelo, (1981) suggests that audit quality is defined as the probability that the auditor will uncover a breach and report the breach. If the auditors do not remain independent, they will be less likely to report irregularities thereby impairing audit quality.

De Angelo (1981) further argues that audit quality consists of two components: auditor competence and auditor independence. Deterioration in audit quality in a short tenure audit may be due to either lack of competence or loss of independence, while a loss in quality in a long tenure audit is most likely due to a loss of independence.

According to Nopmanee, Tepalagul and Ling, (2014) there are four threats to auditor independence. These should be avoided if the audit function can provide the assurance the stakeholders need from financial statements. The four threats are client importance, non-audit services, and auditor tenure and client affiliation with audit firms. Client importance arises because auditors are paid by the companies whose financial statements they audit. Economically important clients carry greater weight in an auditor's portfolio. Therefore, an auditor may have a higher incentive to yield to pressure from larger clients, thereby compromise independence.

Non – audit services is another threat to auditor independence. The Sarbanes Oxley Act 2002 prohibits an auditor from providing most Non – audit services to an audit client. The law is motivated by the belief that the resulting economic bond between auditor and client would impair auditor independence hence compromising audit quality.

Auditor tenure is the third threat to auditor independence. The auditor-client relationship may develop into a close relationship with the client thereby making it more likely to act in favor of management, thus reducing audit quality.

The fourth threat to auditor independence is client affiliation with audit firms. This may arise due to the auditor viewing the client as a potential employer. There is an association between auditor independence and audit committee independence, (Al-Khaddash et al., 2013) and it is argued that audit committee independence enhances the independence of an auditor.

In addition, findings by Enofe, Mgbame, Okpako & Atube, (2013) are that the age of an auditor has a bearing on auditor independence and that the professional judgment of an auditor is related to age. That the soundness and superiority of the auditor's professional judgment and independence are important fundamentals, which work mutually to strengthen the reputation of the auditing profession.

2.4 Financial Accountability

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 amount 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 Brinkerhoff, (2003) there are three categories of accountability; that is, financial (the most commonly understood notion of accountability), 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.

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.

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 especially 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 Yassin Sheikh-Ali and Abdirisq Ibrahim 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.

2.4.1 Reliability

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 is capable of making a difference in users' decisions

2.4.2 Compliance and consistent application of accounting policies and procedures.

For financial information to be understandable, it must be comparable. According to Geert Braam Ferdy van Beest (2014), the quality of comparability can be measured by a consistent application of accounting policies and procedures and intercompany comparability. Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items. This can be done in two ways: from period to period within a single reporting entity or in the same period for more than one company.

2.4.3 Accuracy and completeness of reports

The Conceptual Framework for 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.

2.4.4 Timeliness

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.

2.4.5 Internal Control System and Audit Quality

According to Noraini & Norhanizah., (2014), audit is an independent, objective assurance and consulting activity designed to add value by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Audit is not only functioned as internal control reviewer but also plays an important role as business risk assessor. On the other hand, internal control system is a set of policies and procedures established by management to enable the organization to achieve its objectives. It is a process designed to provide reasonable assurance regarding the achievement of business objectives. Audit is expected to assess risk and then set up strategies to manage the risk through development of systematic and structured control procedures.

The findings by Hussein Abdi Mohamud, (2013), show that auditing practices are effective and that there is a positive correlation between internal control system and auditing. The study also shows that when auditing is used to review and control activities, financial accountability is enhanced. The suggestion of the researcher is that organizations should sustain the control system if firms are seeking to survive and to be successful.

Ziaee, (2014), states that an entity's internal control is under the purview of its audit committee. The audit committee oversees financial reporting process of a firm. It meets regularly with outside auditors and internal financial managers of the firm to review the financial statements, audit process and internal financial controls of the firm. Ziaee affirms that research has found out that there is a relationship between internal control weaknesses and audit quality as ensured by the audit committee suggesting that if there are weak internal controls then quality of the audit is low.

Findings by Shanzadeh & Zolfaghari (2015) show that internal controls reduce incidental auditing during the period of audit. Furthermore, their study indicates that the effectiveness of internal controls can enhance the quality of audit, and increase the detection of significant errors and distortions. It can also increase the credibility of financial statements.

2.5 Audit Quality and Financial Accountability

An independent and quality audit underpins confidence in the credibility and integrity of financial statements, (Ziaee, 2014). NGO audits are usually undertaken as an assurance service to stakeholders of how well management is handling the stewardship of financial resources.

Findings by Ng'eni, (2016) reveal that auditing is critical to effective, sound financial management in general and financial accountability in particular. Auditing focuses on the conformity of an

organization to the established budget guidelines, financial regulations and other financial rules. It assesses the efficient use of finances and ensures adhering to laid down rules and regulations. Accountability and transparency as enforced by auditing in the management of financial resources are a powerful means for preventing, discovering of fraud and corruption in service delivery.

According to Theunis & Benz, (2011) an external audit report of an NGO usually covers the following: how much money the organization has received and spent in a financial year, and what the money was used for; whether the money was spent according to the policies and procedures, board decisions and donor requirements; whether books of accounts have been properly and honestly kept and the value of the organizational assets. They also state that the report also contains a management letter whose purpose is give recommendations of ways to improve the organization's financial systems and procedures.

Farouk and Hassan, (2014), found out that auditor size and auditor independence have a positive influence on financial accountability. The two are pivotal audit quality dimensions. They recommended that management should strive to employ the services of audit firms whose character and integrity are beyond question to access quality audits.

Alrshah, (2015), in his study stated that there is a direct positive relationship between corporate governance practices and auditor quality. In addition, his study revealed that there is a direct strong positive relationship between auditor quality and the reliability of audited financial statements. The reliability of audited financial statements shows that there is a good measure of financial accountability, Salome and Rotimi, (2012) observed that there is a positive relationship between

auditing and accountability of funds. They explain that people in authority have responsibility to provide justification for financial transactions they undertake and that audit ensures the justification is satisfactory. As observed, audit services provide information to the management of the NGO of how well financial accountability is being undertaken by the NGO management besides highlighting areas of weaknesses for improvement of financial accountability.

2.6 Internal Control System and Financial Accountability.

Establishment and operation of internal control system is foundational to having satisfactory financial accountability. According to Bongani, (2013), establishing internal control system is critical to ensure the reliability of accounting records by providing checks and balances for management and staff. He reports that internal controls deter management and staff from committing errors and fraudulent activities thereby facilitating sound financial accountability.

Widyaningsih (2015) also confirms that there is a significant relationship between an internal control system and financial accountability. In his findings, however, he shows that considered partially, internal control components of control environment, control activity and supervision have a more significant effect on financial accountability than risk assessment, information and communication.

Aramide & Bashir, (2015) in their findings also support the argument that internal control system is positively significant in achieving financial accountability. They recommend that to enhance financial accountability, efforts should be exerted to ensure proper and highly effective internal control system is in place. Abdimahad Hussein Abtidon, (2015) similarly found that internal control system is one of the major dimensions of financial accountability. Other components according to him are budgeting,

financial reporting and financial audit and oversight. One of his recommendations is that to enhance financial accountability requires upgrading the internal control system.

Meanwhile, Shokoohi. & Saeidi, Malekmahmoudi, (2015) also investigated the relationship between internal control system and financial accountability. Their result was that existence of internal control system influences financial accountability and performance.

2.7 Mediation Role of Audit Quality on the Relationship between Internal Control System and Financial Accountability

On the relationship between audit quality, internal control system and financial accountability Kewo, & Afiah, (2017), found out that there is a positive effect caused by both internal audit and internal control system on the quality of financial statements. From their findings, they argue that quality financial statements and reporting are key instruments of assessing financial accountability. However, research that focuses on the mediating effect of audit quality on the relationship between internal control system and financial accountability within the NGO sector setting is scanty.

Nevertheless, there are a few studies on the mediating role of Audit Quality on other variables. Alrshah, (2015) found out that audit quality partially mediates the relationship between corporate governance mechanisms and the reliability of audited financial statements in the context of banking sector of Libya. In addition, another study by Layuk, Salim, Idrus, & Djumahir, (2014), although on different dimensions, showed that audit quality had a positive mediating effect in the relationship between auditor experience toward audit delay and a negative mediating effect in the relationship between audit opinion and audit delay.

Furthermore, a study by Chen & Rezaee, (2012) revealed that effective internal corporate governance helped organizations to be more aligned with International Financial Reporting Standards (IFRS) and thus provide high quality financial information. Furthermore, they discovered that audit quality as an external governance factor mediated the relationship between internal corporate governance and IFRS convergence. It was thus crucial for this study to establish the mediating role audit quality has on the relationship between internal control system and financial accountability in the NGOs in Gulu district.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section expounds on the approach used in conducting the study. It describes the area of study, research design, study population, sample size and sampling technique, data types and sources of data and the data collection instruments. Furthermore, it explains the how reliability and validity of the instruments was established and the way data was analyzed.

3.2 Research design

This study used a cross-sectional research design based on the quantitative approach focusing on descriptive and inferential statistics. Inferential statistics, and for the study, correlation analysis was used to establish the relationships among the variables while regression analysis was employed to determine the degree to which Internal control system and audit quality predict financial accountability of NGOs in Gulu district. The researcher used correlation, regression and mediation analyses to answer the research questions.

3.3 Study Population

The population for the study was 140 NGOs operating in Gulu region, (NGO Forum of Gulu district, 2016).

3.4 Sample size and Sampling design

The sample size of 103 NGOs was determined using a sample guide for sampling decisions by Krejcie and Morgan, (1970). The researcher used simple random sampling to select the NGOs that were studied. Furthermore, the study targeted two respondents from each NGO with preference to the

Finance departments although responses from the any of the Administrative, Monitoring& Evaluation and Programs departments were also received. The were responsible for the enforcement of internal control systems and the financial accountability of the NGOs and they included internal auditors or financial controllers or Managers and Directors. The unit of analysis was two the NGO.

3.5 Sources of data

Quantitative data was obtained for the study through primary sources. The Primary data was collected from respondents from the NGOs visited by use of questionnaires.

3.6 Data collection instrument

The researcher used self-administered questionnaires as the main primary source of data collection and one set of questionnaires was used for all respondents.

3.7 Measurement of variables

Item scales for all variables were measured using a 5-point Likert scale ranging from “strongly agree (1) to strongly disagree (5)”. Internal Controls system had five dimensions namely: control environment, risk assessment, control activities, information and communication and monitoring, (COSO, 2013), while audit quality had thoroughness and independence of auditors, (De Angelo, 1981) and Chu, Gotti, and Schumann, 2013). The dependent variable was financial accountability and it included reliability of financial information, compliance with organizational and government policies, accuracy and completeness of reports and timeliness of reports as described in the writings of (Brinkerhoff, 2003), (Agyemang et al., 2009) and (Theunis & Benz, 2011).

3.8 Reliability and validity of the measurement instrument

Validity of the research instrument was measured using the Content validity index while on the other hand; the reliability was measured using the Cronbach alpha Coefficient (Cronbach, 1951). Content Validity Index was used to determine whether the research instrument had an appropriate sample of items for the construct being measured. On the other hand, to establish the consistency of the measure that is, the probability that if the researcher went back to the field, he would get the same results, Cronbach's Alpha, an internal consistence test was used. For purposes of this study, an Alpha value and a Content validity index higher than 0.6 was considered satisfactory though the recommended alpha value and content validity index is 0.7. The value of 0.667 for audit quality was acceptable for this study because audit quality was used as a mediating variable. The main predictor variable for the study was internal control system.

The results of these two measures were as indicated in the table 3.0 below:

Table 3.0 Reliability and Validity of Measurement instrument

Variable	Anchor	Cronbach Alpha Value	Content Validity Index	Number of Items
Internal control System	5 Point	0.907	0.905	61
Audit Quality	5 Point	0.667	0.615	7
Financial Accountability	5 Point	0.758	0.736	12

Source: Primary data

The variables all had acceptable values of the Cronbach Alpha and the Content Validity Index and these were observed to be above 0.6 proving that the research instrument used to collect data from the respondents was appropriate.

3.9 Data processing, analysis and presentation

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

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the results of the study carried out on NGOs operating in Gulu District. The background information was presented using percentages while the relationships among the study variables were examined using correlations, regression and mediation analyses. The study variables that were analyzed included Internal Control Systems, Audit quality and Financial Accountability of NGOs in Gulu district. The presentation was guided by the following objectives:

1. To examine the relationship between internal control system and audit quality in selected nongovernment organizations (NGOs) in Gulu district.
2. To establish the relationship between audit quality and financial accountability in selected nongovernment organizations (NGOs) in Gulu district
3. To examine the relationship between internal control system and financial accountability in selected NGOs in Gulu district
4. To examine the mediating effect of audit quality on the relationship between internal control system and financial accountability in NGOs in Gulu district.

The study was conducted from 140 NGOs based in Gulu District. 103 NGOs were targeted and 102 responded giving a response rate of 99%. Furthermore, 213 respondents came from the 102 NGOs, details of which can be found in Appendix 2.

4.3 Demographic Characteristics of the Respondents

4.3.1 Introduction

Descriptive statistics were used to show the demographic characteristics of the respondents. Frequency distributions were used to show the variation of the respondents in terms of sex, age, education, management level, title and working experience. The finds are as shown in the table 4.1 below:

Table 4.1 Demographic Characteristics

	Frequency	Valid Percent	Cumulative Percent
Gender			
Male	121	56.8	56.8
Female	92	43.2	100.0
Total	213	100.0	
Age			
20 – 29 years	18	8.5	8.5
30 – 39 years	105	49.2	57.7
40 – 49 years	79	37.1	94.8
Above 50 years	11	5.2	100.0
Total	213	100.0	
Education,			
Degree and Other Qualifications	111	52.1	52.1
Diploma	70	32.9	85.0
Certificate	14	6.6	91.5
A Level	12	5.6	97.2
O Level	6	2.8	100.0
Total	213	100.0	
Management Level			
Top Management	50	23.5	23.5
Middle management	105	49.3	72.8
Lower Management	58	27.2	100.0
Total	213	100.0	
Title			
NGO Administration	34	16.0	16.0
Programs	29	13.6	29.6
M&E	32	15.0	44.6
Accounts and Finance	106	49.8	94.4
Logistics	6	2.8	97.2
Others	6	2.8	100.0
Total	213	100.0	
Experience			
1 to 5 yrs	77	36.2	36.2
6 - 10 yrs	99	46.4	82.6
11 to 15 yrs	33	15.5	98.1
16 to 20 yrs	3	1.4	99.5
over 20 yrs	1	.5	100.0
Total	213	100.0	

Source: Primary data

From Table 4.1 above, it is evident that respondents in the study comprised of 56.8% male and 43.2% female. A big number of the respondents, 49.2% were from the 30-39 age group, and a few were 5.2% above 50 years old. The table further shows that the majority of the respondents 52.1% had attained a minimum of a bachelor's degree respectively.

In addition, the table above depicts that the majority of the respondents that is 49.3% were from the middle management level and the rest were from the other levels. Additionally, it indicates that most of the respondents (49.8%) originated from the Accounts and Finance departments while the rest originated from the other departments.

Furthermore, from table 4.1 above it is evident that most of the respondents approximately 64% had worked for 6 years, above which could imply that several of the respondents were knowledgeable about the study, and thus gave reliable information.

4.4 NGO Characteristics

Introduction

Descriptive statistics were used to show the NGO characteristics in terms of their geographical scope of operations and multiple activities they were involved. The findings are shown in the tables 4.2 and 4.3 respectively below:

Table 4.2 NGO Scope of operations:

	Frequency	Valid Percent	Cumulative Percent
Local NGO	55	53.9	53.9
International	47	46.1	100.0
Total	102	100.0	

Source: Primary data

Table 4.3 NGO Activities:

	Frequency	Valid Percent	Cumulative Percent
Advocacy and Human Rights	34	21.5	21.5
Community Livelihood development	45	28.5	50.0
Health	20	12.7	62.7
Children	13	8.2	70.9
Education	11	7.0	77.8
Agricultural Services	9	5.7	83.5
Youth development	10	6.3	89.9
Conflict resolution	4	2.5	92.4
Evangelism	3	1.9	94.3
Humanitarian Relief	2	1.3	95.6
Persons with Disabilities	2	1.3	96.8
Women development	3	1.9	98.7
Environmental Protection	1	0.6	99.4
Financial services	1	0.6	100.0

Source: Primary data

Table 4.2 shows that the majority of the NGOs that is 53.9%, under survey were found to be locally founded with their operations limited to Uganda only, while 46.1% were internationally founded organizations.

Table 4.3 above shows that the NGOs had several activities in which they were operating. As a survival strategy, it was found that the NGOs are involved in several activities. From the questionnaire, the respondents ticked all the activities the NGOs were operating in in this multiple response item. The activities were classified into various categories.

Most of the responses from the NGOs indicate that (28.5%) were involved in community live hood development with advocacy and human Rights the second most prevalent activity of their operations represented by 21.5%. The least prevalent activities were financial services, (0.6%) and environmental protection (also at 0.6%). Other activities of the respondent NGOs included

Agricultural Services, Education, and Youth development, Humanitarian Relief, Persons with Disabilities, Evangelism, Conflict resolution, children and health.

4.5 Relationships between the study variables

Pearson’s correlation coefficient (r) was used to test and establish the magnitude and direction of the relationships between the variables basing on the objectives of the study and to provide answers to the research questions. Table 4.4 below shows the correlation results of the relationships between independent and dependent variables and interpretation follows in the subsequent sub sections.

Table 4.4 Pearson’s Correlation Coefficient

		1	2	3	4	5	6	7	8
Control Environment	1	1							
Risk Assessment	2	.674**	1						
Control Activity	3	.637**	.767**	1					
Information and Communication	4	.708**	.668**	.636**	1				
Monitoring	5	.686**	.643**	.582**	.692**	1			
Internal control system	6	.869**	.865**	.842**	.873**	.837**	1		
Audit Quality	7	.506**	.470**	.408**	.479**	.602**	.574**	1	
Financial accountability	8	.687**	.675**	.609**	.669**	.624**	.761**	.438**	1

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

4.5.1 Internal Control Systems and Audit quality.

The first objective of the study was to examine the relationship between Internal Control System and Audit quality and results from Table 4.4 above show a significant and positive relationship between Internal Control System and Audit quality exists, ($r=0.574$, $p \leq 0.01$). This means that as the Internal Control System is improved, the quality of audit is bound to improve.

4.5.2 Audit quality and Financial Accountability.

The second objective of the study was to examine the relationship between Audit quality and financial accountability of selected NGOs in Gulu district. As seen in table 4.4 above, results revealed a significant positive relationship exists between Audit quality and financial accountability ($r = 0.438$ $p \leq 0.01$). This means that when there is an improvement in the quality of audit there is an improvement in financial accountability.

4.5.3 Internal Control System and Financial Accountability.

The third objective of the study was to examine the relationship between Internal Control System and financial accountability of selected NGOs in Gulu district. As seen in table 4.4 above, the findings revealed that a significant positive relationship exists between Internal Control System and financial accountability ($r = 0.761$, $p \leq 0.01$). This means when there is an enhancement in the Internal Control System; there will be an improvement in financial accountability.

Overall, the results of the Pearson correlation Coefficient established that although both internal control system and audit quality exhibited significant positive correlation with financial accountability, internal control system had a stronger positive correlation with financial accountability than that existed between audit quality and financial accountability, ($r = 0.761$, $p \leq 0.01$) and ($r = 0.438$ $p \leq 0.01$) respectively.

On the other hand, the results from the Pearson correlation coefficient revealed that among the components of the internal control system, the control environment component had the most significant positive relationship with financial accountability than the other components, (Control environment, $r = 0.687$; $p < 0.01$, Risk assessment, $r = 0.675$; $p < 0.01$, Control activity, $r = 0.609$; $p < 0.01$, Information and communication, $r = 0.669$; $p < 0.01$, Monitoring, $r = 0.624$; $p < 0.01$).

In addition, the results of the Pearson correlation coefficient revealed that among the components of the internal control system, monitoring had the highest significant positive relationship with audit quality than the other components, Control environment, $r= 0.506$; $p<0.01$, Risk assessment, $r=0.470$; $p<0.01$, Control activity, $r=0.408$; $p<0.01$, Information and communication, $r=0.479$; $p<0.01$, Monitoring, $r=0.602$; $p<0.01$).

4.6 Regression Analysis

Regression analysis was used to determine the overall effect of the independent variables on the dependent variable. This was done to establish whether the Internal Control system and Audit quality are significant predictors (i.e. have a significant effect on the variability) of financial accountability.

The results are shown in tables below:

Table 4.5: Financial Accountability regressed on Internal Control Systems and Audit quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Predictors					
(Constant)	.112	.178		.630	.530
Internal Control System	.979	.102	.760	9.558	.000
Audit quality	.002	.076	.002	.028	.978
Dependent Variable: Financial Accountability					
Sig. F change = 0.000	R = 0.761	$R^2 = 0.580$	$R^2(\text{Adj.}) = 0.571$	F Statistic = 68.300	

From the regression model above, it was revealed that Internal Control system and Audit quality as predictors could account for only 57.1.0 % of the variability in financial accountability ($R^2(\text{Adj.}) =$

0.571). This means that the variability of 42.9% in financial accountability is contributed to by other factors.

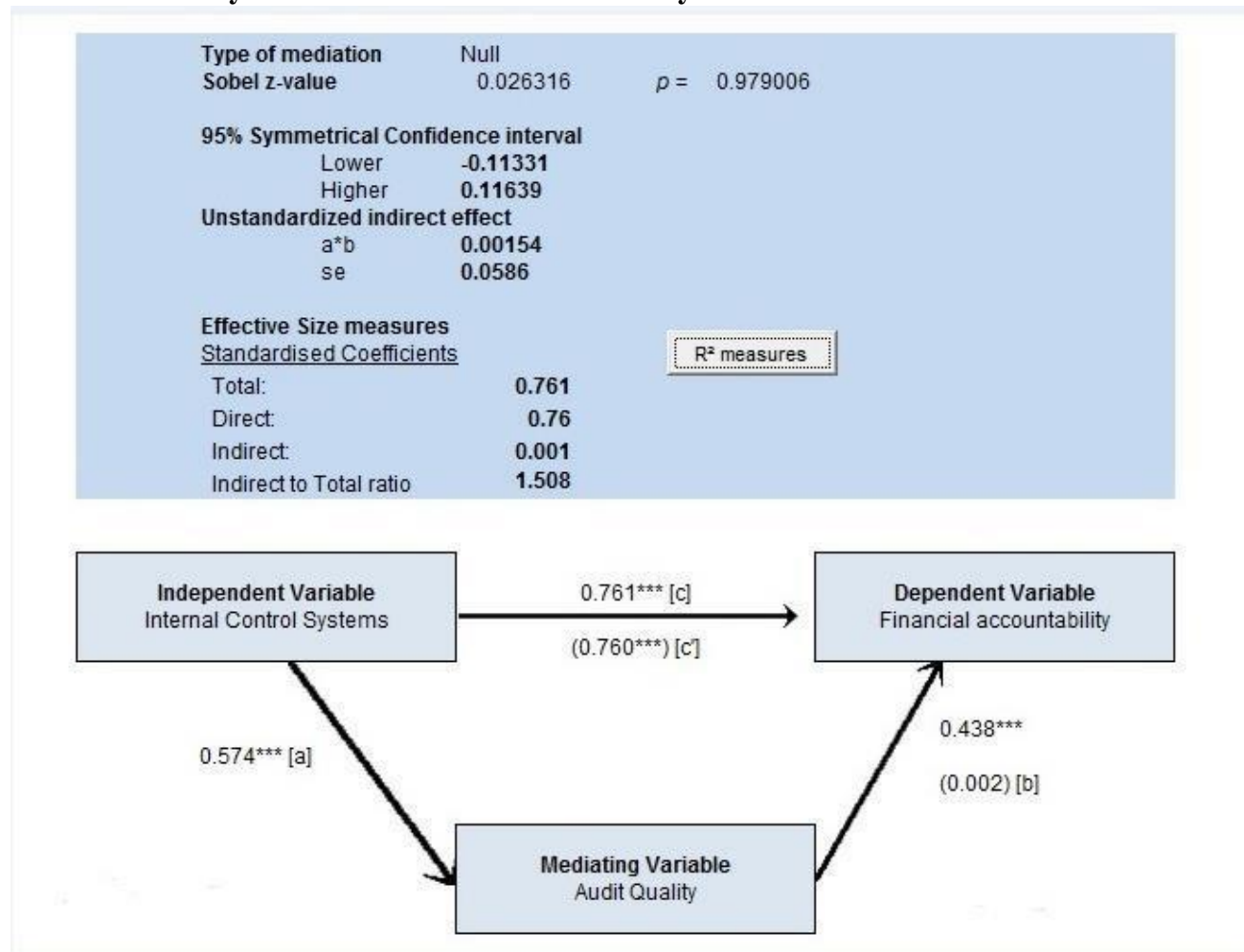
In addition, the results of the regression model above revealed that Internal Control System alone would explain variation in financial accountability to an extent of 76%, (Beta = 0.760; $p < 0.01$). On the other hand, the regression model revealed that Audit quality was not a significant predictor of financial accountability, (Beta = 0.002; $p > 0.05$). The implication in the above case is that although Audit quality is an important variable in financial accountability, the enhancement of the internal control system is paramount.

The F statistic of 68.300 was also significant $p < 0.001$ and we therefore conclude that our regression model is better estimate than if we had used the mean value of financial accountability.

4.7 Mediation Analysis

In the Correlation analysis in section 4.4 above, audit quality was found to be significantly and positively related to financial accountability. However, it had a lower correlation coefficient, ($r = 0.438$ $p \leq 0.01$) than that shown between internal control system and financial accountability, ($r = 0.761$, $p \leq 0.01$). Perhaps that is the reason in the Regression analysis in section 4.5 above, it shows that audit quality accounts for very little variability in financial accountability and thus is not a significant predictor of financial accountability. The researcher used deductive reasoning to test whether Audit quality could have any Mediating effect on the relationship between Internal Control System and financial accountability.

Figure 2.0: Mediation effect of Audit quality on the relationship between Internal Control System and Financial Accountability.



Interpretation

Results of the medigraph in Figure 2.0 above indicated that there was a significant positive relationship between Internal Control System and financial accountability (beta = .0761, $p < .001$). However, inclusion of Audit quality as the mediating variable did not reduce the basic relationship between Internal Control System and financial accountability to a significant extent, (beta = .760, $p < .001$) which is further implied by the fact that the Sobel's test is not significant, ($z = 0.026316$ $p > .05$). Also the ratio index which in this case is $.001/.761 = 0.13\%$ (a very small percentage which is very minimal) implies that the indirect influence of Internal Control System on the financial

accountability through audit quality is very small and insignificant, for it explains only 0.13% of the total effect of the Internal Control System on the financial accountability. This therefore means that the involvement of audit quality did not explain any significant portion of the basic relationship between internal control system and financial accountability.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the summary of results or findings in chapter four and they are presented and discussed considering aligning the relationships between the study variables with objectives of the study. The researcher thus provides a position on the issues, which have been under investigation in the study, and in addition, the researcher compares the findings in this study with what other scholars have established in previous studies. Furthermore, basing on the findings and discussions, conclusions and recommendations, areas for further study are made in this chapter.

5.2 Discussion of Results

5.2.1 Internal Control System and Audit quality

The findings showed that there was a significant positive relationship between internal control system and audit quality. The findings are consistent with the view that audit quality is enhanced by proper internal control system, (Ziaee, 2014). This view is reinforced by the findings of Shanszadeh & Zolfaghari, (2015) who also noted that effective internal system enhances the quality of audit and increases the detection of errors and distortions. Contrastingly, Hussein, (2013) in his findings noted that audit as a control activity, brings about an effective internal control system in an organization. Therefore, implementation of internal control system in NGOs in Gulu district has is bound to improve the way audits are conducted on the one hand and on the other conducting quality audits has a positive effect in bringing about effective internal control system.

In addition, the findings showed that among the components of the internal control system, monitoring had a more significant positive relationship with audit quality than all the other components. This means that if the quality of audit is to be improved more emphasis should be placed on the monitoring component of the internal control system than in other components.

5.2.2 Audit quality and Financial Accountability

The findings revealed that there was a significant positive relationship between audit quality and financial accountability. This suggests that enhancement of audit quality could lead to improvement in financial accountability. Ngeri, (2016) affirms that quality audits can bring about sound financial accountability. In addition, Salome and Rotimi, (2012) support the above findings saying that financial accountability is made complete by a quality audit. However, in the regression analysis, audit quality was not a significant predictor of financial accountability. Farouk and Hassan, (2014) provide what could be the cause. In their findings they argue that organisations should be willing to pay audit firms adequately and that they should employ audit firms whose integrity and ethical values are beyond question, their view being that the positive impact of a quality audit on financial accountability is likely to be impaired by such factors such as collusion among staff, management and lack of independence among auditors.

5.2.3 Internal Control System and Financial Accountability

The research findings showed that there is a significant positive relationship between internal control system and financial accountability thereby suggesting that improvement made in implementation of an Internal Control System enhances financial accountability. This is in line with Bongani, (2013) who showed that internal control system helps management to present meaningful financial accountability to their stakeholders regardless of the various organizational challenges. The

Regression analysis further showed that proper set up and institution of internal control system could significantly predict and result into the achievement of satisfactory financial accountability.

In addition, the research findings showed that among the components of the internal control system, the control environment had the highest significant positive relationship with financial accountability than all the other components. This means boards of NGOs may have to put more emphasis on the control environment of the NGOs in order to have a more effective improvement in financial accountability.

However, an internal control system is not an end in itself but a means to an end. That the effectiveness of the system is dependent on the people who run it. That such ethical issues as collusion, management override and human error at times come into play to impair the effectiveness of an internal control system, (Internal Control Bulletin, 2013).

5.2.4 Mediation effect of audit quality on the relationship between internal control system and financial accountability.

The research findings showed that inclusion of audit quality, as the mediating variable did not reduce the basic relationship between Internal Control System and financial accountability to a significant extent. This could be explained by the fact that quality audit is an element of control activity which is a dimension of an internal control system, Abdimahad Hussein Abtidon, (2015). Furthermore, findings by Shanszadeh & Zolfaghari (2015) reinforce the interconnectedness between internal control system and audit quality hence showing that an effective internal control system enhances audit quality.

5.3 Conclusion

The findings obtained from this study supported the existing literature concerning the relationship between internal control system and financial accountability. However, the findings have contradicted the existing literature on the predictive value of audit quality on financial accountability in that results from the regression analysis have indicated that audit quality is not a significant predictor of financial accountability. This could be attributed to the prevalence of local NGOs, which may not have audits given the fact that 55% of them are local NGOs whose boards may not have audit as a priority in their governance. In addition, this could be a consequence of the engagement of auditors from un-registered and small audit firms whose reports have depreciated the benefits of audit among the NGOs in Gulu district.

The study findings have revealed that the control environment as a component of the internal control system has the most significant positive relationship with financial accountability. This may mean that if more emphasis were placed in the control environment in the NGOs there could be a much more improvement in financial accountability in NGOs than if emphasis were placed in any of the other components.

In addition, the findings have revealed that among the components of the internal control system, more monitoring of the activities and transactions posted and reported in financial statements could have more improvement in audit quality in the NGOs.

According to the study, there was a significant positive relationship between internal control system and financial accountability, which means that with improvement in effectiveness in internal control system, improvements in financial accountability, will be realized. The research also showed that

there was a significant positive relationship between internal control system and audit quality which means that an effective Internal control system supports the improvement in the quality of the various audits conducted within organizations. However, as discussed above, audit quality alone may not be able to solely account for the performance in financial accountability of the various NGOs in Gulu district.

It was concluded that the enhancement in the quality of audit could not be a stand-alone initiative towards the improvement of financial accountability of NGOs in Gulu district.

5.4 Recommendations

Basing on the conclusions made, the researcher therefore recommends that:

- I. NGO management in Gulu district should ensure that the managers of the NGOs are people of unquestionable integrity who are able to enforce ethical conduct among staff and stakeholders in order to give little room to financial infidelity.
- II. NGO management in Gulu district should put in place automated accounting systems whose capture of transactions offers easy audit trail monitoring and timely financial reporting.
- III. NGOs in Gulu District should provide adequate remuneration to their staff in order to minimize collusion and management override of internal control system.
- IV. NGOs in Gulu District should engage duly registered audit firms with qualified and experienced audit teams in NGO operations and financial reporting in order to realise the benefits from audits.
- V. The NGO registration Bureau should ensure that the NGOs in Gulu district respect the legal requirements of financial accountability by keenly monitoring the operations of the NGOs and demanding the annual reports and audited financial statements are filed by the NGOs timely

- VI. The NGO registration Bureau should improve its database management to capture and provide timely and relevant reports about the NGOs.

5.5 Limitations of the study

The researcher experienced various challenges and limitations when conducting this study and these included:

- i. The respondents in the study were mainly from finance and audit departments; therefore, the data collected might have been biased.
- ii. The researcher used a self-administered questionnaire as the primary source of data collection in preference to all others. Therefore, other predictors of financial accountability that could have been obtained by other sources of data collection could not be obtained.

5.8 Areas for further research

Future researchers are hereby encouraged to look into the mediating effect of audit quality on the relationship between internal control system and financial accountability for other sectors. Other areas of interest in the NGO sector are the incidence of corruption and financial accountability in NGOs in Uganda; the relationship between control environment and financial accountability and the relationship between monitoring as a component of internal control system and financial accountability.

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APPENDIX 1 QUESTIONNAIRE

Dear Respondent,

I am OKIRIA CLEMENT E.O. As part of my course at Makerere University, I am carrying out research on the topic: **Internal Control system, audit quality and financial accountability in selected Non- Government Organizations in Gulu district.** The study seeks to establish the relationship between internal control system, audit quality and financial accountability in the selected NGOs in Gulu district. 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.

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 or other qualifications (specify).....

4. What is your current level of management in the NGO?

Top management Middle management lower management

5. Which section do you belong to?

NGO Administration Programs M & E Accounts & Finance

Logistics others

6. Number of years worked in the NGO's section

1 to 5 years 6-10 years 11 to 15 years 16 to 20 years over 20years

7. What is the level of the NGO you work in?
 Local NGO.International NGO

8. What is activity of your operations?
- 1. Advocacy and Human Rights
 - 2. Community Livelihood development
 - 3. Health
 - 4. Children
 - 5. Agricultural Services,
 - 6. Education
 - 7. Youth development
 - 8. Humanitarian Relief
 - 9. Persons with Disabilities
 - 10. Evangelism
 - 11. Conflict resolution
 - 12. Environmental Protection
 - 13. Women development
 - 14. Financial Services

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 B: INERNAL CONTROLS

(i) Control Environment	SA	A	NS	D	SD
The NGO management philosophy and style communicates high expectations regarding integrity and ethical values					
NGO directives from and actions by management are consistent with integrity and ethical values					
The NGO Organizational structure in organization is clearly defined					
The NGO human resource policies are clearly communicated to the Personnel in your organization					
Important expectations or policies of the NGO are formalized and communicated to personnel					
The NGO management reprimands inadequate behavior in a consistent manner regardless of the individual’s position or status					
NGO staff and stakeholders have been clearly identified and perceive the organization as one where there are fair and honest dealings					

Full compliance with laws, regulations and policies is clearly expected within the organization					
Realistic performance objectives are set for personnel					
Accounting and budgeting activities are an integral part of your organization's decision making process					
Personnel have the knowledge and skill required for their positions					
Adequate training is provided for all categories of personnel					
Employees are appropriately empowered and given adequate resources to fulfill their responsibilities					
Management reports are timely and raise "red flags" where appropriate					
(ii) Risk assessment	SA	A	NS	D	SD
NGO sectional, departmental and organizational objectives are established					
Activity-level objectives are established					
Documented objectives for all key activities are available					
Statements of purpose regarding operations, reporting and compliance are present					
All employee levels are represented in establishing the objectives					
Risks or obstacles to achieving each objective have been identified					
Risks from external sources (suppliers, technology changes, economic and political conditions, regulations, etc.) are adequately considered					
Risks from internal sources (employee turnover, morale and commitment to objectives, performance of information systems, etc.) are adequately considered					
The risks have been prioritized					
Evaluation of the likelihood of occurrence has been done					
Potential monetary impact has been estimated					
The risks been categorized as (a) tolerable or (b) requiring action					
Overall strategies for managing important risks been established					
Specific assignments and activities necessary to implement the strategies have been identified and communicated to the responsible employees					

(iii) Control activities	SA	A	NS	D	SD
NGO employee performance is evaluated with regard to established objectives					
The NGO employee evaluations are based on previously agreed upon standards					
All new NGO programs or activities are formally authorized in advance					
The organization is currently operating within budget					
NGO important financial and operating reports are routinely made, reviewed and shared with key personnel					
Key reconciliations are prepared and reviewed in a regular basis					
Key managers review and approve all financial transactions					
Location and use of all equipment is all tracked					
Adequate physical security for cash and other assets subject to theft is provided					
Individuals who control assets are prohibited from also recording transactions related to those assets					
Internal and external audits are periodically conducted in the organization					
(iv) Information and communication	SA	A	NS	D	SD
Relevant information regarding legislation, regulatory developments, economic changes, or similar external or internal factors that may affect your organization is received and provided to staff					
Key information about your organization's operations is identified and regularly reported					
Managers receive sufficient information to carry out their responsibilities and the information is understandable, usable and timely					
Means to identify emerging information needs is available					
Training, meetings, seminars, on-the job supervision is sufficient to communicate to employees their duties and responsibilities					
A way is available to communicate suspected improprieties upstream through someone other than a direct supervisor and the complainant is protected from retaliation					
Trust is actively promoted between employees, supervisors and departments					

Employees are encouraged to provide recommendations for improvement and are recognized and rewarded for the suggestions					
Organizational standards and expectations have been communicated to key outside groups or individuals					
Client complaints are taken seriously, investigated and acted upon					
Management is aware of the nature and volume of complainants and follow-up communication with complainants is done.					
(v) Monitoring	SA	A	NS	D	SD
Overall effectiveness of internal control system is routinely evaluated					
The control environment is monitored					
Employee attitude is assessed					
Organizational structure is reviewed for effectiveness					
Policies and procedures are reviewed and evaluated					
Periodic evaluation of effectiveness of risk assessment procedures is done					
Regular monitoring of effectiveness of key control activities is done					
Transactions, records and reconciliations are spot checked to ensure they meet expectations					
Random comparison of assets on hand (cash, inventories etc.) is done with amounts recorded and discrepancies investigated					
Management encourages employees to provide feedback on whether control operate effectively					
Performance evaluations for employees are done at least annually for employees and supervisors to discuss expectations, goals and performance					

SECTION C: AUDIT QUALITY.

	SA	A	NS	D	SD
Both internal and external auditors report all the findings they establish from the audit process without relaxing or omission of any of them					
Auditors engaged are qualified and registered accountants and therefore perform audits in conformity to auditing and accounting standards					
Auditors engaged have at least a five- year experience auditing NGOs					
The audit reports reflect a true and correct state of the NGO financial statements					
The results of the audit are delivered in a timely manner for policy decisions, correcting management weakness or meet statutory deadlines					
There is an existing system for reporting ethical violations					
All audits are carried out with confidentiality and established code of conduct					

SECTION D: FINANCIAL ACCOUNTABILITY.

	SA	A	NS	D	SD
The financial information provided by your organization is timely, free from errors and is correctly backed up by accounting records					
The organization complies with all provisions and requirements of its donors					
The financial information provided by your organization reflects exactly the activities that were undertaken in the field as per the approved work plans					
The organization has not suffered loss of resources through theft, pilferage, negligence or any fraudulent activities of employees and managers during the current or previous years					
The organization complies with all government policies and meets all its statutory obligations in a timely way					
The organization complies with all its own policies and regulations					
International Accounting standards (IAS) and Generally Accepted Accounting Principles (GAAP) are applied in financial reporting in the NGO					
The financial information from the accounting system can be easily used in					

decision-making, planning, monitoring and reporting					
Financial documents about projects and programs are easily accessible by stakeholders					
The NGO Board of Directors regularly examines the NGO reports for compliance with the Public Financial and Accounting Laws					
Recommendations of the external audits are usually followed up and implemented by management					
Financial Management resolutions are disseminated to all concerned stakeholders					

THANK YOU

APPENDIX 2 NGOS IN THE SURVEY

	NAME OF NGO	SECTOR	NO. OF RESP	NGOS RENEWED SUBSCRIPTIONS	YEAR
1	ACAN AKWO	FARMING & COMMUNITY DEVELOPMENT	2		
2	ACHOLI CHILD AND FAMILY PROGRAMME (ACFP)	CHILDREN LIVELIHOOD DEVELOPMENT	2	ACHOLI CHILD AND FAMILY PROGRAMME (ACFP)	2016 MARCH
3	ACHOLI EDUCATION INITIATIVE (AEI)	ADVOCACY CHILDREN LIVELIHOOD DEVELOPMENT	2		
4	Acholi Leaders peace Initiative (ALPI)	ADVOCACY AND WOMEN EMPOWERMENT	2		
5	ACHOLI RELIGIOUS LEADERS PEACE INITIATIVES	ADVOCACY AND WOMEN EMPOWERMENT	2		
6	ACORD	ADVOCACY AND WOMEN EMPOWERMENT	2		
7	ACTION AGAINST HUNGER	HUNGER RELIEF	2		
8	ADP international	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
9	Advance movement international	COMMUNITY	2		
10	AFGRI	AGRICULTURAL SERVICES TO COMMUNITY	2		
11	Africa Community Development Network (ACODEN)	ADVOCACY	4		
12	Africa Network for the Prevention and Protection against Child Abuse and Neglect (ANPPCAN)	CHILDREN ADVOCACY	2		
13	African Centre for treatment and Rehabilitation of Torture Victims (ACTV)	ADVOCACY	2		
14	African children and families support	CHILDREN	4		
15	African community aid	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
16	Agape child care international	CHILDREN	2		

17	Agrovet international	AGRI BUSINESS	2		
18	Aid Africa	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
19	American Refugee Committee (ARC)	ADVOCACY & LIVELIHOOD DEVELOPMENT	4		
20	AFRICAN MEDICAL RESEARCH FOUNDATION(AMREF)	HEALTH	2		
21	AMURU YOUTH GROUP	YOUTH LIVELIHOOD DEVELOPMENT	2		
22	ANAKA FOUNDATION	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
23	ASSOCIAZIONE VOLONTARY SERVIZIO INTERNAZIONALE (AVSI)	HEALTH & LIVELIHOOD DEVELOPMENT	2		
24	AWACH growth movement	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
25	AWAKI AWAKENING	ADVOCACY	2		
26	BCF international	ADVOCACY AND LIVELIHOOD DEVELOPMENT	2		
27	BEE KEEPING AND PROMATION	FARMING & COMMUNITY DEVELOPMENT	2		
28	BRAC FOUNDATION	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
29	CARE INTERNATIONAL UGANDA	COMMUNITY LIVELIHOOD DEVELOPMENT	2	CARE INTERNATIONAL UGANDA	2016 FEBRUARY
30	CARITAS	HEALTH & LIVELIHOOD DEVELOPMENT	2		
31	Charity for peace foundation	GOVERNANCE LIVELIHOOD DEVELOPMENT	2	CHARITY FOR PEACE FOUNDATION	2014 JANUARY
32	CHEMONIC	AGRICULTURAL SERVICES TO COMMUNITY	2		
33	Child fund	CHILDREN DEVELOPMENT	2		

34	Child Rights Connect (CRC)	CHILDREN RIGHTS	2		
35	Child voice International	CHILDREN DEVELOPMENT	2		
36	Childcare Development Organisation of Uganda	CHILDREN DEVELOPMENT	2		
37	Climate and Development Initiatives- CDI	ENVIRONMENTAL PROTECTION	2		
38	COMBONI SAMARITANS OF GULU	EDUCATION HEALTH LIVELIHOOD DEVELOPMENT	2		
39	Community network for social justice (CNSJ)	LIVELIHOOD DEVELOPMENT, AGRICULTURE, HEALTH, ENVIRONMENT AND EDUCATION	2		
40	Community Rural Empowerment and Support Organization (CRESO)	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
41	Creative services support Group (CSSG)	YOUTH LIVELIHOOD DEVELOPMENT	2		
42	Crossroad Resilience initiative	CONFLICT PREVENTION, PEACE BUILDING, GOVERNANCE	2		
43	DE- LINK	ADVOCACY	2		
44	Development focus	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
45	DYERE TEK (PLWA)	ADVOCACY, LIVELIHOOD DEVELOPMENT	2		
46	Education for Peace and Prevention of Violence and HIV/	ADVOCACY, LIVELIHOOD DEVELOPMENT AND HEALTH	2		
47	Feed the Children	CHILDREN LIVELIHOOD DEVELOPMENT	2		
48	Flama Uganda	HEALTH	2	FLAMA UGANDA	2016

					FEBRUARY
49	Flame International Uganda	SOCIAL SERVICES	2		
50	Forum for African Women Educationists Uganda (FAWEU)	WOMEN DEVELOPMENT	2		
51	Foundation for vulnerable community in Uganda	GIRL EDUCATION, ADVOCACY	2		
52	Gulu Agricultural Development Company Ltd (GADC) under ACUMEN FUND INC	AGRICULTURAL SERVICES TO COMMUNITY	2		
53	GULU DISABLED PERSONS UNION	PWD LIVELIHOOD DEVELOPMENT	2		
54	Gulu District Farmers Association (GDFA)	AGRICULTURAL SERVICES TO COMMUNITY	2		
55	Gulu war affected training center (GWATC)	SOCIAL SERVICES	2		
56	GULU WOMEN WITH DISABILITIES UNION	ADVOCACY, HEALTH	2	GULU WOMEN WITH DISABILITIES UNION	2016 OCTOBER
57	GULU WOMEN ECONOMIC DEVELOPMENT AND GLOBALISATION (GWED-G)	GOVERNANCE, LIVELIHOOD DEVELOPMENT, HEALTH, FINANCIAL SERVICES	2	GULU WOMEN ECONOMIC DEVELOPMENT AND GLOBALISATION (GWED-G)	2015 AUGUST
58	GULU YOUTH DEVELOPMENT ASSOCIATION	YOUTH LIVELIHOOD DEVELOPMENT	2		
59	GWOKKE KENI PHA AND OVC NETWORK	CHILDREN LIVELIHOOD DEVELOPMENT	2	GWOKKE KENI PHA AND OVC NETWORK	2017 MARCH
60	HEALTH ALERT UGANDA	HEALTH & LIVELIHOOD DEVELOPMENT	2		
61	Health focus	HEALTH	2		
62	Hope and Peace for Humanity (HPH)	HEALTH & LIVELIHOOD DEVELOPMENT	2		
63	HUMAN RIGHTS FOCUS	ADVOCACY	2	HUMAN RIGHTS FOCUS	2015 OCTOBER
64	HURAMO	ADVOCACY	2		
65	Information for Youth empowerment Program (IYEP)	ADVOCACY & YOUTH	2		

		LIVELIHOOD DEVELOPMENT			
66	INTERNATIONAL REFUGEE RIGHTS INITIATIVE	ADVOCACY	2	INTERNATIONAL REFUGEE RIGHTS INITIATIVE	2013 MAY
67	Invisible Children	ADVOCACY & YOUTH LIVELIHOOD DEVELOPMENT	2		
68	JUSTICE AND RECONCILIATION PROJECT	ADVOCACY & CONFLICT PREVENTION, PEACE BUILDING, GOVERNANCE	2	JUSTICE AND RECONCILIATION PROJECT	2014 AUGUST
69	Koch Goma Bee keeper (KGBK)	AGRICULTURAL SERVICES TO COMMUNITY	2		
70	Kweyo Vocational skills Training School (KVSTS)	EDUCATION, LIVELIHOOD DEVELOPMENT	2		
71	LarooPece Women Association (LAPEWA)	ADVOCACY & CONFLICT PREVENTION, PEACE BUILDING, GOVERNANCE	2		
72	Literacy adult basic education (LABE)	EDUCATION	2		
73	Luo Talent Centre	EDUCATION	2		
74	Management Sciences for Health (MSH)	HEALTH	2		
75	MAP International	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
76	MARIE STOPES INTERNATIONAL UGANDA	HEALTH	2		
77	Northern Youth Alive Multipurpose Uganda (NYAMU)	YOUTH LIVELIHOOD DEVELOPMENT	2		
78	NATIONAL UNION OF DISABLED PERSONS OF UGANDA	PWD LIVELIHOOD DEVELOPMENT	2	NATIONAL UNION OF DISABLED PERSONS OF UGANDA	2016 AUGUST
79	NUSAF	SOCIAL SERVICES, LIVELIHOOD DEVELOPMENT	2		
80	Organization of community	SOCIAL	5		

	empowerment and development (OFCED)	SERVICES, LIVELIHOOD DEVELOPMENT			
81	PLAN INTERNATIONAL	CHILD DEVELOPMENT AND ADVOCACY	2	PLAN INTERNATIONAL	
82	Reproductive Health Uganda (RHU)	HEALTH, ADVOCACY	2		
83	Restless development	YOUTH LIVELIHOOD DEVELOPMENT	2		
84	SAVE THE CHILDREN FUND	CHILD DEVELOPMENT AND ADVOCACY	2		
85	SOS Children's Villages	CHILD DEVELOPMENT AND ADVOCACY	2		
86	Summit Foundation (SUFO)	YOUTH LIVELIHOOD DEVELOPMENT AND ADVOCACY	2		
87	THE AIDS SUPPORT ORGANIZATION (TASO)	HEALTH	2		
88	TECHNOSERVE	COMMUNITY LIVELIHOOD DEVELOPMENT	2		
89	Terra Renaissance	EDUCATION , ADVOCACY, LIVELIHOOD DEVELOPMENT, SOCIAL SERVICES	2	TERRA RENAISSANCE	2016 APRIL
90	The East African Missionary Society (TEAMS)	EVANGELISM	2		
91	Uganda women's action program (UWAP)	HEALTH AND GIRL CHILD EDUCATION , ADVOCACY	2		
92	Unyama workshop and training center	EDUCATION AND LIVELIHOOD DEVELOPMENT	2		
93	Voluntary initiative support organization (VISO)	PEACE AND CONFLICT RESOLUTION,	2		

		EDUCATION, HEALTH AND LIVELIHOOD DEVELOPMENT			
94	VOLUNTARY SERVICES OVERSEAS(VSO)UK	SOCIAL SERVICES AND LIVELIHOOD DEVELOPMENT	2		
95	Volunteer Action Network (VAC-NET)	EDUCATION, LIVELIHOOD DEVELOPMENT	2		
96	Waloko Kwo Support Organization (WASO)	HEALTH	2		
97	War Affected Youth Association (WAYA)	YOUTH LIVELIHOOD DEVELOPMENT	2		
98	WAR CHILD CANADA PROJECT IN UGANDA	CHILDREN LIVELIHOOD DEVELOPMENT	2	WAR CHILD CANADA PROJECT IN UGANDA	2014 SEPT
99	WATOTO	LIVELIHOOD DEVELOPMENT, EVANGELISM	2		
100	Women and children first organization	ADVOCACY, EDUCATION, HEALTH	2		
101	WORLD VISION INTERNATIONAL	HUMANITARIAN AID, DEVELOPMENT, and ADVOCACY	2		
102	ZION PROJECT ORGANISATION	EVANGELISM	2	ZION PROJECT ORGANISATION	2014 APRIL
	Total		213		

Source: Primary data