

**THE RELATIONSHIP BETWEEN GOVERNANCE
AND QUALITY OF FINANCIAL REPORTS IN NGOs**

**THE CASE OF LOCAL NGOS SUPPORTED BY AIM
PROGRAMME
IN BUSHENYI, NTUNGAMO AND RUKUNGIRI
DISTRICTS**

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DECLARATION

I, Patrick Magezi Ga Kateeba, do hereby declare that this is my original work and that it has never been submitted and/or presented for any award in any university or institution of higher learning.

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DEDICATION

This work is dedicated to my parents, Flora and Yostasi Kateeba for the support and education they gave me and to my family that has provided me encouragement and moral support during my studies. These include Olive Magezi, Alice Asaba, Ronald Kasekya, Rachael Kirungi, Fiona Ayebale, Sarah Kamuli, Patricia Komuhendo, Marvin Magezi, Karen Kanyunyuzi and Emmanuel Agaba-Magezi.

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Finally, any deficiency that may be attributable to this work remains my liability.

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LIST OF ACCRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AIM	AIDS/HIV Integrated Model District Programme
ICGU	Institute of Corporate Governance of Uganda
JSI	John Snow Incorporated
NGO	Non-Government Organization
USAID	United States Agency for International Development

ABSTRACT

This study investigated the relationship between governance and quality of financial reports in the Non-Government Organization (NGO) sector. The study utilized a cross section survey research design and a total of 107 respondents from 37 local and 9 national NGOs were interviewed in the districts of Bushenyi, Rukungiri and Ntungamo. These included board of directors/management committee members of the NGOs, management of the NGOs, district officials in the three respective districts and donor representatives. The interviews were conducted using two research questionnaires, one administered to district officials where the NGOs operate and donor representatives. The second questionnaire was administered to NGO board of directors/management committee members and staff. These instruments were administered physically to the selected respondents from the three selected districts presented above. Existing literature on study variables was studied to generate more information.

The findings of this study indicate that governance is highly related to the quality of financial reports in NGOs. It is therefore recommended that NGOs should strengthen their leadership through training, coaching and mentoring both the Board of Directors/Management Committees and the NGO management. The leadership of the NGOs should also ensure that internal controls for management of the organizational resources are put in place and implemented. In addition, the leadership should ensure that the NGOs have appropriate accounting systems that will ensure timely, accurate and transparent financial accountability. The donors should help the NGOs to strengthen their leadership and to put in place systems that will assure them that the NGOs are transparent in the utilization and accountability of the NGO's resources.

CHAPTER ONE: INTRODUCTION

1.0 Background

Governance is the manner in which power is exercised in the management of organizational resources in order to achieve the organizational mission (CAFS, 2001). It is concerned with the processes, policies, procedures, systems and practices, the manner in which they are applied and followed and the relationships that these processes create. Good governance is essential for order and equality in an organization, efficient delivery of goods and services and accountability (CAFS, 2001). In a review of not-for-profit accountability literature, Brody (2001) defines financial accountability as fiscal honesty and avoidance of fraud. Governance and financial accountability are strongly related. In broad terms, governance can set standards and provide checks and balances that enhance financial accountability. Kogan (1986), equates financial accountability to financial reporting. He argues that it is through financial reports that organizations portray their financial accountability.

Non-Government Organizations (NGOs) are not-for-profit civil society organizations created with the mission of addressing the under-served aspects of national life and development. Over the last decade there has been a tremendous growth of NGOs in the developing world. Many donors view the NGOs as a better alternative to governmental agencies in getting services and assistance to those in need, especially in countries that are burdened by political favoritism and corruption (Cook, 2003). However, NGOs have also been involved in scandals that are a result of having less than credible governance structures. In the Far Eastern Economic Review (21 August 2003), the watchdog organization called Sustainability reported that accountability

and transparency are issues on which several NGOs are found wanting (Annon, 2003).

The AIDS/HIV Integrated Model District Programme (AIM) was a 5-year project that started in 2001, was implemented by JSI (John Snow Incorporated), an International NGO and funded by USAID (United States Agency for International Development). To qualify for the grants, eligible NGOs were required to be duly registered, with an office, have a personnel and management structure and have systems in place that ensure adequate accountability of donor funds. The eligible NGO was required to prepare proposals and submit them to AIM through their district committee. This was to ensure that the NGO exists in the district, that it has the required management structures and that the funds would be put into use to fill the priority needs gaps of the district. The committee was also required to certify that the NGO had sufficient past experience to account for donor funds. Once the proposal was approved by AIM Programme a grant agreement would be signed with the grantee, the local NGO. The agreement contained specific requirements set by AIM Programme that the local NGO had to comply with. These requirements included ensuring that the NGO had acceptable governance structures and provided regular, timely and accurate programme and financial reports. Since most of the NGOs supported by AIM Programme were founded and operated in rural areas, it was very difficult for them to attract qualified and competent staff to live and work in rural areas. It was also equally difficult to constitute competent boards. Because the staff and management committees of these NGOs were either unqualified or incompetent the NGOs were not providing timely accountability for grant funds.

1.2 Problem Statement

A report produced by AIM Programme for the quarter ending December 2005 indicated that the financial reports that were produced by NGOs from Bushenyi, Ntungamo and Rukungiri Districts did not meet the quality standards set by the AIM Programme. For example, the AIM Programme required that all financial reports for the July – September 2005 quarter should have been submitted by 15 October, 2005. However, by that date only 55.14% of the expected reports had been received. It was not clear whether this situation of poor quality of financial reports was a result of non adherence to good governance requirements or not.

1.3 Purpose of the Study

The purpose of the study was to examine the relationship between governance and the quality of financial reports in NGOs.

1.4 Objectives of the Study

- i) To establish the relationship between the NGO leadership and the quality of financial reports of the NGOs.
- ii) To establish the relationship between the accounting systems of NGOs and the quality of their financial reports.
- iii) To examine the relationship between NGO transparency and the quality of the financial reports of the NGOs.

1.5 Research Questions

In order to gain a better understanding of the stated problem and to achieve the above objectives, the study was guided by the following research questions:

- i) What is the relationship between leadership and the quality of financial reports of the NGOs supported by the AIM Programme?
- ii) What is the relationship between the accounting systems of NGOs supported by AIM Programme and the quality of their financial reports?
- iii) What is the relationship between NGO transparency and the quality of financial reports of the NGOs supported by AIM Programme?

1.6 Significance of the Study

By the time this study was carried out in Uganda, very little study had been carried out on governance and quality of financial reports of NGOs. It had only been mentioned in broad terms that good governance enhances good financial accountability without stating specifically which elements of governance are critical for good quality of financial reports. This study was carried to make an academic contribution to this area of knowledge. Specifically,

- The study findings can help to enhance NGOs capacity to build mechanisms in order to increase the quality of financial reports.
- The study findings can generate knowledge for the donors about why local NGOs fail to comply with donor requirements. This can help the donors to identify what kind of technical support they should provide the NGOs before giving them any funding in order to ensure acceptable quality of financial reports.
- The study findings can also help NGOs in improving their compliance to donor requirements and thus improve their capability to attract more funding and ensure their organizational sustainability.

- The study findings can be a basis for further research on the donor/NGO relationships.

1.7 Scope of the Study

- **Geographical Scope**

The study covered local NGOs supported by AIM Programme in the districts of Bushenyi, Ntungamo and Rukungiri.

- **Subject Scope**

The study focused on determining the relationship between governance and quality of financial reports of NGOs.

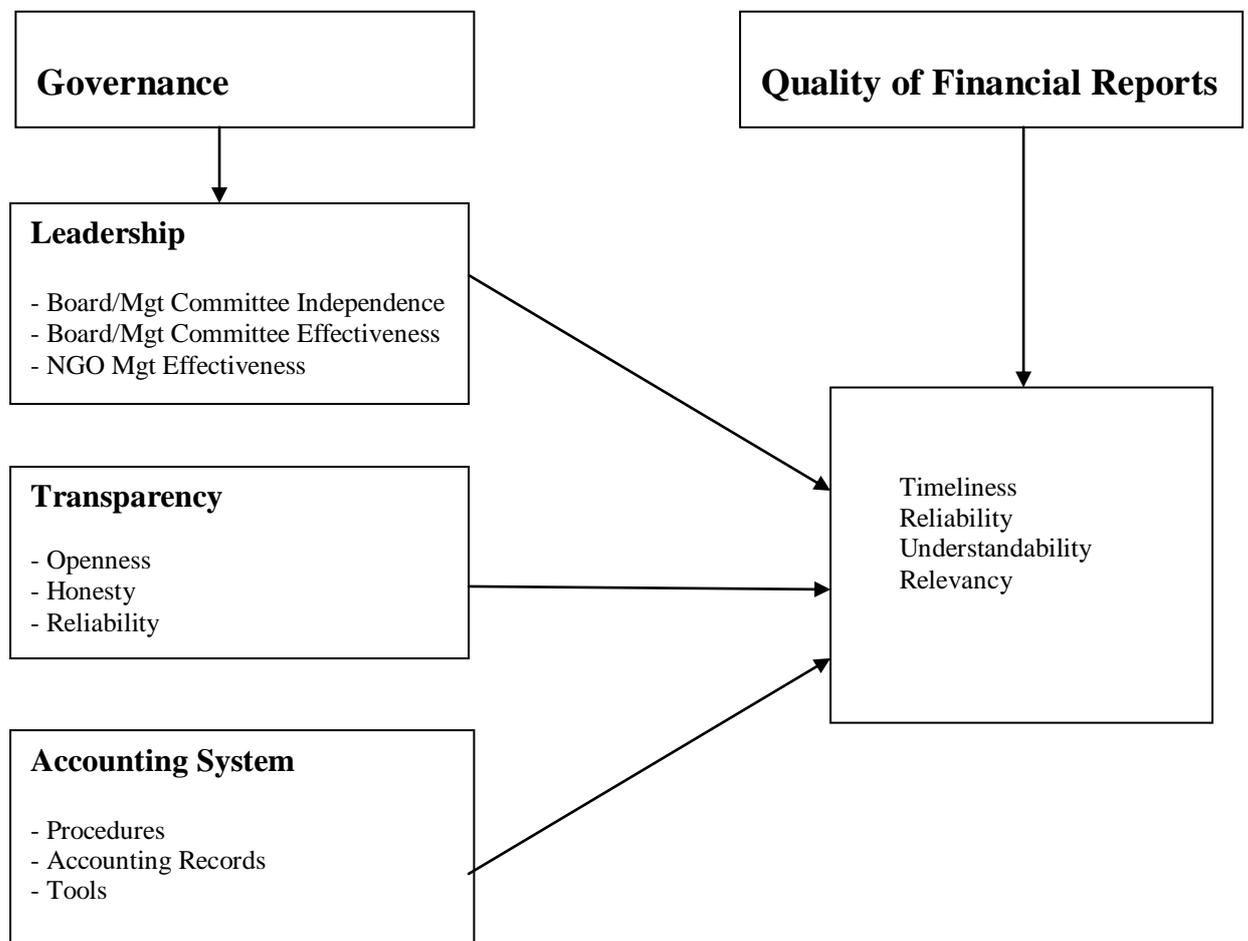
1.8 The Conceptual Framework

This conceptual framework was developed based on the study done by Keating and Frumkin (2003) on non-profit making organizations with adjustments made to fit the NGOs supported by the AM Programme. Their study showed that financial accountability helps stakeholders such as donors, clients, government and the public assess the financial credibility in the use funds, which increases public confidence in the governance of the NGOs. The assessment assists stakeholders' willingness to support or participate in the organizations' future. In the model for this study, there is a linear relationship between governance and the quality of financial reports.

A research made by Independent Sector (2002) showed a strong connection between the NGOs being perceived to have an organizational culture of honesty and being ethical in use of funds as reflected in the quality of financial reports and high levels of public confidence in the governance of the NGOs. However, for this study, these

factors such as organizational culture, corruption and political interference were held constant.

Figure 1.1: Governance and Quality of Financial Reports of NGOs



Source: Based on Keating and Frumkin, (2003)

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter provides a critical review of related literature on the relationship between governance and quality of financial reports in NGOs. Over the recent past there has been a lot of concern about financial accountability in NGOs. This has partly been reflected in a number of studies carried out by researchers on the subject. This chapter reviews literature resulting from such studies done in Uganda and elsewhere. The literature is reviewed under the subsections of the background of and NGO; the concept of governance; accountability and the relationship between governance and accountability.

2.1 Non-Governmental Organization

A Non-Governmental Organization (NGO) is an organization that operates like a business but does not seek financial gain (Gray, et al., 2006: Unerman & O'Dwyer, 2006). According to Ginsburg (1998), NGOs range in size, nature and scope and it can be argued that such a heterogeneous set of institutions can not be treated as one group. However, Stromquist (1998), states that the three major functions of NGOs are to provide services (welfare), to provide education and to assist in public policy and advocacy.

An NGO may also be referred to as a Charity, a Not-for-Profit organization or just Nonprofit. Drucker (as cited in Leo and Addison, 1999) dubbed not-for-profit sector as the "Third Sector" to distinguish it from the private and public sectors to acknowledge its uniqueness.

NGOs are those organizations that exist to serve a public need without the intent of making a profit. Examples include churches, schools and community service organizations. An NGO operates like a business. It will have bank accounts, own productive assets of all kinds, receive income from sales and other forms of activities including donations, employ staff, enter into contracts, etc.

2.2 The Concept of Governance

The Institute of Corporate Governance of Uganda (ICGU), 2001 asserts that governance is the manner in which power is exercised in the management of economic and social resources for sustainable human development. It also refers to the system by which companies/corporations are directed and controlled. According to Eyong (2001), good governance means the effective management of an NGO's resources in a manner that is open, transparent, accountable, equitable and responsive to people's needs.

As referred by Cohen, Krisnamoorthy and Wright, 2004 one of the most important functions of corporate governance is to ensure the quality of financial reports. According to Sioan, 2001 the financial report is the first source of independent and true communication about performance of company managers.

2.2.1 Leadership

ICGU 2001, states that the Commonwealth Association for Corporate Governance selected leadership as the first principle to enhance corporate governance. NGOs require a governing body to provide strategic direction and leadership. Governing bodies are either called Boards, Trustees, Executive Committees, Management Committees or Councils, (CAFS, 2001). NGOs will need to mature, through

increasing professionalization of staff, methods and financing (Cohen, 2003). Harris (1996) states that legally for most NGOs the Board is supposed to govern those NGOs but in practice, the governance may be exercised by a range of stake holders – board, staff, clients, funders, founders and other key stakeholders like government. Murray, Bradshaw and Wolpin (1992) contend that governance is often shared between headquarters and local branches, which may or may not have their own boards. There has been a push towards decentralization and NGOs have adopted different solutions such as delegation (Fowler 2000, Hope 2002). Eyong (2001) states that good governance means the effective management of an NGO's resources in a manner that is open, transparent, accountable, equitable and responsive to people's needs. Good governance aims to ensure management is accountable for the financial and other resources within the boundaries set by the rules of the project. NGOs leadership should establish internal control systems that will ensure a code of ethical conduct and a framework for internal regulations, including systems and bylaws.

2.2.2 Accounting System

Collins and Collins (1978), contend that an accounting system is a way of keeping a written record of transactions. Receipts are given for all money that is received by an organization and receipts are asked for every time money is spent. According to Larson & Pyle (1988) an accounting system consists of business papers, records, reports and procedures that are used by an organization in recording transactions and reporting their effects. Welsch and Short (1987) said that an accounting system, regardless of the size of the organization is designed to collect, process and report periodic financial information about the entity. According to Keating & Frumkin (2003), in most NGOs funds from donors are poorly managed and their accounting systems are in poor order. Many NGOs do not have qualified accountants and have

problems preparing accurate and timely financial reports, which is one of the major donor requirements. According to Doornbos (2003) one area that typically comes up for special mention in donor-recipient relationships is that of financial accountability and it stands out as the heart of good governance concerns. Schnelder (1989) stresses that the heart of fiscal management in any organization is a good accounting system, that is appropriate to that organization. In order to achieve consistent financial accountability it is necessary to establish standards and a system for accounting practices. Ebrahim, (2003) notes that NGOs respond to issues of accountability with both tools and processes. Tools are created by stakeholders that have considerable leverage over an NGO like a donor or a government regulator. Familiar tools are annual reports, financial accounts, performance assessments, quarterly reports, independent evaluations and audits. Keating and Frumkin (2003), state that in order to determine the effectiveness of a financial reporting system, one must understand its objectives. Policy makers design systems that meet the basic criteria of quality information, which are reliability and relevance.

Brown and Moore (2001) state that there is no single accountability system that is right for all organizations. The need for a transparent and standardized reporting and accounting system for large scale service delivery, conflicts with the requirements for the service to those in need. According to Edwards and Hulme (1996), effective performance of an NGO does not only depend on standardized delivery systems but also depends on organizational independence, closeness to the poor, representative structures and a willingness to spend a lot of time in conscious-raising and dialogue.

2.2.3 Transparency

According to the Institute of Corporate Governance of Uganda (ICGU) (2001), corporate governance should put in place a framework to ensure timely and accurate disclosure of all material matters regarding the corporation, including the financial situation, performance, ownership and the governance of the company. According to the Asian Development Bank (ADB) (2005), transparency and information openness cannot be assured without the legal frameworks that balance the right to disclose against the right of confidentiality. Similarly, predictability in the functioning of the legal framework is helpful for ensuring the accountability of institutions. A transparent system facilitates accountability, participation and predictability of outcomes. Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media. .

According to Tilt (2006), the most important issue when considering accountability of NGOs is the means by which they will be required to provide an account. Marshall (2002), also adds that the most obvious way to ensure that NGOs are transparent is a full disclosure about their activities, which will enhance public trust. However, according to Leat (1988), in addition to this explanatory accountability there also needs to be accountability with sanctions, where some form of penalty is imposed if the account or the actions are inadequate.

2.3 Accountability

2.3.1 Concept of Accountability

According to Kogan (1986), accountability refers to a condition under which a role holder renders account to another so that judgment may be made about the adequacy of performance. Learner and Tetlock (1999), describe accountability as the implicit and explicit expectations that anyone may be called upon to justify one's belief, feelings and actions to others. Learner and Tetlock (1999), equate accountability not only to reporting but also to the justification of performance.

According to Samuel (1991), accountability refers to holding individuals and organizations responsible for performance, measured as objectively as possible. Ross (1973), states that the issue of accountability arises as part of the process of delegation. There is a need for accountability when a principle seeks to get an agent to do something for him or her. The principle gives the agent resources or delegates power for a purpose and wishes to constrain or provide incentives to the agent to provide value for money in the use of the resources. Edwards (2002), refers to accountability as the obligation to report one one's activities to a set of legitimate authorities.

According to Brown & Moore (2001), accountability should be treated as a key strategic issue that will help an organization to define and achieve its highest value.

2.3.2 Accountability to Whom

Much of the research on corporate accountability focuses on public accountability. However, according to Ebrahim (2003), accountability in NGOs is a dynamic concept and more complex than just allowing public scrutiny. Companies must deal with

competing requirements of various stakeholders, and most often choose to satisfy the needs of their primary stakeholders (the shareholders) first (and often at the expense of the secondary stake holder's needs) as their principle goal of profit-making is aligned with the needs of the primary stakeholders. Ebrahim (2003), argues that NGOs face the competing demands from multiple stakeholders more acutely and regularly than do private firms. According to Leat, (1988), the issue of multiple stakeholders, while at best making accountability more complex, can additionally be problematic for NGOs because such competing demands can actually lead to poor performance.

Brown & More (2001) and Ebrahim (2003), state if NGOs resist the demand for accountability made by the funding bodies, they may lose funding anyway.

2.3.3 Ensuring Accountability

Langenberg (2004), states that while NGOs might argue that existing accountability mechanisms are sufficient, voluntarism and self regulation is not effective. He argues that simply having a code does not ensure all organizations will follow the rules. Thus, on the surface, it would appear that some form of mandatory reporting by NGOs forms an ideal measure of accountability. However, mandatory reporting has its own problems. Firstly, the difficulty of standardizing reports. Marshall (2002), states that there is no straight forward measure of organizational effectiveness of NGOs. Secondly, there is the issue of enforcement and /or sanctions. Corporations are regulated and, if necessary, penalized by governments (or government appointed regulators) to report on their activities, both their financial activities using the annual reports and accounts and on other activities using various legislation, e.g. health and safety, equal opportunity, etc. In addition, social and environmental reporting is

mandatory in some countries. Even where it is still voluntary, there are many other industrial codes, charters and other mechanisms that require some form of reporting.

2.3.4 Forms of Accountability

According to Samuel (1991), the various forms of accountability include democratic accountability, professional accountability, legal accountability and financial accountability.

Boice (2004), stated that for the nonprofit sector, accountability has many meanings. There is being answerable to the public, which includes effectively carrying out activities to fulfill the organization's mission, respecting donor intent, upholding ethical standards and using good governance practices. According to Boice ((2004) accountability also refers to financial responsibility or operational transparency that requires demonstrating how donations to the organization are used and how effectively the organization is achieving its goals.

Slim (2002) in an overview of the NGO accountability literature over the last ten years, outlines two kinds of accountability for NGOs: "performance" accountability and "voice" accountability. Performance accountability requires an NGO to be accountable for what they do. Najam (1996) adds that this kind of accountability is focused on accountability to donors and clients and is similar to the corporate-style accountability that firms have to their primary stakeholders – shareholders and investors – which they discharge via published accounts and other reporting that indicates, for example, how much has been spent, what targets were set and whether they have been achieved.

According to Brown & Moore (2001), voice accountability requires NGOs to be accountable for what they say. This form of accountability is similar to what Najam (1996) calls “accountability to themselves”, where NGOs are accountable for their goals and aspirations, and for their mission. Slim (2002), adds that over the last ten years NGOs have had to respond to both the veracity of what they said and the authority with which they spoke. The task of providing statements of income and expenditure, description of programs, targets and achievements is less subjective than providing an account of goals and missions.

2.3.5 Financial Accountability

Day and Klein (1987), refer to financial accountability as the requirement to provide information to parties both inside and outside the organization. It is the process of identifying, measuring and communicating economic information to permit informed and rational decisions to be made. Accountability refers to the final responsibility for the success or failures of an organization. This final responsibility is usually with the governing body, which delegates this function to the Chief Executive. Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. An organization or an institution is accountable to those who will be affected by its decisions or actions. Since NGOs get most of their funding from donors, accountability for NGOs is usually to the donors, the beneficiaries, the employees and other stakeholders (CAFS, 2001).

Day and Klein (1987), state that fiscal or financial accountability is about making sure that funds have been spent as agreed and according to appropriate rules and regulations. Boice (2004) states that financial accounting is financial responsibility or

operational transparency that requires demonstrating how donations to your organization have been used and how effective your organization is in achieving its goals. Brody (2001) and Day and Klein (1987) contend that financial accountability is the fiscal or financial honesty and avoidance of fraud that makes sure that money is spent and recorded as agreed and according to appropriate rules and that accurate reports are given to stake holders in a timely manner. Financial accountability is made by preparing and circulating financial statements or reports to stakeholders.

According to Gale (2003), financial accountability gives NGOs legitimacy and credibility, contributes to their reputation and adds to their sustainability. Good financial accountability limits fraud and mismanagement. It also empowers beneficiaries and other stakeholders since information is power.

2.3.6 Quality of Financial Reports

According to Collins and Collins (1978), a financial report is a means of portraying financial accountability. In order for an organization to review the financial activities of the past year and make plans for the future it prepares and publishes annual accounts or financial reports. According to Samuel (1991), these are outputs of an accounting system and they are prepared at the end of the year, hence the name final accounts. According to Horne (1998), the financial reports should include a narrative description of the organization's activities and audited financial statements. He argues that these enable the stakeholders to see the organization's performance and the overall financial situation of the organization. Samuel (1991), states that managers and accountants are usually required to defend the results shown in the financial reports as part of the accountability process. According to Gale (2003), financial reports must exhibit certain qualities that make them useful to the stakeholders and

these include relevance, reliability, understandability and timeliness. Australian Accounting Research Foundation (1990), stated that it is important for financial reports to be relevant. They must have value in terms in making and evaluating decisions about the allocation of scarce resources and in assessing the rendering of accountability by the providers. The reports must also be reliable because users use them for decision making. Reliability means that information is reasonably free from error and bias and faithfully represents what it purports to represent. Understandability is the ability of users to understand the financial reports. This will depend in part on their own capabilities and in part on the way in which the information is displayed. Timeliness of financial reports is very crucial because reports which are relevant and reliable may be rendered irrelevant if there is undue delay in presenting them.

According to Gale (2003), poor quality of financial reports greatly diminishes the quality of NGOs. Quality information is one that is readable, reliable, comparable, consistent, complete, timely, decision-useful, accessible and cost effective. The integrity of the nonprofit sector is served best if NGOs are accountable (Gale, 2003).

2.4 Governance and Quality of Financial Reports

Eyong (2001) states that ensuring accountability of NGOs involves first of all creating the conditions which will allow for open expression of views, free dissemination of information and the rule of law which is essential for the functioning of every NGO. Asian Development Bank, (2005) states that accountability means establishing criteria to measure performance of public officials, as well as oversight mechanism to ensure that the standards are met. Lack of accountability tends in time to reduce the organization's credibility and reflects poor governance. Independent

Sector (2002) also agrees with Eyang (2001) and reported that there is a strong connection for organizations being perceived as honest and ethical in using funds and having high levels of public confidence in the organizations' governance. This usually results in increased funding to the organization. Keating and Frumkin (2003) argue that the not-for-profit community's future economic success depends not only on the quality of its social economic activities, but also on improving its internal accounting and external financial reporting systems. Hughes (2003) agrees with this argument by stating that it is governance, through organizational capacity, not accountability that challenges not-for-profit organizations most. To supplement this argument Light (2002), said that improving governance through developing organizational capacity should be the first step, for without it even plans can not be implemented. Telling an organization that it should publish financial reports is one thing, and having the organization produce timely and acceptable reports is another. The organization may not have the required technology or staff to produce the reports.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the methodology that was employed in conducting the study. It specifies the research design, the study population or the area in which the study was conducted, the sampling design, the sample size, data sources, data collection instruments and the validity and reliability of the data collection instruments.

3.1 Research Design

The study adopted a cross sectional survey design. Quantitative methods of data collection were used while carrying out the study.

3.2 Study Population

The study population consisted of 46 NGOs, comprised of 12 NGOs from Bushenyi, 14 NGOs from Ntungamo and 20 NGOs from Rukungiri districts. These were NGOs that were supported by the AIM Programme and the list of these NGOs was obtained from the AIM Programme Annual Report of 2005.

3.3 Sampling Design

Stratified random sampling design was used for this study. The 46 NGOs mentioned in 3.2 above were grouped between local and national NGOs. 37 were local and 9 were national. 10 NGOs were randomly selected from each of the three districts of Bushenyi, Ntungamo and Rukungiri districts to come up with a total of 30 NGOs. From each of the district, 8 were local and 2 were national. This was based on the proportionate size of the type of NGO in relation to the population.

3.4 Sample Size

According to Roscoe (1975), sample sizes of less than 10 are not recommended. In simple experimental research with tight controls, successful research can be conducted with samples as small as between 10 to 20. However, for most studies samples size between 30 and 500 are most appropriate. Therefore, in this study a sample size of 30 NGOs was taken to represent the population of 46 NGOs. One hundred and seven (107) respondents were selected from 30 NGOs to represent the different levels of NGOs management and the stakeholders who reviewed the NGOs' financial reports as shown in Table 3.1 below. The selection of the respondents was made randomly based on availability and willingness to respond to questions of the researcher.

Table 3.1: Category of Respondents

Category	Total Respondents
Board of Directors/Mgt. Committees	60
Representatives of Local Governments	9
NGO Management and Staff	30
Representatives of donors	8
Total	107

3.5 Data Source

Primary quantitative data was collected from the thirty selected sample NGOs by use of questionnaires designed to answer the research questions of the study.

3.6 Data Collection Instruments

- **Questionnaires**

The research instruments used included two structured questionnaires with pre-coded answers administered to the respondents. The instruments were pre- tested and discussed with relevant research experts and the supervisors.

3.7 Reliability of the Instruments

A number of questions were used to measure governance and the quality of financial reports. Cronbach's alpha which measures how well a set of items measures a single dimensional latent construct was used to measure the reliability of the questions used. The higher the coefficient the better the measuring instrument. The data in table 3.2 below shows a Cronbach's alpha of above 0.7 for all categories, indicating that the set of questions used to measure these variables were reliable.

Table 3.2: Reliability Analysis

Category	Alpha Value
Quality of Financial Reports	0.874
Leadership	0.928
Transparency	0.891
Accounting System	0.959

Source: Primary data

3.8 Measurement of Variables

Four key variables were measured. These included leadership, accounting system, transparency and financial accountability. A 5-point Likert scale with respondents' answers ranging from "Strongly Agree" to "Strongly Disagree" was used to collect information which was used to measure the variables. The measurement of the variables was done against the Uganda Public Finance and Accountability Act, 2003.

The measurement of each variable is explained below.

- **Leadership**

The measure was to determine whether NGO leadership affected its quality of financial reports. This variable was measured using an instrument developed under the guidance of my supervisor, intended to obtain information on the level of NGOs' management independence and effectiveness.

- **Transparency**

This variable was measured by asking questions that aimed at establishing the level of openness, honesty and reliability of the staff and management of the NGOs.

- **Accounting System**

This variable was measured by asking questions aimed at establishing the quality of internal procedures, accounting records and tools.

- **Quality of Financial Reports**

The variable was measured by asking questions that aimed at establishing the quality of financial reports.

3.9 Data Analysis

After collecting and cleaning the data it was entered in a computer using Statistical Package for Social Scientists (SPSS). Various statistical tests were run to analyze the data. These included the factor analysis, multiple regression analysis and correlation analysis.

3.10 Limitations of the Study

Some respondents were reluctant to give full information for fear of disclosing sensitive information. Some of the selected stakeholders did not have enough time to attend to the researcher.

Despite these limitations sufficient and reliable data was collected to render the study meaningful in order to arrive at a useful conclusion.

CHAPTER FOUR: DATA PRESENTATION AND INTERPRETATION

4.0 Introduction

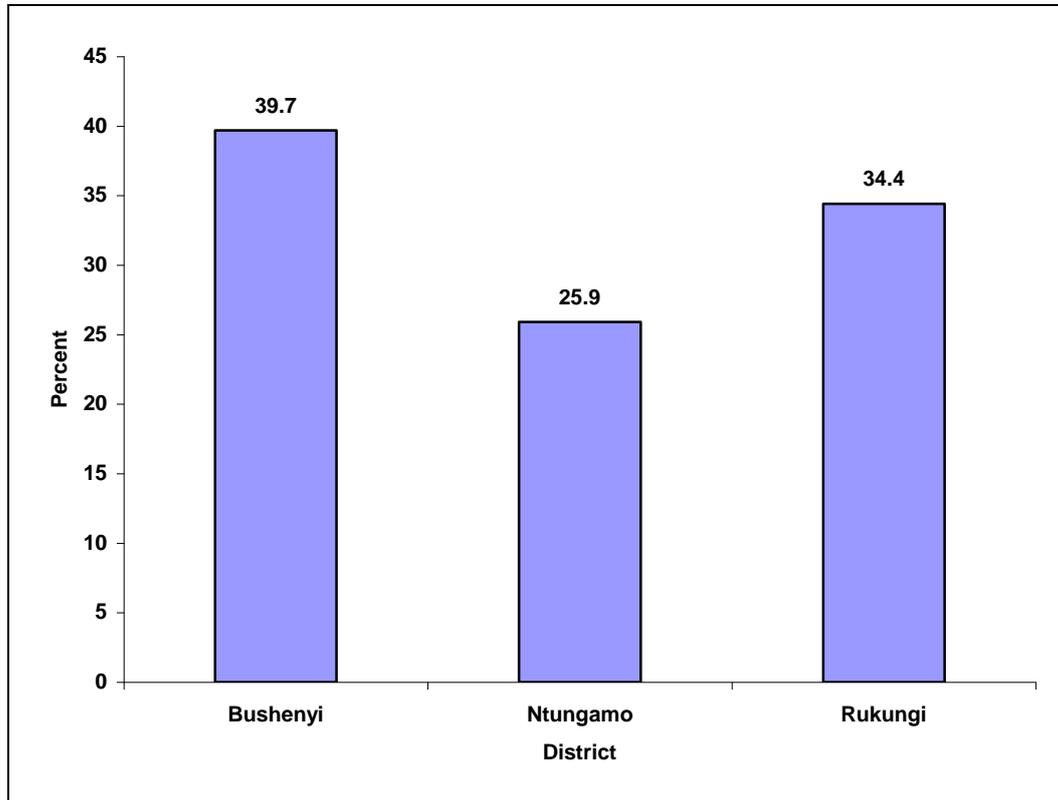
This chapter presents the research findings in reference to the research questions and research objectives found in chapter one. The chapter is divided in two sections. The first one presents the descriptive information about the respondents and the NGOs while the second one presents the results in relation to the objectives of the study. The results are categorized per different statistical tests performed, which are factor analysis, correlation analysis and regression analysis.

4.1 Descriptive Information

To describe the respondents and the NGOs, cross tabulations were run to document the demographic factors of the respondents. These describe the respondents in terms of location, occupation, sex, age, level of education and working experience with the NGO and are indicated in figures 4.1 – 4.7 below:

4.1.1 Distribution by NGO Location

Figure 4.1: Distribution of Respondents by NGO location

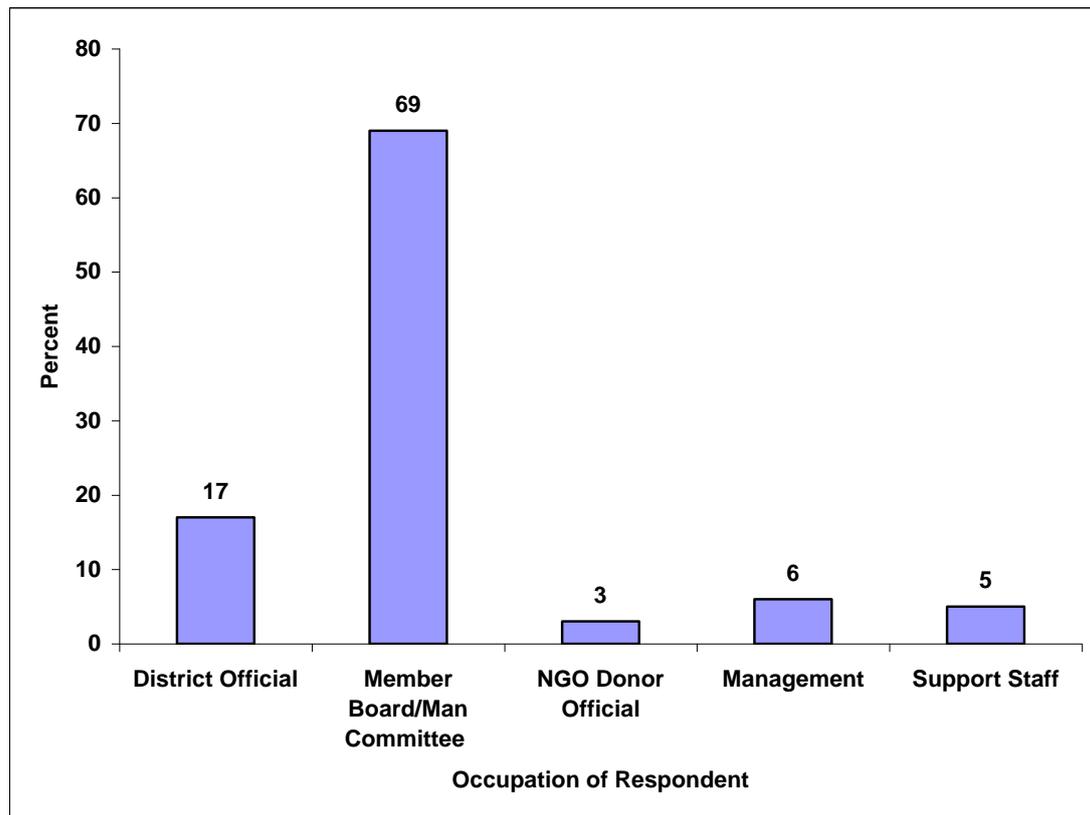


Source: Primary data

The results in figure 4.1 above shows that most of the respondents came from NGOs located in Bushenyi district representing 39.7 per cent. This was followed by Rukungiri district with 34.5 per cent and lastly was Ntungamo district with 25.9 per cent. The difference between the percentages is not very substantial. This means that the respondents fairly represent all the NGOs in the three districts.

4.1.2 Distribution by Occupation

Figure 4.2: Distribution of Respondents by Occupation

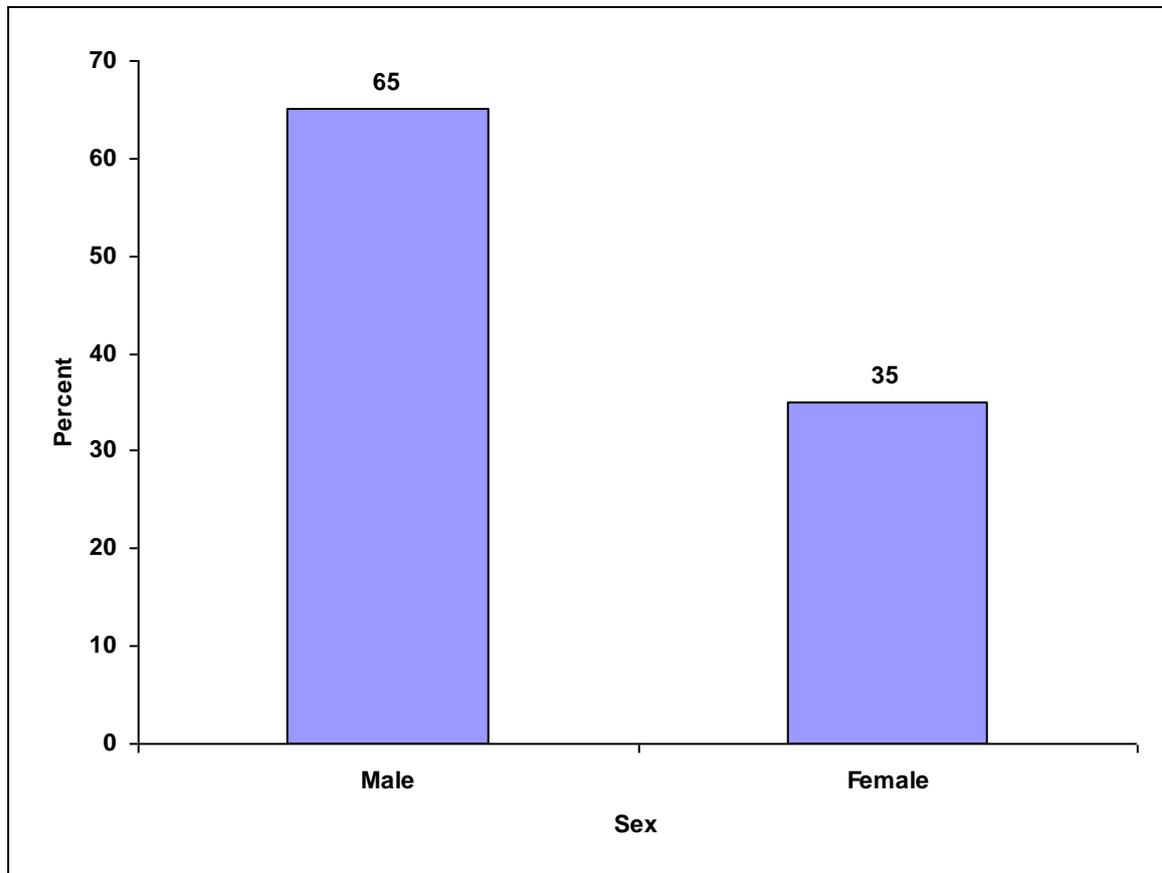


Source: Primary Data

The results in figure 4.2 above shows that the majority of the respondents were the Board of Directors/Management Committees (69 per cent) followed by the district officials with 17 per cent. The NGO officials, management and staff represented a total of 14 percent. The results show that the key respondents regarding the governance were Board of Directors/Management Committees and for financial accountability were the district officials.

4.1.3 Distribution by Sex

Figure 4.3: Distribution of Respondents by Sex

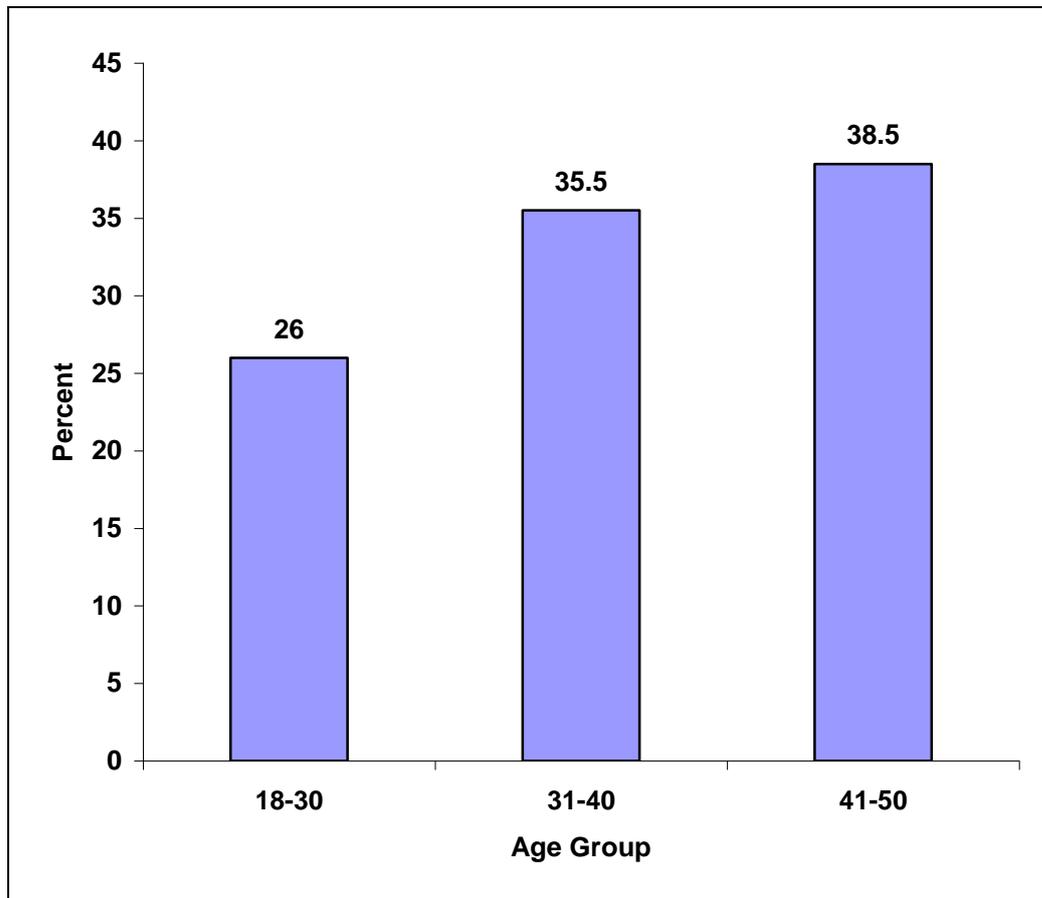


Source: Primary Data

The results in figure 4.3 above show that the majority of the respondents were males, representing 65 per cent. The females were 35 percent. This may be interpreted to mean that the majority of the people involved in the management of the NGOs supported by AIM Programme in the three districts of Bushenyi, Ntungamo and Rukungiri are men.

4.1.4 Distribution by Age

Figure 4.4: Distribution of Respondents by Age

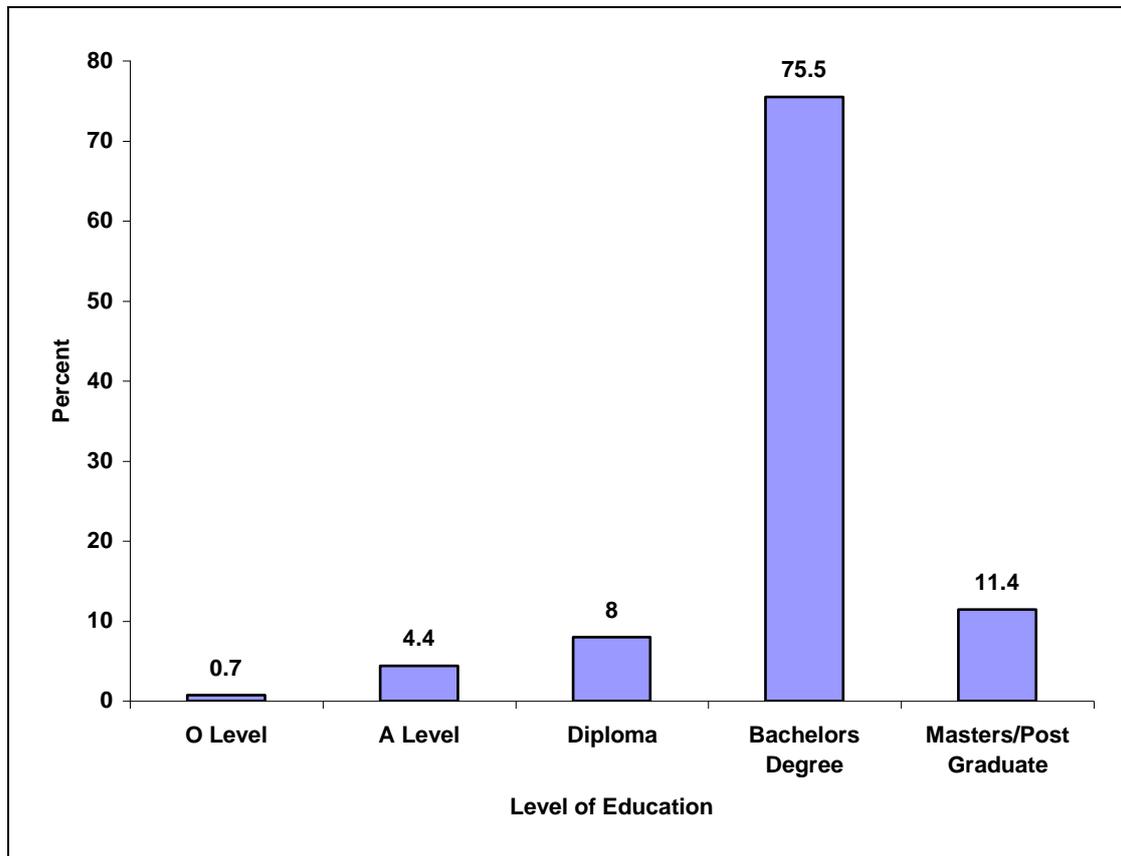


Source: Primary Data

The results shown in figure 4.4 above show that the majority of respondents (38.5 per cent) were aged between 41 and 50 years. The implication here is that all respondents were mature and therefore likely to provide reliable data.

4.1.5 Distribution by Education Level

Figure 4.5: Distribution of Respondents by Education Level

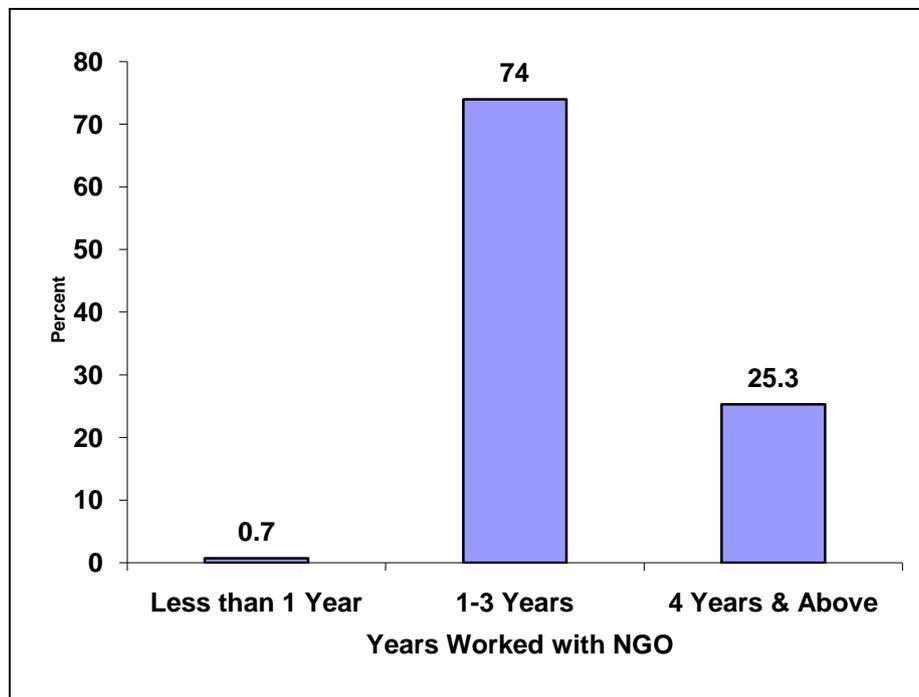


Source: Primary Data

The results in figure 4.5 above show that the majority of the respondents (75.5 per cent) were holders of Bachelor's degrees. They were followed by holders of Masters Degrees (11.4 per cent). The other levels represented only 13.1 percent. The results show that the majority of the respondents were highly qualified and would mostly likely give reliable answers.

4.1.6 Distribution by Working Experience

Figure 4.6: Distribution of Respondents by Duration of Working Experience

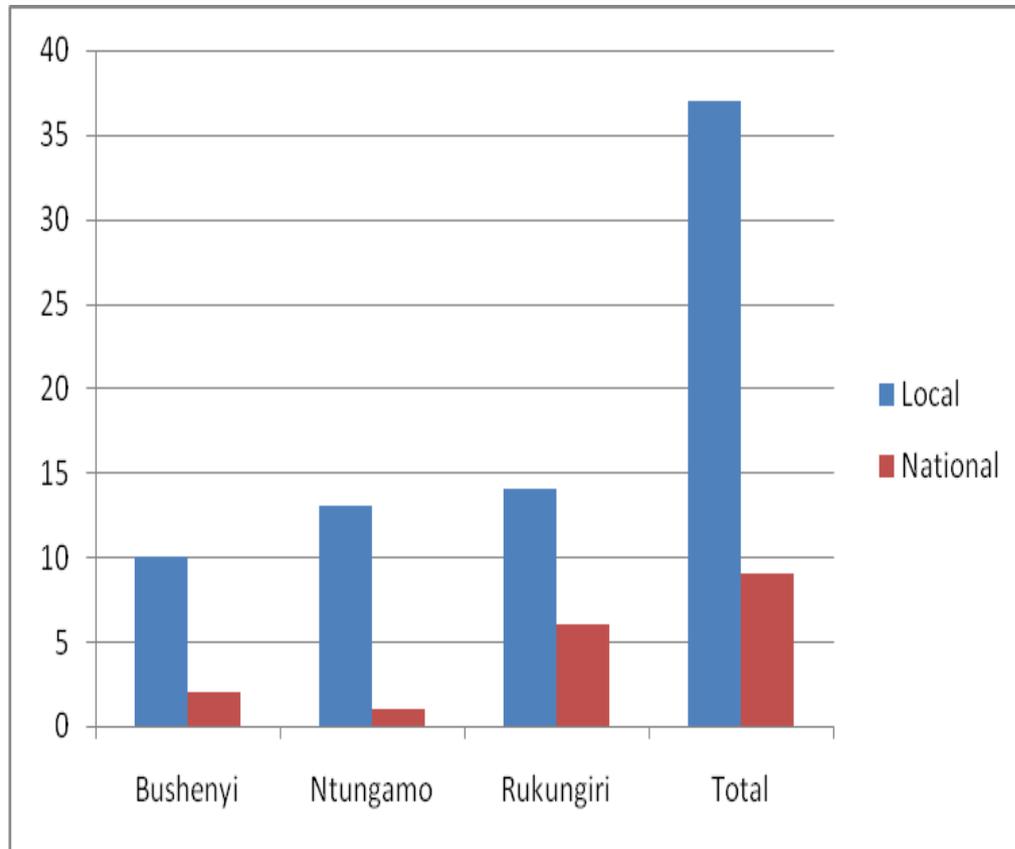


Source: Primary Data

The results shown in figure 4.6 above show that the majority of respondents (74 per cent) had worked with the NGOs for a period between 1 to 3 years. In addition, 17.2 per cent of the respondents had worked for over 4 years. The implication of these results is that almost all respondents had a working relationship with their respective NGOs of at least 1 year, a period which was long enough for them to know of any issues/problems in their organizations.

4.1.7 Distribution of NGOs by Type of NGO

Figure 4.7: Distribution of NGOs by Type of NGO



The results in Figure 4.7 above show that the majority of NGOs in the sample (37 or 80%) were local NGOs compared to national NGOs which were 9 or 20%.

4.2 Factor Analysis

Factor analysis was used to analyze the data because it is a multivariate technique which confirms if the dimensions of a concept have been operationally defined and indicates which items are most appropriate for each dimension. Therefore, the analysis helped reduce the set of data in order to easily describe it and use it.

An Eigen value is a measure of variance accounted for by a given factor (Pedhazur & Schmeilkin, 1991). The higher the value, the more variation exists and the greater the variation the greater the ability of a measure to discriminate between groups. Only factors having Eigen values greater than 1.0 were considered essential and retained.

4.2.1 Factor Analysis for Quality of Financial Reports

Factor analysis was used to determine the relative composition on each dimension of quality of financial reports (timeliness, relevancy, reliability and understandability).

Table 4.1: Factor Analysis for Quality of Financial Reports

	Timeliness	Relevancy	Reliability	Understandability
The management produces balance sheets to show the financial position	0.862			
The management of this regularly produces cash flow statements	0.857			
The staff submit reports for business advances in a timely manner	0.78			
The financial reports contain all relevant material information		0.75		
There is sufficient reliable information on budget execution			0.726	
The NGO prepares budget/expenditure analysis reports for use by management	0.711			
The NGO's financial reports are understandable.				0.7
The information in the NGO's financial reports is accurate.			0.573	
The management periodically prepares income and exp. Statements	0.589			
The financial reports produced provide relevant information to the donors		0.803		

The annual financial statements show a clear picture of the resources				0.729
There have not been many queries about the financial reports prepared				0.68
Eigen values	10.752	6.765	2.313	1.054
%age of Variance	56.588	8.923	12.173	5.55
Cumulative %age	56.588	65.511	77.684	83.234

Source: Primary Data

The results are shown in table 4.1 above reveal that four factors with Eigen values greater than 1.0 exist and they account for 83.23% of the total variance in financial accountability variable, as reflected through financial reports. In relation to the timeliness of the financial reports, most respondents believed the management prepared balance sheets to show the financial positions of the NGOs as indicated by a coefficient of 0.862.

4.2.2 Factor Analysis for Leadership

Factor analysis was used to determine the relative composition of each of the dimension of the Leadership (Board/Management Committee Independence, Board/Management Committee Effectiveness and NGO Management Effectiveness).

Table 4.2: Factor Analysis for Leadership

	Board/Mgt Committee Independence	Board/Mgt Committee Effectiveness	NGO Mgt Effectiveness
The Board/Mgt committee approves major initiatives proposed by management team	0.705		
Decisions of the committee are free from influence of management team	0.854		
Committee effectively supervises the Chief Executive Officer		0.783	
Committee's actions not controlled by appointing authority	0.872		
Committee concerned about the outcome of their actions			
Board/Management committee is changed regularly		0.843	
Appointing Authority does not interfere with in Operations of Committee	0.773		

Adequate segregation of duties in the management of finances in this NGO			0.605
Management supplements the financial reports with other non-financial reports			0.776
Eigen values	3.657	2.262	1.479
%age of Variance	28.133	17.398	11.38
Cumulative %age	28.133	45.531	56.911

Source: Primary Data

The results are shown in table 4.2 above reveal that three factors with Eigen values greater than 1.0 exist and they account for 56.91% of the total variance in financial report variable. The results show that the majority of the respondents believed that the Board of Directors/Management Committees’ actions were from the management’s influence as indicated by a coefficient of 0.854 and are not controlled by the appointing authority as indicated by a coefficient of 0.872.

4.2.3 Factor Analysis for Transparency

Factor analysis was used to determine the relative composition of each of the dimension of the Transparency (openness, honesty and reliability).

Table 4.3: Factor Analysis for Transparency

	Openness	Honesty	Reliability
The public believes in all the information released by officers of this NGO		0.87	
The Chief Ex Off. openly shares personal information with the management team	0.735		
The staff this NGO have faith in the integrity of the Chief Executive Officer			0.681
CEO of this NGO typically acts in the best interests of the management team		0.645	
Even in the most difficult situations the managers in this NGO can depend on each other			0.858
This NGO's staff members properly account for funds advanced to them		0.7	
The managers of the NGO share with stakeholders program progress reports	0.853		
NGO representative in coordination meetings with donors shares information with those who are concerned	0.795		

Managers of this NGO have faith in the integrity of their colleagues		0.632	
Eigen values	3.616	1.551	2.275
%age of Variance	30.134	12.925	18.958
Cumulative %age	30.134	43.059	62.017

Source: Primary Data

The results are shown in table 4.3 above reveal that three factors with Eigen values greater than 1.0 exist and they account for 62.02% of the total variance in financial report variable. The results show that the majority of the respondents believed that the information released by management was honest as indicated by a coefficient of 0.87 and that management exhibit honesty by sharing progress reports with stakeholders as indicated by a coefficient of 0.853.

4.2.4 Factor Analysis for Accounting System

Factor analysis was used to determine the relative composition of each of the dimension of accounting system (procedures, accounting records and tools).

Table 4.4: Factor Analysis for Accounting System

	Internal Controls	Accounting Records	Tools
NGO adheres to the generally accepted standards of Auditing and Disclosure	0.9		
Audits are carried out regularly in this NGO	0.793		
Bank reconciliation statements of this NGO are prepared monthly		0.868	
This NGO has a system of regularly reviewing its expenditures against approved budgets	0.863		
There is a chart of accounts used to categorize this NGO expenditures			0.683
All financial transactions of this NGO are properly documented and recorded		0.62	
Auditor's recommendations on issues of policies and procedures are implemented			0.827

There is an approval system for all transactions by the authorized managers of this NGO	0.783		
The internal control procedures ensure safeguard of the organization's assets	0.563		
Eigen values	5.404	2.438	1.456
%age of Variance	38.598	17.413	10.4
Cumulative %age	38.598	56.011	66.411

Source: Primary Data

The results are shown in table 4.4 above reveal that three factors with Eigen values greater than 1.0 exist and they account for 66.41% of the total variance in financial report variable. The results in table 4.4 show that the majority of the respondents believed that the NGOs have appropriate accounting systems that adhere to auditing standards as indicated by a coefficient of 0.9 and that the NGOs have systems that track expenditures against their budgets as indicated by a coefficient of 0.863.

4.3 Pearson Correlations

Pearson Correlations were derived by assessing the degree of variations in the dependent variable (quality of financial reports) as the independent variables (leadership, transparency and accounting system) vary.

Table 4.5: Relationship between Governance and Quality of Financial Reports

4.3.1 NGO Leadership and Quality of Financial Reports

The results from the Pearson Correlations test presented in table 4.5 above show a significant positive relationship between NGO leadership and the quality of financial reports. This is seen by the significant positive relationship between Board/Management Committee Independence ($r= 0.789^{**}$) and the timeliness of the financial reports; and the relationship between the Board/Management effectiveness and the understandability of financial reports ($r= 0.287^*$).

4.3.2 Transparency and Quality of Financial Reports

The results in table 4.5 above show a significant positive relationship between Transparency and the quality of financial reports. This is reflected by the relationship between honesty and reliability of financial reports ($r= 0.815^{**}$) and openness and reliability of financial reports ($r= 0.716^{**}$).

4.3.3 Accounting System and Quality of Financial Reports

The results in table 4.5 above show a significant positive relationship between accounting system and the quality of financial reports. This is reflected by the relationship between procedures and the reliability of financial reports ($r= 0.578^{**}$); accounting records and understandability of financial reports ($r= 0.287^*$); and tools and timeliness of financial reports ($r= 0.406^{**}$).

4.4 Multiple Regression Model

The multiple regression analysis was used to determine how the independent variables (leadership, transparency and accounting system) predict the dependent variable

(quality of financial reports) and which ones among them are the most significant predictors.

Table 4.6: Multiple Regression Model Analysis

Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	0.712	0.507	0.492		23.82	
		Unstandardized Coefficients	Std. Error	Standardized Coefficients	T	Sig.
		B		Beta		
	(Constant)	98.09	1.19		82.444	0.000
	Leadership	0.37	0.019	0.27	19.417	0.010
	Transparency	3.01	0.707	0.059	4.262	0.014
	Accounting System	6.32	0.743	0.118	8.51	0.029

Source: Primary Data

The model in tables 4.6 above with the value of $t = 82.444$ and with a level of significance of $\text{Sig.} = 0.000$ indicates a strong significant relationship between governance (leadership, transparency and accounting system) as independent variables and quality of financial reports, the dependent variable. The “Adjusted R-Square” results indicate that the independent variables can predict 49.2% of the variation in quality of financial reports. This leads to the formulation of the model with a goodness of fit of 49.2% in the form of the equation below:

$$Y = 98.08 + 0.37LP + 3.01TY + 6.32ASP$$

Where Y = quality of financial reports (dependent variable)

LP = leadership (independent variable)

TY = transparency (independent variable)

ASP = accounting system (independent variable)

The regression tables in tables 4.6 above show that leadership, transparency and accounting system are predictors of quality of financial reports for 49.2% of the variance in quality of financial reports of local NGOs. However, leadership is the most significant predictor of quality of financial reports with Beta = 0.27.

CHAPTER FIVE: DISCUSSION OF RESEARCH FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings which were presented in chapter four in relation to the objectives of the study and the review of the related literature. The chapter is divided in three sections. The first section discusses the relationships between the variables. The second section presents the conclusion and the third makes recommendations.

5.2 Discussion of Findings

5.2.1 The Relationship between Leadership and Quality of Financial Reports

The first objective of the study was to establish the relationship between leadership and the quality of financial reports. The statistical analysis of the data obtained from the study, as seen in table 4.5, indicated that a strong positive relationship existed between leadership and the quality of financial reports of the NGOs. This implies that if leadership of the NGOs is strengthened the quality of the financial reports will improve, leading to improved financial accountability. According to Asian Development Bank (2005), lack of accountability tends to reduce the organization's credibility and reflects poor governance. According to Gale (2003), poor quality of financial reports greatly diminishes the quality of NGOs. According to Marilyn (2004), an explicit governance structure is the first step toward establishing a stable and predictable framework for accountability in an NGO. The structure should ensure that the board makes collective decisions and ensure that the board/management committee is clearly separate from the staff. The Board/Management Committee

should set policy, exercise oversight and provide strategic direction. It will delegate its authority and provide supervision to the Chief Executive of the NGO.

5.2.2 The Relationship between Accounting System and Quality of Financial Reports

The second objective of the study was to establish the relationship between accounting system and the quality of financial reports. The study findings, as seen in table 4.5 indicated a strong positive relationship between accounting system and the quality of financial reports. According to the correlations, there was a strong positive relationship between procedures and the reliability of financial reports ($r= 0.578^{**}$) and between accounting records and understandability of financial reports ($r= 0.287^*$). This implies that for an NGO to present high quality of financial reports it must have a good accounting system. Schnelder (1989), argues that the heart of fiscal management in any organization is a good accounting system that is appropriate to that organization. In order to present high quality financial reports, it is necessary to establish standards and a system for accounting practices.

5.2.3 The Relationship between Transparency and Quality of Financial Reports

The third objective of the study was to establish the relationship between transparency and the quality of financial reports. The study findings established a strong relationship between transparency and the quality of financial reports, an indicator of financial accountability. The correlations showed strong positive relationship between honesty and reliability of financial reports ($r= 0.815^{**}$) and between openness and reliability of financial reports ($r= 0.716^{**}$). This implies that in order for stakeholders to develop confidence in the NGOs' financial accountability they should be

transparent in all their actions, including financial reporting. This agrees with Eyong (2001), who stated that, good governance means the effective management of an NGO's resources in a manner that is open, transparent, accountable, equitable and responsive to people's needs.

5.3 Conclusion

The findings from the study revealed that strong positive correlations exist between leadership, transparency, accounting system and the quality of financial reports of NGO. The regression analysis in chapter 4 established that governance is a predictor of quality of financial reports accounting for 49.2% of variation in quality of financial reports. The findings imply that the quality of financial reports of an NGO can be greatly improved if leadership, transparency and accounting systems are strengthened. However, in order to yield positive results the process of strengthening these variables should be continuous.

5.4 Recommendations

From the findings of the study the following recommendations are made in order to improve the financial accountability of NGOs:

5.4.1 Strengthening Leadership

The study findings have proved that a strong relationship exists between leadership and quality of financial reports. The results from the Pearson Correlations test presented in table 4.5 above show a significant positive relationship between NGO leadership and the quality of financial reports. This is seen by the significant positive relationship between Board/Management Committee Independence ($r= 0.789^{**}$) and

the timeliness of the financial reports; and the relationship between the Board/Management effectiveness and the understandability of financial reports ($r=0.287^*$). It is therefore recommended that steps should be taken to strengthen the leadership (both Board of Directors/Management Committees and management) through training, coaching and mentoring. This will ensure improved quality of financial reports. The Board of Directors/Management Committees should also be continuously oriented on their roles in order to improve on their supervision of the NGOs.

5.4.2 Strengthening Transparency

The study findings proved that there is a strong relationship between transparency and the quality of financial reports. The results in table 4.5 above show a significant positive relationship between Transparency and the quality of financial reports. This is reflected by the relationship between honesty and reliability of financial reports ($r=0.815^{**}$) and openness and reliability of financial reports ($r=0.716^{**}$). It is recommended that the Board of Directors/Management Committees of NGOs should ensure transparency in all their operations, including financial reporting. They should ensure that regular financial audits are carried in order to provide a proof of their transparency to the stakeholders. They should put in place a basic communication policy so that all communication from the NGOs – for example, publicity materials, grant proposals, fundraising letters, financial statements, websites - are well presented and truthful.

5.4.3 Strengthening Accounting Systems

The study findings proved that there is a strong relationship between accounting systems and quality of financial reports. The results in table 4.5 above show a

significant positive relationship between accounting system and the quality of financial reports. This is reflected by the relationship between procedures and the reliability of financial reports ($r= 0.578^{**}$); accounting records and understandability of financial reports ($r= 0.287^{*}$); and tools and timeliness of financial reports ($r= 0.406^{**}$). It is therefore recommended that NGOs should review their current accounting systems to identify gaps and then put in place steps to fill those gaps. The Boards/Management committees should ensure that the systems in place are appropriate for their kind of operations and that they have qualified and competent staff to manage them. This will strengthen their financial accountability systems.

5.5 Suggestions for Further Studies

I suggest that further study should be conducted on other factors that affect financial accountability, specifically in the following areas:

- a) The impact of corruption on financial accountability in NGOs.
- b) The challenges of financial accountability in NGOs
- c) The effect of donor requirements on financial accountability in NGOs.

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APPENDIX I: Questionnaires

MAKERERE UNIVERSITY BUSINESS SCHOOL QUESTIONNAIRE

(To be completed by officials of the district where the NGO operates
and representatives of the donors)

Dear respondent,

This questionnaire is intended to facilitate the study on “The relationship between governance and quality of financial reports in NGOS. The case of local NGOs supported by AIM project in Bushenyi, Ntungamo and Rukungiri districts” The study is for academic purposes and is carried out as partial requirement of the award of Masters of Business Administration Degree. As a key stakeholder, you have been selected to provide vital information that will felicitate the study. Your response will also be treated with utmost confidentiality. Thank you very much for your valuable time.

SECTION A: GENERAL INFORMATION ABOUT THE NGO

1. Name of NGO _____

2. Type of NGO

National

3. Location of the NGO

Bushenyi Ntungamo Rukungiri

SECTION B –BACKGROUND INFORMATION ABOUT THE RESPONDENT

1. Your relationship to the NGO (Please tick one of the options below)

District Official NGO-Donor Official

2. Your title _____

3. Gender of the respondent

Male Female

4. Age bracket of respondent in years

18 –30 31-40 41-50 50

5. Highest level of education attained by respondent

“O” Level “A” Level Certificate/Diploma

Degree/Professional Course Postgraduate

6. For how long have you had a working relationship with this NGO?

Less than 1 Year 1-3 Years

4 Years and above

SECTION C – FINANCIAL ACCOUNTABILITY

Please indicate the extent to which you agree or disagree with the following statements:

i) Financial Reports

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
This NGO prepares regular financial reports for the benefit of stakeholders					
This NGO’s annual financial reports demonstrate financial accountability and stewardship					
The annual financial statements of this NGO show a clear picture of the resources entrusted to them and how they have been used during the year					
The management of this NGO periodically prepares income and expenditure statements					
The management of this NGO produces balance sheets to show the financial position of the NGO					
The management of this NGO regularly produces cash flow statements to show the organization’s projected cash inflows and outflows					
In their reporting to stakeholders the management of this NGO supplements the financial reports with other non-financial reports					
The staff of the NGO submit reports for business advances in a timely manner					
There have not been many queries about the financial reports prepared by this NGO					

ii) Quality of Financial Reports

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
The information in the NGO's financial reports is accurate.					
There is sufficient reliable information on budget execution					
The financial accountability in this NGO can be rated as satisfactory					
The officials concerned with funds of the NGO are trustworthy					
The financial reports produced are clearly understood by the donors					
The NGO's financial reports are understandable.					
The NGO's financial reports contain all relevant material information (about debtors, creditors, accruals etc.)					
The NGO's financial reports produced provide relevant information to the donors for decision making and planning					
The NGO prepares budget/expenditure analysis reports for use by management					
The NGO's financial reports are designed to incorporate key issues or changes derived from previous auditors' reports.					

Thank you for your time!

MAKERERE UNIVERSITY BUSINESS SCHOOL

QUESTIONNAIRE

(To be completed by Board of Directors/Management Committee members and staff members of NGOS)

Dear respondent,

This questionnaire is intended to facilitate the study on “The relationship between governance and quality of financial reports in NGOS. The case of local NGOs supported by AIM project in Bushenyi, Ntungamo and Rukungiri districts” The study is for academic purposes and is carried out as partial requirement of the award of Masters of Business Administration Degree. As a key stakeholder, you have been selected to provide vital information that will felicitate the study. Your response will be treated with utmost confidentiality. Thank you very much for your valuable time.

SECTION A: GENERAL INFORMATION ABOUT THE NGO

1. Name of NGO _____

2. Type of NGO

National Local

3. Location of the NGO

Bushenyi Ntungamo Rukungiri

SECTION B –BACKGROUND INFORMATION ABOUT THE RESPONDENT

1. Your relationship to the NGO (Please tick one of the options below)

Member of the Board/Mgt Committee Management

Support Staff

2. Gender of the respondent

Male Female

3. Age bracket of respondent in years

18–30 31-40 41-50 50+

4. Highest level of education attained by respondent

"O" Level "A" Level
 Certificate/Diploma
 Degree/Professional Course Postgraduate

5. For how long have you been working with this NGO?

6 months - 1 Year 1-3 Years
 Years and above

SECTION C: LEADERSHIP

Please indicate the extent to which you agree or disagree with the following statements:

i) Board of Directors/Management Committee Independence

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
There is independence of this NGO's Board/Committee members from the Chairperson					
The Committee members are dependable					
The Chairperson of the Board/Management Committee is changed regularly.					
The members of the Committee are not related to the members of staff of this NGO					
The Committee is always concerned about the outcomes of their actions					
The committee's actions are not controlled by the appointing authority					
The appointing authority of this NGO always adheres to the established policies and procedures for appointing the Board Of Directors.					
The Committee approves major initiatives proposed by the management team of this NGO					
The Committee effectively supervises the Chief Executive Officer/ Director/MD Officer of this NGO					
The appointing authority does not interfere in the operations of the Committee of this NGO					
The decisions of the Committee of this NGO are free from the influence of the management team					
The Committee of this NGO is well informed on most issues of the NGO					
There is no conflict between the Chairperson of the Committee and the Chief Executive Officer/ Director/MD					

i i) Board of Directors/Management Committee effectiveness

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
The appointing authority appoints qualified and independent members of the Board/Management Committee					
The Committee promotes constructive criticism and alternative views					
This NGO's Committee effectively monitors all the transactions the NGO undertakes					
There is regular attendance at the Committee meetings					
There is a formal annual evaluation of the Chairperson and members of the Committee					
This NGO's Committee is very effective in the management of the NGO resources					
The Committee of this NGO regularly reviews the performance of the senior managers					
The Committee of the NGO has a clear understanding of its funding sources					
The Committee of this NGO formulates strategies and delegates implementation to management					
The Committee of this NGO provides significant rewards for outstanding performance					
The Committee of this NGO sets and influences the vision, mission and values of the NGO					
The Committee of this NGO regularly provides advice and counsel to management					
The Committee of this NGO ensures that the NGO meets its legal obligations					
The Committee of this NGO ensures accountability to all stakeholders and the public					
The Committee of this NGO fully participates in the promotion of the NGO's reputation					
The members of the Committee of this NGO are paid sitting allowance every time they attend meetings					
The committee adheres to the set vision, mission, and values of the NGO in the execution of their duties					
The members of the Committee of this NGO have access to office facilities while conducting official business					
The Committee of this NGO is well facilitated with information for proper decision making					
The Chairperson and the members of the Board/Committee often have access to the NGO's records and books of accounts					
There is always enough information required for discussion at Board/Committee meetings					

i i i) NGO Management effectiveness

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
The members of the NGOs management team are well qualified					
The Chief Executive of this NGO is very competent in financial management.					
The NGO management provides adequate supervision of the budget					
The NGO management adheres to an established code of conduct					
This NGO has an open recruitment policy for staff based on merit					
There is sufficient management control over use of funds in this NGO					
The management team of this NGO provides a service with commitment in a timely manner					
There is adequate segregation of duties in the management of finances in this NGO					
The management of this NGO has firm specific knowledge and skills that relates to the NGO activities					
The management of this NGO organizes annual general meetings					

SECTION D – TRANSPARENCY LEVEL

Please indicate the extent to which you agree or disagree with the following statements:

i) Openness

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
The Chief Executive Officer openly shares personal information with the management team					
The managers of the NGO share with stakeholders program progress reports					
The managers of the NGO share with stakeholders financial reports					
The person who represents this NGO in coordination meetings with donors shares information with those who are concerned in the NGO					
The process of awarding contracts to suppliers of goods and services for this NGO is open to the public					

ii) Honesty

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
This NGO's staff members properly account for funds advanced to them					
The staff this NGO have faith in the integrity of the Chief Executive Officer					
The public believes in all the information released by officers of this NGO					
Managers of this NGO have faith in the integrity of their colleagues					

iii) Reliability

The Chief Executive Officer of this NGO typically acts in the best interests of the management team					
The management team of this NGO relies on the Chief Executive Officer					
Even in the most difficult situations the managers in this NGO can depend on each other					

SECTION E – ACCOUNTING SYSTEM

Please indicate the extent to which you agree or disagree with the following statements:

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
All financial transactions of this NGO are properly documented and recorded					
There is adequate supervision of accountants in this NGO					
There is an approval system for all transactions by the authorized managers of this NGO					
There is a chart of accounts used to categorize this NGO expenditures					
Bank reconciliation statements of this NGO are prepared monthly					
This NGO has a system of regularly reviewing its expenditures against approved budgets					
Audits are carried out regularly in this NGO					
Auditor's recommendations on issues of policies and procedures are implemented by the NGO management.					
This NGO adheres to the generally accepted standards of Accounting					
This NGO adheres to the generally accepted standards of Auditing and Disclosure					
The internal control procedures of this NGO ensure safeguard of the organization's assets					

The procedures of this NGO ensure that business advances given to members of staff are liquidated on time					
The management of this NGO is aware that it is responsible for ensuring strong internal control systems					
In this NGO irregularities in financial management are promptly reported					

Section F

What is your view of the quality of governance in this NGO compared with other NGOs in the district? Tick the appropriate box below:

Much Better (5)	Slightly Better (4)	About the same (3)	Slightly worse (2)	Much worse (1)

Thank you for your time!