



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF INTERNAL CONTROL SYSTEMS ON
NON-GOVERNMENT ORGANIZATIONS (NGO's)**

BY

GENET KORE

APRIL 2015

ADDIS ABABA, ETHIOPIA

**ASSESSMENT OF INTERNAL CONTROL
SYSTEMS ON NGOs: A CASE STUDY OF
PATHFINDER INTERNATIONAL ETHIOPIA.**

BY

GENET KORE HABTEMARIAM

SGS/0216/2005B

**A THESIS SUBMITTED TO ST.MARY UNIVERSITY, SCHOOL OF
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APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of _____. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary's University Addis Ababa

Signature

April, 2015

ENDORSEMENT

This thesis has been submitted to St. Mary's University School of Graduate Studies for examination with my approval as a university advisor. _____

Advisor

Signature

St. Mary's University Addis Ababa

April, 2015

DEDICATION

I thank the God Almighty for the precious gift of life, wisdom and health that he awarded me during my study period.

I dedicate it to my parents who during my childhood imparted the passion for education in me.

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LIST OF ACRONYMS

AYSRH:	Adolescent Youth Service Reproductive Health
CSAs:	Charities and Societies Agencies
GAAP:	General Acceptable Accounting Principle
ICS:	Internal Control Systems
HIV/AIDS:	Human Immunity Virus/Acquired Immunity Deficiency Syndrome
NGO:	Non Governmental Organization
NPO:	Non Profit Organization
PIE	Pathfinder International Ethiopia
HRM	HUMAN Resource Management

ABSTRACT

This paper sought to assess the functionality of internal control system of Non-Government Organizations (NGOs) a case study of Pathfinder International Ethiopia. The study was guided by the following objectives: to assess organization organizational control of PIE, to assess personnel controls of PIE, to assess operating controls of PIE, to assess periodic review of PIE. The researcher used descriptive quantitative design. A simple random sampling technique was used. A case study of 150 employees was then 70 questionnaires were distributed to the respondents. Out of these 68 returned. The main instrument for collecting primary data was self-administered questionnaire that was subjected to expert evaluation for content validity, while secondary data was collected by reviewing files, documents, published books, articles and journals. The data was analysed using both descriptive statistical like mean, median, standard deviation and narrative methods. Narrative analysis was used to explain the qualitative results of the survey. The major findings of the study were that PIE has a sound internal control system overall in terms of the control operation, controls procedures and monitoring controls, human resource controls. PIE was operating under well constituted qualified and experienced management. The periodic review aspect of the internal control specifically: (i) stocks and inventory items record, (ii) record of program and common cost allocation system were somehow mismatch with regulatory body (CSA's) standard. The study further points out that keen attention should be paid on to adopt efficient periodic review system in the organization.

CHAPTER ONE

INTRODUCTION

This chapter dealt with the background of the study, statement of the problem, general objectives of the study, Specific objectives of the study, research questions, scope and Significance of the study about the assessment of internal controls of Non-Governmental Organizations a case study of Pathfinder International Ethiopia (PIE).

1.1. Background of the study

Like all other organizations, internal controls are the area of an integral part of any Non-Governmental Organization's rules, regulations, policies and procedures. Internal controls therefore refer to the whole system of controls, established by the management to carry out their tasks in an orderly manner, ensuring adherence to organizations policies, safeguard its assets and secures as far as possible the accuracy and reliability of its records (Gupta, 1989). Internal controls ensure accuracy and reliability in accounting and operating data, securing compliance with the policies of the organization and evaluating the level of performance in all units of the organization (DeVries, D., & Lin, J. 2010). Internal control is a crucial aspect of an organization's governance system and ability to manage risk, and is fundamental to supporting the achievement of an organization's objectives and creating, enhancing, and protecting stakeholder value (Swabsibm Huson, and Ross 1998).

Committee of Sponsoring Organization of the Tread way Commission (2013) stated internal control as follow: "...a process, effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, Reliability of financial reporting, Compliance with applicable laws and regulations." They focused on all controls covering the organization's entire range of activities and operations not just those directly related to financial reporting, and adopted a risk-based approach to internal control (IFAC, 2006).

Functionality involves the capability of the organization to deliver services to its people in the most cost-effective manner possible while still ensuring the high quality of its product, service and support. Stoner, (1989) defines performance as a relationship between output of goods and services and the inputs of resources. The performance of organizations can be judged in terms of economy efficiency, and effectiveness of operation. Economy means attaining the appropriate quantity and quality of physical, human, and financial resources at the least cost.

Effective functionality is intended therefore to provide reasonable assurance about the attainment of an organization's objectives. In order to attain operational efficiency, it is the vision of every organization to improve its performances. Significant expertise in the area of internal control system analysis, information technology effectiveness, as well as crisis management helps organizations to achieve best in performance of organization.

International NGOs have high efficiency due to the incorporation of internal control measures in almost every unit of its organizations (De Beer F, and Swanepoel H 1998). Effectiveness defined in terms of task effectiveness or goal attainment, appropriate organizational structure and process and environmental adaption Dave, P. (1991) suggested that effectiveness criteria be chosen with reference to the purpose of the measurement.

Pathfinder International is Non- Governmental, non-profit international health service provider organization founded in 1950 by Dr. Clarence Gamble in United State and 60 other countries in the developing countries. Its mission is to increase access to high quality reproductive health service and rights globally by catalyzing change locally. Its Vision is: A world where everyone has access to contraception, where there are zero new HIV infections, where no women dies from pregnancy related complications, and where everyone leads a healthy sexual and reproductive life. This has earned pathfinder wide recognition and respect throughout the world, highlighted by the United Nations Population Award.

The strategic goals to help realize the mission; promote high impact sexual and reproductive health and rights program models, and strengthen their efficacy, increase the reach and impact of our contributions to global sexual and reproductive health and rights, and enhance program management by maximizing operational excellence.

With its most recent strategic plan (2015-2020), Pathfinder International refocused its vision and mission statements as follows:

Mission

Pathfinder's mission is to advance sexual and reproductive health and rights globally by catalyzing change locally.

Vision

Pathfinder envisions a world where everyone has access to contraception, where there are zero new HIV infections, where no woman dies from pregnancy related complications, and where everybody leads a healthy sexual and reproductive life.

THREE of its CORE AREAS represent the majority of Pathfinder's portfolio. These three core areas form the foundation of sexual and reproductive health and rights. They will be our programmatic focus moving forward.

- Contraception
- Maternal and Newborn Health
- HIV & AIDS

The three KEY PROGRAM FEATURES of: Pathfinder according to its most recent strategic plan is to systematically integrate these three features—hallmarks of our greatest successes—into all of our programs.

- AYSRH
- Advocacy
- Gender Equality

Based on the above core areas and key program feature the following THREE GROWTH AREAS are planned to be met: Pathfinder will invest in these three neglected or emerging areas, recognizing their critical significance to sexual and reproductive health and rights.

- Cervical Cancer Prevention
- Population, Health, and Environment
- Safe Abortion Care

The study will explore the issues surrounding effectiveness of internal control system on performance of Pathfinder International in view of the above strategic goals, core areas and program features. Taking Pathfinder International HQ's bigger picture in

to account, the study will focus on Pathfinder International Ethiopia as a case study in particular.

Pathfinder International Ethiopia (PIE) was officially established 19 years ago with the country office located in Addis Ababa. PIE is multi-donor organization and works collaboratively with Federal Ministry of Health, Regional Health Bureau, Religious leader and private sectors to increase efficacy, efficiency, and sustainability of health services by promoting access to services, and influencing public policy.

Moreover, PIE is striving to make use of contemporary internal control tools to improve its organizational activity. Specifically, in its core areas Contraception, Maternal and Newborn Health and HIV/AIDS together with resources spent and being spent on these activities. Without having commensurate control these areas of activity are hardly met. Cognizant of this fact, the researcher is interested on look in to and explores application of these control systems towards attainment of the strategic goals highlighted above.

The case study selected organization engages in diverse programmatic health activities such as AYSRH, Advocacy and Gender Equality towards Cervical Cancer Prevention, Population, Health, and Environment and Safe Abortion Care. Peculiar nature of each activity will be considered to see application of internal control system. For instance during the budget year 2011/2012 to 2013/2014; 30,937,626 Million USD (587,814,891 ETB) was released for the project. It is on this basis that one needs to find how such large amount of funds have been used hence the controls put in place. In order to accomplish the aforementioned objectives, the organization has already set up proper books of account and financial management and measurement systems including the setting up of an internal control system to ensure proper organizational function and external auditing activities.

This study therefore will focus on the four major areas of Organization controls, operating controls, personnel controls, and periodic review that applied consistently to ensure fair and open competition to the greatest extent of possible activities off organization.

1.2. Statement of the problem

Pathfinder International Ethiopia has been in existence for over 19 years. The objective and impact of NGOs (not profit organizations) like PIE is often

misunderstood or not clear. Moreover, it looks that there is clear imbalance (like; not understood the nature of organizational activities by regulatory body) of power between NGOs and their beneficiaries, donors and regulatory bodies. To dependably measure and balance organizational activities, resource utilization and, internal control systems play pivotal role.

Not for profit organizations, like PIE serves multiple stakeholders, “customers” which are beneficiaries or recipients of its operation and donors (who provide funding and materials e.g. contraceptives). On top of this the organization should be able to fulfil regulatory requirements of the Charities and Society Agency (CSAs). To comply and satisfy all these parties, effective internal control systems play significant role. However, internal control systems have stronger tie with the strategic objectives that organizations target to achieve (be it economic/profit motive or social/humanitarian objectives) and performance priority they give (financial success or number of beneficiaries served) in all their ventures. So the main reason that drives this study is to see how objectives priority given by the case NGO matches with the internal control system implemented by the management.

According to audit report (2014), it is revealed that PIE did not comply with the guideline of Charities and Societies Agency to recognize and record of program and administrative expenditures. The report also indicates that the Agency requires PIE to present its stock and fixed assets in the balance sheet but the organization did not comply.

This has motivated the researcher to assess the extent to which NGO’s apply internal controls system in its operations. Therefore, the need to keep; implementing, monitoring and reviewing internal controls, should not be left to the public and private sectors, but should also be instituted by NGOs as well. To strike the balance and measures activities in compliance with the organization’s strategies requires critical analysis. Obviously, with appropriate check and balance of these diverse and at times contesting interests of actors control systems can satisfactory meet their desired objectives.

With these gap therefore, this study carried on such kind of research through assessing and analyzing the existing internal control system of PIE then find out its

strength and weakness, so that the researcher did draw conclusions and recommendations for the organization future improvement.

1.3. Research question

The assessment attempts to address the following questions on internal control system practices in PIE:

- To what extent the organizational controls employed in PIE?
- To what extent the personnel control is practiced in PIE?
- To what extent do the operating control is employed in PIE?
- To what extent do the periodic review practiced in PIE?
- Does the PIE comply with regulatory body (CSA's) rules and regulation?

1.4. Objective Of the study

1.4.1. General objective

The aim of this paper is to assess internal controls of non-governmental organization in the case study Pathfinder international organization PIE.

1.5.2. Specific objectives

Internal controls in an organization are normally instituted to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of the effectiveness and efficiency of operations and compliance with applicable laws and regulations. These will ultimately translate into improved organizational functionality. In particular the researcher will focus on the following specific objectives:

- To assess organization control practice of PIE
- To assess personnel control practice of PIE
- To assess operating control of PIE
- To assess periodic review of PIE?
- To assess compliances issues to the regulatory body (CAS's) rules and regulations?

1.5. Significance of the study

The results of this research are expected to benefit the followings:

- The recommendation was show the possible solutions for the identified findings. It can assist the case study organization to use findings as input for reinforcing its internal control systems to achievement the entity's objectives.

- The recommendation and the suggested possible solutions for the identified gaps can be used as an input for capacity building activities by donors and other concerned body.
- This study would add to the existing knowledge and also enhance and encourage other researchers who have interest in this area to do further research.

1.6. Definition of key terms

Non-profit: An entity that is not established for the purpose of making a profit

For-profit: An entity established for the purpose of making profit

Internal Control: is a set of procedures that a business owner or corporate leader implements to prevent operating losses originating from fraud, theft, error and technological breakdowns. An adequate control defines specific steps to perform tasks, report operating issues and make decisions

Performance: is a measure of the results achieved. Performance efficiency is the ration between effort expended and results achieved. The difference between current performance and the theoretical performance limit is the performance improvement zone. Performance assumes an actor of some kind but the actor could be an individual person or a group of people acting in concert

Performance measurement: is the process whereby an organization establishes the parameters within which programs, reaching the desired results. This process of measuring performance often requires the use of statistical evidence to determine progress toward specific defined organizational objectives.

Efficiency: refers to a functioning or prospering of a company at a given time in a given period basing on the desired goals and objectives of a company

1.7. Scope of the study

The study covers the period from January – April, 2015, for four months. It focused on the assessment of internal control systems of PIE. It was conducted at the Pathfinder International Ethiopia: a case study organization. The research delimit only to internal control measure employee by NGOs in enhancing operation efficiency in a case organization of the study was included.

1.8. Organization of the study

The outline of this study shall be broken down into five general chapters. The first chapter will introduce the topic and its subject matter of internal control system of PIE. Also, the second chapter of the study will be contained the prior knowledge and study done on this topic. From this some theories and standings of previous scholars would be incorporated into this particular present topic. Besides that, the third chapter will have the methodology to apply in carrying out this study. The instruments and sources of data that would be applied to assure that the right information are gathered within the confinement of the ethical stands, in other to have a good research work in the study. However, the fourth chapter would look at the data presented and analysed in the format that is generally acceptable. This would enhance the genuineness of this study. Also the fifth chapter would see to the conclusion and recommendation of the project, This is where the findings and results of the study would be conclude and any recommendation suitable for the organisation of its kind would be issued for their discretionary adoption.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The research was intended to assess the internal control system of NGO's with emphasis in Pathfinder international Ethiopia. The review of available literature therefore attempted to assess whether there is a proper Internal Control systems in place. The review particularly focused on Organizational Control, Personnel control, operational control and periodic review as the main components of Internal Control. The other components of internal control were ignored for purposes of this research. The review examined the common systems of internal controls employed by organizations. The review also tried to determine the main objectives systems of internal control are normally intended to achieve.

The ultimate objective of this review was assessed the theory surrounding systems of internal control and the methods used by previous researchers in dealing with internal control systems.

2.2. Theoretical Review

There are many theories that support the current study however, the current study adopted Kate Lark (1999) Theory of Internal control, that stated that internal control is "a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations." The central theme of this theory is that internal control is a process designed and implemented within organizations to mitigate risks and achieve objectives.

Internal control is a crucial aspect of an organization's governance system and ability to manage risk, and is fundamental to supporting the achievement of an organization's objectives and creating, enhancing, and protecting stakeholder value

(Swanson, Hunson, and Ross 1998). High-profile organizational failures typically lead to the imposition of additional rules and requirements, as well as to subsequent time-consuming and costly compliance efforts. However, this obscures the fact that the right kind of internal controls, enabling an organization to capitalize on opportunities while offsetting the threats can actually save time and money, and promote the creation and preservation of value. Effective internal control also creates a competitive advantage, as an organization with effective controls can take on additional risk (IFAC, 2011)

However, building a strong system of internal control involves having adequate and effectively operated mix of preventive, detective and corrective control measures. Preventive controls which include: separation of duties, proper authorization, adequate documentation, and physical control over assets are controls designed to deter unintended events (e.g. errors, omissions, irregularities, fraud, ineffective business decision making and noncompliance with laws and regulations) from occurring. Detective controls such as obtaining pre-approval on actions or transactions before they can be processed, use of document control numbers to make sure all transactions are accounted for, matching and comparing documents from different sources to ensure integrity among others help to identify or discover undesirable events that have already occurred (that is, that were not adequately prevented) while corrective controls are measures implemented to address gaps or lapses that resulted in occurrence of unintended events. Although all these types of controls are important, preventive controls are the most effective form of control. Finally, Kate Lark's theory came to suggest some of the internal controls measures that should be implemented by the organization i.e. documented policies and procedures, adequate segregation of duties and responsibilities, a culture of high ethics and integrity, adequate documentation of transactions and records, proper authorization of transactions and activities, physical and logical controls over records and assets and adequate supervisory checks (Baik, 2013)

The theory was significant to the study in several ways that is, it is the NGO's mandate role to incorporate internal control measures in order to have a great operational efficiency in their day to day operation for effective governance and administration of operations and services. This was endorsing the mandate and the

operational efficiency of such organizations that was have them gain reputation as a result. However, some NGO's especially local NGO's are still behindhand to participate in good internal control measures and as a result has impacted negatively to their operations leading to the failure of some NGO's in the country. Others have ineffectively failed to complete their mandate and objectives while others have lost a lot of money as a result of poor internal control measures (Mary and Kate 2002). Therefore the theory is quite relevant as the study seek to assess how NGO's employ internal control measures to enhance their operational efficiency.

2.3. Actual Review of Related Literature

2.3.1. Theories of Internal Controls in NGOs

The Internal control system is procedures and controls. Establishing internal control systems in organizations is critical to ensure the reliability of accounting records, because internal control systems can limit possible random errors and also provides a reasonable assurance to stakeholders. The purpose of the control includes the concept of getting things done or achieving goals. Internal control principles suggest that an internal control system is the primary accountability and governance tool an organization (NGOs) can establish and use to provide accountability to its stakeholders (donors) and safeguard its assets. The procedures can establish the necessary performance of the organizations through the operation meanwhile; the controls are applied to ensure the conducted procedures of the business. Internal control system allows the management to determine the measurement of the conditions or characteristics that can damage the entire organizations and turn into the improvements and cost-effectiveness (Brewer List, 2004). There are changes that might drive the organization change its process, objectives, and others, for over the time.

According to Brewer and List, 2004; Benison, 2007 statement the internal control is an ongoing process and can help the entire organization to analyze its goals and objectives. Determining the risks is another scope of the control that can be describe as the detective and preventive controls. Taking the idea of changes and the detective ore preventive actions, it only emphasizes that the management should place a monitoring action on the controls of the activities. Basically, monitoring helps the entire organization to ensure the effectiveness of the internal control system as well as the effectiveness and efficiency of the policies, procedures and the responsibilities

(Benison, 2007). Organizations should create a consistent philosophy regarding the establishment of the sound internal control system to help the organization in improving the overall business efficiency, communication and cooperation, and managing the basic policies (Nabtesco, 2006).

The effectiveness should be also according with the efficiency and both are the fundamental management responsibilities. Effectiveness is judged on the basis of the results on the implementation of internal control system. In an organization, the success of internal control system as well as recognizing its effectiveness is based on meeting its objectives. The most effective representation of the control is done through recording. The manager has a responsibility to ensure that there is an internal control and therefore, emphasizing their function in monitoring the activities and the performance of the people. This gives rise to the relation of internal control in detecting or preventing the misstatements or errors in the records thus, allowing the controls to be consistent to avoid the discrepancies in the value (CPA 2002).

Stoner, (1989) defines performance as a relationship between output of goods and services and the inputs of resources. Performance of an organization on the other hand can be judged in terms of economy, efficiency, and effectiveness of operation. Economy means attaining the appropriate quantity and quality of physical, human, and financial resources at the least cost.

Although the above studies have largely focused on the impact of effective internal control measures on overall operational efficiency, there is an emerging literature examining the implications of internal control measures beyond operational efficiency. For example, Feng et al. (2009) examined the relation between internal control quality and management guidance accuracy and found a positive relation, consistent with ineffective internal controls causing errors in internal management operations in general.

2.3.2. 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 cannot 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 Non-profit. 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.

2.3.3. Requirements for Charities and Societies Agency in Ethiopia

Charities and societies are required to maintain day to day records of financial transactions. They are also required to furnish an annual statement of accounts to the charities and societies agency. Despite the requirement to submit to an annual audit of accounts by certifies auditor, an internal auditor or an auditor designated by the charities and societies agency, an organization can be subject at anytime to an audit of accounts according to the directives of the Minister of Justice.

Furthermore, the NGOs are required to submit to the Agency an annual activity report outlining their major activities and other relevant information along with a statement of accounts. NGOs also required renewing their license and registration every three years, which is subject to an executive evaluation of the completeness and accuracy of their performance and audit reports.

2.3.3.1. Administrative and Operational Costs

Any NGOs shall allocate not less than 70 percent of the expenses in the budget year for the implementation of its purposes and an amount not exceeding 30 percent for its administrative activities.

2.3.3.2. Internal controls

Internal controls are systems 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 performances. These systems are not only related to accounting and reporting but also relate to the organizations' communication processes, internally and externally, and include procedures for:

- Handling funds received and expended by the organization,
- Preparing appropriate and timely financial reporting to board members and officers,
- Conducting the annual audit of the organization's financial statements,
- Evaluating staff and programs,
- Maintaining inventory records of real and personal property (www.oag.state.ny.us/charities/charities.html).

2.4. Empirical Review

Internal control systems refer to all policies and procedures adopted by the management of an entity to aid in achieving management objectives. Internal control system provides assurance to the management of the reliability of performance employed in making decisions.

2.4.1. Relationship between internal control system and performance

Once internal controls have been instituted, management has to ensure that these controls are complied with. The performance of PIE will be measured against the following indicators; effectiveness of organizational control, effectiveness of personnel control, effectiveness of operational control, Effectiveness of periodic review control of the organization.

2.4.1.1. Effectiveness of Organizational control in NGO's

Every employee should be fully aware of his or her responsibilities and lines of authority, lines of reporting and levels of responsibility should be clear. Errors and fraud are much more likely to occur where it is uncertain who is responsible for what and who should be reporting to whom FIS (2008). Organization (NGO's) must exercise overall control over its financial affairs. They should ensure that the way in which the charity is administered is not open to abuse by unscrupulous associates, management or employees; and that their systems of control are rigorous and constantly maintained. This includes the procedural controls operating within the NGO and the structures of responsibilities (reporting structures) tend to be staffed by hardworking and dedicated employees. However, many NGO's fail to capitalize in these qualities

because of their inadequate organizational structures. If structures/roles are not clearly defined, for example between the CEO (chief Executive Officer) and the Trustee Chairman, this may cause misunderstanding administratively. To successfully control an organization, managers need to not only know what the performance standards are, but also figure out how to share that information with employees.

2.4.1.2. Effectiveness of personnel control in NGO's

The quality of internal control is directly related to the quality of the personnel operating the system. The organization should have sound personnel policies for hiring, orienting, training, evaluating, counselling, promoting, compensating and taking remedial action. For example, in hiring a standard should be sought only to hire the most qualified person, with prior working experience and evidence of integrity and ethical behaviour. Background checks may vary with the organization and employee position. Post employment controls include internal and external audits (Schartmann, B, 2010), also vital in NGOs (Green, 2010).

The day to day work of employees should be properly supervised. Good supervision was to reduce the likelihood of errors or fraud. This aspect is carried out by the management of the organization, as a means to check compliance with laid down procedures. Procedures explain the how, why, what, where and when for any set of actions. They involve the following: Monitoring that the laid down control procedures are operating as they were designed to, and that delegated responsibilities have been properly discharged. As the NGO sector has expanded in terms of funding and functions, there has been a growing concern with the issues of professionalization and accountability (Cheng M. 2013).

Control is an inevitable correlate of organization. But it is more than this. It is concerned with aspects of social life that are of the utmost importance to all persons. It is concerned with the questions of choice and freedom, with individual expression, with problems of the common was and the common will. It is related not only to what goes on within the organization but also with what the organization does in its external relations. It touches on the questions of democracy and autocracy, centralization and decentralization, “flat” “tall” organizational structures, close versus general supervision, workers’ councils and joint management (Belzer, 2002).

2.4.1.3. Effectiveness of Operational control in performance of NGO's

With deep budget cuts and increasing regulatory pressure, NGOs are now required to improve efficiency at all levels with the most urgent need focused on operational functions. The quality of internal control is directly related to the quality of the personnel operating the system. The entity should have sound personnel policies for hiring, orienting, training, evaluating, counselling, promoting, compensating and taking remedial action. For instance in hiring, a standard should be sought only to hire the most qualified person, with prior working experience and evidence of integrity and ethical behaviour. Background checks may vary with the organization and employee position. Post-employment controls include internal and external audits, also vital in NGOs. The Institute of Internal Auditors defines control as “any action taken by management, board and other parties to enhance risk management and increase the likelihood that established objectives are achieved”. Research in causes of errors in accounting systems has shown personnel related issues to be major causes of error (LaFond, 2009)

Operating control systems are designed to ensure that day-to-day actions are consistent with established plans and objectives. It focuses on events in a recent period. Operating control systems are derived from the requirements of the management control systems. Corrective action is taken where performance does not meet standards. This action may involve training, motivation, leadership, discipline, or termination. The obligation to safeguard the assets of an organization requires that transactions are entered into only once they have been authorized by the appropriate individual, and that each transaction conforms to the terms of its authority. It ensures that approval of an appropriate responsible person, and there should be an authorization limit to how much spending each responsible person can approve. With regard to both contexts, effective internal control measures have a positive effect on an organizational performance.

The lack of proper control over the physical security of inputs can lead to wastage, hence resulting in higher input costs. In addition, material weaknesses relating to the controls over the purchase and maintenance of materials and supplies can result in inputs not being procured at the lowest possible costs or inputs being procured at a

more inferior quality hence leading to lower sales, both of which result in lower operational efficiency for the firm (Kinney, 2008)

2.4.1.4. Effectiveness of periodic review in performance of NGO's

The periodic review is a process of assessment, monitoring and reporting on the needs of the employees and management affected. The goal of these reviews is to provide objective and credible data that can be used to target assistance and inform future assessments. It seeks to inform humanitarian assistance strategies and programme change to benefit the people. These were in essence a “snap shot” to measure progress or change in the cyclone affected population. Also, by providing relevant data in the situation and needs of the affected people, coordination may be strengthened across sectors and between international and domestic actors thereby help alleviate suffering and accelerate the process of recovery (Sunder, 2002).

Control activities were conceived to have significant effects on operational efficiency by means of cost reduction. Control activities as a component of internal controls and consider control activities as policies and procedures that help ensure that management directives are carried out. Basically it comprises; performance reviews, information processing, physical controls, and segregation of duties. Positions that control activities need to be funded by the control environment and there should be continuous monitoring and evaluations as well as reviews by way of audit to enforce compliance.

More recently, Goodwin-Stewart and Kent (2006) provided evidence that the existence of an internal audit function is related to the level of commitment to risk management. Control activities occur throughout the organization, at all levels and in all functions be it in small or large companies. Preventive controls are proactive in nature and seek to prevent undesirable events from occurring as well as deter losses and includes; separation of duties, proper authorization, adequate documentation, and physical control over assets.

2.5. Organizational Performance

Brown (1996) argues that performance measures in organizations must focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward. Dixon (1990) adds that appropriate performance measures are those which enable organizations to

direct their actions towards achieving their strategic objectives. This is because according to him a firm's performance is central to the future well being and prosperity of any enterprise.

Study by Whyte (1991), shows that performance can be measured at both organizational and individual levels. This measurement is sometimes referred to as performance appraisal. Whyte argues that organizations have desired potentials in terms of capacity, attraction, market share and financial strength and performance is the difference between those potentials and those that have been achieved. Whyte argues that human capital asset accumulation has significant impact on the organizations ability to introduce new products, compete within markets thus influencing the level of performance. It increases knowledge base within the organization's success and performance.

Drucker (1990) defines efficiency as maximizing inputs for a required output. On the other hand Drucker defines effectiveness as the extent to which the defined task has been accomplished and is consistent with notions of non financial accountability. Effectiveness may partly be measured in terms of quality service, customer satisfaction and achievement of goals.

According to Clarke, (1991) like every other sector, one of the major drivers of efficiency is the manner of utilization of the capital and the funds that the NGO sector accumulates through various sources for carrying out its work. Furthermore, NGO establishments typically tend to have high administrative costs and also the funds are utilized for effective developmental work. More stringent management norms through internal controls and regulatory oversight will contribute to more effective spending by NGOs.

An interesting dimension is introduced by a journal article which analyses effectiveness and performance from the perspective of quality (Krishnan,2005) This author compares quality of management in an NGO concern against the quality of corporate internal control in order to establish a relationship between the two concepts.

Touche (2004) notes that the traditional role of internal control is to keep the organization focused to the desired goal, bring value, and improve operations. In this

current era of the Sarbanes-Oxley Act of 2002 (USA), it has the objective of assurance on financial control and compliance. Some of the peak performance indicators are: reports issued on time, staff training and certifications, internal audit turnover, internal audit transfers, internal audit employees survey measuring professional staff satisfaction, internal audit staff utilization, and hours of training. They conclude that adaptability and flexibility will stand out as key characteristics of successful internal control functions. An optimised internal control function will tailor its activities to areas of greatest risk and opportunities for greatest value. Such firms can then attain the benefits of sustainable compliance and enhanced competitiveness.

2.6. Earlier Studies on Internal Control

Previous research have focused on studying certain control elements such as communication which was handled by Hooks et al (1994), risk management Mills (1997) and human resource practices done by Carey and Stringer, (1995). The study on village banks in Uganda, Kenya and Tanzania by German Technical assistance (GTZ) and Africa Rural Agriculture and Credit Association (AFRICA) (2002) revealed that most of the organization were operating without documented policies and procedures and lacked operational manuals. It identified the necessity to provide support to the micro finance institutions so that they can come up with operational manuals and to improve on the existing systems. Information system is a set of interrelated components all of which should be present and work together for a common purpose. Internal control mechanisms must have well documented processes that are understood by everyone involved. There is immense need for organizations to set aside resources such as time, money and personnel to develop or improve a management information system that can match its information requirement (The Center for Micro Enterprise Development Project, 1999). An organization which lacks information will be unable to attain its potential performance even if it may have capable and motivated staff (CGAP, 1998).

Internal control systems is a topical issue following global fraudulent financial reporting and accounting scandals worldwide. As such, a more proactive preventive approach to the problem requires a critical evaluation of existing internal control structures in organizations to determine their capacity to ensure that the organization's activities are carried out in accordance with established goals, policies and procedures. Amudo and Inanga (2009) carried out an evaluation of Internal Control Systems on the

Regional Member Countries (RMCs) of the African Development Bank Group (AfDB) focusing on Uganda in East Africa. The study established that some control components of effective internal control systems are lacking in these projects which renders the current control structures ineffective. The study recommended an improvement of the existing internal control systems in the projects.

In a study on internal control function of the Kenya Polytechnic University College, Wainaina (2011) shows that as a substitute of its presence on the scene of operations, management must rely on internal control techniques to implement its decisions and to regulate the activities for which she would ultimately be responsible for. It is in this light that use of effective Internal Control Systems (ICS's) is deemed crucial in the management of business resources. As a result, the management of any organization designs internal control procedures to allocate, control and ensure efficient utilization of resources, in order to achieve the overall corporate goals. It was found that Internal Control Systems (ICS's) play an important role in preventing and detecting fraud and protecting the organization's resources, both physical and intangible. This is achieved through proper authorization controls and documentation.

2.7. Conclusion

From the literature review, several researchers seem to concur that there is a relationship between Internal control Systems and performance of NGOs. These conclusions will however be confirmed or dispelled after empirical evidence has been obtained from the research.

2.8. Gap in Literature

According to the studies of internal control measures and operational efficiency, (Long, 2007) it is clear that most NGO's have integrated internal control measures in every unit of the organization that enhance efficiency is achieved at every unit. Such units include administration where it involves approval by the supervisor of employee's attendance entries. The purpose of this control mechanism is to ensure adherence to time and attendance procedures However, this study, will examine whether effective internal control measures has implications beyond that of operational efficiency. In addition, inadequate segregation of duties and inadequate documentation further allow the misappropriation of inputs by employees. Furthermore, ineffective internal control measures may result in erroneous internal management reports, and managers relying

on such reports are more likely to make suboptimal operational decisions Finally, ineffective internal control measures relating to information technology not only further results in erroneous internal reports, but also reduce organizations' effectiveness in monitoring the usage of resources and leads to inefficient use and wastage of resources. This then is the knowledge gap that the study seeks to reveal by carrying out an assessment of the internal control measures employed by NGOs in enhancing operational efficiency.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presented a detailed description of the research methods that are used to collect relevant data to the study. It covers the research design, study population, sample selection method and sample size, data collection methods, data processing, presentation, their validity and reliability and data analysis. It includes the anticipated limitations and anticipated solutions.

3.1. Research Design

The research design that was employed in this study is descriptive design. The qualitative and quantitative approaches were employed based on the PIE staff drawn from different departments. The quantitative technique was used to collect and analyze data on the role of internal controls of PIE. The qualitative approach was used to examine the part played by internal control system in organization. This design was used because it brought out clearly the effects of internal control system of organization. The study was specifically non experimental because the researcher intended to describe and make assessment of what the real results were for purposes of making recommendation based on the facts to improve the situation. The descriptive analysis approach was chosen for the present study, because it seeks to gain insight into a phenomenon as a means of providing basic information in an area of study.

3.2. Sample size and sampling techniques

3.2.1. Target Population

The study basically targeted on top and middle level managers and all department employees of PIE were incorporated. According to Human Resource Department record, total numbers of employees were 150 in Ethiopia. Hence, the target population for this assessment was 53 top and middle managers, and 97 employees of Pathfinder International Ethiopia (PIE).

Table 1.3.1 Showing Target population composition of employees

Composition	Male	Female	Population
Top and middle level Managers (key-informant)	41	12	53
Employees	74	23	97
Total	115	35	150

Source: Primary data.

3.2.2. Sample size

Mugenda & Mugenda (2003) observed that the purpose of sampling is to secure a representative group which will enable the researcher to gain information about an entire population when faced with limitations of time, and energy. The sample size refers to the number of observations or replicates to include in a statistical sample. The researcher used purposive techniques for management staff in selecting interviews within option of replacing those who might not wish to respond to the researcher's request because they are the custodians of internal control system of PIE in the area from various departments. The study objective was interviewed 21 respondents only those who have relevant information. And also the study was used random sample technique for employees and was used 49 respondents. The appropriate sample will be calculated using the following formula.

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

Where: n = is sample size
N = is total population
e) = allowance of random error

$$= \frac{97}{1 + 97(0.1)^2}$$

$$= \underline{\underline{49}}$$

By considering the respondents homogeneity of knowledge and experience in the study area, the researcher applied 0.1 for allowance of random error when calculating sample size from the random sampling technique formula.

Table 2.3.2 Sample Size respondent employees

Sample description	Target Population	Sample size	Sample size Percentage (%)
Employees (use Random sample technique)	97	49	50.5

Source: Primary data

Table 3.3.3 Showing Sample size of Managers (Key informant)

Department	Target Population	Sample size
Directors	2	1
Finance & Administrations	9	4
Human Resource	2	1
Team Leaders	4	3
Field Officers	18	5
Senior Advisors	10	3
Regional project managers	4	2
Internal Auditor	1	1
Grant Manager	2	1
Communication	1	
Total	53	21

Source: Primary data

Therefore, the total sample sizes of this paper was 70 (21 key informants were selected using purposive sampling techniques and 49 employees selected using sample random technique).

3.3. Data Collection

The study was adopted both self administer questionnaires and interview schedules to collect primary data from all types of employees and the managers of PIE.

Secondary data were collected from library research, financial and management books, manuals, proclamation, research reports and the internet.

3.3.1. Data Collection Instrument and Procedures

This study used questionnaires after pilot testing them for correctness and accuracy on 15 non-participatory respondent samples.

3.3.1.1. Measurement of Variables

Four key variables were measured. These included organization control, personnel control, operational control and periodic review control. 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. The measurement of each variable is explained below.

Organizational control

The measure was to determine whether organizational control affected PIE performance. This variable was measured by asking questions aimed at establishing human resource control, financial control, and computer & information control tools.

Personnel control

This variable was measured by asking questions that aimed at personnel recruited and selected through the right procedures, establishing the level of supervision, and having necessary qualification of the staff and management of the organization.

Operational Control

This variable was measured by asking questions aimed at establishing planning, budgeting, policies and procedure and record keeping tools.

Periodic Review

The variable was measured by asking questions that aimed at establishing which involves counting and documenting records inventories and stock at specified times, administrative and program cost allocation method that enhance the performance of organization.

3.3.1.2. Questionnaire

The questionnaires were the main primary source of data collection. The identified sample was served with the questionnaire directly by the researcher. To obtain quantitative data, one set of questionnaires was used for the respondents. The questionnaires were administered to the employees by researcher. The questions involved the feelings of respondent regarding the assessment of internal control system in non-governmental organization. The questionnaire also aimed at getting responses from the respondents about their views on internal control system and how it processed to compile with rules and regulation of organization as well as regulatory body requirements.

The open ended questionnaire enables the respondent to clarify issues further and provide in-depth findings for the study while close ended questions enabled the researcher to obtain background information (Kothari 2004).The advantage of using questionnaires is the most feasible and allows the respondents moments of reflection on the subject. This is cost effective, free from bias and gives the respondent adequate time to respond to the question. The researcher was allowed the respondents sometime to fill in the questionnaire before returning. Likert scale questions were used since they were appropriate; abide by principles of validity and reliability. The source of questionnaire was literature review and was designed with reference to variables (i.e. organizational controls, personnel controls, operational controls and periodic review) of the study consisting of both structured and open ended questions. The researcher used employees' questionnaires to draw information on the assessment of internal control system. Santyanarayana (1993) observes that questionnaire is used to obtain objective data hence was found to be relevant for this study.

3.3.1.3. Interviews

An interview schedule was conducted to collect information from top- level, middle level manager of PIE. Santyanarayana (1993) asserts that interviews help interviewers to cover all dimensions of the investigation. The researcher did 21 in-depth interviews to collect data from managers of PIE to gain a deeper understanding on the effects of internal control system in enhancing organizational activities. An interview was a conversation between the interviewer and the interviewee where questions were asked by the interviewer to obtain information from the interviewee. This was involved face to face interviews between the researcher and the respondents.

An interview eliminates many sources of bias that could be associated with the other methods of data collection like in questionnaires, e.g. there was a chance of clarifications in case of any misunderstanding between the researcher and the respondent through probing. The interview schedule gave the respondents freedom of answering questions.

3.4. Data Source and Collection Method

The data source was primary data that was collected directly from selected respondents using structured questionnaires and interview guide.

Data was collected using both primary and secondary data collection techniques. Primary data means to first hand data. It was gathered basically through structured questionnaires like organizational control, personnel control, operational control and periodic review. Though these were the main pillar, as the researcher attach appendix no. One: each of them have own details. And also interviews with “Key informant members”. Primary data was important in answering questions about internal control system of organizations. Secondary data means to second-hand data. This was gathered through review of recorded documents, earlier studies like Audited financial statements, Auditors management letters and other organization’s publications, manuals and policies, books and journal, proclamation, various manuals from libraries and internet. The Researcher also used a combination of structured questionnaires and interviews. Questionnaires were chosen simply because of the time limitation and partly because the Research was dealing with an elite community (respondents).

Interviews were the other data collection technique used by the Researcher. They were used as a way of supplementing the questionnaires already filled, but at the same time they would enable the Researcher investigate further into the responses given in the questionnaires especially given the importance of the research and the specialized nature of the topic under study. Qualitative data was basically collected from top and middle manager of the organization.

3.5. Pre-testing for Validity and Reliability of the Research instruments

Mugenda and Mugenda (2003) defined validity as the degree of accuracy and mindfulness of outcome, which are based on the research results. On the other hand, Saunders, Lewis and Thornhill, (2009) defined reliability as a measure of the degree to

which a research instrument yields consistent results after repeated trials. To fit these definitions, the researcher developed a structured questionnaire, interview schedule then forward to supervisor who is an expert in the area covered by research. Before it was administered, the questionnaire was cross-examined for content and comprehensiveness by experienced supervisors.

Using a sample of 15% of the study population, a pre-test was conducted before the main study and corrections was made (Baker, 1999). This helped in refining the questionnaire, enhance its readability, and minimize the chances of misinterpretation of the questions. Reliability of the questionnaire was ensured by pre-testing the questionnaire with a selected sample of 15% of the target population (Mugenda and Mugenda, 2003). This however excluded from the main study to ensure possibility of bias in the study is avoided. On the other hand, the validity of the questionnaire was ensured by having all the objective questions included in it so that the analysis of the data actually represents the phenomenon under study (Robinson, 2002)

3.6. Data Analysis

According to Mugenda (2003), data analyses were used to process of bringing order, structure and meaning to the mass of information collected. The collected data from questionnaires was adopted and coded for completeness and accuracy and the response on each item put into specific themes in scientific way for easy analysis. In order to drawn meaningful conclusion, data was summarised and presented using appropriate table format with frequencies, percentages for classifications of responses for easier understand and also for visual impression. The findings of Likert scale measures were evaluated according to Best; the score from 1-1.80 is lowest, from 1.81-2.61 is lower, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high, and 4.22-5 is considered very well. And, a value of SD of 1 and less shows less variability in a five point Likert scale. (Best 1977).

Qualitative data was analysed using both descriptive statistical method such as central tendency and narrative methods. Narrative analyses were used to explain the qualitative results of the study. Moreover, percentages were used to assist in comparison and give a clear indication of response frequencies (Mugenda & Mugenda, 2003).

3.7. Ethical Consideration

Researchers whose subjects are people or animals must consider the conduct of their research, and give attention to the ethical issues associated with carrying out their research. This study dealt with people as respondents hence the researcher assured the respondents of confidentiality. The researcher considered the fact that participation in research is voluntary. This is why the researcher took time to explain to the respondents the importance of the study and therefore request the respondents to participate in the study by giving information relevant for the study. To establish good working relationship with the participants, the researcher endeavoured to develop a rapport with them (Kombo and Tromp, 2006).

CHAPTER FOUR

RESULTS AND DESCUTIONS

This chapter presents the results and discussions of quantitative data analysis of the study. It is divided into two major sections. The first section describes the demographic characteristics of the empirical survey, in terms of their age, gender, level of education, marital status and their work experience with PIE. The second section of the chapter provides results and discussions which were based on the four major research questions of the study. For the purposes of this preliminary analysis, descriptive statistics was frequently used to describe the general characteristics of the data collection.

4.1. Response Return Rate

Out of 70 questionnaires dispatched, 68 were dully filled and returned. The response rate is shown in the table 4.4.1

Table 4.4.1 Response return rate of questionnaires

Questionnaires category	No. Of questionnaires
Distributed questionnaires	70
Returned questionnaires	68
Response Rate (%)	97

Source: Primary data

The high questionnaire response rate (97%) shown in Table 4.4.1 resulted from the method of administration of the instrument, which was in this case researcher administered. This was acceptable according to Mugenda and Mugenda (2003). This method also ensured that the respondents' queries concerning clarity were addressed at the point of data collection; however, care was exercised so as not to introduce bias in

the process. 2/70 questionnaires were found to be unusable for the study; hence, their results were not included in the findings.

4.2. Socio-demographic and economic characteristics of respondents

The background information of respondents was deemed necessary because the ability of the respondents to give satisfactory information on the study variables greatly depends on their background. The background information of respondents solicited data on the samples and this has been presented below categorized into; gender, educational levels, position held, age, length of service in the organization.

4.2.1 Age of the respondent

The study did find it necessary to understand the age distribution of the employees. This was important as it gave the data for analysis of age schemes and to find out if age influenced employees opinion on influence of internal control system of organization. The respondents were asked to state their age and the results were presented in the bellow table 5.4.2.

Table 5.4.2 Age composition of the respondents

Age	Frequency	Percentage
21-30 Years	10	14.7
31-40 Years	32	47.1
41-50 Years	23	33.8
Above 51 years	3	4.4
Total	68	100

Source: Primary data

From Table 5:4.2 the study revealed that the largest numbers of respondents were in the age group of 31- 40years 47.1%, these were followed by those in the range of 41 – 50 years 33.8% who were far followed by those in the range of 21-30 years 14.7%, the smallest number was those who were in the range of above 50 years. It can therefore be concluded that the majority of the respondents were in the most productive age brackets of their life and are reasonably experienced

4.2.2. Gender of the respondents

The study captured gender of the respondents in order to establish the most dominant working group of the employees with PIE Organization. The respondents were asked to state their sex and the distributions shown in table 6:4.3.

Table 6.4.3 Gender characteristics of the respondents

Gender	Frequency	Percentage
Female	24	35.29
Male	44	64.71
Total	68	100

Source: Primary data

According to the finding from table 6:4.3 above, the majority of the respondents were male with the percentage of 64.71%, while the female were 35.29%. This could indicate that there are still low levels of employment of females in PIE. These findings represent the views of the two sex groups about assessment of internal control system in the organization. This was necessary for the study to get a balanced picture of the respondents' views. This therefore implies that the most dominant working group of employees with PIE Organization was males.

4.2.3. Level of Education

The study sought to establish the background information of the respondents in terms of level of education. This was necessary to establish gender by educational qualifications of PIE employees. Table 7.4.4 shows the study findings.

Table 7.4.4 Education level of the respondents

Qualification	Frequency	Percentage
PHD	3	4.31
Masters	30	43.12
Degree	16	22.22
Diploma & Certificate	19	27.63
Total	68	100

Source: Primary data

According to the findings in Table 7.4.4, majority of the respondents was held Master degree, Diploma & Certificate, BA degree, and PHD 43.12%, 27.63%, 22.22% and 4.31% respectively. This implies that the respondents are adequately qualified and competent academically. Also they were equipped with the information concerning internal control systems practice of PIE and they were able to interpreted and responded accurately on the questionnaire given to them by the researcher.

4.2.4 Work experience of the respondents

The researcher asked the respondents background information in terms of work experience in the period they had spent on their jobs to find out their experience about the internal control on performance of PIE and findings resulted to a high level of experience on the jobs by the respondents as captured in table 8.4.5 below:

Table 8.4.5 Length of service in PIE

Length of service in years	Frequency	Percentage
1-5 years	31	45.59
6-10 years	20	29.41
11-15 years	13	19.12
Above 16 years	4	5.88
Total	68	100

Source: Primary data

The results in Table 8.4.5 reveal that majority of the respondents (45.59%) have working experience in the PIEs spanning 1 - 5 years followed by 6 – 10 year (29.41%) then 11-15 (19.12%) respectively. However, the findings also show that there were above 16 years experience respondent in the organization. This could be that the organization has a good employee retention system and also implies that the organization is managed by experienced staff.

4.2.5. Marital Status of the Rrespondents

The study sought to find out the respondents' background information in terms of their gender by marital status. The respondents were asked to indicate whether they were single, married, divorced or widowed and the findings are shown in Table 9.4.6.

Table 9.4.6 Marital status of the Respondents

Marital status	Frequency	Percentage
Single	12	17.65
Married	56	82.35
Total	68	100

Source: Primary data

The above table 9.4.6, revealed that out of the 68 respondents 82.35% was married and 17.65% were single while divorced and widowed are null. Most of the respondents were married thus the organizational performance is highly influenced by married staff compared to single. This implied that most of them are stable at work.

4.3. *Internal controls of Pathfinder International Ethiopia*

The researcher sought to assess the internal control system used in PIE.

4.3.1. **Organizational Controls practice in PIE**

This section contains the findings in respect to objective 1 which sought to examine the effect of organizational control systems on performance of organization at PIE.

4.3.1.1. Organizational controls Practice.

In regard to this objective; the study sought to establish the organizational controls commonly used in the organization to enhance organizational efficiency. To answer objective one, the respondents were asked to give their opinions based on a set of statements listed on the questionnaires. Table 10.4.7 shows the study findings.

Table 10.4.7 Organizational controls commonly used in the organization

Statements	Does PIE Use	Frequency	Percentage (%)
HR Control	Yes	60	88.24
	N0	8	11.76
Financial Control	Yes	52	76.47
	N0	16	23.53
Computer & information control	Yes	43	63.24
	N0	25	36.76

Source: primary data

Results in table 10.4.7 above show 60 (88.24%) of the respondents noted that the organization makes use of the human resource controls, 52 (76.47%) noted that the organization often uses financial controls, 43 (63.24%) agreed that the organization often uses computer and information controls. These methods of control are deemed to reduce lead time for processing information and reduce cases of fraud in the organization. However some respondents felt that the bureaucracies brought forth by these control systems creates unnecessary delays particularly in financial matters which might affects performance.

4.3.1.2. Organizational control system

The respondents were asked to indicate the level of extent to which the following organizational control system aspects affect the effectiveness of the performance of organization. The statements have been ranked in terms of their means and standard deviation so as to deduce meaning out of the results and the result was as given in table 11.4.8.

Table 11.4.8 Descriptive Statistics of Organization Control systems in PIE

Objective 1: Organization control	N0	mean	SD
Good control of organization leads to a well-defined chain of command where every employee is able to understand the duties assigned	68	4.60	0.7
Organizational controls allow for proper coordination among departments	68	4.31	0.7
The organization is able to provide a well-defined job description to the employees	68	4.13	0.8
All employees are allowed to make decisions on their level of duty and are responsible for the outcome of their decisions	68	3.93	0.9
Overall mean	68	4.24	.78

Source: primary data

In the table 11:4.8, the researcher set out to assess the functionality of the internal control systems in PIE using organizational control as internal control component. The results were analysed using mean and standard deviations so as to drawing conclusions from the study. The results are discussed under the various headings of the statements assessed. The following were discussed;

The study as reflected in the above table found that the respondents seen to agree that the organization has good control of organization system in place with a mean value of 4.6 which appears to be close to the maximum rank of 5. This shows that they generally agree about the existence of good control of organization system. However, the corresponding standard deviation also revealed a value of 0.7 which is less dispersed result. This also shows that there is a clear variation in the responses provided by the respondents about existence of good control of organization system. This implies that, having a good control of organizational system leads to a well-defined chain of command where every employee is able to understand the duties assigned and also allow for proper coordination among departments.

Moreover, most of the respondents' mean of 3.93 believed that all employees are allowed to make decisions on their level of duty and are responsible for the

outcome of their decisions. This asserted by standard deviation value of 0.9. This implies that, this is healthy since effective organizational control systems leads to a well-defined chain of command where every employee is able to understand the duties and responsibility assigned. With this fact the employee can perform the task well. However, the organization had a good control of organizational system it is important to note that some respondents show their opinions which also relate while organizational control systems enhance its operation in some instance the bureaucracy it creates causes unnecessary delays particularly in financial matters which in turn affects organizational objectives. For instance when the bid committees are incomplete for different reason, purchasing is delayed. In the other hands, when program staffs are scheduled field trip, unless and otherwise the authorised personnel are not around, the traveller will post pond his trip.

This in agreement with Ashbaugh (2013) who established that effective internal control enables better monitoring of managers and mitigates agency problems. As such, one can expect managers' misappropriation of firm assets to be more constrained among firms with effective internal controls. He further argued that the profitability of insider trading, a proxy for managerial rent extraction, is larger for firms with material weaknesses in internal control system. Given that operational efficiency is based on the relation between inputs and outputs, ineffective internal control measures can increase the likelihood that inputs available for production are diverted for managers' personal consumption, reducing the outputs generated for a given initial amount of inputs.

Furthermore, material weaknesses in the form of inadequate physical security allow the misappropriation of inputs by employees, and inadequate segregation of duties or inadequate documentation, policies or other means of justifying account balances allow for the alteration of recorded amounts by employees, all of which have a detrimental effect on the input-output relationship.

4.3.2. Personnel Controls Practice in PIE

This section contains the findings in respect to objective two which sought to assess the personnel control systems in the activities of PIE. Personnel control systems constitutes a central pillar of any organization systems. The respondents were asked to indicate the extent to which key components of personnel control system practice to enhance the organizational activities and response was as provided in Table 12.4.9

Table 12.4.9 Descriptive Statistics of Personnel Control system of PIE

Objective 2: Personnel control	No	mean	SD
Employees are all recruited and selected through the right procedures	68	3.79	1.0
There is the ability of a well-organized orientation, training and development	68	3.79	1.0
There is high supervision of employees to ensure work is completed on time	68	3.65	1.0
Work is assigned to personnel having the degree of technical training and proficiency required in the circumstances	68	3.94	0.9
Personnel selected for advancement have the qualifications necessary for fulfilment of the responsibilities they will be called on to assume	68	3.84	1.1
Overall mean	68	3.8	1.0

Source: primary data

In the Table 12.4.9 the researcher set out to assess the personnel control system function (another component of the internal control system) as a way of assessing the functionality of the internal control system. The assessment statements were equally ranked in terms of their mean and standard deviation as a way of interpreting the results. The details of the survey in this regards are discussed as follows;

The results of the study as reflected in table 12:4.9 suggest that respondents agree the Employees are all recruited and selected through the right procedures while the ability of a well-organized orientation, training and development is in place in PIE. This is shown by a mean of 3.79 respectively. However a significant standard deviation of 1.0 is a clearly manifestation of varied responses from respondents as far as employees are recruited and selected through the right procedures.

There is high supervision of employees to ensure work is completed on time. This is also ascertained with mean value of .3.65; Moreover, Personnel selected for advancement have the qualifications necessary for fulfilment of the responsibilities they will be called on to assume. This is shown by mean of 3.84. And also the study revealed that, Work is assigned to personnel having the degree of technical training and proficiency required in the circumstances. This is evidenced with mean value of 3.94.

The overall assessment of personnel control system shows mean value of 3.8 and corresponding standard deviation also revealed less dispersed value of 1.0. This indicates that, organization is an implemented sound personnel policy for hiring, orienting, training evaluating. This is evidenced by personnel document that at the time of hiring most qualified personnel with prior working experience and evidence of integrity and ethical behaviour, and background checks. This implies that the employees are being monitored according to the laid- down control procedures that are designed to and that delegated responsibilities have been properly discharged. This finding is in agreement with a study by Cheng. M (2013) said that as the NGO sector has expanded in terms of funding and functions, there has been a growing concern with the issues of professionalization (Organizational development and capacity building) and accountability (financial probity and transparency). It is thus the reason of the close monitoring of the employees. LaFond (2009) established that for transparency and accountability, the governing body, together with management, should periodically report to stakeholders the organization's risk profile as well as the structure and factual performance of the organization's internal controls and operations. He further said that organizations are of vital interest to the sociologist and the psychologist because one finds within them an important juncture between the individual and the collectively.

Out of this juncture comes much in our pattern of living that has been the subject of both eulogy and derogation. That man derives a great deal from organizational membership leaves little to be argued; that he often pays heavily for the benefits of organizational membership seems an argument equally compelling. At the heart of this exchange lies the process of control (Belzer, 2002).

While Personnel selected for advancement have the qualifications necessary for fulfilment of the responsibilities they will be called on to assume 3.84%. Though, the scores are above the midpoint mark of 3, which represent the moderate extent as per the likert scale, used in this study. This implied that all the five aspects were above moderate extent and thus affected the performance of organization process in PIE.

4.3.3. Operating Controls Systems Practice in PIE

The third objective sought to determine the effects of operating controls employed by PIE and how it has enhanced organizational efficiency under the following themes.

4.3.3.1. Operating control system

This section contains the findings in respect to objective 3 which sought to assess the operating control systems on performance of PIE. Operating control systems constitutes a major pillar of any organization systems.

Table 13.4.10 Operating controls commonly used in PIE

Statements	Sowa PIE Use	Frequency	Percentage (%)
Planning	Yes	62	91.18
	N0	6	8.82
Budgeting	Yes	65	95.59
	N0	3	4.41
Policies and Procedure	Yes	52	76.47
	N0	16	23.53
Record Keeping of Important documents	Yes	48	70.59
	N0	20	29.41

Source: primary data

According to analysis and interpretation of questionnaire responses from the respondents in the area suggested that most of the findings indicated that, 62 (91.18%) of the total number of respondents identified planning as the most common method of operating control used, 65 (95.59%) of the respondents were of the opinion that budgeting is the commonly used method of operating controls whereas policies and procedures and record keeping of important documents were identified by 52(76.47%) and 48(70.59%) respectively as other common methods used in the organization for operating control. Further the study finds that the organization uses most of these control methods as it has multi- donors that need to report to and manage the large funds received. Table 13.4.10 shows the study findings

4.3.3.2. Operating control system

The respondents were asked to indicate their level of agreement with the following statements that relate to the assessment of operating control system of organization. To this they responded as provided in Table 14.4.11.

Table 14.4.11 Descriptive Statistics of Operating Control System

Objective 3: Operating Control	No	Mean	SD
There are clearly laid down policies and procedures with regard to operations to be followed within the organization	68	4.46	0.7
All records of the organization are effectively documented for efficiency of controls	68	4.12	0.8
Operational control for instance good planning system ensure the day-to-day actions are consistent with established plans and objectives	68	4.51	0.5
Budgeting is done to ensure that all expenses are allocated for	68	4.4	0.6
Overall mean	68	4.37	0,65

Source: primary data

In the Table 14.4.11, the researcher set out to assess operation control system function (another component of the internal control system) as way of assessing the functionality of the internal control system. The assessment statements were equally ranked in terms of their mean and standard deviation as a way of interpreting the results. The details of the study in this regards are discussed as follows:

According to the findings, it is clearly evident that respondent was almost in total agreement as to the existence of the clearly laid down policies and procedures with regard to operation control to be followed within the organization as reflected by evidenced by the mean score of 4.46% which is tending towards maximum value of 5 (i.e. strongly agree). However, the standard deviation value of 0.7 suggests less variability in responses by the various respondents. Most of the respondents upheld the view that all records of the organization are effectively documented for efficiency of controls and this assertion scored a mean of 4.12. With a mean score of 4.4 more

than suffices that according to most budgeting is done to ensure that all expenses are allocated for. While the view that Operational control for instance good planning system ensure the day-to-day actions are consistent with established plans and objectives score a mean of 4.51. It can be argued that these respondents had realized the value attached to good planning system and believed that PIE was on the right path. This implied that most respondents appreciated the importance of operational control system and there is highly application of internal controls. Virtually all the respondents underscore the importance of operational control system in helping an organization achieve its objectives.

This is in consistence with the findings from LaFond (2009) who found that operational control systems are designed to ensure that day-to-day actions are consistent with established plans and objectives. It focuses on events in a recent period. He stated further that operational control systems are derived from the requirements of the management control system. Also, past studies by Doyle (2007) has shown that firms with effective internal control have better operational effectiveness. To the extent that reliable internal control measures reduces information asymmetry between insiders and outsiders. Effective internal control enables better monitoring of managers and mitigates agency problems. As such, one can expect managers' misappropriation of firm assets to be more constrained among firms with effective internal controls.

Corrective action is taken where performance does not meet standards. This action may involve training, motivation, leadership, discipline, or termination. The obligation to safeguard the assets of an organization requires that transactions are entered into only once they have been authorization by the appropriate individual, and that each transaction conforms to the terms of its authority

From the findings, it can be deduced that majority of the respondents as indicated were of the opinion that operational control such as good planning system ensure that day-to-day actions are consistent with established plans and objectives. It is also noted that the organization uses most of the listed operating control methods as it is a large organization with so many donors to report to and also the huge amounts of funds involved in its program.

4.3.4. Periodic Reviews in PIE

This section contains the findings in respect to objective four which sought to assess the influence of periodic reviews in PIE.

4.3.4.1. Periodic reviews control system

The respondents were asked to indicate their level of agreement with the following statements that relate to the assessment of period control system practice in PIE. To this they responded as provided in Table 15.4.12

Table 15.4.12 Descriptive Statistics of Periodic Review Control System

Objective 4: Periodic Review Control	No.	Mean	SD
The organization carries out a periodic review which involves counting and documenting records at specified times to know the current level of efficiency in operation	68	3.79	0.8
Periodic review reduces the time the organization spends analyzing counts such as inventory. This allows more time for other aspects of running the business	68	4.00	0.8
Period reviews in the organization facilitates accurate accounting, since the system can generate real time costs of operation	68	4.16	0.8
The accounting system keep records stock and inventory item account it for balance sheet items according to GAAP & regulatory body standards (if you don't agree give your comments in the bellow lines).	68	4.54	0.6
The organization has program and administration cost allocation methods established for common expense allocation among different projects that complies with regulatory body requirements. (If you don't agree give your comments in the below lines).	68	3.87	1.1
Overall mean	68	4.08	.61

Source: primary data

Assessment of periodic review is one of the main pillars of internal control systems. The periodic review embraces many activities as shown in the above table. Questions on these areas were put before the respondents and the results indicate regarding availability of sufficient written policies and guidelines for internal control systems and whether the internal control system is in line with the donors, regulatory body (CSAs).

From the information revealed by table 15:4:12, respondents believe that the organization do have program and administration cost allocation methods, established for common expense allocation among different projects that complies with regulatory body requirements. (If you don't agree give your comments in the below lines). This is revealed by a mean value of 3.87. And also the researcher has got a chance to observe that the organization practicing all staff prepare weekly time sheets showing hours and percentage of effort devoted to programs and administration. These time sheets are approved by the immediate supervisor of employee. All costs (program and administrative) are captured based on this evidence. However, a significant standard deviation value of 1.1 under the same assessment revealed varied responses from the respondents interviewed. The finding could be staffs not understand the aim of preparation of weekly time sheet. From the information collected from respondents according to table 18:4:5, it's clear that all stocks and inventory items are recognized as expense at the time of acquisition rather than balance sheet items since the organization uses cash base accounting system. This is revealed by a mean value of 4.54. However a standard deviation of 0.6 revealed varied responses from the respondents interviewed over the same assessment.

The findings show most of the respondents were in agreement with the fact the components of periodic review system positively affected the attainment of organization objectives. It means thus, that with proper application of these controls enhance overall organization process. The organization carries out a periodic review which involves counting and documenting records at specified times to know the current level of operation. This is evidenced with the mean value of 3.8; the respondents show their agreement for Periodic review reduces the time the organization spends analyzing counts such as inventory. This allows more time for other aspects of running the business by mean value of 4.0. This is supported by standard deviation of 0.8.

Respondents were of the opinion that periodic reviews in the organization facilitated accurate accounting since the system can generate real-time costs of operation, the findings concurs by earlier findings by Hayes (2005) who asserted that periodic control activities is one of the components of internal control whose likelihood of achievement is affected by limitations inherent in all systems of internal control. Control activities are the basis of assurance and are only possible with the establishment of effective internal control system.

Bushman (2007) and La fond (2009) forward that weak internal controls allow or introduce both intentional and unintentional misstatements into the financial reporting process that lead to lower quality accruals. Due to diffuse shareholders, internal controls are no less important for NGOs than for businesses. Kent (2006) provided evidence that the existence of an internal audit function is related to the level of commitment to risk management. Commitment of risk should be as often as possible to ensure that errors are detected at the earliest possible period. Control activities occur throughout the organization, at all levels and in all functions be it in small or large companies. Implementing preventive controls which are proactive in nature and seek to prevent undesirable events from occurring as well as deter losses and includes; separation of duties, proper authorization, adequate documentation, and physical control over assets

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMENDATIIONS

This chapter presents the summary of the findings, conclusions drawn from them and the recommendations. The implications of the research are discussed and suggestions made on areas of further study. Some useful recommendations for all the stakeholders are proposed by this study at the end of the chapter to enlighten and enable them to craft viable solutions with regard to the problem statement based on the research findings. The overall objective of this study was to examine the practice of internal controls systems for non-governmental organization in the case study Pathfinder international PIE. The specific objectives of the study were to: identify how practiced organization control, personnel controls, operating control and periodic review in PIE.

5.1. Summary of findings

This section presents the summarized findings based on the study objectives as established at the beginning of the study.

5.1.1. Organizational Control

The study revealed that organizational controls are in place. In organizational control showed that there are a number of procedures that are commonly used by PIE. These are: Human Resource Controls, Computers and Information Controls, Financial controls. This proves that there are clear policies that are followed to enhance operation of the organization. It can then be concluded that organizational control procedures were practiced as per laid dawn procedures.

The study also found out that sometimes there are challenges in the implementation of organizational controls particularly in financial matters that creates causes unnecessary delays of some organizational activities.

5.1.2. Personnel Control

The study revealed that there are indicators that the organization commonly uses various control to practice personnel control; these are: use recruitment selection of suitable personnel, well-organized orientation training and development, solicit qualified personnel to fulfil responsibilities, high supervision, having degree of technical training and proficiency. This proves that there are clear policies that are practicing as laid down policies to enhance organization objectives.

5.1.3. Operating control

The findings indicated that operational control of PIE commonly uses the following techniques: planning, budgeting, policy and procedures. And also this implied that there were a proper application of operating control system and practiced as laid down procedures.

5.1.4. Periodic review

The study indicated that the Periodic review of PIE commonly uses the following techniques. These are: counting and documenting, facilitate accurate accounting and review of common and program cost allocation,

The organization use cash base accounting system. Stock and inventory items are recorded as expenses at the time of acquisitions, where as CSAs manual state; inventory items recognize it as balance sheet items where Staff prepares weekly time sheet showing hours and percentage of effort devoted to programs and administration. These time sheets are approved by the immediate supervisor of employee. However, staffs are not sure to charge which program among different fund source is charged. All costs (program and administrative) are captured based on this evidence.

5.2. Conclusion

Based on the study findings, it is concluded that the organization has strong organizational control and this leads to a well-defined chain of command where every employee is able to understand the duties and responsibility assigned. With this fact the employee can perform the task well. However, sometimes there are challenges in the implementation of organizational controls particularly in financial matters that creates causes unnecessary delays of some organizational activities.

In regard to personnel control systems work is assigned to personnel who have the degree of technical training and proficiency required in the circumstances, this means that the employees are being monitored according to the laid-down control procedures that are designed to and that delegated responsibilities have been properly discharged. Personnel control systems ensures good supervision of employees that can reduce the likelihood of errors. This is a management function in the organization, as a means to check compliance with laid down procedures. Procedures explain the how, why, what, where and when for any set of actions. This control system takes the form of structured recruitment procedure. Personnel controls were designed to ensure that the organization objectives are being conducted as intended.

Operational control system in PIE has good planning system that ensures the day-to-day actions are consistent and agreed with established plans and objectives. It is also noted that the organization uses most of the listed operating control methods as it is a large organization with so many donors to report to and also the huge amounts of funds involved in its program. Employees' appreciated the impotence of operational control system as a factor enhancing the operation of organization and also the researcher appreciated the application of the systems.

The final conclusion of this study is periodic review control system in the organization that provides relevant and credible information that can use to target assistance and inform future assessments. Periodic review activities were conceived to have significant effects on the objectives of organization. But there are some areas to be harmonized by PIE and CSA's:

- ✓ Since the case study organization uses cash base accounting system, stocks and inventory items are recognized as expense at the time of acquisition which is acceptable by GAAP, where as CSA's guideline require to record as balance sheet items. Hence, there is gap on fulfilment of CSA's requirement by the PIE.
- ✓ All employees' did submit weekly time sheets showing hours and percentage of effort devoted to different programs. PIE uses this time sheet to allocate program and common cost as tools. But staffs are uncertain which programs are charged for their time devoted. As a result, this could affect in the allocation of costs among various project as well as program and common costs.

5.2. Recommendation

To keep in the existence of strong internal control system of Pathfinder:

- Regarding to the organizational control system: PIE determined the various roles and responsibilities with respect to internal controls, including the governing body; management at all levels, employees, as well as coordinate the collaboration among departments. However there is need for improvement in the organizational control and management should ensure that no delay occurs while the organizational control systems implemented specifically in the financial matters.
- Concerning to stocks and inventory items: The management of PIE should harmonize its procedure with CSA's procedure to come up with optimal solution and to create good business relationship. As a means to discharge responsibility and accountability and to show service giving efforts, PIE shall approach with concrete evidence and make issues clear and understandable. This will mitigate the problem of organization.
- The study also recommends that the organization set mechanism for improving the preparation of accurate staff weekly time sheet that shows reliable effort devoted for proper projects. This could be done through short time on job training.

5.3 Limitation of the study

The limitations that have been encountered in this assessment were the following: Most of the respondents were too busy with their daily schedule to spare time for the questionnaire. In such circumstances the researcher gives ample time to those respondents to fill the questioners at their own time. This was made possible by serving them the questionnaires in time. Despite this limitation sufficient and reliable data was collected to render the study meaningful in order to arrive at a useful conclusion.

5.4. Suggestion for further studies

The researcher suggests the following areas for further studies:

1. Challenges faced by non-governmental organization in implementing internal control systems.
2. The effect of donor requirements on financial accountability in NGOs.
3. The influence of ICT on the financial performance of NGOs.

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APPENDICES

Appendix I: Questionnaire For Employees

Dear respondent, I am currently carrying out a study for the purpose of writing a final year research paper as requirement for the award of Master of Business Administration of St. Mary University. The research is: “assessment of internal control systems of NGO’s: A case study of Pathfinder International Ethiopia.” You have been selected to participate in this study due to the importance of your information in the study. The information you provide will only be used for the purpose of this study and will be treated with utmost confidentiality. Please feel free and answer all the questions truthfully. Hence your name is not required. Many thanks for your profound contribution towards this study

Section One: Respondent’s Background Information

Please tick your appropriate choice.

1. Gender: Male Female
2. Age of the respondent (Year):
21-30 31-40 41-50 Above 51
3. Marital Status:
Single Married Divorced Widowed
4. Educational background
PHD Masters Degree Bachelor Diploma
5. Length of service at Pathfinder International-Ethiopia:
1 – 5 years 5 - 10 Years 10 - 15 Years Above 15 year

Section Two: Specific Information

In this section the researcher seeks to establish the assessment of internal control system is important to the achievement of this organization’s objectives. Please ranks the following statement on likert scale ranging from strongly agree to strongly disagree.

Where:

1 = strongly agree

2 = agree

3 = not sure

4 = disagree

5 = strongly disagree

6. Kindly request you to rate the extent to which you agree or disagree on how organizational controls system employed in PIE?

Statements	1	2	3	4	5
Good control of organization leads to a well-defined chain of command where every employee is able to understand the duties assigned					
Organizational controls allow for proper coordination among departments					
The organization is able to provide a well defined job description to the employees					
All employees are allowed to make decisions on their level of duty and are responsible for the outcome of their decisions					

6.1. Identify the organizational controls that are commonly used in PIE

- a) Human Resource Controls
- b) Computers and Information Controls
- c) Financial controls

6.2. What are the effects of organizational controls you have identified above in PIE?

7. Please rate the extent to which you agree or disagree on how personnel controls employed in PIE?

Statements	1	2	3	4	5
Employees are all recruited and selected through the right procedures					
There is the ability of a well-organized orientation, training and development					
Personnel selected for advancement have the qualifications necessary for fulfilment of the responsibilities they will be called on to assume					
There is high supervision of employees to ensure work is completed on time					
Work is assigned to personnel having the degree of technical training and proficiency required in the circumstances					

7.1. How often does the organization review its internal control systems?

- a) Very often
- b) Often
- c) Rarely
- d) Not at all

7.2. Why do you think the organization reviews its internal control systems in the duration of period named above?

8. Please rate the extent to which you agree or disagree on how operating controls employed in PIE?

Statements	1	2	3	4	5
There are clearly laid down policies and procedures with regard to operations to be followed within the organization					
All records of the organization are effectively documented for efficiency of controls					
Operational control for instance good planning system ensure the day-to-day actions are consistent with established plans and objectives					
Budgeting is done to ensure that all expenses are allocated for					

8.1. Identify the operating controls that are commonly used in the PIE

- a) Planning
- b) Budgeting
- c) Policies and procedures
- d) Record keeping of important documents

8.2. From the above, information why do you think the method chosen is commonly used?

9. To what extent do you agree/disagree with the following statement on periodic review employed in PIE?

Statements	1	2	3	4	5
The organization carries out a periodic review which involves counting and documenting records at specified times to know the current level of efficiency in operation					
Periodic review reduces the time the organization spends analyzing counts such as inventory. This allows more time for other aspects of running the business					
Period reviews in the organization facilitates accurate accounting, since the system can generate real time costs of operation					
The accounting system keep records stock and inventory item account it for balance sheet items according to GAAP & regulatory body standards (if you don't agree give your comments in the bellow lines).					
The organization has program and administration cost allocation methods established for common expense allocation among different projects that complies with regulatory body requirements. (if you don't agree give your comments in the below line					

Source: respondent summary questionnaire.

Comments: _____
 _____.

9.1. How often does the organization review its internal control systems?

- a) Very often
- b) Often
- c) Rarely
- d) Not at all

9.2. Why do you think the organization reviews its internal control systems in the duration of period named above?

APPENDIX II: INTERVIEW SCHEDULE

1. What are the effects of organizational controls employed by PIE ?

2. What are the effects of operating controls employed by PIE ?

3. What are the effects of personnel controls employed by PIE ?

4. What are the effects of periodic reviews employed by PIE ?

5. How the organization recognize; i) program (70%) and administrative (30) expenditures? ii) How can present stocks and inventory in the financial statement of organization in order to comply with regulatory body, donor and organizational rules and regulation?

6. What are the effects of facility and equipment controls employed by PIE to enhance its performance?

7. What has been done in PIE to enhance its efficiency?
