

**THE EFFECT OF INTERNAL AUDIT ON THE
IMPLEMENTATION OF DONOR FUNDED PROJECTS AT
VETERINARIES' SANS FRONTIERS GERMANY**

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university or examination body.

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DEDICATION

This research project is dedicated to my immediate family and VSF Germany family.

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ABBREVIATIONS

- IA** - Internal Auditor
- IIA** - Institute of Internal Auditors
- NGO** - Non-Governmental Organization
- NSSF** - National Social Security Fund
- RBT** - Resource Based Theory
- SACCO** - Savings and Credit Cooperative Societies
- SOE** - State-Owned Enterprise
- VSFG** - Vétérinaires Sans Frontières Germany

ABSTRACT

Organizations have increasingly relied on the internal auditors to help identify risks, improve internal control systems and support by laying a strong internal control environment. Non-Governmental Organizations (NGOs) are known deliver services to vulnerable beneficiaries through implementation of various donor funded projects. The main concern for the international development community is arguably the effectiveness of donor aid. This study thus sought to explore the effect of internal audit on implementation of donor-funded projects at Veterinaries' Sans Frontiers Germany. The study theoretical foundation comprised of the agency theory, the resource based theory and the stakeholders' theory. The study adopted a case study method and the population comprised of the 145 donor funded projects which had been undertaken and implemented by Veterinaries' Sans Frontiers Germany in Kenya, Sudan, Ethiopia, Somalia and South Sudan. The study used secondary data which was sourced through the review of existing information between 2014 and 2018. Data was analysed using descriptive statistics and inferential statistics which included correlation and binary logistic regression using the SPSS software. The study revealed a positive and insignificant effect between internal audit staffing and implementation of donor funded projects; but a negative and insignificant link between experience by internal audit staff and implementation of donor-funded projects at VSF Germany. The findings also established that the frequency of internal audit reviews had a positive and significant effect on implementation of donor-funded projects and a significant negative relationship between budget size and implementation of donor-funded projects at VSF Germany. The study concluded that that frequency of internal audit reviews and budget size were the key factors that influence implementation of donor-funded projects at Veterinaries' Sans Frontiers Germany.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations have increasingly relied on the internal auditors to help identify risks, improve internal control systems and support by laying a strong internal control environment (IIA, 2011). Non-Governmental Organizations (NGOs) are known deliver services to vulnerable beneficiaries through implementation of various donor funded projects (Lewis, 2009). The main concern for the international development community is arguably the effectiveness of donor aid according to Acharya, (2006). Internal audit helps to manage risks facing an organisation before they become a problem, including for example: corruption and fraud risks; security; health and safety risks; and risks related to non-compliance with regulations which would impede the smooth projects implementation.

Three theories will be used to explain the link between the implementation of donor funded project and the internal audit. These theories include agency theory, stakeholders' theory and resource based theory. Implementation of any humanitarian project is anchored in the existence of three key stakeholders: the beneficiaries who are in need of humanitarian assistance, the implementing agencies (NGOs) who deliver the support to meet the need of the beneficiaries is the agent and the funding agency (donor) who mobilizes or provides resources to meet the needs of the beneficiaries is the principal (Gyorkos, 2003). The internal audit function offers a wide array of benefits to the implementing agency (NGO) including: ensuring that terms and condition provided by the donor are adhered to, regulation set by the government to protect the vulnerable beneficiaries are observed during project implementation and providing the board with the assurance on the entity's risk

management, ensuring a working internal control system and adherence to the processes of governance. Stakeholder theory underscores the importance of collaboration of various stakeholders to ensure successful project implementation (Tullberg, 2013).

The implementation of donor funded projects has become a great concern in the recent past, with many recipients of the donor funds finding themselves in a difficult situation in meeting the donor's expectations as per the grant agreements. Donor agreements provide a range of regulations and conditions which the recipient of funds is supposed to adhere to during the implementation of the project. One of these regulations is the burn rate which ensures that the donor funds are spent within the agreed time frame and the expected value is delivered to the beneficiary. The other regulation is on the application of control activities while implementing the project. The burn rate and control activities are therefore key aspects in project implementation not only to the donor whose interest is ensuring value is delivered to the beneficiary, but also to the reputation of the NGO implementing the project since this could affect subsequent funding. The board of governors especially in international NGOs provides the management with tools to help them run the operations of the organization and achieve the intended organizational objectives. Internal audit uses these tools mainly help in achieving the expectation of an entity (Beyanga, 2011).

1.1.1 Internal Audit

Internal auditor is viewed as key in administration and institutional inward control framework as it helps avert risks and build up the adequacy of proper administrative control mechanisms. Ozekie (2014) asserts that internal audits help management in

undertaking their tasks through provision of regular reviews that identify gaps in organization operations. The activities of internal audit department improve the overall operations of an organization.

Beyanga (2011) asserts that internal audit mainly helps in achieving the expectation of an entity. Internal auditors play a very significant role in organization's in-house controls according to Messier (1998). Solid inward control conditions include adherence to competence, organizational structure, ethical values and integrity; management's philosophy and operational model; human resource management policies and practices as well as responsibility assignment.

Internal Audit occupies a unique position within any NGO and in order to provide effective oversight, it must be at the heart of the organisation so as to gain deep insights in the organization's operations. Suraj (2017) did a research study on how the work of internal audit influences Kenya's microfinance financial position. The research study used a descriptive survey and parameters measurement entailed internal audit principles, independence, professionalism and internal audit control. Ndimitu (2011) measured internal audit variable using the cost incurred in the internal audit function.

1.1.2 Implementation of Donor Funded Projects

Donor funding entails provision of finance by an external source either directly or indirectly for goods and/or services at prices that are deemed less than the normal costs in the open market. The main concern for the international development community is arguably the effectiveness of donor aid. Acharya et al (2006) speculates that whether addressing the Millennium Development Goals (MDGs) or working in conjunction with government on poverty reduction strategies, donor agencies always

seek to enhance their adequacy to accomplish solid results hence weed out poverty. Gyorkos (2003) highlights that the key variables in project implementation are; the scope of the project implementation, outputs are delivered, budget complied to and, to meets the quality spelt in the grant agreement.

In the recent years, there has been a global decline in the funds available to meet the humanitarian needs hence calling for more effectiveness in project implementation. Batti (2012) donors will keep readjusting their focus to more demanding needs or sometimes they may lack the financial muscle and can no longer provide funds reducing the resources available. Donors expect implementing agencies to deliver more value even with the reduction of funds. This means that these agencies are required to be more effective and reduce the leakages that lead to reduction of value delivered to the beneficiaries.

Implementing agencies, (NGOs) have to make applications to the funding agencies and go through a competitive process to secure the funds for project implementation. For an implementing agency to qualify for donor funding, one of the key considerations has been evidence of effective project implementation which delivers value to the beneficiaries. IRIN (2011) asserts the importance of the implementing agency to demonstrate adequate competencies and good track record.

1.1.3 Internal Audit and Donor Funded Projects Implementation

Ramamoorthi (2003), in his examination of the evolution and development of the IA function demonstrated that the function has evolved into one that advances and backs efficient governance structures. This was echoed by Ruud (2003) who observed that in the present business conditions, this function has offered significant assistance to the governance organs, the top managerial staff, and other relevant partners. The

control environment in an organization intends to accomplish the strategic objectives, give solid budgetary proposals to inside and outside partners, carry out business in the most efficient manner, adhere to all the relevant laws and regulations, and shield its assets (IIA, 2011). The control environment gives direction for any business entity thereby giving order and structure to all other control mechanisms in place within the organization

Effective project implementation strongly relies on an effective control environment. Donor agencies today hardly ignore potential weak project implementation systems (Knack, 2006). In the absence of a clear, understandable and effective control environment, no meaningful assurance can be provided to stakeholders that value was delivered to the beneficiaries. The control environment is therefore a key element for the internal auditor to achieve their role in promoting project implementation.

The control activities and burn rates are donor regulations that are the other pillars that guide the internal auditor in undertaking his / her role. Lewis (2009) presents burn rates as an indicator for efficient programme. Burn rate is the rate at which the project budget is being spent. The project implementation period is normally clearly fixed by the donor to ensure that value is delivered to the recipients in a timely manner. This ensures that the main objective to save lives, alleviate misery, and preserve human dignity is met. According to Brivot (2016) internal auditors are regarded by external auditors as overseers charged with identifying critical weaknesses of internal controls. It is the obligation of the board to guarantee that value is delivered to the beneficiaries within the agreed time frame. This will ensure the NGO's public trust with the beneficiaries is maintained thereby safeguarding its reputation.

The internal auditor's task is therefore mainly oversight and checking. It is vital in this way, that an internal auditor operate independently of the executives but still have the capacity to work closely with them (McCall, 2006). Moore and Gunther (2002) opine that IA is applied in varied legal as well as socio-cultural settings in different entities that differ in size, complexity, vision, and structure. An internal auditor additionally utilizes cooperation and social relationship to help adjust objectives and to enhance integration within the business entity (Van Peurse, 2004). In this way, the internal auditor's role is considered a vital part of donor-funded projects.

Internal Auditor (IA) duties and responsibilities of include reviewing the compliance of an organization in respect to existing policy guidelines and available statutory regulations, evaluating the economy, assessing viability of internal control frameworks and the adequacy with which assets and other resources are being utilized. Internal auditing enables organizations to achieve their objectives by having a precise and straightforward perspective to improve the overall governance process. As per Barrier, (2003), internal auditing has become a very critical element of public and private sector financial management in most developing countries.

1.1.4 Veterinaries' Sans Frontiers Germany

Veterinaries' Sans Frontiers Germany is an international non-governmental organisation operating in Kenya, Ethiopia, Sudan, Somalia and South Sudan. It is a public organisation that engages itself in the field of veterinary relief and development work. VSF Germany implements emergency and developmental projects that are funded by various donors. Over years, VSF Germany has become a key partner with major donor agencies in project implementation in Africa (VSF website, 2019).

VSF Germany started off as a students' initiative at the University of Veterinary Medicine Hannover in Germany in the year 1991 and is now a well-known NGO working in Africa. It has an elaborate organisation governance structure. The supreme organ is the members' assembly which elects the board of governors. The board of governance at VSF Germany appoints the managing director who is answerable for the daily operations of the organisation as well as the audit and risk committee to provide oversight. The internal auditor share their reports with the board through the audit and risk committee (VSF website).

Internal audit has an imperative role in promoting implementation of donor funded projects at VSF Germany. Internal audit at VSF Germany has direct and open communication with the board through the audit and risk committee so that any concerns about the management of risk during the implementation of projects can be addressed accordingly.

1.2 Research Problem

Public organisations in developing countries have increasingly been expected by stakeholders to offer solutions in addressing the challenges facing these countries as defined by Clarkson (1994). Calls to respond to humanitarian crises have continued to dominate the donor world. The recent global economic uncertainty has limited the funds available to respond to the humanitarian need calling for greater effectiveness in the utilization of the funds available. The resource-based theory presents a hypothetical analysis of how resources can best be utilized in overall performance (Kozlenkova, Palmatier & Samaha, (2014). This is the main argument on which this study is based. It is backed by various theoretical hypotheses such as the fact that the NGO which is the agent of the donor usually has more information than the donor

unfavourably affecting the latter's capability to check whether or not their funds are appropriately utilized according to Jensen and Meckling, (1976).

Before any organization is awarded funds by the donor, an assessment of control environment is done to guarantee safety custody of assets and utilization of the funds in meeting the donor's main goal to alleviate suffering, save lives and preserve human dignity. This statement is backed by a theoretical argument that provides a hypothetical understanding on how resources can be utilized for enhanced outcomes. The relationship between the donor providing and the firm performance delivering value to beneficiaries which in this study is seen to be done in the most effective way through internal audit. Success (or failure) of any entity affects the various stakeholders attached to it. This theoretical argument posits that improper control activities weaken the financial position of an entity and damage its reputation thereby reducing its ability to secure subsequent funding from the donor(s). In essence, a host of stakeholders end up being affected by improper financial controls. Again, this justifies the significance of internal audit in managing stakeholder's influences and aspirations (Rowley, 1997).

At the VSF Germany internal audit is an autonomous function created by the board. This came about after the demand was made by the key donors. The aim of this department is to assess the application of control mechanisms. The fundamental part of the IA is to assure the board that control activities are applied by management in an effective manner as recommended in the inward control environment. VSF Germany endeavours to continuously improve on its effectiveness in the implementation of projects to safe guard its good reputation and remain a key partner in the donor world. This is the reason why internal audit has a key role in supporting the implementation of donor-funded projects (VSF website, 2019)

Empirically, Hutchinson and Zain's (2009) looked at the connection between entity's performance and internal audit in Malaysia focusing on audit committee and its independence. The outcome of the study demonstrated a solid connection between IA quality and overall performance of a firm with chances of high growth. More recently, Suraj (2017) explored the influence of IA on microfinance institutions (MFIs) performance. His research study presented that standards, independence and professional competence of the auditor had strong correlation with microfinance institutions' financial outcomes. Recommendation made was that studies should be carried out in another institution offering financial services.

In Kenya, Ndimitu, (2011) the role of internal auditor's in water service providers in promoting their effective management. Other related studies have been attempted by Kibet (2008), on the part of internal auditors for SOEs in advancing good governance and Kibara (2007) correspondingly did an overview of IAs contribution in management of risks. The aforementioned research work asserts that the studies have touched on the effectiveness of internal audit but none has examined it from the point of view of implementation of donor funded projects which clearly poses a knowledge gap in this area of study. The key argument in this research is to focus on the effect of internal auditor in the implementation of donor funded projects. This is vital not only as a responsibility of the auditor but also as key element of ensuring that the donor's primary objective is met. This study thus seeks to make contribution to address this research gap by examining, what is the effect of internal audit on implementation of donor funded projects at Veterinaries' Sans Frontiers Germany.

1.3 Research Objective

This study sought to establish the effect of internal audit on implementation of donor funded projects at Veterinaries' Sans Frontiers Germany.

1.4 Value of the Study

This research study will provide vital information to different participants in the humanitarian aid and logistical assistance organizations. The research study will create awareness to increase the involvement of internal auditors during project implementation. In addition, it may make available crucial information to different parties in the humanitarian and donor world by clearly defining the position of internal auditor in the implementation of projects as follows:

i) Contribution to Policy

The management and donor agencies will realize the significance of the role of IA tasks in their entities. The decision making organs shall be capable to re-examine its position in according eminence of IA roles. The donors will use this study's findings to determine whether advocating for a robust IA function in an organization is sensible. VSF Germany stands to benefit from this study in her endeavours to continuously improve in effective project implementation. It will help stakeholders in the humanitarian and donor world appreciate the role of the internal auditor in promoting effective project implementation.

ii) Contribution to Knowledge

The study will add significantly to the researchers and scholars through enrichment of the debate in internal auditing as well as the relevance of the internal auditor in project implementation. This study will benefit future academicians as they can use

the findings as a source for improving internal auditing studies. The study is a significant addition to the internal auditing discourse.

iii) Contribution to Practice

The practicing internal auditors can use this study to have a clearer picture of their role in different business entities and the bottlenecks in the donor-funded projects.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter seeks to outline the literature concerning prior studies relating to the research study on how internal audit affects execution of project financed by the donor and discuss the concept of internal audit around the world, Africa and in Kenya. Additionally, this chapter offers a detailed account of how different researchers assess the fundamental assumption of this study. It also considers the different methodologies employed to conduct the numerous studies which have resulted in related conclusions. The chapter also presents a theoretical background guiding this study. It also deals with the study's conceptual framework hence demonstrates the link among the dependent and the independent variables.

2.2 Theoretical Review

The theoretical framework for this research study was based on a review of three theories; the agency theory, the resource based theory and the stakeholders' theory.

2.2.1 Agency Theory

Agency theory was conceptualised by Ross and Mitnick (1973). The theory relates to the connection between two parties: the principal(s) and the agent(s) who are involved as employees or independent service providers. In essence, the theory posits that a business entity deals with a connection between the holders of funds/resources and the administrators who are responsible for spending and monitoring these funds (Jensen & Meckling, 1976). The theory is sometimes referenced to as a sub-unit of the theory of contracts that focuses on the determination of the overall make-up of the accompanying contractual associations as well as the dynamics that affect the conduct of the concerned parties according to Oliverio (2014). The agency theory

hypothesizes that agents hold more information on the utilization of resources than the owners (principals) and that this data asymmetry is unfavourable to the principals as it hampers their capacity to check if their interests are well catered for by the administrators (agents). Additionally, the theory presumes that the two parties (agents and principals) act reasonably.

Jensen and Meckling (1976) consider a result of this hypothesis could be the 'moral hazard' dilemma in that, as the agents endeavour to maximize their own wealth they are likely to act contrary to the interests of the principals. Moreover, since the principals are not privy to all the available data when a resolution is reached, they might not establish whether the agents' decisions serve the organisation's best interest. As a way of reducing the possibility of facing this problem, agents and principals establish monitoring mechanisms such as the internal audit function according to Adams (1994). Sherer and Kent (1983), refer to the IAF as a bonding charge to the managers to fulfil the investor's accountability call. In essence, the agents engage internal auditors to demonstrate that the organization is in good standing and has effective internal control systems.

Several hypotheses have been developed around the framework of the principal-agent relationship. In particular, the work by Jensen and Meckling (1976) and that of Fama and Jensen (1983) are some of the earliest studies in this area. In this study agency problem is measured by mechanisms that distinguish the role of management initiation and application from the controlling role of authorization and monitoring at all levels of the organization. This study thus seeks to employ the agency theory where the principal is deemed to be the donor(s) while the agent is the implementing NGO. The donor's interest is to provide humanitarian assistance with the purpose of saving lives, relieving suffering and preserving human dignity. This is achieved

through the implementing agency which has the technical knowhow to offer humanitarian assistance and is in touch with beneficiaries. In this agency relationship the donor sets out compliance requirements which the implementing agency must comply with to ensure effective project implementation.

2.2.2 Stakeholder Theory

The stakeholder theory describes the fundamental notion that stakeholders in general need to be the nexus of business entities so as to maximize value; unlike investors who in most instances are concerned with profit maximization. In 1984, R. Edward Freeman proposed a broad definition of stakeholders, by describing them as “any individual or group that may influence or be impacted by the organization's goals achievement.” A narrower definition by Clarkson (1994) is that stakeholders are people who are at risk because they have invested capital in a company. Roberts and Mahoney (2004) further presented a classification structure for stakeholders by making reference to three levels from which an organization can be looked: the managerial agency level, the organizational level and the societal level.

Two fundamental issues are addressed by the stakeholder theory. One pinpoints the groups of stakeholders who merit the consideration of an entity's management (Inkpen & Sundaram, 2004) while the other establishes the extent to which the decisions made by management are a function of stakeholder influences and aspirations (Rowley, 1997). There are two main types of stakeholder groups namely the influencers and claimants. The influencers are usually influential and very key to the organization, while the claimants are less influential and most likely to be ill-treated by some of the organization's decisions (Tullberg, 2013). According to Mitchell et al (1997), identification of stakeholders is on the basis of the following

characteristics: power, legitimacy and urgency. Friedman and Miles (2002) on the other hand analysed the configuration of stakeholders' relationships where they focussed on the analysis of the types of relationships occurring between organizations and stakeholders and their possible change over the years.

This theory is suited for this research study as it will help articulate on how NGOs really work. It notes that for any organization to be effective there is need to generate value for all stakeholders. In essence, the theory underscores the importance of smooth collaboration between key partners. In the context of an NGO the crucial stakeholders include: national and local governments, beneficiaries, donors, other partner organizations and employees; all of whom are vital for the smooth running of the particular NGO. National and local governments have set out compliance requirements that the implementing agencies need to comply with while implementing projects. Regularly the implementing agents will be required to seek for permits from the national or local governments and report all their project activities. The main objective of the national and local governments is to protect the beneficiaries in need of humanitarian assistance. On the other hand the donors have also a set of compliance requirements that must be adhered to by the implementing agencies. The internal audit function therefore becomes a critical factor in ensuring that the compliance requirements from stakeholders are met while implementing projects.

2.2.3 Resource Based Theory

The theory describes a scenario where resources possessed by each entity distinguish its performance and offers it a competitive edge (Barney, 1991). This theory presents a hypothetical analysis of how resources can best be utilized for profitability and it

has thus been extensively referenced in different disciplines to describe the connection between an entity's resources and its overall performance (Kozlenkova, Palmatier & Samaha, 2014). According to Wernerfelt, (1984), resources in this case refer to assets that empower the entity to come up with strategies and execute them to enhance proficiency and effectiveness. RBT looks at an organization as an accumulation of assets and lays down a mechanism for bringing together different resources, which can collectively create an upper hand (Palmatier, Dant, & Grewal, 2007). In particular, RBT suggests that an organization is made up of both tangible and intangible resources. However, only those that are profitable, uncommon, and incomparable can offer a competitive edge (Kozlenkova et al., 2014).

Thus, RBT intends to show the relevance of firm-specific resources in realizing higher performance of the organization through their sustainable competitive advantage. These resources are referred to as strategic resources. Therefore, the organization has to have the relevant abilities to ensure the full potential of these strategic resources and how they are synchronized to make the organization unique from the others. In so doing, the organization has to consider both the internal and the external environments (Barney, 1995).

This theory will be embraced in this exploration on the impact of internal audit to guarantee viability of donor funded projects because of its inward looking approach. For instance, the internal reviews by the internal auditor will help to build staff competencies which are a key resource in project implementation. Additionally, advice from the internal audit helps in internal capital generation which the organization uses to meet emerging donor requirements of co-funding. This capital could be either human capital, land or labour, which are for the most part are achieved through local community investment hence guaranteeing that the locals turn out to be

part and parcel of the ventures (Omeri, 2014). Lastly, internal auditor reviews will also improve the organization's capacity of meeting the donor requirements when implementing the project. This will eventually boost the image of the organization as reputation is a key resource in securing donor funds.

2.3 Determinants of Donor Funded Projects Implementation

Project implementation involves; delivering project deliverables with the set time, budget and, in compliance quality expectations Gyorkos (2003). Determinants of donor funded projects implementation can therefore be narrowed down to compliance to project budgets, Compliance to project deliverables and compliance to project timelines.

2.3.1 Compliance to Project Deliverables

Project deliverables are specific outputs agreed between the donor and the implementing agent. Each output has specific indicator that is used as measure that it was actually achieved. The indicators are supposed to meet the expectation of both the donor and the beneficiary according to Gyorkos (2003).

2.3.2 Compliance to Project Budget

A project budget quantifies the values to be delivered to the beneficiaries by the implementing agent in terms of costs. This is a key document defining the relationship of the donor the provider of funds and the implementing agent entrusted to deliver service to the beneficiaries who are in need. Project budgets entails to the total cost to be incurred and specific budget lines detailing the cost of all activities to be undertaken during project implementation. After project implementation project budget is used to as a measuring tool of the value delivered to the beneficiary against the actual cost incurred.

2.3.3 Compliance to Project Timelines

Project timelines is the period within which the project deliverables are supposed to be achieved. Also it is the period within which the allocated budget is supposed to be spent. Donors use burn rate as measure of whether service to the beneficiary was done timely. Budget spent outside project timelines is considered an ineligible cost and hence not an acceptable cost to the donor at the reporting stage.

2.4 Empirical Review

The review covered past research work conducted in the same subject matter as that of this research. These empirical reviews formed the theoretical basis on which this study is centred.

2.4.1 Global Studies

A study done by Yismaw and Mihret (2007) on the IA efficacy used the following variables: support of management, IA effectiveness, and IA quality. Interviews, questionnaires and documentation were used for gathering data. The outcomes documented that the support offered from senior management and the qualities within internal audit are key determinants in internal audit effectiveness.

A paper by Cristina and Cristina (2009) on measuring and assessing internal audit effectiveness affirms that in the current uncertain economy it is evident that internal auditors encounter challenging times although the value offered by IAF is becoming more apparent for the overall effectiveness and efficiency of any organization. The relationship between IA experience and firm performance has been studied by Hutchinson and Zain (2009) in Malaysia. Data was collected from sixty companies mainly using questionnaires and desk reviews of annual reports. Positive correlation was noted between firm performance and the experience of internal audit.

Abdolmohammadi and Sarens (2010) explored how internal audit keeping affects the agency relations and other variables with an aim of understanding the working of internal audit department. Data sampled was from twenty organizations from Belgian. The findings showed positive correlation between supportive control environment as well as the size of IA department.

In a related research work by Cohen and Sayag (2010) where 292 Israeli Organizations were sampled explored how effectiveness of IA where various variables were used including: organizational independence, support from top management, private sector vis-a-vis public sector and competencies within internal audit department. The study revealed positive correction in internal audit efficacy, support from top management and internal audit competence. Most notable is the fact that all these determinants are outcomes of resolutions made by the top leadership team or decision-making organs in the entity.

Nawhera (2012) a case study of NSSF carried out in Uganda from 2010-2011 on the relationship between internal audit department and performance in financial terms. The main finding revealed a direct correlation between IA department and performance in terms of risk assessment, risk management, as well as internal control system.

A related study by Arena (2013) explored the implementation and attributes of internal auditing as a precise mechanism of control was suitable and common among Italian public entities. The findings showed that effective auditing represented the central focus of IA activities; however more efforts are still devoted to compliance and financial auditing.

2.4.2 Local Studies

Chepkorir (2010) did a study on the challenges encountered in banking industry in Kenya while conducting internal audits. The study noted that the common internal auditors functions was to offer guarantee to the audit committee or management that internal controls is working effectively as envisioned; scrutinizing and gauging organization policies. He recommended that best practices in risk management should be employed in the evaluation of projects and programs.

Ndimitu (2011) studied on the linkage between effective management and the IA department. SPSS was used to analysed data collected and concluded that with the assurance of integrity, internal auditing is significance in fulfilling internal audit mandate. The study point that warrants appropriate procedures should be followed in producing and maintenance of the organizations assets.

Njeru (2013) in his study tried to find whether the internal audit independence exist and whether it affects Kenyan banking entities corporate governance. The study documented the existence of threats to the independence of IA as the top jobholder the CEO leading the senior management had authority in most banks to approval. This included the IA budget and the compensation of head of internal audit. Furthermore, the research determined that there was a solid limited the IA independence. In essence, this therefore shows that there are deficits in regard to the IA independence hence they require to be addressed.

A paper seeking to determine the connection between financial performance and IA control systems was done by Mugo (2013). It revealed that there was a key connection between these two variables. Bett (2013) also studied the effectiveness of IAF and profitability of NSE quoted entities using descriptive statistical tools as well

as the regression model. The study's independent variables included quality, independence, IA professionalism, support from top management as well as the career growth of internal auditors. It was established that financial performance and IAF effectiveness had a direct link. The study therefore concluded that an effective IF positively influences NSE listed corporations financial performance.

Chepn'geno (2017) reviewed how Savings and Credit Cooperative Societies (SACCOs) financial performance was effected by internal audit function. Semi-structured questionnaires were used for data gathering and analysis undertaken through descriptive statistics and regression analysis, the authors documented that the internal audit functionality (internal audit roles, internal auditors' qualifications, reporting structures and records accessibility) explained 74.3% of variation in the SACCOs performance. The author suggested that SACCOs decision makers should encourage training of internal auditors and implement internal procedures and practices that are effective and that address vital internal auditing rules and regulations for overall effectiveness of the IA.

Suraj (2017) did a research financial performance of microfinance institutions and how they are on the effected by internal department. A descriptive survey was employed and internal audit measured using parameters like independence, IA guidelines, internal audit control and professional competence. The study population constituted 55 MFIs with a census approach being used. The findings showed that internal audit influenced the MFIs financial performance and recommended that more awareness should be created on the significance of a strong internal audit department by employing competent internal auditors.

2.5 Conceptual Framework

Internal audit department plays an essential function in NGOs during the implementation of donor funded projects by ensuring that the Implementing agent meets donor requirements on project deliverables, project timelines and compliance to project budget. The capacity and competency of the internal audit to play its role effectively is determined by the ratio of the internal audit staff to the number of project, experience of the internal audit staff and frequency of internal audit reviews. The control variable which vary from one project to another include the project budget size.

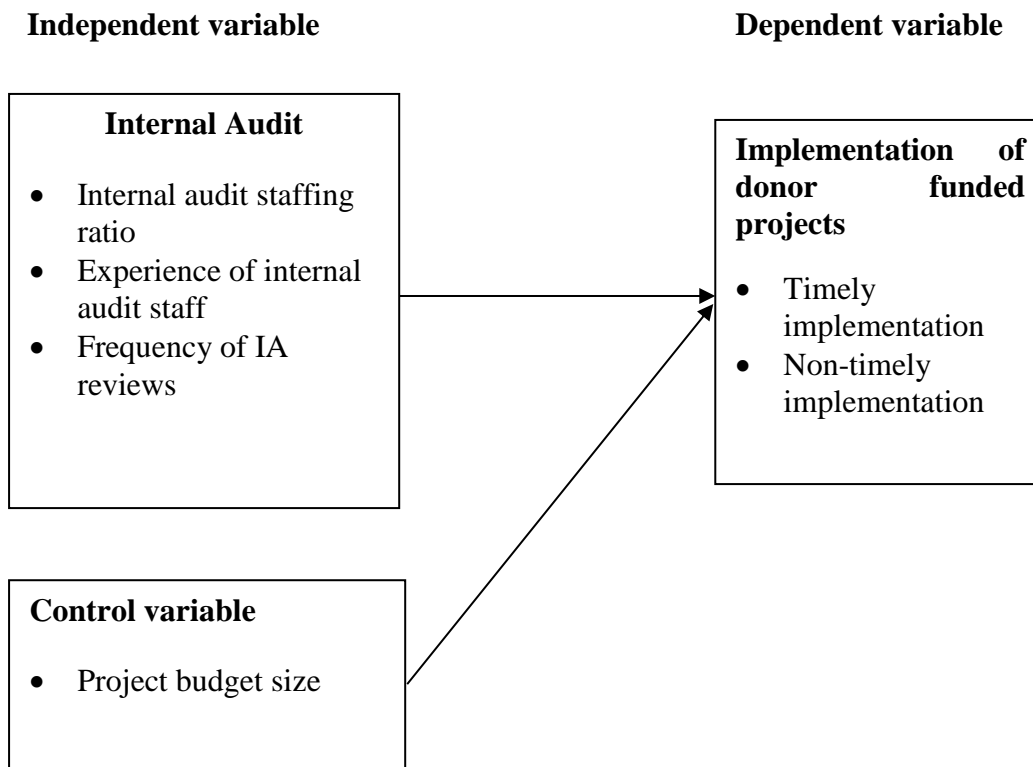


Figure 2.1: Conceptual Framework

Source: Author (2020)

2.6 Summary of Literature Review

This chapter previewed the conducted studies on the influence of internal audit activities in organization operations and performance. The section additionally

highlights the connection between IA and different theoretical considerations which address the IAF from alternate points of view. The literature reviewed has demonstrated that IA significantly influences the performance of most organizations in various parts of the economy. This research endeavours to establish the significance of the IAF with regard to NGOs, a territory that has not been explored adequately and consequently has a substantial knowledge gap. This research study will therefore go a long way towards addressing the existing knowledge gap on internal audit function and implementation of project financed by the donor.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methodology which was employed in this research. Study design was explicated with respect to data collection approaches and tools to be adopted in filling in the identified study gaps. It also discusses the research instruments, data analysis tools, procedures and data presentation techniques that was utilised in the research study.

3.2 Research Design

Yin (2009) defines research design as the system of reasoning used to show how the data collected and the conclusions drawn are linked to the original research questions. Cooper and Schinder (2007) explain that the research design outlines how data was collected, measured and analysed. Creswell (2007) asserts that a research design is fundamentally influenced by issues such as the researcher's worldview assumption, nature of research problem, researcher's personal experience and procedures of inquiry. He also adds that a study design choice is influenced by the methods of data collection, analysis and interpretation as well as the target audience for the studies.

Case study method was employed because it allowed for the carrying out of an in depth analysis of data. A well-established NGO, Vétérinaires Sans Frontières Germany was studied. A case study comprises a meticulous and wholesome scrutiny of data in various categories or an entire population (Kombo & Tromp 2006). A case study method was considered fit as it consisted of in depth examination of a situation such as the relationship of IA and implementation of projects.

3.3 Population

Population is a cluster of individuals or objects with similar noticeable features (Mugenda and Mugenda 2003). The research study targets closed project between 2014 to 2018. Closed project are those projects whose period of implementation has elapsed and final reports have been submitted to the donor. The targeted projects had been implemented in Kenya, Sudan, Ethiopia, Somalia and south Sudan. Thus, the population targeted for the purpose of this research study was for 145 completed and audited projects. This also included other relevant information related to these projects like; grant agreement, budgets, personnel records and final narrative reports.

3.4 Data Collection

The study used secondary data which was sourced through the review of existing information at VSF Germany. Sourcing of data for the study was on the results of projects audited financial reports of VSF Germany for the specified periods. The study covered from 2014 to 2018. Other sources of information included grant agreements, narrative reports and budgets.

3.5 Diagnostic Tests

The study conducted a number of diagnostic test among them test for normality, test for multicollinearity, homoscedasticity and autocorrelation tests. Normality was assessed using the Kolmogorov-Smirnov (KS) and Shapiro Wilk tests of residuals. Multicollinearity was assessed using the variance inflation factors (VIF) while to assess for homoscedasticity the Levene test for heteroscedasticity was used whereas autocorrelation was assessed using the Durbin Watson statistics.

3.6 Data Analysis

The collected data was reviewed for completeness then summarized, coded according to the themes and tabulated ready for analysis through descriptive and inferential statistics aided by the SPSS software. Descriptive statistics tools such as mean scores, percentages and proportions were presented in charts, figures and tables. Inferential statistics entailed a binary logistic regression model. Logistic regression is a dichotomous discrete choice model where the dependent variable (responsiveness) is a dummy that takes a value of zero or one depending on whether a donor funded project was timely implemented or not.

3.6.1 Analytical Model

The binary logistic regression model took the following form

$$Pr.(Y) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where,

Y = Implementation of donor funded projects, which a binary with a value of 1 for timely completion and a value of 0 for non-timely completion within the considered study period.

X_1 = Internal audit staffing measured by average number of years an individual had served as an internal audit staff for the five years period

X_2 = Experience by internal audit staff proxied by the average number of years worked as an audit staff for the five years period

X_3 = Frequency of IA project reviews proxied by the average number of times a project had been reviewed for the five years period

X_4 = Project budget size proxied by the natural log (ln) of the average amount allocated to each project for the five years period

α & ε = constant and the error term

$\beta_1 - \beta_4$ = Coefficients of the model

Pr = Probability

3.6.2 Tests of Significance

The t-test was used in the study to assess the significance of the coefficients of the regression. On the other hand, the Wald statistics was used to assess the significance of binary logistic regression model at 95% confidence levels.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section depicts the response rate results, descriptive statistics results, diagnostic tests, correlation analysis results and finally the results of the binary logistic regression.

4.2 Response Rate

The study targeted the 145 projects which had been undertaken and implemented by Veterinaries' Sans Frontiers Germany in Kenya, Sudan, Ethiopia, Somalia and South Sudan. However, the data analyzed was obtained from 117 projects which had complete data over the considered study period. The 117 projects constituted a response rate of 86.69%, which was considered sufficient for the study since it was more than 50% as supported by Mugenda and Mugenda (2008) who asserted that 50% response rates are acceptable for analysis and publication, 60% are good while 70% are excellent. Table 4.1 shows the response rate per country.

Table 4.1: Response Rate

Country	Frequency	Percent
Ethiopia	22	18.8
Kenya	23	19.7
Somalia	9	7.7
South	51	43.6
Sudan	12	10.3
Total	117	100.0

Source: Study Data (2020)

Table 4.1 shows that 43.6% of the projects were undertaken in South Sudan while 19.7% were undertaken in Kenya whereas 18.8% were undertaken in Ethiopia. The table further indicates that 10.3% and 7.7% of the projects were undertaken in Sudan and Somalia respectively.

4.3 Descriptive Statistics

This segment presents the summary statistics results comprising of the maximum and minimum values, the mean, standard deviation, kurtosis and skewness. Table 4.2 displays the findings

Table 4.2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Internal audit staffing	117	1.00	3.00	1.906	.798	.172	-1.409
Experience by internal audit staff	117	3.00	7.00	6.179	1.362	-.049	-1.332
Frequency of IA reviews	117	.00	6.00	.914	.689	0.324	1.881
Budget Size	117	8.54	15.78	12.458	1.261	-.195	.080
Implementation Status	117	.00	1.00	.8889	.315	-1.507	1.360

Source: Study Data (2020)

Table 4.2 shows that the average value of internal audit staffing was 1.906 with minimum and maximum values of 1.00 and 3.00 which is an indication that big projects had 3 internal auditors while small projects had only one internal auditor respectively. The average value for experience by internal audit staff was 6.179 with minimum and maximum values of 3.00 and 7.00 hence an indication that most of the

internal audit staff had adequate experience since none had less than three years' experience respectively.

The results further indicate that the mean value for frequency of IA reviews was 0.914 with minimum and maximum values being 0.00 and 6.00 which is an indication that some of the projects were not reviewed with others being reviewed more than 6 times correspondingly. The mean value for budget size was 12.458 with minimum and maximum values being 8.54 and 15.78 respectively. The average value for project implementation status was 0.8889 with minimum values of 0.00 thus an indication some of the projects were not successfully implemented and maximum value of 1.00 indicating others were successfully implemented. All the kurtosis and skewness values lie between -2 and +2 thus an indication that the study's data was distributed normally.

4.4 Diagnostic Tests

The study undertook various diagnostic tests including the tests for normality, multicollinearity, homoscedasticity and autocorrelation.

4.4.1 Normality Test

Normality was assessed using the Kolmogorov-Smirnov as well as the Shapiro Wilk tests of residuals. The results were depicted as follows

Table 4.3: Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Standardized residual	.064	117	.200*	.987	117	.302
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Source: Study Data (2020)

Table 4.3 shows that the p values for the Kolmogorov-Smirnov and Shapiro Wilk tests of standardized residuals were 0.200 and 0.302 respectively. Thus indicating that the study data was normally distributed since the two values were greater than 0.05.

4.4.2 Multicollinearity Test

Multicollinearity was assessed using the variance inflation factors (VIF). The results are as follows

Table 4.4: Multicollinearity Test

Variable	Tolerance	VIF
Internal audit staffing	.475	2.103
Experience by internal audit staff	.499	2.003
Frequency of IA reviews	.669	1.494
Budget Size	.648	1.544

Source: Study Data (2020)

Table 4.4 shows that all the VIFs (2.103, 2.003, 1.494 and 1.544) were less than the recommended threshold of 10. This is an indication of absence of multicollinearity thus implying that the non-violation of the multicollinearity assumption.

4.4.3 Homoscedasticity Test

To assess for homoscedasticity the Levene test for heteroscedasticity was used. The results were as follows

Table 4.5: Homoscedasticity Test

Variable	Levene Statistic	df1	df2	Sig.
Internal audit staffing	2.050	1	115	.155
Experience by internal audit staff	1.681	1	115	.197
Frequency of IA reviews	.365	1	115	.547
Budget Size	.272	1	115	.603

Source: Study Data (2020)

The Levene Statistic results in table 4.5 indicate that the P values (0.155, 0.197, 0.547 and 0.603). This indicates that the data is homogenous and does not violate the assumption of homogeneity of variances since the values are all greater than 0.05.

4.4.4 Autocorrelation Test

To assess for autocorrelation the Durbin Watson (DW) statistics was used. The outcomes were documented as follows

Table 4.6: Autocorrelation Test

Model	Durbin-Watson
1	2.182

Source: Study Data (2020)

The results on table 4.6 indicates that the DW statistic was 2.182, which lies in between the recommended threshold of 1.5 and 2.5. The results thus indicate the absence of autocorrelation.

4.5 Correlation Analysis

Correlation analysis was be used to assess strength and degree of association among the study variables. The results were as follows

Table 4.7: Correlation Matrix

	Implementation Status	Internal audit staffing	Experience by internal audit staff	Frequency of IA project reviews	Budget Size
Implementation Status	1				
Internal audit staffing	.163	1			
Experience by internal audit staff	.130	.266**	1		
Frequency of IA reviews	.352**	.142	.125	1	
Budget Size	.075	-.108	-.087	.536**	1

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

Source: Study Data (2020)

Table 4.7 indicate that the association between internal audit staffing and project implementation was weak and positive (0.163) while the correlations between experience by internal audit staff and project implementation was also weak and positive (0.130) respectively. The correlations between frequency of IA reviews, budget size and project implementation were also weak and positive as indicated by coefficients of 0.352 and 0.075 correspondingly. From the results, all correlation coefficients were less than 0.7 hence and signal that multicollinearity was not present among the study variables.

4.6 Binary Logistic Regression Analysis

The binary logistic model was employed in assessing the association between internal audit indicators and project implementation status. Logistic regression is a dichotomous discrete choice model where the dependent variable (responsiveness) is a dummy that takes a value of zero or one depending on whether a donor funded project was implemented in a timely manner or not.

4.6.1 Classification Table

Table 4.8: Classification Table

	Observed	Predicted			
		Implementation Status		Percentage Correct	
		.00	1.00		
Step 0	Implementation Status	.00	0	13	.0
		1.00	0	104	100.0
	Overall Percentage				88.9

a. Constant is included in the model.

b. The cut value is .500

Source: Study Data (2020)

The results on table 4.8 shows that 13 (11.1%) of projects were not successfully implemented while 104 (88.9%) of the projects were successfully implemented with the considered study period.

4.6.2 Model Summary

Table 4.9: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	46.288 ^a	.261	.519

a. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.

Source: Study Data (2020)

The logistic regression results in table 4.9 illustrates that the Cox & Snell R Square was 0.261, hence an indication that the independent (explanatory) variables (internal audit staffing, experience by internal audit staff, frequency of IA project reviews and budget size) accounted to 26.1% of the dependent variable (project implementation). The other 73.9% explained by other variables not considered by the research.

4.6.3 Model Significance

Table 4.10: Model Significance

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 0 Constant	2.079	.294	49.967	1	.000	8.000

Source: Study Data (2020)

The model significance findings show that the adopted logistic model was significant as shown by the P value of $0.000 < 0.05$. This is an indication that the study model is significant and fit to carry out the analysis of independent variables.

4.6.4 Logistic Regression Coefficients

Table 4.11: Logistic Regression Coefficients

	B	S.E.	Wald	df	Sig.	Exp(B)
Internal audit staffing	.838	.795	1.110	1	.292	2.311
Experience by internal audit staff	-.238	.304	.611	1	.434	.788
Step 1 ^a Frequency of IA reviews	5.761	1.614	12.736	1	.000	7.529
Budget size	-1.340	.558	5.763	1	.016	.262
Constant	15.428	6.289	6.017	1	.014	50.593

a. Variable(s) entered on step 1: Internal audit staffing, Experience by internal audit staff, Frequency of IA reviews, Budget size.

Source: Study Data (2020)

The coefficient results revealed that internal audit staffing had a positive ($B = 0.838$) and an insignificant ($P\text{-value} = 0.292 > 0.05$) effect on implementation of donor funded projects. The results also revealed that experience by internal audit staff had a negative ($B = -0.238$) and insignificant ($P\text{-value} = 0.434 > 0.05$) effect on implementation of projects funded by donors. Further, the study documented that the frequency of internal audit reviews had a positive ($B = 5.761$) and significant ($P\text{-value} = 0.000 < 0.05$) influence on implementation of donor funded projects. Finally, study established that budget size had a negative ($B = -1.340$) and significant ($P\text{-value} = 0.016 < 0.05$) effect on implementation of donor funded projects.

4.7 Interpretation of the Findings

The study documented an insignificant positive relation between internal audit staffing and implementation of donor-funded projects. This indicates a unit increase in internal audit staffing has an insignificant impact on implementation of donor-funded projects. According to Sarens and Abdolmohammadi (2010), a positive association exists between IA department size and a suitable control environment. Hailemariam

(2014) however found that the presence of appropriate and competent IA employees and the availability of an approved IA statute have a significant and positive contribution to the effectiveness of internal auditing among public entities. Jachi and Yona (2019) indicated that to uphold and improve the IA functions it was vital to create an enabling environment through adequate staffing and providing them with a conducive environment. Further, Brivot (2016) supports that external auditors regard internal auditors as overseers charged with identifying critical weaknesses of internal controls. Yismaw and Mihret (2007) documented that the support offered from senior management and the qualities within internal audit staff are key determinants in internal audit effectiveness. Cohen and Sayag (2010) revealed a positive correlation between internal audit efficacy, support from top management and internal audit competence.

The study documented an insignificant negative relationship between experience by internal audit staff and implementation of donor-funded projects. This indicates a unit decrease of internal audit staff experience insignificantly affects donor-funded projects implementation. However, Cohen and Sayag (2010) revealed positive correlation in internal audit efficacy, support from top management and internal audit competence. Suraj (2017) also found that independence and professional competence of the auditor had strong correlation with microfinance institutions' financial outcomes. Suraj (2017) recommended that more awareness should be created on the significance of a strong internal audit department by employing competent internal auditors. Jachi and Yona (2019) also documented a positive and significant link between IA staff competency, training, experience and financial reporting accountability. Cristina and Cristina (2009) documented a positive correlation between corporate performance and the experience of internal audit staff.

Thirdly, the findings documented a significant and positive impact of frequency of internal audit on implementation of donor-funded projects. This indicates a unit increase in the frequency of internal audit significantly enhances the implementation of donor-funded projects. A study by Turetken, Jethefer and Ozkan (2019) the frequency of internal audit reviews enhances audit effectiveness and that IA effectiveness aids managers to comprehend their existing productivity and to ultimately make future improvements. A study by Mpakaniye and Paul (2017) found that the quality and frequency of audit work has a significant positive effect on performance of decentralized entities. Abdolmohammadi and Sarens (2010) documented a positive association between supportive control environment as well as the size of IA department. Nawhera (2012) revealed a direct link between IA department and performance in terms of risk assessment, risk management, as well as internal control system.

Lastly, the study revealed that budget size significantly but negatively affected the implementation of donor-funded projects. This indicates a unit decrease in project funding adversely affects donor funded projects implementation. A study by Aggor (2017) found a weak positive correlation between project budget and its implementation time and quality. Siborurema, Shukla and Mbera (2015) found that both the technical design and cost estimates affect a project's policy of financing and negatively impacts the planned implementation time of the project. In addition, Lichtenberg (2016) documented that budget delays and budget overruns are significant determinants of project success. Further, Chepleting and Muchelule (2019) documented that budgetary allocation significantly and positively influences project implementation.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section presents a comprehensive summary of the study results, the conclusions as per the research findings, recommendations, study limitations and the suggestions for further research.

5.2 Summary

This study sought to explore the effect of internal audit on implementation of donor-funded projects at Veterinaries' Sans Frontiers Germany. The study theoretical foundation comprised of the agency theory, the resource based theory and the stakeholders' theory. The research adopted a case study method and the population comprised of the 145 donor funded projects which had been undertaken and implemented by Veterinaries' Sans Frontiers Germany in Kenya, Sudan, Ethiopia, Somalia and South Sudan. The study used secondary data which was sourced through the review of existing information between 2014 and 2018. Data was analysed using descriptive statistics and inferential statistics which included correlation and binary logistic regression using the SPSS software.

Descriptive analysis results revealed that the average value average for internal audit staffing was 1.906 while the average value for experience by internal audit staff was 6.179 respectively. The results further indicate that the mean value for frequency of IA reviews was 0.914 while the mean value for budget size was 12.458 and the mean value for project implementation status was 0.8889 respectively.

Correlation analysis results revealed the correlation between internal audit staffing and project implementation was weak and positive while the correlations between experience by internal audit staff and project implementation was also weak and positive respectively. The study further documented that the correlations between frequency of IA reviews, budget size and project implementation were also weak and positive respectively.

The regression coefficient results revealed that a positive and insignificant relationship exists between internal audit staffing and implementation of donor funded projects at VSF Germany. The results also revealed a negative but insignificant link between experience by internal audit staff and donor-funded projects implementation at VSF Germany. The findings revealed that the frequency of internal audit reviews positively and significantly effects donor-funded projects implementation at VSF Germany. Lastly, study documented a significant negative relationship between budget size and implementation of donor-funded projects at VSF Germany.

5.3 Conclusions

The findings revealed that a unit increase in internal audit staffing has an insignificant influence on implementation of donor-funded projects. This finding means that the number of internal audit staff in an NGO does not affect the implementation of projects undertaken by the entity, as IA staff are not part of project implementation but rather play a key role in monitoring funds usage. The study based on this observation concludes that internal audit staffing does not significantly affect donor funded projects implementation at VSF Germany.

Secondly, the results revealed that a unit decrease in internal audit staff experience insignificantly affects donor-funded projects implementation. This finding means that

the experience of IA staff does not play any role in project implementation as they are not part of the implementation and their role is more of monitoring. The study thus concludes that IA staff experience does not significantly affect donor funded projects implementation at VSF Germany.

Further, the finding revealed that a unit increase in the frequency of internal audit review significantly enhances the implementation of donor-funded projects. This is an indication that the number of internal audits influences a project's implementation as frequent and constant monitoring ensures that project managers follow and adhere to project implementation guidelines. This leads to the conclusion that the frequency of internal audit significantly affects the implementation of donor funded projects at VSF Germany.

Finally, the study revealed that a unit decrease in project funding adversely affects donor funded projects implementation. This finding indicates that budgetary allocation is a key determinant of a project's success as the amounts allocated to a project ensures its successful implementation. The study therefore concludes that a project's budget size significantly affects the implementation of donor-funded projects at VSF Germany.

5.4 Recommendations

The study results led to the conclusion that internal audit staffing ratio does not have a significant effect on donor funded projects implementation at VSF Germany. The study however recommends that VSF Germany management should ensure they have adequate internal audit staff to monitor and ensure efficient usage of project funds and other resources allocated to the project in addition to adherence of accounting guidelines on project costing.

Secondly, the study concluded that internal audit staff experience does not have a significant effect on donor funded projects implementation at VSF Germany. The study however recommends that VSF Germany management should carry out continuous professional development programs to their internal audit staff to ensure they are competent and they adhere to various auditing and accounting guidelines.

Thirdly, the study concluded that the frequency of internal audit significantly enhances the implementation of donor-funded projects. The study thus recommends that the management of VSF Germany should ensure that the projects they are funding and undertaking are frequently audited to ensure that they conform to the laid down plans and procedures as such would ensure timely project implementation.

Lastly, the study concluded that project budget size significantly affects the implementation of donor-funded projects at VSF Germany. The study thus recommends that the management of NGOs as well as the management of VSF Germany should always carry out a pre and post feasibility study to establish the amount of funding required for a project before undertaking since inadequacy of funding compromises timely implementation of projects.

5.5 Limitations of Study

This study was a case study and focused on a single organization hence the findings may not be generalized to other nongovernmental organizations which fund various dissimilar projects. In addition, the study focused on projects within a specific region (East Africa) hence the findings may not be attributed to projects in a specific country or the findings may not be generalized to other countries.

Secondly, the study also focused on donor-funded projects hence the findings may not be replicated to projects which are not funded by donors as different projects have

different implementation requirements. In addition, different projects have different implementation guidelines, staffing requirements, IA staff experience as well as different approaches of internal auditing.

The study also focused on three variables namely internal audit staffing, IA staff experience and frequency of internal audit reviews as indicators of internal auditing on project implementation. Notably, there are other determinants of project implementation which were not part of the study hence the study is limited to the three variables that were studied.

The study also used secondary data which was collected for a period of five years between 2014 and 2018. However, secondary data is historic in nature and may not present the most current situation. In addition, secondary data does not take into consideration of the qualitative aspects that may affect the implementation of donor funded projects.

Finally, the views of internal audit staff were not sought on whether the number of internal audit staff and internal audit experience affects implementation of donor-funded projects. In addition, the qualitative aspects of internal audit were not considered by the researcher.

5.6 Suggestions for Further Research

The study's model summary revealed that the independent variables (internal audit staffing, experience by internal audit staff, frequency of IA project reviews and budget size) explained 26.1% of the variation in donor funded projects implementation. This indicates there are other factors which affect the implementation of donor funded projects. The study thus recommends a study on the other factors that influence the implementation of donor funded projects.

The study also focused on a single organization though it covered projects which were carried out in different countries hence a contextual limitation. The study thus recommends an additional study which will cover a number of nongovernmental organizations which fund donor funded projects.

The study concentrated much on the implementation of donor funded project undertaken in several states. However, various projects are also undertaken by other institutions and they are also audited by external and internal auditors. The study thus recommends a similar study but within a different context such as government projects, county government projects in addition to projects financed by private corporate entities

The study used quantitative secondary data collected over a five year period making it historic and lagged in nature. The study thus recommends an additional research which will obtain qualitative data from the internal audit staff tasked with auditing various donor funded projects.

A similar case study can be carried out with data being collected using an interview schedule from the senior internal audit staff to obtain an in-depth information on how internal audit affects donor funded projects implementation. In addition, a questionnaire can also be used to collect primary data from IA staff to seek their views on the research variables.

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APPENDICES

Appendix I: VSF Germany Country Offices

	COUNTRY	NO. OF REGIONAL OFFICES	CO-ORDINATING OFFICE	REGIONS
1	Kenya	4	Nairobi	North Horr, Marsabit, Turkana, Narok
2	Somalia	6	Nairobi	Gedo and Somaliland (Galbeed, Maroodjeex region; Hargeisa, Gebiley and Balligubadle -Districts)
3	Ethiopia	2	Addis Ababa	Afar, South Omo
4	Sudan	6	Khartoum	Blue Nile, West Darfur, Central Darfur, North Darfur, East Darfur and South Kordofan
5	South Sudan	12	Juba	Cueibet ,Pibor, Lekuangole, Verthet, Gumuruk , Upper Nile, Jonglei, Unity, Lakes, Warrap, Western Bahr el Ghazal and Rumbek
	TOTAL	30		

Appendix II: Data Collection Sheet

Project _____

Year	2015	2016	2017	2018	2019	Average
Project implementation status (1=Timely implementation, 0 = otherwise)						
Number of audit staff						
Number of projects						
Year the internal auditor has worked						
Number of times the project has been reviewed						
Project budget size						

Appendix III: Raw Data

Country	Project	Total Budgets	Internal audit staffing	Experience by internal audit staff	Frequency of IA project reviews	Implementation Status
South Sudan	SPDDP II	22,653.54	1	3	1	1
Kenya	WATERFACILITY	73,671.32	1	3	0	1
South Sudan	GENDER	298,529.52	1	3	1	1
Kenya	FAO NRM	72,359.03	1	3	0	1
South Sudan	SSERAC	88,138.65	1	3	0	0
South Sudan	LAPALS	89,906.24	1	3	0	1
Kenya	CASH FOR WORK	163,152.74	1	3	1	1
Somalia	CHF SOMALIA	276,362.55	1	3	1	1
Kenya	CIDA	450,603.91	1	3	1	1
South Sudan	SKILLS II	868,329.59	1	4	1	1
Kenya	CAHWS TRAINING	62,738.23	1	4	0	1
South Sudan	2014 IAS FAO	114,716.68	1	4	1	1
Kenya	LANINA IV	881,319.18	1	4	1	1
Somalia	GIZ GALCKAYO	195,057.81	1	4	1	1
South Sudan	FAO ELVT	127,322.44	1	4	1	1
South Sudan	IAS FAO	130,163.62	1	4	1	1
Ethiopia	2014 GIZ ETHIOPIA	63,729.56	1	4	0	0
Somalia	2014 ESUH BMZ	485,111.24	1	4	1	1
Kenya	2014 SHARE KENYA	1,920,478.88	1	4	1	0
Kenya	2014 BENGO BMZ	76,343.00	1	5	0	1
Ethiopia	2014 ECHO AFAR	534,648.30	1	5	1	0
South Sudan	2014 FESAP	1,735,087.28	1	5	1	1
South Sudan	2014 ERCAP GIZ	645,347.00	1	5	1	1
South Sudan	2014 PAH GIZ	399,778.41	1	5	1	1
South Sudan	2014 SKILLS III	698,039.08	1	5	1	1
Sudan	EFSLR-BLUE NILE	442,759.88	1	5	1	1
Sudan	2015 ELPR CHF	276,029.21	1	5	1	1
Sudan	2015 FSL CHF	278,879.86	1	5	1	1
Kenya	2015 LANINA V	486,373.22	1	5	1	1
South Sudan	2015 LERP OFDA	916,257.04	1	5	1	1
South Sudan	2015 REST AECOM	227,533.43	1	5	1	1
South Sudan	2015 SSERAC	556,547.20	1	5	1	1
Kenya	CASH FOR WORK V	126,809.60	1	5	1	1
South Sudan	2015 ELVT FAO	187,076.96	1	5	1	1
South Sudan	2015 SSERAC II	901,571.20	1	7	1	1
Somalia	2015 HRF UN OCHA	785,148.34	1	7	1	1
South Sudan	2015 DFATD	1,624,571.72	1	7	1	1
South Sudan	CIDRR-NRM-giz	91,017.51	1	7	0	0

Somalia	2015 IFAD	458,316.77	1	7	1	1
South Sudan	2015 PROWAS	771,529.88	1	7	1	1
South Sudan	2015 PRS FAO	61,296.18	1	7	0	1
South Sudan	2015 IAS FAO II	99,449.37	1	7	0	0
South Sudan	16 SS BRAP	1,083,249.67	1	7	1	1
Kenya	16 CAHW FAO	29,385.23	2	7	0	1
Somalia	16 SO BMZ	2,428,706.98	2	7	1	1
Somalia	16SOCHFACASH	302,462.14	2	7	1	1
Ethiopia	16 ETH FAO PPR	91,632.50	2	7	0	1
Kenya	16 KE SPERC	1,498,415.29	2	7	2	1
Sudan	16 SUD CHF	1,417,852.76	2	7	1	1
Ethiopia	ETH ECHO COOPI	644,531.86	2	7	0	0
Ethiopia	16 ETH ECHO AFAR	656,031.63	2	7	0	0
Kenya	16 KE ICIDRR	64,999.99	2	7	0	1
South Sudan	16 SS SSERAC	139,094.44	2	7	1	1
South Sudan	SS DKH PROMISE	3,640,617.18	2	7	6	1
South Sudan	16 SS LERP II	1,374,899.71	2	7	1	1
Somalia	16 SOM FSRR	1,373,355.16	2	7	1	1
Kenya	16 KE BENGGO	160,119.80	2	7	1	1
South Sudan	16 SS GIZ PRANA	107,446.54	2	7	1	1
South Sudan	16 SS GIZ TDA	117,417.58	2	7	1	1
Sudan	16 SUD USAID	956,399.90	2	7	2	1
Ethiopia	16 ETH USAID	888,116.58	2	7	1	1
Ethiopia	16 ETH FAO PPR II	212,016.43	2	7	1	1
Kenya	KE CARITAS SWISS	137,428.60	2	7	1	1
Ethiopia	16 ETH HRF UNOCHA	1,040,437.98	2	7	1	0
Ethiopia	ETH RESET II AFAR	971,130.24	2	7	2	1
Ethiopia	ETH RESET S. OMO	652,109.33	2	7	2	1
Somalia	17 SOM IFAW	553,336.39	2	7	1	1
Ethiopia	17 ETH EHF	631,894.78	2	7	1	1
South Sudan	17 SS FAO SEED	65,795.61	2	7	0	1
South Sudan	17 SS DRS FAO	68,938.05	2	7	0	0
South Sudan	17 SS SSERAC IV	420,963.50	2	7	1	1
South Sudan	17 SS LERP OFDA	1,263,114.26	2	7	2	1
South Sudan	17 SS JFFS FAO	172,053.70	2	7	1	1
Ethiopia	17 ETH EHF II	360,371.31	2	7	1	1
Kenya	17 KE PLAS FAO	61,321.49	2	7	0	1
Kenya	17 KE FO	529,689.86	2	7	1	1
Ethiopia	17 ETH ECHO HIP	684,788.57	2	7	1	1
Kenya	17 KE SCOS	1,455,637.61	2	7	2	1
Sudan	17 SUD SHF	137,534.11	2	7	1	1
South Sudan	17 SS GIZ TDA	149,323.42	2	7	0	0
South Sudan	17 SS GIZ PRANA	132,539.20	2	7	0	0
Sudan	17 SUD ECOCOL	85,909.03	2	7	1	1

South Sudan	17 SS TDA II GIZ	215,065.98	2	7	1	1
Sudan	17 SUD CERF FAO	20,397.73	2	7	1	1
Kenya	17 KE EWEA FAO	21,744.55	2	7	0	0
Ethiopia	ETH ERACC AURA	354,354.66	3	7	1	1
Sudan	18 SUD EFSL	1,030,246.10	3	7	1	1
Ethiopia	18 KE/ETH EUTF	7,162,201.56	3	7	1	1
South Sudan	18 SS TDA GIZ	91,973.88	3	7	1	1
South Sudan	18 SS PRANA GIZ	89,525.76	3	7	1	1
South Sudan	18 SS DKH CAVH	509,166.54	3	7	1	1
South Sudan	18 SS DKH EFAM	300,404.32	3	7	1	1
South Sudan	18 SS SAFER FAO	542,029.22	3	7	2	1
South Sudan	18 SS ELSVH FAO	42,420.13	3	7	1	1
Ethiopia	17 ETH SILFSS FAO	81,221.26	3	7	1	1
Kenya	18 KE MSTF FAO	127,518.66	3	7	1	1
Ethiopia	ETH LEP UNOCHA	337,935.63	3	7	1	1
Kenya	ONE HEALTH CCM	235,925.01	3	7	1	1
Ethiopia	18 ETH GIZ SDR	113,387.39	3	7	1	1
Kenya	18 KE RABIES II	11,323.18	3	7	0	1
Ethiopia	18 ETH LIDAR OCHA	307,024.08	3	7	1	1
South Sudan	18 SS SSERAC V	439,087.96	3	7	1	1
South Sudan	18 SS RECOLIFI FAO	342,734.10	3	7	1	1
South Sudan	18 SS DELK FAO	107,181.58	3	7	1	1
Sudan	18 SUD EFS BL USAID	495,488.53	3	7	1	1
Sudan	18 SUD FSL CD USAID	326,376.37	3	7	1	1
South Sudan	18 SS LERP OFDA	1,493,273.25	3	7	2	1
Sudan	SUD WASHCASH FO	818,752.78	3	7	1	1
South Sudan	18 SS DKH II EFAM	79,142.00	3	7	1	1
South Sudan	18 SS MELVAT FAO	74,692.19	3	7	1	1
South Sudan	18 SS DELK II FAO	83,247.73	3	7	1	1
Ethiopia	18 ETH FAO PPR	242,228.76	3	7	1	1
South Sudan	SS SAFER NUTRITION	168,039.65	3	7	1	1
South Sudan	18 SS PELVAT FAO	79,756.73	3	7	1	1
Ethiopia	18 ETH PPR IV FAO	260,383.68	3	7	1	1
Kenya	18 KE RABIES KWT	5,119.24	3	7	0	1
Ethiopia	18 ETH SILFSS II FAO	53,416.46	3	7	1	1

Source: Veterinaries' Sans Frontiers Germany (2020)