

**INFLUENCE OF EXTERNAL AUDITOR ATTRIBUTES ON THE  
PERFORMANCE OF NON-GOVERNMENTAL  
ORGANIZATION FUNDED PROJECTS: A CASE OF NGOS IN  
NAIROBI COUNTY, KENYA**

**BY**

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**A Research Project Submitted in Partial Fulfilment of the Requirements for  
the Award of Degree of Master of Arts in Project Planning and  
Management of the University of Nairobi**

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## **DECLARATION**

This research project report is my original work and has not been submitted for an academic award in any other university.

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This research project report has been presented for examination with my approval as the appointed University of Nairobi supervisor.

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## **DEDICATION**

I dedicate my work to my family; my loving wife Judie and our daughter Gina.

## **ACKNOWLEDGEMENT**

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## **ABBREVIATIONS AND ACRONYMS**

<b>ACCA:</b>	Association of Chartered Certified Accountants
<b>CBO:</b>	Community Based Organization
<b>CPD:</b>	Continuing Professional Development
<b>CPE:</b>	Continuing Professional Education
<b>NGO:</b>	Non-Governmental Organization
<b>ICPAK:</b>	Institute of Certified Public Accountants of Kenya
<b>IFAC:</b>	International Federation of Accountants
<b>IIA:</b>	The Institute of Internal Auditors
<b>INGO:</b>	International Non-Governmental Organization
<b>IQ:</b>	Intelligence Quotient
<b>OECD:</b>	The Organization for Economic Co-operation and Development
<b>M&amp;E:</b>	Monitoring and Evaluation
<b>SAI:</b>	Supreme Audit Institutions
<b>SOX:</b>	The Sarbanes–Oxley Act of 2002

## ABSTRACT

The purpose of this study is to determine the influence of external auditor attributes on the performance of Non-Governmental Organization funded projects in Nairobi County, Kenya. The study is guided by four research objectives namely: to assess the influence of external auditors' professionalism on the performance of NGO funded projects; to examine the influence of external auditors' level of education on the performance of NGO funded projects; to assess the influence of external auditors' work experience on the performance of NGO funded projects; and to assess the influence of external auditors' evidence-based approach on the performance of NGO funded projects. Relevant literature was reviewed along with the theoretical authorities around project performance. The study adopted the Theory of Performance and the Agency Theory. The researcher adopted a descriptive survey design for the research with the target population being project managers, finance managers, project coordinators, grant managers and internal auditors of the five selected NGOs within Nairobi County namely: The University of Washington – Global Assistance Programme (UW-GAP) Kenya, International Training and Education Centre for Health (I-TECH) Kenya, International Livestock Research Institute (ILRI), Tearfund and One Acre Fund. The total population has 140 respondents. This study used stratified sampling and simple random sampling techniques respectively whereby the researcher divided the target population into various strata based on the particular NGO the respondents work in. From each of the strata, the researcher applied simple random sampling to the homogenous strata in order to obtain representative samples. The sample size was 57. A questionnaire was used as the data collection instrument. A pilot test was done and the reliability test score was 0.820975, indicating very high reliability. For data analysis the researcher used IBM's Statistical Package for Social Sciences (SPSS) v21. The researcher used simple descriptive statistics whereby the data was presented in the form of frequency distribution tables and percentages. In order to ensure consistency, the completed questionnaires were checked for completeness. The data was analyzed and presented in form of tables and frequencies. From the correlation analysis, it was found that external auditors' work experience has a strong positive correlation of 0.547 when evaluated against performance of the NGO funded projects. The external auditors' professionalism and their level of education both have moderate positive correlations of 0.469 and 0.331 respectively against performance of the NGO funded projects. Their evidence-based approach to auditing has a weak positive correlation of 0.260 against NGO project performance. The study concluded that there was a significant relationship between the external auditor attributes and performance of NGO funded projects. The findings concluded that the external auditors' evidence-based approach to auditing had the least influence on the project performance. It was also concluded that the external auditors' work experience had the greatest influence on the project performance. The study recommended that: project management teams should engage qualified and experienced external auditors to conduct routine reviews on the programmatic and financial performance of the projects funded and implemented by NGOs; external auditors should give more emphasis on professionalism, level of education, relevant work experience and evidence-based approach to auditing as these are key pillars used in assessing their performance by NGO project teams; external auditors should ensure that client engagement in form of communication, issue resolution, focus on delivery and credibility of deliverables are upheld as these form the key indicators or professionalism from NGO project management teams' perspective; the external auditors should embrace multi-sectorial exposure and experiences which keeps them abreast with the latest developments and practices; and for avoidance of doubt and protection of repute, external auditors should always seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Due to robust incentives (including taxation, misreporting and other forms of fraud) to misstate financial information, auditing has become a legal requirement for many entities who have the power to exploit financial information for personal gain. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. Due to constraints, an audit seeks to provide only reasonable assurance that the statements are free from material error. Hence, statistical sampling is often adopted in audits. In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements – a concept influenced by both quantitative (numerical) and qualitative factors. But recently, the argument that auditing should go beyond just true and fair is gaining momentum (McKenna, 2011).

Derek (2006) explicates that auditing today is clearly the most controversial aspect of the accountant's work. The collapse of Enron, and Worldcom, together with their auditors, Arthur Andersen, has put the spotlight in the past few years firmly on the company audit. The scandals across the Atlantic were of course presaged by equally dramatic upheavals in the audit world in Britain in the early 1990s with the performance of Price Waterhouse (currently PWC), the auditors of the Bank of Credit and Commerce International (BCCI), and Coopers & Lybrand, auditors of the Maxwell companies and Barings bank, among many other examples of audit failure (Mitchell et al. 1993).

Audit failure more often than not results from misunderstanding of the role of the independent or external auditors. Although the scope of the annual audit is based upon the external auditor's professional judgment and the auditor's obligation to adhere to auditing standards, the audit committee should generally understand the basis for the auditor's plan and the scope of planned audit work (Burke, 2008).

Burke (2008) further states that as the audit committee evaluates the performance of the external auditor, the committee should consider the quality of the audit and other services rendered and the efficiency of services provided. The audit committee should specifically review the expertise of the external auditor in relationship to the company's business and the industry in which it operates,

and the benefits obtained from the external auditor's recommendations for improvement to controls. Each year, the committee should assess the overall external auditor relationship, including fees charged (which the committee should approve in advance) versus the level of service received, to determine if a change in the external auditor should be considered. If the committee believes it is appropriate to consider a change in the external auditor, the process should not be taken lightly.

Financial audits are performed to ascertain the validity and reliability of information, as well as to provide an assessment of a system's internal control (Smith, 2008). As a result of this, a third party can express an opinion of the person / organization / system (etc.) in question. The opinion given on financial statements will depend on the audit evidence obtained. Due to constraints, an audit seeks to provide only reasonable assurance that the statements are free from material error. Hence, statistical sampling is often adopted in audits. In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements – a concept influenced by both quantitative (numerical) and qualitative factors. But recently, the argument that auditing should go beyond just true and fair is gaining momentum.

A number of benefits stem out of conducting an audit which are key in providing strategic gain to an organization. Riches (2015) lists out the benefits of an audit to an organization to include helping to identify weaknesses in the accounting systems and enables auditors to suggest improvements; assures directors or senior management not involved in the accounting functions on a day-to-day basis that the business is running in accordance with the information they are receiving, and helps reduce the scope for fraud and poor accounting; facilitates the provision of advice that can have real financial benefits for an organization, including how the organization is running, what margins can be expected and how these can be achieved. Advice can cover anything from the tightening of internal controls, to reducing the risk of fraud or tax planning; enhancing the credibility and reliability of the figures being submitted to prospective donors or partner organizations; adds credibility to published information for employees, customers, suppliers, investors and tax authorities; provides assurance to donors and directors (if they are not directors closely involved in the business) that the figures in the accounts show a true and fair view.

Despite all these benefits arising out of engaging an auditor to conduct an audit, an NGO may be required to get its financial statements audited as per the requirements of the law under which it is

constituted. The provisions of other relevant and applicable laws may also require audit or certification of the financial statements. In addition, some donors, who provide NGOs with restricted funding, may require special reports from the NGO's auditors. For example, a multilateral donor which funds a charity to provide care for patients with special needs may require confirmation from the auditor that the funds contributed by it have been applied by the NGO in accordance with the terms of the contract (Ainapure and Ainapure, 2009).

Audits can benefit NGO/CBOs in more ways than certifying that they have complied with certain rules and regulations and that there has been no irregularities in the use of the donor's funds. A few potential benefits that audits can provide as highlighted by Fischer (2001) include the fact that financial audits can verify key information on which certain decisions should be based, policy as well as administrative decisions; help establish ways to ensure that this information is placed in proper perspective and made available in the most helpful form to all concerned with such decisions; reveal weaknesses in accounting systems that can be obscuring the true financial picture, multiplying confusion, or promoting waste of funds and services; clarify the meaning of regulations governing particular grants, identify available options in handling grant funds and generally help an NGO to avoid the loss of funds that can result from failure to comply properly with all the rules attached to the various grants it receives.

Very large NGOs handling significant sums of money (revenues in excess of US\$ 2million for instance) might benefit from copying some of the more sophisticated control, oversight, disclosure and auditing procedures suggested by the US federal Sarbanes-Oxley (SOX) Act of 2002, or similar principles found in other jurisdictions. Many of the biggest US foundations are moving to embrace the same SOX suggestions for independent directors on their boards and specially qualified audit subcommittees (Stillman, 2007).

There's, of course, the ever-present danger of over-regulation by the government, or, indeed, the use of reporting and audit requirements to harass NGOs that are critical of the government or otherwise unpopular. There is no certain protection against governmental use, and it exists to some extent in every society. One of the most important reasons why every country should have sound administrative laws that permit actions by organs of the government to be challenged in court, and independent judges to hear those appeals, is to provide a correction for governmental abuse and a deterrent to future abuse (Tuijil, 2006).

Since the mid-1970s, the NGO sector in both developed and developing countries has experienced exponential growth (Malena, 1995). This growth is characterized by donor and development partners' preference to channel aid through NGOs as they are considered to deliver services better than governments coupled with their flexibility and innovation.

In 2008 governments of OECD countries spent approximately US\$135 billion on development aid, and are committed to spending over twice this amount (as a proportion of national income) each year by 2016. This is in addition to amounts donated by private individuals, charitable foundations and corporations. Much of this aid is channeled through NGOs to front-line aid projects. Given the amount of aid funding, a small increase or decrease in the effectiveness with which aid funding is deployed can have a substantial impact on the lives of many highly impoverished people. The accounting and accountability mechanisms employed by NGOs delivering development aid can either contribute towards or impede the effectiveness with which aid funding is deployed in individual aid projects (Agyemang *et al*, 2009).

Several theories guide the concept of project performance. This study relied on two theories namely the theory of performance and the agency theory. The theory of performance suggests that every one of us puts on a performance in our society. Developing performance is a journey, and level of performance describes location in the journey. Current level of performance depends holistically on six components: context, level of knowledge, levels of skills, level of identity, personal factors, and fixed factors (Don, 2011).

The agency theory is concerned with the relationship between the principal and the agent. The agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent (Meckling, 1976). In the case of NGOs the principal would be the NGOs board of trustees while the agent would be the management of the NGOs.

Alongside the aforementioned theories, external auditors bear key attributes which are key in project performance. Professionalism does not occur overnight. Rather, it is a process that evolves out of focused commitment and dedication, ongoing study and professional growth, high-road ethics, unwavering determination, and plain, old-fashioned hard work. Integral to professionalism, effective management, and efficient administration, and critical to corporate performance,

customer satisfaction, and investor confidence. It is essential to professionalism in the business environment, and transforms and evolves with changing business cultures and environments (The Institute of Internal Auditors, 2015).

While some professional accountants may deliver a wide range of accounting and business-related services, others will choose to specialize in one (or more) area(s) of the profession. No one professional accountant can master all areas of accountancy (IFAC Education Committee, 2005). Specialization within the profession is necessary to ensure that a range of services can be provided with a sufficient depth of knowledge and expertise in each area.

Professional experience is also one of the key determinants that affect the efficiency of performance in professional practice. The signs of behavioral studies which have focused on the subject of experience that the quality of performance in a particular area increases with their experience in that field, so the researcher's care increased in the last years in studying the subject of professional experience in accounting and auditing. The professional experience is the power which can be obtained by the practice over time from past experiences and direct feedback and the general knowledge which lead to accomplish the task with high quality (Bedard and Chi, 1993), as the prevailing definition of experience in the past as a general practice, as well as the failure in taking into account the role of the knowledge, is one of the reasons that led to confusion between professional experience and practice.

Further, external auditors employ the evidence-based approach to auditing which refers to the rational method for reaching reliable and reproducible audit conclusions in a systematic audit process (Singhal, 2014). Audit findings and audit conclusions should be based on audit evidences that are verifiable.

### **NGOs in Nairobi County**

NGOs in Kenya are established to benefit the public. They are regulated by the NGO Coordination Act No. 19 of 1990. The main reason for its establishment was to streamline registration and coordination of NGOs. According to Machuki and Oketch (2013), NGOs are viewed as voluntary grouping of individuals or associations which organize themselves locally or internationally for public benefit and are not operated for profit gain or commercial venture. They also promote charity, social welfare, development or research in the areas inclusive of education, agriculture,



health, relief, industry and supply of amenities and services. However, they are not just limited to these areas; they have a broad coverage based on need from their stakeholders.

According to the NGO Coordination Board, there were 5,929 registered NGOs in Kenya by 2005/6 operating in different sectors which include but not limited to relief, education, health, human rights etc. The number of registered NGOs shows the critical role they play in Kenya. Their contribution to the economy in terms of employment opportunities they offer cannot be understated. According to Cook (2003), a good number of development partners prefer channeling their funds through NGOs or through government agencies.

This study focussed on five NGOs in Nairobi County namely: University of Washington – Global Assistance Programme (UW-GAP) Kenya, International Training and Education Centre for Health (I-TECH) Kenya, International Livestock Research Institute (ILRI), Tearfund and One Acre Fund. These NGOs are based in Nairobi with several projects implemented within Nairobi County and all over Kenya.

## **1.2 Statement of the Problem**

While the costs related to audits and the resulting recommendations are relatively straightforward to determine, the benefits are much more difficult to quantify. First, the benefits often continue over long periods of time. Secondly, it is often difficult to measure benefits and attribute them directly to the processes that have brought them about. Benefits are frequently abstract and interdependencies between cause and effect are often obscure. A complicating factor is that the effects of qualitative and quantitative benefits sometimes overlap and thus either reinforce or detract from each other. The more general the benefit analysis, the more difficult it will be to reliably assign indicators that map and explain the causal relationship between an audit activity and its findings on the one hand and the perceptible benefits on the other (Kagermann, 2008).

Whatever the size of an NGO, the road to major governance failures and major fraud often starts with condoning minor indiscretions on the basis they are small-scale and in themselves would not harm the NGO or can be rationalized on their particular facts. In fact, each time they are tolerated, they accumulate and foster a more accommodating culture that invariably leads you to more serious risk (Stillman, 2007).

The existing practitioner and academic literature on accountability within development NGOs argues strongly in favour of accountability mechanisms that provide accountability to, and capture the views of, beneficiaries and NGO fieldworkers. It is argued that this will enhance the effectiveness of aid delivery in individual projects by taking into account the views and experiences of those closest to the delivery of the aid. These arguments are, however, either derived largely conceptually – with little empirical support – or are based on the views of relatively senior officers in NGOs and not those of the workers or beneficiaries in the field (Agyemang et al, 2009).

Furthermore, there are no extensive independent studies done on the impact on and influence of external auditor attributes on the achievements of objectives that the NGOs have set out to achieve. Several studies have been done on audit impact on performance of profit-making companies which is considered a different industry, platform or sector. Similar benefits are expected from external auditor attributes to both for-profit and not-for-profit organizations.

Within this context, the aim of this research project was to investigate, through the experiences of those operating in NGO aid projects at the local level, the influence of external auditor attributes on the performance of NGO funded projects in Nairobi County. By investigating this issue, this study sought to contribute towards the appreciation of the influence that external auditors have on the performance of NGO projects from both a financial and programmatic perspective.

### **1.3 Purpose of the Study**

The purpose of the study was to determine the influence of external auditor attributes on the performance of Non-Governmental Organization funded projects: a case of NGOs in Nairobi County, Kenya.

### **1.4 Research Objectives**

The study sought to meet the following objectives:

1. To assess the influence of external auditors' professionalism on the performance of NGO funded projects.
2. To examine the influence of external auditors' level of education on the performance of NGO funded projects.
3. To assess the influence of external auditors' work experience on the performance of NGO funded projects.

4. To assess the influence of external auditors' evidence-based approach on the performance of NGO funded projects.

### **1.5 Research Questions**

The study sought to answer the following research questions:

1. To what extent does external auditors' professionalism influence the performance of NGO funded projects?
2. To what extent does external auditors' level of education influence the performance of NGO funded projects?
3. How does external auditors' work experience influence the performance of NGO funded projects?
4. How does external auditors' evidence-based approach influence the performance of NGO funded projects?

### **1.6 Significance of the Study**

The study may be useful to a number of people who have an interest in the operations of NGOs in Nairobi County and Kenya at large. These include:

NGO management and board members: The NGOs' management and the board members are the key decision makers in ensuring the goals of the NGOs are attained. This study may help them establish the influence external audit has on the performance of projects that they undertake.

Donors and implementing partners: The donors and implementing partners of NGOs might find the research useful in monitoring and evaluating the performance of projects undertaken by NGOs in Nairobi. This may help benchmark the NGOs' performance against the requirements of the project or funding agreements.

Academic researchers: The study may aid further academic research in the area of study of NGO performance to advance knowledge on the subject matter.

### **1.7 Limitations of the Study**

During the course of this study, the researcher encountered reluctance from some of the respondents within the sample NGOs for fear of victimization based on their responses or participation in the study. The researcher obtained an introductory letter from the University of

Nairobi which assured the respondents that their information would be used for academic purposes and will be held in confidence. Further, the researcher obtained Government approval to conduct the study via a research permit obtained from the National Commission for Science, Technology and Innovation.

### **1.8 Delimitations of the Study**

The study focused on the influence of external auditor attributes on the performance of NGO funded projects in Nairobi County. There are several NGOs in Nairobi County but the researcher focused on five NGOs in Nairobi County namely: University of Washington – Global Assistance Programme (UW-GAP) Kenya, International Training and Education Centre for Health (I-TECH) Kenya, International Livestock Research Institute (ILRI), Tearfund and One Acre Fund.

Within these five NGOs, the researcher targeted the senior project management teams as respondents to the study.

### **1.9 Assumptions of the Study**

The researcher assumed that the management of the target NGOs would agree to the request to conduct the study on their organizations' personnel. The study also assumed that the respondents would be objective, respond truthfully and that the information provided would be accurate and unbiased.

### **1.10 Definition of Significant Terms**

**Evidence-based approach:** This refers to the rational method for reaching reliable and reproducible audit conclusions in a systematic audit process. Audit findings and audit conclusions should be based on audit evidences that are verifiable. An audit is conducted during a finite period of time and with finite resources, as such audit evidence should be based on samples of the information available.

**External auditor attributes:** These are the aspects which are brought about by the external auditors engaged to perform audits (financial and programmatic) on the projects being implemented by an organization. They are the peculiar characteristics portrayed by the external auditors.

**Level of education:** This refers to the cumulative schooling that one has acquired over time. It refers to the highest level of formal training that one has obtained and can be ranked comparatively according to the different stages of education i.e. primary, secondary, diploma, graduate and post-graduate levels.

**NGO funded projects:** These are the projects implemented by non-governmental organizations which are fully funded by the organizations and are set up to achieve specific goals or objectives.

**Performance:** This is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. It is the fulfillment of an obligation or target by an NGO, in a manner that releases the NGO from all liabilities under the grant agreement with the donors.

**Professionalism:** This is the conduct, aims, or qualities that characterize or mark a profession or a professional person. It is the type of behavior and level of excellence and competence that one would expect from a professional person. It is further defined as the combination of all qualities that are connected with trained and skilled people in a particular field such as auditing.

**Work experience:** This is the sum-total of both number of years worked and the specific relevant experience a person has undergone while working on a particular role in an organization or industry.

### **1.11 Organization of the Study**

This study consists of five major chapters. Chapter One gives the broad background of the study. The next chapter, Chapter Two, covers the study's literature review which looks at studies that have been carried out along with research findings on the subject matter as guided by the research questions. Chapter Three outlined the study's research methodology that was employed in research design, target population, sampling technique, instruments of data collection and data analysis. Data analysis, presentation and interpretation is be covered under Chapter Four in which the researcher presents analysis and findings of the study. The final chapter, Chapter Five, presents a summary of the findings, the discussions on key data findings, conclusions and recommendations. These discussions, conclusions and recommendations are focused on the objectives of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter discusses the literature review of the research study. Literature review provided the study with an explanation of the theoretical rationale of the problem being studied, what research has already been done relating to the subject under study and how the findings relate to the problem at hand. It also relied on earlier work which was obtained from published reference material such as journals, magazines and newspapers all of which provided an overview of major past activities that had earlier been undertaken on the topic under study. Further, the chapter covers the past studies, critical analyses and the identified research gaps with a section that anchors the study on theoretical and conceptual frameworks.

#### **2.2 Performance of Projects Funded by NGOs**

There are currently a large number of emerging NGOs offering their services, but whose professional standards leave a lot to be desired. The question of professionalism is of the utmost seriousness, so it is vital that efforts continue to be made to teach and disseminate practical experience to NGOs, as well as emphasis on training and on work to raise standards, to avoid NGO performance being seen as amateurish (Vyatkina, 2014).

##### **2.2.1 The Concept of Project Performance**

NGOs do not have the criterion of profit as an overall index of performance. It goes without saying that any organization's performance is rooted in its Strategic Plan. This sets out the organization's mission, values, and objectives in terms which allow its actual and planned performance to be assessed and compared. It is therefore of vital importance to make explicit the mission, values, and objectives of NGOs in their pursuit of the development agenda and of performing to the expected standard (Benett, 2012).

Jacobs (2011) stated that NGOs can make a big contribution to people's own efforts. But each NGO normally only has a small influence on long term social change. Other factors are normally more important, like government, politics, economic opportunities, friends and family, culture or even the weather. Ultimately, people make their own choices about their lives. NGOs aim to nurture and respect that autonomy, in what they do and how they do it. Focusing on 'impact' encourages NGOs to allocate resources solely on the basis of recipients' needs. This can overstate

NGOs' influence and pull them in directions outside their experience, undermining the quality of work.

Many authors have offered a number of definitions of measuring performance in literature covering NGOs. For instance, Poister (2003) mentioned that performance measurement is a method of identifying, controlling and utilizing different objective measures of the organization's performance and its programs on regular basis. Furthermore, Lindblad (2006) considered performance measurement as the utilization of objectives, indicators and information to assess NGOs interventions and services. Ferreira and Otley (2009) treated it as a mechanism of assessing people, teams and the overall organization. Miller (2007) viewed performance measurement as a program assessment method that evaluates efficiency and effectiveness of a program and its impact. Carman (2007) claimed that performance measurement is a systematic evaluation of a program's outputs, inputs and impacts. Still, there has been always little consensus over how to define and measure performance in NGOs since these organizations at times have unclear goals and uncertain relationship between programs' activities and the desirable goals of the donors funding the NGOs. Performance of NGOs has been defined by Kanter and Summers (1987) as the demonstrated ability to acquire the necessary resources for organizational survival. Nevertheless, acquiring the necessary resources for survival is not the only dimension of measuring NGOs performance. Kareithi and Lund (2012) argued that the primary mission of these NGOs is focused on goals desired by their targeted beneficiaries and their communities, so the performance of these organizations should be assessed by their effectiveness and efficiency to achieve mutually identified social goals.

In this regard, there is also need to focus on the requirements of the donors funding the NGO projects. Donors' need for periodic performance reporting that regularly demonstrates progress and goal achievement on a project sometimes conflicts with the longer-term nature of certain projects and the slower pace of work in some communities. Addressing this disconnection may require a willingness by some donors to recognize that highly beneficial long-term outcomes cannot always be delivered in a timescale to suit the donor communities' shorter-term reporting demands and expectations. Such a change may require some donor governments to run long-term educational programmes at home, so that their electorates are aware of the important benefits of

long-term aid and do not expect results from all aid projects within a four- or five-year electoral cycle (Agyemang *et al*, 2009).

Agyemang *et al* (2009) continues to state that upward-reporting mechanisms usually either did not provide scope for, or were perceived to discourage, the reporting of unintended consequences or failures in aspects of the delivery of aid projects. Their study's respondents considered that an understanding by NGOs and donors of these unintended consequences and failures would offer important learning opportunities to help improve the shape and delivery of current and future projects. To ensure that the effectiveness of current and future aid projects can be improved through learning from unintended consequences, mistakes and failures in existing projects, it is important that upward-reporting formats provide scope for, and encourage, the reporting of these issues. Furthermore, donors should consider clearly signaling that they recognize the value of this type of information and that they will use the information constructively – rather than 'punishing' perceived failures. Some forms of partnership arrangement have given rise to accountability problems owing to tensions between the priorities of INGO local branches and those of the local community-based partner NGOs delivering the services. It is advisable that the memoranda of understanding between donors, INGOs and local partners are clear about the accounting and accountability responsibilities and expectations of each party.

Project activities are undertaken to realize targeted project goals in a determined schedule with finite resources. While project management mainly focuses on the triple constraints of cost, budget and time; there exist organizational constraints that impact the project management processes. Therefore, improving the management of the constraints will enable organizations to achieve their business goals (ITS Project Management Group, 2014).

Performance assessment and evaluation reports are written at various times during the life of the project. Some NGO officers considered the assessment reports and the evaluation reports to be similar, while other officers described differences between them. Performance evaluation reports are typically written at the end of a project or at the end of a funding stream, and therefore are final project reports. On the other hand, performance assessment reports tend to be written on a continuous basis. These reports are more comprehensive than the regular quarterly and annual reports. The main audience for the performance assessment and evaluation reports is donors. The performance assessment and evaluation reports concentrate on the extent to which predefined



project aims and objectives have been achieved. In addition, they usually consider issues of sustainability and organizational learning, and these aspects appear to be less evident in the more regular disclosure reports (Agyemang *et al*, 2009).

### **2.2.2 Performance Indicators**

Key Performance Indicators are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization. They will differ depending on the organization. Key Performance Indicators, also known as KPI or Key Success Indicators (KSI), help an organization define and measure progress toward organizational goals. Once an organization has analyzed its mission, identified all its stakeholders, and defined its goals, it needs a way to measure progress toward those goals. Key Performance Indicators are those measurements. Whatever Key Performance Indicators are selected, they must reflect the organization's goals, they must be key to its success, and they must be quantifiable (measurable). Key Performance Indicators usually are long-term considerations. The definition of what they are and how they are measured do not change often. The goals for a particular Key Performance Indicator may change as the organization's goals change, or as it gets closer to achieving a goal (Editors of Perseus Publishing, 2002).

One important part of NGOs performance measurement, that has been a concern for a long period, is to understand the appropriate indicators that should be taken into account when measuring and evaluating NGOs performance (Gill et al., 2005). The research on NGOs performance measurement examined two main issues: internal indicators and external indicators. According to Bennis (1966), the internal indicators of measuring NGOs performance are related to "Organizational Health". These indicators concern the financial performance of NGOs including access to funding, budgeting efficiency, expenses and costs (Gill et al., 2005). On the opposite, the external indicators address the link between the NGO and the environment. For instance, Yuchtman and Seashore (1967) proposed a system resource framework which defines NGOs performance as the capability to derive benefits from the surroundings toward the best acquisition of the financial needs and requirements for their survival. Their framework is based on the idea of NGOs ability to sustain a good connection with the environment.

In general, NGOs can assess their performance through creating performance indicators and then gathering information related to these indicators. Carman (2007) saw that the most utilized performance indicators by NGOs incorporate efficiency, effectiveness, fundraising, costs, audits

and beneficiaries' satisfaction. Teelken (2008) used four performance indicators to evaluate NGOs operations: efficiency, effectiveness, economy and efficacy. Similarly, Fine and Snyder (1999) stressed that performance measurement in NGOs includes identifying and assessing indicators which mainly address efficiency and effectiveness. Benjamin and Misra (2006) mentioned that measuring performance in NGOs should look at inputs, outputs, outcomes and impact.

Fine and Snyder (1999) defined the relationship between inputs utilized and outputs achieved as efficiency, while effectiveness is considered as a measure used to determine up to what extent is an organization achieving its planned goals and targets. Other authors relied on the notion "outcomes" to refer to effectiveness. For instance, Morley et al. (2001) defined outcomes as a certain result or quality of an organization's program or project. Efficiency is the optimal use of financial and other non-financial resources (labor, time and expertise) to achieve the planned results. It is the extent to which a program has converted or is expected to convert its resources/inputs economically into results in order to achieve the maximum outputs. Usually the relationship between input measures and output measures produces efficiency.

Measuring performance represents a vital mechanism for improving the work of NGOs since these organizations face complicated challenges in delivering their programs and services. It helps NGOs to maximize their social impact and achieve their ultimate objectives. To make a success of a 'stakeholder' approach requires NGOs to be more explicit about whose views count more or less than others'. While not easy, such choices are made implicitly anyway. The issue is to be open about the 'trade-offs' being made, and whom they benefit. There is little doubt that external pressure and internal concerns will continue to push NGOs to demonstrate their effectiveness, and hence their value as agents of development. Given the consistent trend to go beyond governments in international development, it is likely that the methods adopted will stretch along a continuum from simple participatory project appraisal, at one end, to full 'stakeholder' determination of NGO performance criteria and assessment of its success in meeting these, at the other (Fowler, 2009).

There is little doubt that external pressure and internal concerns (both opportunistic and professional) will continue to push NGOs to demonstrate their effectiveness and hence their value as agents of development. Given the consistent trend to include more non-state actors in development, it is likely that the methods adopted will stretch along some form of continuum from

simple participatory project-appraisal at one end to full stakeholder-determination of NGO performance criteria and judgment at the other (Edwards and Hulme, 2013).

Edwards and Hulme (2013) further stated that the existing literature on NGOs and development, together with the few impact studies which exist, suggest that, by the end of the century, most NGOs will be found clustering between the ‘people as project-input’ end of the performance assessment spectrum. It is doubtful that many NGOs will be found operating on the basis of performance criteria and standards negotiated with and between their diverse stakeholders, unless this is recognized as the real bottom line for demonstrating both performance and accountability.

Despite the push for adoption of quantified performance indicators, some problems do exist with the same. Although some quantified performance indicators are considered helpful, there is a concern that in many cases there is an unhelpful dominance of such indicators, which predominate over the qualitative information about performance that is necessary for the interpretation of performance metrics. To address this issue, Agyemang et al (2009) recommended that all upward-accounting and accountability formats provide scope for, and encourage, a mixture of quantitative and qualitative performance indicators. It is also important for INGOs and donors to make clear that they have taken account of the qualitative information in more ways than simply by incorporating the quantified performance measures into their own reporting and decision-making processes.

### **2.3 External Auditors’ Professionalism and Performance of NGO Funded Projects**

Professionalism does not occur overnight. Rather, it is a process that evolves out of focused commitment and dedication, ongoing study and professional growth, high-road ethics, unwavering determination, and plain, old-fashioned hard work. Certification sets professional auditors apart from the rest by documenting their mastery of the field and attributes of internal auditing. Becoming certified requires extensive preparation, study, knowledge, and experience; and indicates a commitment to professionalism (The Institute of Internal Auditors, 2015).

Integral to professionalism, effective management, and efficient administration, and critical to corporate performance, customer satisfaction, and investor confidence. It is essential to professionalism in the business environment, and transforms and evolves with changing business cultures and environments (The Institute of Internal Auditors, 2015).

The requirements of those entering the auditing profession are demanding. Audits are performed where each auditor is expected to complete tasks requiring considerable technical knowledge and expertise. Auditors also need well-developed skills in leadership, teamwork, communication, decision making and general professionalism. In terms of technical knowledge and expertise, auditors must understand accounting and auditing authoritative literature, develop industry and client-specific knowledge, develop and apply computer skills, evaluate internal controls, and assess and respond to fraud risk. Furthermore, a strong ethical foundation is critical for each auditor (Johnstone *et al*, 2016).

Johnstone *et al* (2016) continue to state that in terms of professionalism, auditors make presentations to management and audit committee members, exercise logical reasoning, communicate decisions to users, manage and supervise others by providing meaningful feedback, act with integrity and ethics, interact in a team environment, collaborate with others, and maintain a professional presence.

A good auditor recognizes that some degree of conflict is inevitable and failures are always possible. Auditors face the challenges of time, money, resources, and attitudes. These challenges may be with the client or the auditor. The auditor must always demonstrate professionalism. An exceptional auditor will exercise common sense with a quick response, uses past experiences and makes the job look effortless, especially when dealing with change or conflict (Cannon, 2011).

Strengthening the professionalism of the auditor requires an environment in which boards of directors and management of client companies have high expectations about the auditing firms' integrity, objectivity and professional expertise and in which the auditor, in meeting those obligations, recognizes an overriding public responsibility (Advisory Panel on Auditor Independence, 1994). It requires an environment in which an auditor's professional services truly do add value and are not looked on simply as a regulatory requirement imposed on the company. It requires an environment in which auditors can pursue their professional activities without undue fear of liability and in which government and regulators balance their responsibilities for oversight against the need to let the profession function effectively in the private sector.

Central to the professional behavior of auditors is the audit judgment and decision-making process while performing audit tasks. This also includes the profession's core competence: the audit

process and performing audit tasks. Some behaviors – behaviors that are part of and contribute to that decision-making and audit process – are highlighted separately due to their significance to the audit process. These are: skeptical judgments and decisions (i.e., probing and being professionally skeptical), knowledge sharing and consultation behavior, working in fluid and flexible audit teams (including engagement partner involvement), communication of and negotiation on audit observations and findings, and audit documentation and justification. Dysfunctional or deviant behaviors are those behaviors that are counterproductive and are covered separately (Bik, 2010).

Looking at some fundamental theories of professional behavior in contemporary social sciences, one notices that these cover the inputs (e.g., desires and motivations, situational contingencies), an estimated intentionality (oriented to a certain value or outcome), the “mechanisms” by which behavior is shaped (e.g., the influence of the immediate environment, expenditure of efforts) and the outputs of behavior (e.g., action and deeds, attainment of end goals). The global demand for professional assurance, tax, and management advisory services by large and often multinational clients is the primary driver for the international growth strategies of the assurance firms. Some emphasize the importance of the rise of these Big 4 audit firms to the world economy and the global capital markets. Others, on the contrary, emphasize that these organizational forms are among the root causes of the demise of professional values in favor of commercial preferences (Humphrey et al. 2009).

The development of the auditing profession is characterized by large changes in the organizational structures of international accounting firms, which have grown from sole practitioners to multinational professional service firms<sup>35</sup>, currently known as the Big 4 auditing firms. The Big 4 audit firms operated under the brand names of Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers (currently PWC), each with global revenues of USD 13 to 17 billion and 100,000 to 150,000 employees. Despite this legal structure, they are to an increasing extent acting more and more like one entity – forcing members of the firm to closely follow the policies of the global firm” (Humphrey et al. 2009).

The codification and standardization of the assurance profession is primarily done through the International Federation of Accountants (IFAC). The IFAC, through its independent standard-setting boards, and in conjunction with the international regulatory community, sets, among others, international auditing and assurance standards and a code of ethics for professional accountants.

The International Standards on Auditing (ISAs) are currently used by more than 100 jurisdictions around the world. These standards are so-called “principles-based” which means that the nature of the international standards is such that it required auditors to exercise professional judgment in applying them. The overall objectives for the auditor are: to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared in all material respects, in accordance with an applicable financial reporting framework (Bik, 2010).

Regionally, the Ethiopian Professional Association of Accountants and Auditors (EPAAA) was established by the State as an indigenous professional accounting associations (Kinfu 1990). However, this association has not made significant progress as it did not develop the capacity to control entry into professional practice (Mihret et al, 2009). As a result, professional accountants certified by recognized professional associations of other countries are licensed for public accounting practice in Ethiopia. The Association of Chartered Certified Accountants (ACCA), a UK based professional accountancy body operates actively in the Ethiopian market. As a result, almost all of the accountants in public practice are members of this association (World Bank, 2007).

Furthermore, there is a lack of formally recognized accounting standards in Ethiopia. Nor is there an authoritative professional accountancy association in Ethiopia to lead the profession. This lack of an authoritative professional association also limits the possibility of interactions between practitioners and academics. Experts that obtained certifications from foreign professional accounting associations, mainly the UK-based Association of Chartered Certified Accountants (ACCA) undertake professional accounting practice (Mihret et al, 2009). The absence of national accounting standards makes it difficult for accounting education to determine the subject matter of focus. This fact coupled with the historical development of accounting education explained above, have led accounting education to continue to be largely US oriented (Bobe and Mihret, 2011).

Further north, there are concerns regarding the ability of external auditors in Egypt to discharge their responsibility for fraud as required by ISA 240. That is because of some governance issues in Egypt that might have an impact on audit quality. This includes lack of rules that state auditors’

rights and obligations, no strong independent professional organization to guarantee auditors rights with the auditee, no standardized measures for audit quality, and issues regarding auditors' independence. No evidence was found in prior literature about the degree of compliance of audit firms in Egypt with the requirements of ISA 240. However evidence from prior research showed that in practice, the International Standards on Auditing are either not fully complied with or inconsistently complied with among audit firms in Egypt. Prior research explained that non-compliance with the international standards could be due to lack of experience and expertise in the profession, the lack of accounting and auditing education, and the lack of competitiveness of the profession in terms of salaries and incentives (Kassem and Higson, 2015).

#### **2.4 External Auditors' Level of Education and Performance of NGO Funded Projects**

While some professional accountants may deliver a wide range of accounting and business-related services, others will choose to specialize in one (or more) area(s) of the profession. No one professional accountant can master all areas of accountancy. Specialization within the profession is necessary to ensure that a range of services can be provided with a sufficient depth of knowledge and expertise in each area. The audit of financial statements is one area in which professional accountants may specialize. To perform competently in this specialist area, professional accountants will require a higher level of education and training in audit and related areas than what is required of those who do not have substantial involvement in financial statement audits. Professional accountants involved in financial statement audits in specific industries may be more specialized yet. The nature of the industry, any applicable specific laws and accounting treatments may require professional knowledge and professional skills in addition to that required for all other audit professionals (IFAC Education Committee, 2005).

International Education Standards for Professional Accountants establish the essential elements of the content and process of education and development of professional accountants (e.g. subject matter, skills, ethics and practical applications). Although the Standards cannot override authoritative local pronouncements, they are prescriptive in nature. This standard prescribes the minimum competence requirements IFAC member bodies are expected to require any members to obtain before they undertake substantial involvement in a financial statement audit assignment. This standard sets out the specific knowledge, skills and experience that the public might reasonably expect professional accountants to have before having a substantial involvement in

audit assignments. Different levels of responsibility within an audit assignment will demand different levels of competence. This standard sets the minimum benchmark for all audit professionals (IFAC Education Committee, 2005).

To acquire the capabilities required of audit professionals, professional accountants may need to take education and development programs and activities in addition to those they needed to qualify as professional accountants. The additional education and development requirements for audit professionals can be fulfilled either subsequent to, or at the same time as, the education and development program for qualifying as a professional accountant. The education and development process for developing the capabilities of audit professionals can include advanced professional education pursued at academic institutions or through the programs of professional bodies; on-the-job training and experience programs; off-the-job training; and continuing professional development (CPD) courses and activities. IFAC member bodies may wish to impose specific requirements, in addition to the minimum benchmarks required in this standard, for professional accountants working as audit professionals. In particular, IFAC member bodies may consider prescribing specific CPD activities for audit professionals (IFAC Education Committee, 2005).

A common problem is that there is a lack of auditors who have formal training in auditing technique, despite the fact that education based on the international standards is available on the market. The lack of auditors has meant that organizations have been late in starting to implement internal system-audits, and have thereby had to operate without the push that the audits provide (Piper, 2003).

One of the advantages that is often said to support the view that auditors, both external and internal, are uniquely placed to provide audit service is training. Auditors receive specific training in audit planning, design of audit programmes, evaluation of audit evidence and documentation of audit evidence gathered and evaluated. Other more specialized professionals do not have this type of training nor do they routinely use these specific skills (Gul and Fung, 2014).

Accountants in sub-Saharan Africa need to give greater general attention to the training for themselves and less reliance on external talent if the field is to grow. Not only does this lack of accounting talent show the need for continued growth, but it also presents a challenge to Western auditing practices which can require many individuals with accountancy skills at different levels



of this business. However, this exercise by professional accountants, who have gone through the training and obtained the requisite certificate from a recognized professional accounting body and possess a practice license as in the case of Nigeria was described by Osasu and Okunbor (2011) as conscientious, objective examination and inquiry into a given statement of account relating to money or money's worth. It also entails the examination of the underlying documents and possible physical assets to enable the auditor to form an opinion as to whether or not the statement of account presents a true and fair view of what it purports to present.

In the conclusions to their paper on how donors allocate funds to NGOs, Bougheas et al (2008) found that their results suggested that each donor uses information that is most suitable to its environment: international donors will be more used to formal measures such as the level of education and appointment procedure because they are observable, easy to verify and a cost effective way for the donor to make decisions not only in Uganda (where the study was undertaken) but also applicable in other African countries.

## **2.5 External Auditors' Work Experience and Performance of NGO Funded Projects**

Professional experience is one of the key determinants that affect the efficiency of performance in professional practice. The signs of behavioral studies which have focused on the subject of experience that the quality of performance in a particular area increases with their experience in that field, so the researcher's care increased in the last years in studying the subject of professional experience in accounting and auditing. The professional experience is the power which can be obtained by the practice over time from past experiences and direct feedback and the general knowledge which lead to accomplish the task with high quality (Bedard and Chi, 1993), as the prevailing definition of experience in the past as a general practice, as well as the failure in taking into account the role of the knowledge, is one of the reasons that led to confusion between professional experience and practice.

External auditors play a very important role in the organization. According to Percy (2007) the users' of financial statements looking for audit practice which cover duties as follows: the accounts are right; companies will not fail; companies will guard against fraud and error; companies will act within the rules; companies will be competently managed; and companies will adopt a responsible attitude to environmental and societal factors. Audit experience is related to how long the auditor works and to how many audit engagements have been completed. Technically, the audit

expertise will increase with more experience in doing audit tasks. Increased experience will provide more audit quality, especially in making the assessment audit. Conklin (1993) found that someone with more experience in a specific field had more ability in developing specific cases related to auditor experience.

Previous studies concerning experience effects in audit judgments have produced mixed results, possibly because they did not consider the knowledge necessary to complete the task and when it would normally be acquired (Bonner, 1990). As a discipline, audit relies on competent individuals applying their experience, integrity, objectivity and professional skepticism to make appropriate judgments.

Auditing requires a team with experience and expertise, to obtain and assess sufficient appropriate audit evidence and apply appropriate professional skepticism. Increasing use of judgments and estimates in financial reporting standards are leading to junior staff increasingly needing to assess and evaluate estimates as well as undertake re-calculations or re-performance procedures. The expertise and skills required of more junior staff is therefore changing (Institute of Chartered Accountants Australia, 2013).

The audit department needs to command the range of skills and experience necessary for effective discharge of the audit mandate. Depending upon the nature of the audits to be undertaken under that mandate, persons whose education and experience are commensurate with the nature, scope, and complexities of the audit task should carry out the audit work (Deloitte, 2007). An auditor should have work experience in a technical, managerial or professional capacity. Within these, judgment, problem solving and communication skills (with other management staff or with colleagues, clients or other interested parties) are required. An auditor should also have attended a training for auditors, which contributes to the development of the necessary knowledge and skills for implementing the audit.

An auditor for important audits should have gained audit experience before. This experience should extend to the entire audit process and should be acquired under the supervision and guidance of an audit team leader working in the same field. Another reasonable way to maintain and improve auditor competence is via exchange of experiences between auditors of different organizational units or locations where different themes, experiences and new developments

should be discussed. New approaches or solutions can be developed for example, in small workshops (Ismail and Cieh, 2013).

The management of an audit programme, including dedication to the continuing professional development of the auditor(s), may be an overhead cost or a diversion of resources on which management does not wish to compromise/ the opportunity of utilizing an external audit team avoids questions over independence and may, advantageously, bring the benefit of the auditor's wider experience in a cross-section of industry. The team will, initially, take a little time to become familiar with the management system under scrutiny but, for the professional audit organization, income depends upon competence in the understanding of the management system specifications, their ability to undertake timely and effective audits, and opportunities to generate return business (Carter, 2003). For instance, the degree of compliance with applicable auditing standards varies among large and small firms. Although large auditing firms generally have greater capability to provide quality services, compliance with the standards is not always ensured. Wahdan et al (2005) in their study on auditing in Egypt have concluded that there is compliance gap between auditing requirements and actual practices in Egypt. Their results also revealed that noncompliance with auditing standards in Egypt was mainly caused by the lack of experience and expertise in the profession, the lack of accounting and auditing education, and the lack of competitiveness of the profession in terms of salaries and incentives (Kassem and Higson, 2015).

In their study on the effect of working experience, integrity, competence, and organizational commitment on audit quality Bouhawia et al (2015) found out that both experiences acquired through long working period, and through frequency of the audit engagement, affect audit quality. Long tenure of audit job leads to an auditor gaining more general professional experience, which in turn enables the auditor to acquire more competency. On the other hand, frequency of the audit work leads the auditor to amass client specific experience. This client specific experience can enable an auditor to gain more specific knowledge of the client's business, systems, and risks, which in turn would lead to high audit quality.

## **2.6 External Auditors' Evidence-based Approach and Performance of NGO Funded Projects**

Audit evidence is any information used by the auditor to determine whether the information being audited is stated in accordance with established criteria. It is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes

both information contained in the accounting records underlying the financial statements and other information. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit) or a firm's quality control procedures for client acceptance and continuance. Also, information that may be used as audit evidence may have been prepared using the work of a management's expert. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases the absence of information (for example, management's refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence (IFAC, 2008).

IFAC's International Standard on Auditing 500 (2008) further states that the sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is the measure of the quantity of audit evidence. The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. More assurance is ordinarily obtained from consistent audit evidence obtained from different sources or of a different nature than from items of audit evidence considered individually. For example, corroborating information obtained from a source independent of the entity may increase the assurance the auditor obtains from audit evidence that is generated internally, such as evidence existing within the accounting records, minutes of meetings, or a management representation. Information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, analysts' reports, and comparable data about competitors. The standard provides guidance on what audit evidence is. We shall now give more focus on evidence-based approaches in auditing.

Evidence-based approach to auditing refers to the rational method for reaching reliable and reproducible audit conclusions in a systematic audit process. Audit findings and audit conclusions should be based on audit evidences that are verifiable. An audit is conducted during a finite period of time and with finite resources, as such audit evidence should be based on samples of the information available. The auditing exercise mainly concentrates on gathering objective evidences. An appropriate use of sampling should be applied during auditing process (Singhal, 2014). Audit evidence is verifiable. It is based on samples of the information available, since an audit is conducted during a finite period of time and with finite resources. The appropriate use of sampling is closely related to the confidence that can be placed in the audit conclusions

Audits are only valuable to the extent to which the audit results can be trusted – by both internal and external stakeholders. This trust only occurs when audit results are based on evidence that is relevant, sufficient and verifiable. Audit evidence is relevant to the extent that it is related to the scope and nature of the audit to be performed. Audit evidence is sufficient to the extent that it is enough to evaluate conformance to selected standards. Audit evidence is verifiable to the extent that it is tied to facts gathered using objective audit techniques. Dunmire (2012) defines three focus points in evidence-based auditing. These are discussed in the following sections:

Focus on relevance; which requires auditors to establish audit processes that are focused on collecting relevant and verifiable audit evidence. Although an expert auditor can perform an audit using poor protocols and badly-designed audit processes, it is a huge effort and a wasted opportunity. Audits are expensive. To get the value from one's investment, focus first on establishing sound audit processes. This includes defining the objectives to be achieved; clarifying roles and responsibilities for audit activities and identifying the audit scope, taking into account materiality, timeliness and risk. Relevance deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. The relevance of information to be used as audit evidence may be affected by the direction of testing (IFAC, 2008).

Focus on sufficiency; which requires auditors to conduct audits that collect the audit evidence that is needed. Audits are NOT inspections. It is not feasible to examine all of the information available within the scope of even the most narrowly defined audit. Instead, audits need to focus on collecting evidence that is persuasive – representative of reality and of probative value. There are

a number of factors that go into determining the amount of audit evidence needed. These factors include the source and reliability of the information available, the nature and strength of the internal control processes in place as well as the degree of risk associated with inaccurate audit findings.

Focus on verifiable findings; which alludes that audits have only limited value unless the results are documented and communicated to individuals who can address them appropriately.

The reliability of information to be used as audit evidence, and therefore of the audit evidence itself, is influenced by its source and its nature, and the circumstances under which it is obtained, including the controls over its preparation and maintenance where relevant. Therefore, generalizations about the reliability of various kinds of audit evidence are subject to important exceptions. Even when information to be used as audit evidence is obtained from sources external to the entity, circumstances may exist that could affect its reliability (IFAC, 2008).

## **2.7 Theoretical Framework**

This section covers the theoretical framework selected for the study and its relevance within the project performance context. Theoretical framework describes a theory as a relationship between definable, observable and empirically measurable variables or constructs, the latter which can be defined as a concept operationalized with units that are approximated. This study adopts two theories namely; The Theory of Performance and the Agency Theory discussed in the following sections.

### **2.7.1 The Theory of Performance**

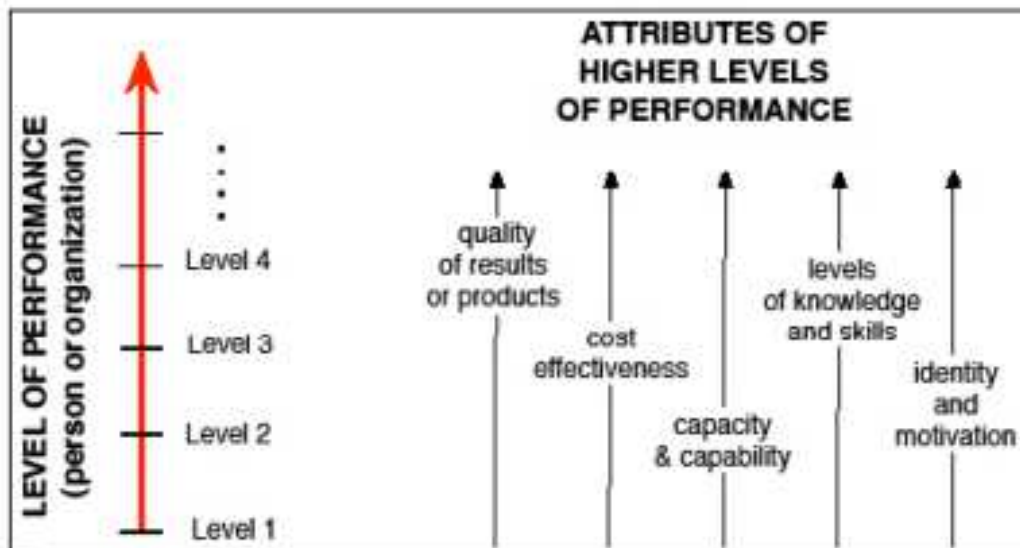
Performance theory suggests that every one of us puts on a performance in our society. Whether through the clothes we wear, the conversations we hold or the food we eat, all are a performance designed as a signal-system to ourselves and to others of our place within our social group (Goffman 1969).

The Theory of Performance develops and relates foundational concepts to form a framework that can be used to explain performance as well as performance improvements. To perform is to produce valued results. A performer can be an individual or a group of people engaging in a collaborative effort. Developing performance is a journey, and level of performance describes

location in the journey. Current level of performance depends holistically on six components: context, level of knowledge, levels of skills, level of identity, personal factors, and fixed factors.

In his paper on theory of performance (ToP), Don (2011) stated that humans are capable of extraordinary accomplishments. Since worthy accomplishments are produced from high level performances, a theory of performance is useful in many learning contexts. In the traditional contexts, a ToP informs learning in classrooms, workshops, and other venues that are traditionally associated with learning. In non-traditional contexts, a ToP informs learning in contexts that are not traditionally conceptualized as learning environments. Examples of these contexts include academic advising, self-development, departments, academic committees, professional research groups, colleges. In terms of organizational learning, a ToP informs learning by organizations through the idea of examining the “level of performance” of the organization.

Performance advancing through levels is shown in Figure 1 where the labels “Level 1,” “Level 2,” etc. are used to characterize effectiveness of performance. That is, a person or organization at Level 3 is performing better than a person or organization at Level 2. As shown on the right side of Figure 1, performing at a higher level produces results that can be classified into categories which are detailed in the following section.



*Figure 1: Attributes of Higher Performance. Adapted from “Theory of Performance” by Don Elger (Mechanical Engineering, University of Idaho)*

**Quality increases**—results or products are more effective in meeting or exceeding the expectations of stakeholders.

**Cost decreases**—amount of effort or financial resources to produce a result goes down; amount of waste goes down.

**Capability increases**—ability to tackle more challenging performances or projects increases

**Capacity increases**—ability to generate more throughput increases  
**Knowledge increases**—depth and breadth of knowledge increases

**Skills increase**—abilities to set goals, persist, maintain a positive outlook, etc. increase in breadth of application and in effectiveness.

**Identity and motivation increases**—individuals develop more sense of who they are as professionals; organizations develop their essence.

The performance of a system, for example a home entertainment system, depends on the components of the system and on the interactions between these components. Similarly, level of performance of an individual or an organization depends on the components: level of identity, levels of skills, level of knowledge, context of performance, personal factors and fixed factors.

Project progress measurement is situated at the confluence of project management theory, measurement theory and human dynamics. These case studies confirmed that project measurement provides a rich source of leverage towards a project's success (on-time completion). However, the impact of human dynamics on project measurement has received little research attention. Due to the inevitable human involvement in the project measurement process, project measurement tended toward decision-making, which directed attention to the two definitions of measurement: “determining the value” vs. “assigning a value” (Steyna and Stoker, 2014). Research is required in project measurement theory, and specifically relating to the four basic criteria for a theory: definitions of concepts; definition of domain and limitations; definitions of key relationships, and predictive claims (Wacker, 1998).

The Theory of Performance will provide insights into NGO funded projects' performance; what pertains to the projects' performance; how it is measured; and what factors affect or have an influence over the performance of these projects.



### **2.7.2 The Agency Theory**

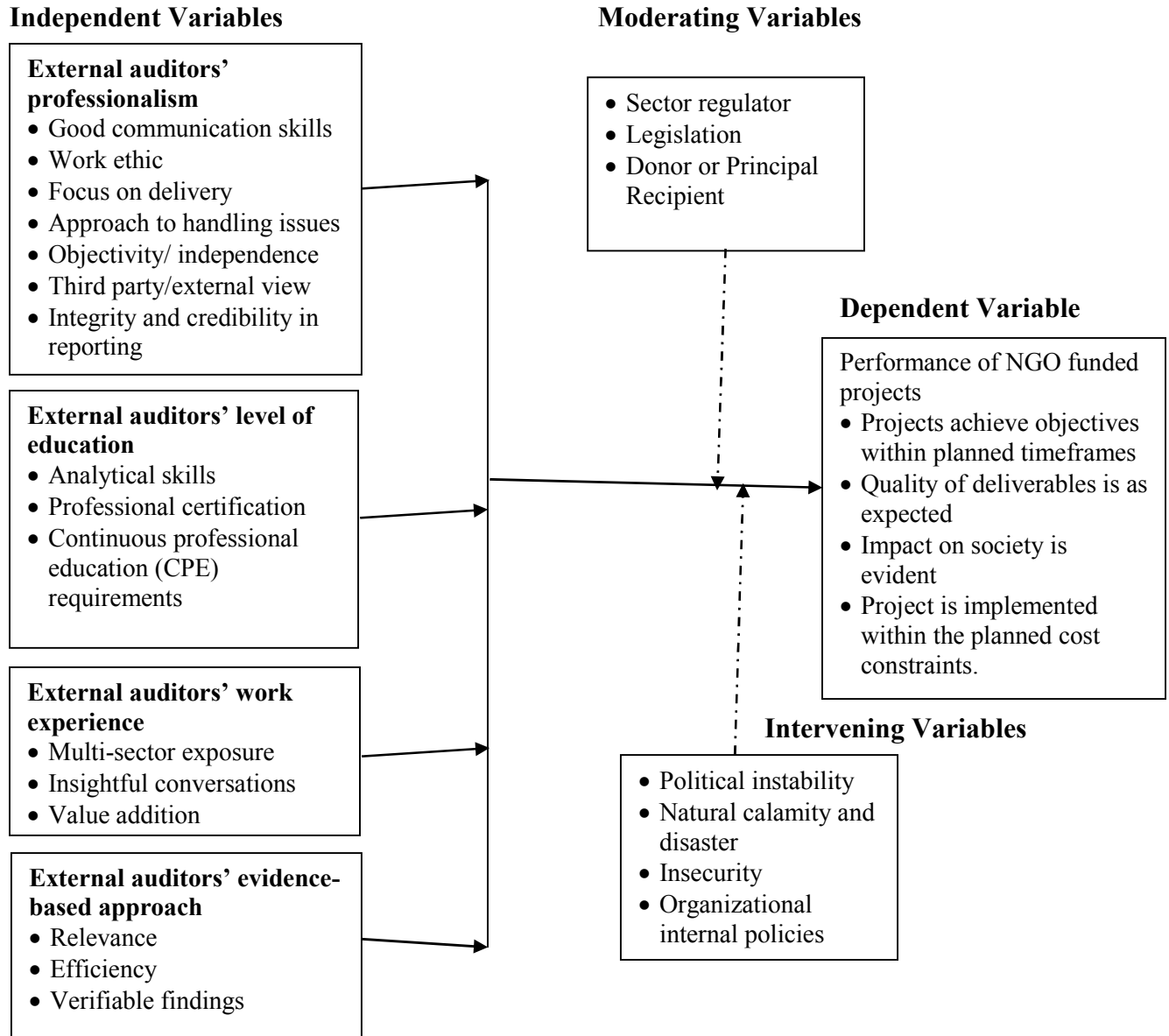
Agency theory is concerned with the relationship between the principal and the agent. Jensen and Meckling (1976) defined the agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. In the case of NGOs the principal would be the NGOs board of trustees while the agent would be the management of the NGOs. Brigham and Daves (2004) state that in financial management the primary agency relationships are between shareholders and managers and between shareholders and debt holders. However there are other relationships between the shareholders and stakeholders such as employees, customers, suppliers and the community.

In these relationships a conflict of interest referred to as agency problem may arise especially when the agent does not act in the best interests of the principals. Some examples of these agency problems as stated by Brigham and Daves (2004) can occur when an owner/manager incorporates a business and then sells some of the stock to outsiders leading to the now part-owner/manager working less strenuously, because less of the wealth produced by this labour will accrue to him or her. Similarly, the part-owner/manager may take more perquisites because some of his or her costs will be borne by the outside shareholders. Finally, the part-owner/manager will have an economic incentive to raise his or her salary, bonus and stock option grants as high as possible because most of the costs of such payments will be borne by outside shareholders. To minimize the agency problem there is usually an agency cost that is incurred and some of the ways managers can be encouraged to act in the shareholders' best interest would be through managerial compensation, direct intervention by shareholders, threat of firing and threat of takeovers. Under direct intervention of shareholders a more independent board of directors is preferred as a management-controlled board is seen to be the weak link in the chain of managerial accountability to shareholders. Donaldson and Davis (1991) stated that an impartial review will occur more fully where the chairperson of the board is independent of executive management. Where the chief executive officer is chair of the board of directors the impartiality of the board is compromised. On the other hand a conflict of interest between shareholder and creditors can occur when an organization takes on new projects that are risky and could potentially lead to a loss that is borne by creditors. For their own benefit, shareholders through managers should deal fairly with all its stakeholders (Brigham and Daves, 2004).

In the case of NGOs in Nairobi County, the principal would be NGOs' Boards of Trustees or their donors while the agents would be the project management teams. The Agency Theory will help the researcher in understanding the relationship between the principal and agents along with the possible conflicts in interest that may arise within the NGO setting.

## 2.8 Conceptual Framework

The schematic diagram shows the relationship between the dependent variable and the independent variables.



**Figure 2: Conceptual Framework**

The conceptual framework identified four critical processes that influence the project progress and outcomes throughout the lifecycle. The four processes constitute the independent variables. The dependent variable is the performance of the NGO funded project which is determined by the external auditors' professionalism, level of education and work experience. This results in better

review and advisory services enjoyed by the project which eventually assures the achievement of project goals and objectives in a more efficient and effective manner. In this model, moderating variables such as the sector regulator and legislative policies (along with donor requirements) may greatly impact the project costs, scheduling and overall performance. This framework also factors in the variables such as political instability, disaster, insecurity and internal policies which may directly affect timely completion of projects or increase the cost of delivery.

## 2.9 Knowledge Gap

**Table 2.1**

### *Knowledge Gap*

<b>Variable</b>	<b>Author and the Year</b>	<b>Findings</b>	<b>Knowledge Gap</b>
Influence of monitoring and evaluation on project performance: the case of African Virtual University, Nairobi Kenya	Bernard Phiri, University of Nairobi, 2015	Statistically, the study showed that there was a positive correlation between M&E and project performance. Among monitoring and evaluation activities, it has been shown that M&E planning and M&E training have a significant correlation with project performance.	The study only focused more on determining what influence monitoring and evaluation has on project performance. No consideration was made on other factors that are key in determining the performance of projects.
An investigation of factors influencing the performance of NGOs projects in Garissa County, Kenya	Diriye Hassan, University of Nairobi, 2014	The study found out that availability and accessibility of funding, governance issues such as leadership and accountability, organizational culture as well as community participation influenced performance of NGOs projects in Garissa County.	The researcher in this case focused on NGO projects based solely in Garissa County and not on NGO funded projects in Nairobi County.
The effect of mobile money uptake on financial performance of non-governmental organizations in Kenya	Nelson Barasa Ojanji, University of Nairobi, 2013	The results of the study indicated very promising positive effect of mobile money uptake on the financial performance of NGO's that have adopted mobile money in their activities and indeed significant positive effect on, improved customer engagement and satisfaction, compliance with donor regulations, efficiency and effectiveness and most importantly reduced fiscal risk status among others.	The study focused primarily on mobile money uptake's effect on NGO performance. The findings and recommendations did not touch on influence of external auditor attributes on the NGO project performance.
Information technology investment and performance of NGOs in Kenya	John Njoroge Kinuthia, University of Nairobi, 2012	The findings of the study indicate that: a substantial amount of the majority of the NGOs' overall organization total assets comprised of the IT investment; through adoption of IT, NGOs are able to attract donor funding and collaborate with other partners respectively; NGOs have adopted IT to a large extent due to its many benefits to the	The study delved into how investment in information technology and all its related component affected the performance of NGOs in Kenya.

Variable	Author and the Year	Findings	Knowledge Gap
		employee performance particularly through coordination of work in the organizations.	
Strategic change management practices and performance of NGOs in Nairobi, Kenya	Daisy Akinyi Ochieng, University of Nairobi, 2013	The study found that: the strategic change management practices in NGOs in Nairobi were necessitated by change in the stakeholder needs and preference; strategic change management practices and performance are considered to be very important by NGOs; employee welfare and staff morale were not taken keenly in the change process.	Change management practices' influence on NGO performance was the researcher's main focus in this study. The study did not consider other factors that have an influence on the performance of the NGOs' projects.

## **2.10 Summary of the Chapter**

The literature review offered an insight how various scholars examined the factors that influence performance of NGO funded projects. Various factors were noted to be key in determining the performance of projects implemented by NGOs. Therefore, from the literature reviewed, the knowledge gaps identified relate to the influence that external auditor attributes can have on both the programmatic and financial performance of NGOs. This study sought to bridge the gap by assessing the influence of external auditor attributes on the performance of NGO funded projects in Nairobi County.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology used in this study. It covers the research design, target population, sampling technique, research instrument, validity and reliability of data collection tools, data analysis technique and ethical consideration.

#### **3.2 Research Design**

The research design is a general plan of how one goes about answering the research question (Saunders, Lewis, & Thornhill, 2007). The study adopted a descriptive survey design. According to Zikmund (2003), surveys provide a fast, inexpensive, efficient and accurate way of investigating a population. Orodho (2003) argues that descriptive survey research designs are used in preliminary and exploratory studies to allow researchers to gather and summarize information, present and interpret data for clarification purposes. The researcher would be able to obtain current information from the respondents hence coming up with accurate and deeper findings. According to Mugenda & Mugenda (2003), descriptive research aims at gathering data without any manipulation of the research context and it's non-intrusive and deals with naturally occurring phenomenon where the research has no control over variables. Descriptive research determines and reports things as they are, therefore establishing the current status of the population under study. The researcher undertook in-depth study of the NGOs within Nairobi County to get appropriate information on the influence of external auditor attributes on the performance of NGO funded projects. The researcher targeted project managers, finance managers, project coordinators, grant and fund managers of the selected NGOs as respondents to the study's survey.

#### **3.3 Target Population**

Population can be defined as an entire set of relevant unit of analysis or data (Patton, & Michael, 1990). This researcher targeted to collect data from project managers, finance managers, project coordinators, grant managers and internal auditors of the five selected NGOs within Nairobi County namely: The University of Washington – Global Assistance Programme (UW-GAP) Kenya, International Training and Education Centre for Health (I-TECH) Kenya, International Livestock Research Institute (ILRI), Tearfund and One Acre Fund as presented on Table 3.1. The study focused on NGOs within Nairobi County due to the proximity to the researcher, time



available for research, budgetary constraints and the fact that most NGOs are headquartered in Nairobi despite doing project implementation in other parts of Kenya.

**Table 3.1: Target Population**

NGO Name	Project Managers	Finance Managers	Project Coordinators	Grant Managers	Internal Auditors	Total
I-TECH Kenya	3	2	6	3	-	14
ILRI	21	5	47	7	6	86
One Acre Fund	3	2	10	4	2	21
Tearfund	2	1	8	1	1	13
UW-GAP Kenya	1	1	4	-	-	6
<b>Total</b>	<b>30</b>	<b>11</b>	<b>75</b>	<b>15</b>	<b>9</b>	<b>140</b>

The information in Table 3.1 regarding the target population was obtained from the various Human Resources departments who provided the researcher with the staff numbers and organizational charts for reference.

### 3.4 Sample Size and Sampling Technique

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho & Kombo, 2002). Kothari (2004) states that sampling technique is a definite plan for obtaining a sample from a given population. It is the procedure the researcher takes to obtain the sample of the study. This study used both probability and non-probability sampling techniques to create a sampling frame i.e. stratified sampling and simple random sampling techniques respectively. Stratified sampling technique is a probability sampling technique wherein the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata. The researcher therefore divided the target population into various strata based on the particular NGO the respondents work in. This ensured that the strata is non-overlapping as having overlapping sub-groups would grant some individuals higher chances of being selected as subjects of the study. From each of the strata, the researcher applied simple random sampling to the homogenous strata in order to obtain representative samples.

A method of proportional allocation was adopted in which samples sizes from each strata were kept proportional to the sizes of the strata. The selection is illustrated below:

$i$  = Stratum

$P_i$  = Proportion of the population included in the stratum  $i$

$n$  = Total sample size

$N$  = Population size

Then, the total number of selected elements from stratum  $i$  is  $n.P_i$

The sample size was determined by:

$$n = \frac{z^2 pq N}{e^2 (N-1) + z^2 pq} \quad (\text{Kothari, 2004})$$

Where  $e$  is the error for this study, taken as 10%;  $p$  is the population reliability, taken as  $p = 0.5$ ;  $z_{\alpha/2}$  is the normal reduced variable at 0.05 level of significance and  $Z = 1.96$ .

The sample size is therefore:

$$n = \frac{1.96^2 (0.5) (0.5) (140)}{0.1^2 (140-1) + 1.96^2 (0.5) (0.5)} = 57$$

**Table 3.2: Sample Size**

NGO Name	Population	Sample Proportion	Sample Size (nPi)
I-TECH Kenya	14	0.10	6
ILRI	86	0.61	35
One Acre Fund	21	0.15	9
Tearfund	13	0.09	5
UW-GAP Kenya	6	0.04	2
<b>Total</b>	<b>140</b>	<b>1.00</b>	<b>57</b>

The following table details the sample size cross tabulation against respondents by title in the target organizations.

**Table 3.3: Sample Size by Respondent Organization and Title**

<b>NGO Name</b>	<b>Project Managers</b>	<b>Finance Managers</b>	<b>Project Coordinators</b>	<b>Grant Managers</b>	<b>Internal Auditors</b>	<b>Total</b>
I-TECH Kenya	2	1	2	1	-	<b>6</b>
ILRI	9	3	17	4	2	<b>35</b>
One Acre Fund	2	1	3	2	1	<b>9</b>
Tearfund	1	1	1	1	1	<b>5</b>
UW-GAP Kenya	1	-	1	-	-	<b>2</b>
<b>Total</b>	<b>15</b>	<b>6</b>	<b>24</b>	<b>8</b>	<b>4</b>	<b>57</b>

### **3.5 Data Collection**

In order to address the objectives to the study, the researcher embarked on data collection to obtain the correct data from the respondents in a bid to make deductions from the data which address the research questions.

#### **3.5.1 Research Instrument**

A questionnaire is deemed an appropriate instrument for data collection. Kirakowski (2000) defines a questionnaire as a method for the elicitation, and recording and collecting information. The questionnaires featured close ended questions that provided quantitative data for statistical analysis. The questionnaire design followed the objectives of the research, with the first part capturing the demographic characteristics of the respondents. The questionnaires were self-administered since they had adequate instructions with simple and easy to apprehend language.

The researcher prepared and delivered the questionnaire to the respondents. Due to variance in availability of respondents, the researcher employed the “drop off and pick later” method of administering questionnaires. Drop off and pick later method results in high response rate and reduces researcher presence bias (Cooper and Schindler 2003).

#### **3.5.2 Instrument Reliability**

According to Mugenda and Mugenda (2003) reliability refers to the measure of the degree to which the research instrument yields consistent results. It is a test of sound measurement that determines the consistency of results of an instrument (Kothari, 2004). In this study, internal consistency reliability was applied to measure different aspects of NGO funded projects performance. The split-half method was used to test reliability of the research instrument. For this method, the

respondents were divided into two halves and the researcher ensured that the respondents used in the pilot study were not the same ones used in the main study.

According to Mugenda & Mugenda, (2003) pilot test is a stage where research instruments are administered to a number of individuals in the target population who are not included in the sample size so as to test reliability and validity of the instrument. The researcher tested whether the design of questions is logical, clear and easy to be understood, exhaustive and how long it took to complete the questionnaire. The pre-test allowed the researcher to check on whether the variables that were collected could be easily processed and analyzed. The pre-testing was carried out in Nairobi County on a sample consisting of 10% of the respondents i.e. 6 respondents. Views given by the respondents during pre-testing were analyzed and used to improve the questionnaires before actual collection of data. The refined questionnaire was then tested for validity and reliability.

The Cronbach's coefficient alpha was used to measure internal consistency reliability among a group of items combined to form a single scale and complement each other. The alpha value ranges between 0 and 1, with reliability increasing with increase in value. The Cronbach's coefficient alpha formula is as follows. Where K is constant,

$$\alpha = \frac{K}{K - 1} \left( 1 - \frac{\sum_{i=1}^K P_i Q_i}{\sigma_X^2} \right)$$

where  $P_i$  is the proportion of correct responses to test item  $i$ , and  $Q_i = 1 - P_i$  i.e. the proportion of incorrect responses to test item  $i$ ,  $\sigma_X^2$  is the variance of the observed total test scores. The reliability test score was 0.820975 this indicates that the data collection tool had high reliability to collect the data.

### 3.5.3 Validity Test

William, *et al.* (2004) affirm that validity refers to the degree to which results are obtained from the analysis of the data actually represents the phenomenon. Content validity ensures that the data collected using certain instrument represent specific domain of a concept. Mugenda and Mugenda (2003) asserted that validity defines the accuracy and meaningfulness of inferences drawn from study findings. If the instrument is valid, the results obtained from the research will actually

represent the study variables. The validity of the instrument used in this study was determined with the help of the supervisor.

### 3.6 Data Collection Procedures

In the study, primary data was collected through anonymously filled questionnaire distributed to respondents. Prior to commencing data collection; the researcher obtained a letter of introduction from the university along with a research permit from the National Commission for Science, Technology and Innovation. Permission was sought from the management in charge of the target NGOs before data is collected to reassure their subordinates that the exercise is academic in nature. The drop and pick method was used whereby the research assistant dropped the questionnaires at the respondents' organizations and later collected them.

### 3.7 Data Analysis

The researcher verified collected questionnaire and examine whether they were dully filled. Researcher perform ed the data editing, coding, data entry and data cleaning activity in order to check the consistency of the data collected from the respondents by various tools. The researcher employed quantitative methods of analysis in the analysis of data that was be collected from the questionnaire. The data was analyzed using IBM's Statistical Package for Social Sciences (SPSS) v21.

The researcher used simple descriptive statistics to interpret the results. This included frequency distribution, mean, standard deviation and percentages. The study also sought to establish a correlation between the variables using Pearson's Product-Moment Correlation. The Pearson product-moment correlation is a measure of the linear correlation between two variables **X** and **Y**, giving a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. It is used as a measure of the degree of linear dependence between two variables. The formula below was applied:

$$r = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where  $-1 \leq r \leq 1$

N are a selected number of respondents in a given NGO;

Y corresponds to a select variable, such as External auditors' professionalism;

X corresponds to a second variable such as External auditors' independence;

### **3.8 Ethical Consideration**

Two significant ethical issues that were considered in the research process were consent and confidentiality. The researcher relayed all important details of the study, including its aim and purpose. By explaining these details, the participants understood their role in the completion of the research. The respondents were advised that the study is voluntary and their confidentiality would be guaranteed by not disclosing their names or personal information in the research. Only relevant details that helped in answering the research questions were included. The researcher also obtained a letter from university to show he is a student and is permitted to conduct the study.

The study adhered to the University of Nairobi plagiarism policy which defines plagiarism as “the action or practice of taking someone else work or idea and passing it off as one's” (University of Nairobi, 2013). Utmost care was taken to appropriately acknowledge works borrowed from other scholars and various sources of data through referencing.

### 3.9 Operationalization of Variables

The measurement of the various variables in this study was carried out as shown in the Table 3.4.

**Table 3.4: Operationalization of Variables**

Variable	Indicators	Measurement Scale	Data Collection Method	Data Analysis Statistical Tool
<b>Independent variables</b>				
External auditors' professionalism	<ul style="list-style-type: none"> <li>• Good communication skills</li> <li>• Work ethic</li> <li>• Focus on delivery</li> <li>• Approach to handling issues; while conducting the audits and upon identifying contentious issues</li> <li>• Objectivity; the external auditors are not interested parties in the life of the project</li> <li>• Third party/external view; extra eye to look into the workings of the project</li> <li>• Integrity and credibility in reporting; being professional members of oversight bodies (ICPAK and ACCA)</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> </ul>
External auditors' level of education	<ul style="list-style-type: none"> <li>• Analytical skills</li> <li>• Professional certification; after rigorous training in the professional field of audit</li> <li>• Continuous professional education (CPE) requirements; being professional members of oversight bodies (ICPAK and ACCA)</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> </ul>
External auditors' work experience	<ul style="list-style-type: none"> <li>• Multi-sector exposure; as they audit clients in various market sectors</li> <li>• Insightful conversations; from exposure to similar issues at other clients</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> </ul>

Variable	Indicators	Measurement Scale	Data Collection Method	Data Analysis Statistical Tool
	<ul style="list-style-type: none"> <li>• Value addition; in terms of best practice recommendations</li> </ul>			
External auditors' evidence-based approach	<ul style="list-style-type: none"> <li>• Relevance; extent audit evidence is related to the scope and nature of the audit to be performed</li> <li>• Sufficiency; extent audit evidence is enough to evaluate conformance to selected standards</li> <li>• Verifiable findings; results are documented and communicated to individuals who can address them appropriately; extent audit evidence is tied to facts gathered using objective audit techniques</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinal</li> <li>• Ordinal</li> <li>• Ordinal</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> <li>• Questionnaire</li> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> <li>• Frequency, rank and mean</li> </ul>
<b>Dependent variable</b>				
Performance of NGO funded projects	<ul style="list-style-type: none"> <li>• Projects completed on time</li> <li>• Projects achieve their objectives or targets</li> <li>• Projects operate efficiently and effectively</li> <li>• Donor expectations are met</li> <li>• Value for money</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinal</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Correlation analysis</li> </ul>



## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the data analysis, findings and the discussion of the study. The study targeted 57 respondents from the selected NGOs in Nairobi County. The respondents are staff charged with the governance and performance of the projects funded by the NGOs.

#### 4.2 Response Rate

Out of the 57 issued questionnaires to the respondents, 46 questionnaires were filled and returned. This represents 81% of the target sample. The response was adequate for analysis and conforms to Mugenda and Mugenda's (2003) stipulation that any response of 50% and above is adequate for analysis. The results are tabulated in Table 4.1.

**Table 4.1: Distribution of Respondents by Response Rate**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
I-TECH Kenya	4	7
ILRI	28	49
One Acre Fund	7	12
Tearfund	5	9
UW-GAP Kenya	2	4
Total non-responses	11	19
<b>Total</b>	<b>57</b>	<b>100</b>

#### 4.3 Demographic Information

The respondent profile details included; the gender, the age, education level, years worked in the organization and the department the respondent works in.

##### 4.3.1 Gender of the Respondents

The respondents were requested to indicate their gender. The results are tabulated in Table 4.2.

**Table 4.2: Distribution of Respondents by Gender**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Female	26	57
Male	20	43
<b>Total</b>	<b>46</b>	<b>100</b>

The study involved both male and female respondents. From Table 4.2, the majority of the respondents were female at 57%, while 43% were male. This implies that majority of the staff working in the NGO funded projects are female.

#### **4.3.2 Age of the Respondents**

The study sought to establish the age of the respondents. Table 4.3 shows the age distribution of the respondents.

**Table 4.3: Distribution of Respondents by Age**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Below 24 years	-	-
24-29 years	12	26
30-34 years	22	48
35-39 years	12	26
40-44 years	-	-
Above 44 years	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

The NGO funded projects have employed majority of youths constituting 100% of all respondents as shown in Table 4.3. From the study, none of the staff were below 24 years old. However, 12% were between 24 and 29 years while those between 30 and 34 years were the majority at 48%. Workers between 35-39 years constituted 26% while none were above 40 years old. This implies that the workforce is made of majority of youth. This is an indication of youth involvement in NGO funded projects and that the youth workforce are highly involved in the performance of the NGO funded projects.

### 4.3.3 Education Level

Table 4.4 indicates the education levels attained by the respondents.

**Table 4.4: Distribution of Respondents by Education Level**

<b>Education Level</b>	<b>Frequency</b>	<b>Percent</b>
Certificate	1	2
Diploma	3	7
Undergraduate	16	35
Postgraduate	26	56
Others	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

The findings in relation to the respondents' education levels as tabulated in Table 4.4 shows that amongst the staff working in the NGO funded projects: 2% were certificate holders and 7% had diploma education. Postgraduates constituted the majority of the respondents at 56% while 35% of them were undergraduate degree holders. 98% of the respondents had at least diploma qualification which implies the project staff had a good understanding of the factors influencing the performance of the NGO projects.

### 4.3.4 Years worked in the NGOs

The respondents were requested to indicate the number of years they had worked in the NGOs. Findings are summarized in Table 4.5.

**Table 4.5: Distribution of Respondents by Number of Years Worked in the NGOs**

<b>Years worked</b>	<b>Frequency</b>	<b>Percent</b>
Less than one	2	4
1 - 3	12	26
4 - 7	31	68
8 - 11	-	-
Over 11	1	2
<b>Total</b>	<b>46</b>	<b>100</b>

The findings as tabulated in Table 4.5 indicated that 4% of the employees had worked in the NGOs for less than one year, 26% had worked for the NGOs between 1 to 3 years, 68% had worked between 4 to 7 years, none had worked between 8 to 11 years while 2% had worked for more than 11 years. 70% of the respondents had over 4 years' stay in the NGOs which implies good working conditions hence consistency in performance of the NGO projects. This may also imply the NGOs' management teams have good employee retention strategies.

#### **4.3.5 Departments the Respondents Work in**

The respondents were requested to indicate the departments they work in. the respondents work in within the NGOs. Findings are summarized in Table 4.6.

**Table 4.6: Distribution of Respondents by Department**

<b>Professional Orientation</b>	<b>Frequency</b>	<b>Percent</b>
Project Management	11	24
Grant Management	7	15
Project Coordination	19	41
Finance and Accounting	5	11
Internal Audit	4	9
Others	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

As shown in Table 4.6, the stratified sampling yielded 41% of the responses from project coordinators, 24% respondents were from project managers and 15% from grant managers. Finance staff and internal auditors comprised 11% and 9% of the respondents respectively. This indicated that the responses were obtained from staff who were mainly involved in the running of the NGO projects.

#### **4.4 External Auditors' Professionalism and Performance of NGO Funded Projects**

The study sought to establish the extent to which external auditors' professionalism influenced performance of NGO funded projects. The following statements were presented to respondents in order to gauge their extent of agreement. The results are tabulated in 4.7.

**Table 4.7: External auditors’ professionalism and performance of NGO funded projects**

<b>Statement</b>	<b>Mean</b>	<b>Std Dev.</b>
The external auditors always communicate with my team formally.	4.33	0.47
I always understand what the external auditors are explaining whenever they talk to me for consultation and recommendations.	3.96	0.60
The external auditors have a strong work ethic.	4.00	0.52
Focus on delivery is one of the key factors why the external auditors are engaged.	4.22	0.63
When the external auditors embark on an assignment, they seek to deliver on the required tasks.	4.07	0.57
While conducting audits, the external auditors approach issues in a manner which I consider to be professional.	4.07	0.25
Upon identifying contentious issues while conducting the audit, the external auditors discuss it with the concerned stakeholders/teams first to understand the matter prior to reporting.	4.30	0.47
The external auditors present and explain the identified control deficiencies in a manner which I am able to understand.	4.00	0.52
Being members of professional oversight bodies (ICPAK and ACCA), the external auditors are professional in everything they do.	3.74	0.77
Whenever there’s a conflict or argument, the external auditors remain calm and focused on amicable resolution of the matter at hand.	3.70	0.59
The external auditors are not interested parties in the life of the project being run within my organization. They just report on findings as per the Letter of Engagement (contract of appointment).	3.61	1.06
The external auditors provide a third party/external assessment on the performance of the projects implemented by my organization.	3.85	0.84
I trust that the external auditor will provide a credible report on the performance of projects.	4.07	0.74
I hold the external auditors in high regard due to their unimpaired objectivity.	4.07	0.57
The external auditors have high integrity and report their findings with the highest levels of truthfulness.	3.93	0.57
The external auditors are not biased in their judgment while reviewing the financial and programmatic performance of projects.	4.00	0.63
The external auditors feel and act like they are part of my organization.	2.83	0.97
The external auditors do not report on control deficiencies noted in the project implementation for fear of parting ways with the management of my organization (losing their contract/being fired).	2.00	0.87
The external auditors never report any deficiencies in the controls and governance framework when conducting project audits.	1.98	0.65

From the findings as tabulated in Table 4.7, the respondents agreed that the external auditors always communicate with them formally with a mean of 4.33 and a standard deviation of 0.47. They also strongly agreed that they always understood what the external auditors were explaining whenever they had discussions with a mean of 3.96 and standard deviation of 0.60. On statements regarding the external auditors' strong work ethic, focus on delivery and their urge to deliver on required tasks, they agreed with means 4.00, 4.22 and 4.07 respectively. The corresponding standard deviations were 0.52, 0.63 and 0.57 suggesting a minimal variance in the degree of agreement. They also agreed that external auditors approach issues in a professional manner and that the external auditors discuss contentious matters prior to reporting with means of 4.07 and 4.3 respectively and standard deviations of 0.25 and 0.47 respectively. When asked if the external auditors explained identified control deficiencies in an understandable manner, 13% strongly agreed with statement, 74% agreed with it while 13% were neutral. The mean was 4.0 with a standard deviation of 0.52. They also agreed that being external auditors by being members of professional oversight bodies, are professional, that they remain calm even in conflict and that they are not interested in the life of the projects they audit with means 3.74, 3.70 and 3.61 respectively. The corresponding standard deviations were 0.78, 0.59 and 1.06 suggesting a notable variance in the degree of agreement. When asked if the external auditors provide third party assessments of the projects they review and further provide credible reports of projects, the respondents agreed with means of 3.85 and 4.07 and standard deviations of 0.84 and 0.74. They also agreed that they hold external auditors in high regard due to unimpaired objectivity, report findings with high levels of truthfulness, that they are unbiased in their judgment whilst reviewing project performance with means of 4.07, 3.93 and 4.00 and standard deviations of 0.57, 0.57 and 0.63 respectively. The respondents disagreed with the statements that the external auditors act like they are part of the respondents' organizations, they do not report control deficiencies for fear of being fired and that they never report control deficiencies in the governance frameworks noted when conducting project audits with means 2.83, 2.00 and 1.98 respectively. The corresponding standard deviations were 0.973, 0.869 and 0.649 suggesting a notable variance in the degree of agreement.

On whether external auditors' professionalism influences the performance of NGO funded projects, the responses are presented in Table 4.8.

**Table 4.8: Influence of external auditors’ professionalism on the performance of NGO funded projects**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	3	7
Great extent	37	80
Moderate extent	6	13
Little extent	-	-
No extent	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

7% responded affirmatively to the very great extent as per findings tabulated in Table 4.8. Majority of the respondents, 80%, indicated external auditors’ professionalism influences performance of NGO funded projects to a great extent while 13% indicated that it influences to a moderate extent. This implies that the external auditors’ professionalism has a great influence on the performance of the NGO funded projects.

#### **4.5 External Auditors’ Level of Education and Performance of NGO Funded Projects**

The study sought to establish the extent to which external auditors’ level of education influenced performance of NGO funded projects. The following statements were presented to respondents in order to gauge their extent of agreement. The results are tabulated in 4.9.

**Table 4.9: External auditors’ level of education and performance of NGO funded projects**

<b>Statement</b>	<b>Mean</b>	<b>StdDev.</b>
The external auditors usually engage me in very meaningful conversations and arguments.	4.24	0.57
The analytical reviews done by the external auditors are well informed and show a good level of understanding.	4.17	0.53
The professional certifications of the external auditors (CPA and ACCA) prove that they are a cut above most of the workforce including some of my team members and/or colleagues.	3.50	0.62
The staff coming to our organization from the external audit firm are well trained and well versed in the latest sector trends.	3.57	0.81
Continuous professional education (CPE) requirements for ICPAK and ACCA has ensured that the external auditors are kept abreast with the developments of the sector.	3.67	0.94
When dealing with the external auditors, I do not need to reiterate explanations and discussion on concepts regarding the operations of the projects implemented by my organization.	3.15	0.87
I can refer to the external auditors for guidance on policy development to guide project implementation within my organization due to their wealth of knowledge.	3.50	0.81

From the findings on Table 4.9, the respondents agreed that the external auditors often engaged them in very meaningful conversations and that the analytical reviews they do are well informed and show a good level of understanding with means of 4.24 and 4.17 respectively. The corresponding standard deviations were computed as 0.57 and 0.53. When asked if the professional certifications of the external auditors proved that they are better than most of the workforce including colleagues, 7% strongly agreed with statement, 37% agreed with it while the majority (57%) were neutral. The mean was 3.50 with a standard deviation of 0.62. This indicates that there is an indifference as to whether the certifications obtained by qualified external auditors imply that they are better than the staff working in the NGO funded projects. From the responses, the respondents agreed that staff coming to their organization from the external audit firm are well trained and well versed in the latest sector trends and that CPE requirements meant that they were abreast with the sectorial developments with means of 3.57 and 3.67 respectively. The corresponding standard deviations were computed as 0.81 and 0.94. When asked if when dealing with the external auditors, they do not need to reiterate explanations and discussion on concepts regarding the operations of the projects their organizations implement, 7% strongly agreed with statement, 37% agreed with it, 43% were neutral while 13% indicated that they disagreed with the statement. The mean was 3.15 with a standard deviation of 0.87. This indicates that the



understanding of organizational structures and operations is slightly below average. When asked if they can refer to the external auditors for guidance on policy development to guide project implementation within the respondents' organizations due to their vast experience in the sector the respondents operate in, 7% strongly agreed with statement, 52% agreed with it, 35% were neutral while 7% indicated that they disagreed with the statement. The mean was 3.50 with a standard deviation of 0.81. This indicates that the reliance on external auditors' guidance during policy development is slightly below average.

On whether external auditors' level of education influences the performance of NGO funded projects, the responses are presented in Table 4.10.

**Table 4.10: Influence of external auditors' level of education on the performance of NGO funded projects**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	2	4
Great extent	22	48
Moderate extent	22	48
Little extent	-	-
No extent	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

From the findings tabulated in Table 4.10, 4% responded affirmatively to the very great extent. The rest of the respondents were evenly distributed with 48% indicating that external auditors' level of education influences performance of NGO funded projects to a great extent while the remaining 48% indicated that it influences to a moderate extent. All respondents thus agreed that external auditors' level of education certainly influences the performance of the NGO funded projects.

#### **4.6 External Auditors' Work Experience and Performance of NGO Funded Projects**

The study sought to establish the extent to which external auditors' work experience influenced performance of NGO funded projects. The following statements were presented to respondents in order to gauge their extent of agreement. The results are tabulated in 4.11.

**Table 4.11: External auditors’ work experience and performance of NGO funded projects**

<b>Statement</b>	<b>Mean</b>	<b>Std Dev.</b>
The external auditors bring in new ideas while conducting audits due to their multi-sector exposure.	3.63	0.71
Conversations and discussion held with the external auditors are very insightful and informative.	3.83	0.38
The recommendations that come from external auditors are usually based on best practices in the sector.	3.70	0.70
The value-addition obtained from the external auditors mainly emanates from their vast experience (multi-sector).	3.78	0.66
Given they audit similar clients to my organization (within the same sector), I place high reliance on the external auditors’ reports and recommendations.	3.78	0.73
I can refer to the external auditors for guidance on policy development to guide project implementation within my organization due to their vast experience in the sector my organization operates in.	3.59	0.72
The external auditors are reliable since they more often than not have faced similar issues to what we face in my organization.	3.37	0.77

From the findings as tabulated in Table 4.11, the respondents agreed that the external auditors bring in new ideas from their multi-sector exposure, have insightful and informative conversations’ that their recommendations are based on best practices in the sector and their vast experience results in a value-add from their services with means of 3.63, 3.83, 3.70 and 3.78 respectively; with the corresponding standard deviations computed as 0.71, 0.38, 0.70 and 0.67. When asked if they place high reliance on the external auditors’ reports and recommendations given they audit similar organizations, 11% strongly agreed with statement, 65% agreed with it, 17% were neutral while 7% indicated that they disagreed with the statement. The mean was 3.78 with a standard deviation of 0.73. This indicates that the reliance on external auditors’ reports and recommendations is slightly below average. When asked if they can refer to the external auditors for guidance on policy development to guide project implementation within their organizations due to their vast experience in the sector the respondents operate in, 7% strongly agreed with statement, 52% agreed with it, 35% were neutral while 7% indicated that they disagreed with the statement. The mean was 3.59 with a standard deviation of 0.72. This indicates that the reliance on external auditors’ guidance during policy development is slightly below average. When asked if the external auditors were reliable since they often had faced similar issues to what the respondents faced in their organizations, 7% strongly agreed with statement, 35% agreed with it, 48% were neutral while 11% indicated that they disagreed with the statement. The mean was 3.37

with a standard deviation of 0.77. This indicates that the reliability arising from experiences earned by external auditors facing similar situations in different clients is slightly below average.

On whether external auditors' work experience influences the performance of NGO funded projects, the responses are presented in Table 4.12.

**Table 4.12: Influence of external auditors' work experience on the performance of NGO funded projects**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	3	7
Great extent	31	67
Moderate extent	12	26
Little extent	-	-
No extent	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

From the findings presented in Table 4.12, 7% responded affirmatively to the very great extent. Majority of the respondents, 67%, indicated external auditors' work experience influences performance of NGO funded projects to a great extent while 26% indicated that it influences to a moderate extent. This implies that the external auditors' work experience has a great influence on the performance of the NGO funded projects.

#### **4.7 External Auditors' Evidence-based Approach and Performance of NGO Funded Projects**

The study sought to establish the extent to which external auditors' evidence-based approach influenced performance of NGO funded projects. The following statements were presented to respondents in order to gauge their extent of agreement. The results are tabulated in 4.13.

**Table 4.13: External auditors’ evidence-based approach and performance of NGO funded projects**

Statement	Mean	Std Dev.
The external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting.	4.26	0.44
The external auditors seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects.	4.26	0.44
Evidence collected and reviewed by the external auditors is sufficient to test conformance to selected standards and policies	3.80	0.83
The external auditors present deliverables with verifiable documentation with reference to support documents used and is laid out in an understandable document/report	4.13	0.50

As per finding tabulated in Table 4.13, most respondents agreed with statements posed in this section of the questionnaire. When asked if the external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting, 26% strongly agreed with statement while 74% indicated that they agreed with it. The mean was 4.26 with a standard deviation of 0.44. This indicates that the external auditors based their opinions on facts obtained from inquiries and reviews of relevant documentation. When asked if the external auditors seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects, 26% strongly agreed with statement while 74% indicated that they agreed with it. The mean was 4.26 with a standard deviation of 0.44. This indicates that the external auditors always sought to obtain sufficient and appropriate audit evidence prior to issuing opinions on the performance of projects. The level of sufficiency and appropriateness of evidence sought is however slightly below the average. When asked if the evidence collected and reviewed by the external auditors is sufficient to test conformance to selected standards and policies, 20% strongly agreed with statement, 48% agreed with it, 26% were neutral while 7% indicated that they disagreed with the statement. The mean was 3.80 with a standard deviation of 0.83. This indicates that the external auditors collect sufficient evidence to test conformance with the projects’ internal controls with the quantity of evidence collected being slightly below average. When asked if the external auditors present deliverables with verifiable documentation with reference to support documents used and is laid out in an understandable document/report, 20% strongly agreed with statement, 74% agreed with it while 7% were neutral. The mean of the responses was 4.13 with a standard deviation of 0.50. This indicates that the level of reliability, completeness and understandability of external auditors’ reports is slightly below average.

On whether external auditors' evidence-based approach influences the performance of NGO funded projects, the responses are presented in Table 4.14.

**Table 4.14: Influence of external auditors' evidence-based approach on the performance of NGO funded projects**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	9	20
Great extent	31	67
Moderate extent	6	13
Little extent	-	-
No extent	-	-
<b>Total</b>	<b>46</b>	<b>100</b>

From the findings presented in Table 4.14, 20% responded affirmatively to the very great extent. Majority of the respondents, 67%, indicated external auditors' evidence-based approach influences performance of NGO funded projects to a great extent while 13% indicated that it influences to a moderate extent. This implies that the external auditors' evidence-based approach has a great influence on the performance of the NGO funded projects.

#### **4.8 Correlation Analysis**

In the investigating the influence of project management processes on project outcome, Pearson's product moment of correlation was used. The study assessed the independent variables' influence on project outcome at 99% level of confidence. The Pearson's correlation is given as :  $-1 < r < +1$ ; where 0 to 0.29 is considered weak positive correlation; 0.3 to 0.49 is moderately positive correlation; and 0.5 to 1 corresponds to strong positive correlation. Conversely, 0 to -0.29 is considered weak negative correlation; -0.3 to -0.49 is moderately negative correlation; and -0.5 to -1 corresponds to strong negative correlation. The study's correlation analysis is presented in Table 4.14.

**Table 4.14: Correlation Analysis**

		Professionalism	Work Experience	Education Level	Evidence based- Approach	Performance of NGO project
Professionalism	Pearson Correlation	1	.038	.146	.192	.469**
	Sig. (2-tailed)		.801	.333	.200	.001
	N	46	46	46	46	46
Work Experience	Pearson Correlation	.038	1	.147	-.030	.547**
	Sig. (2-tailed)	.801		.331	.846	.000
	N	46	46	46	46	46
Education Level	Pearson Correlation	.146	.147	1	.087	.331
	Sig. (2-tailed)	.333	.331		.567	.051
	N	46	46	46	46	46
Evidence Based approach	Pearson Correlation	.192	.030	.087	1	.260
	Sig. (2-tailed)	.200	.846	.567		.068
	N	46	46	46	46	46
Performance of NGO project	Pearson Correlation	.469**	.547**	.331	.260	1
	Sig. (2-tailed)	.001	.000	.051	.068	
	N	46	46	46	46	46

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

From correlation analysis results presented in Table 4.14, it can be seen that external auditors' work experience had the most significant correlation of 0.547 when evaluated against performance of the NGO funded projects at 0.01 level of significance. The external auditors' professionalism

and their level of education both had less significant positive correlations of 0.469 and 0.331 respectively against performance of the NGO funded projects. Their evidence-based approach to auditing had the least significant positive correlation of 0.260 against NGO project performance.

The results indicate that the external auditors' work experience has the greatest influence on the performance of NGO funded projects while their evidence-based approach to auditing has the least influence.

**CHAPTER FIVE**  
**SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND**  
**RECOMMENDATIONS**

**5.1 Introduction**

This chapter presents the discussions on key data findings, conclusions drawn and recommendations. These discussions, conclusions and recommendations were focused on the four objectives of the study.

**5.2 Summary of Findings**

In this section, summary of findings follow the order of research objectives and data as presented in Chapter Four. The purpose of this study is to assess the influence of external auditor attributes on the performance of Non-Governmental Organization funded projects in Nairobi County, Kenya.

**5.2.1 External Auditors' Professionalism and Performance of NGO Funded Projects**

The study sought to establish the extent to which external auditors' professionalism influenced performance of NGO funded projects. When respondents were asked about the extent to which external auditors' professionalism influenced performance of NGO funded projects, 7% said to very great extent; 80% said to great extent and 13% to moderate extent. Therefore, a higher proportion of respondents indicated that external auditors' professionalism has a great influence on performance of NGO funded projects. The majority of the respondents agreed that the external auditors had strong work ethic, focused on delivery and had an urge to deliver on required tasks. Formality and clarity in communication along with professional approach to contentious issues were also found to be overall desirable attributes amongst the external auditors. The respondents further agreed that the external auditors act as uninterested parties to the projects they review and that they provided third party views/insights to the projects they reviewed with standard deviations of 1.06 and 0.84 respectively. This indicated a significant variance in the responses given in relation to whether the external auditors are uninterested in the life of the project. On objectivity, the respondents agreed that the external auditors are unbiased in their judgment while conducting project audits and that they report their findings with high levels of truthfulness. When asked if the external auditors act like they are part of the respondents' organizations, whether they do not report control deficiencies for fear of being fired or if they never report control deficiencies in the



governance frameworks noted when conducting project audits, the respondents disagreed standard deviations of 0.97, 0.87 and 0.65 suggesting a notable variance in the degree of agreement.

### **5.2.2 External Auditors' Level of Education and Performance of NGO Funded Projects**

A majority of the respondents (70%) agreed that the analytical reviews done by external auditors are well informed and show a good level of understanding. 63% also agreed that the external auditors often engaged them in meaningful conversations and arguments. On whether professional certifications earned by external auditors made them better than the organizations' staff, majority of the respondents were neutral implying that there is an indifference as to whether the certifications obtained by qualified external auditors imply that they are better than the staff working in the NGO funded projects. 57% of the respondents also agreed that staff coming to their organizations from the external audit firm were well trained and well versed in the latest sector trends and that CPE requirements meant that they were abreast with the sectorial developments. The understandability of external auditors towards their organizational structures and operations was found to be slightly below average as majority of the respondents were neutral when asked if when dealing with the external auditors, they do not need to reiterate explanations and discussion on concepts regarding the operations of the projects their organizations implement. The respondents however confirmed that they can refer to the external auditors for guidance on policy development to guide project implementation within their organizations due to their vast experience in the sector the respondents operate. When respondents were asked about the extent to which external auditors' level of education influenced performance of NGO funded projects, 4% said to very great extent; 48% said to great extent while 48% said to a moderate extent. Therefore, a significant proportion of respondents consider that external auditors' level of education has a great influence on performance of NGO funded projects.

### **5.2.3 External Auditors' Work Experience and Performance of NGO Funded Projects**

When respondents were asked about the extent to which external auditors' work experience influences the performance of the NGO funded projects, 7% said to very great extent; 67% said to great extent while 26% said to a moderate extent. From the responses, the respondents agreed that the external auditors bring in new ideas from their multi-sector exposure, have insightful and informative conversations' that their recommendations are based on best practices in the sector and their vast experience results in a value-add from their services. The respondents also agreed

that they place high reliance on the external auditors' reports and recommendations given they audit similar organizations. Majority of the respondents (50%) further agreed that they can refer to the external auditors for guidance on policy development to guide project implementation within their organizations due to their vast experience in the sector the respondents operate in. The external auditors' reliability was further exemplified by the findings that most respondents attested to the external auditors' having relevant experience from reviews of projects/clients/organizations that face similar problems to their. The findings indicate that the experiences gained by the external auditors in the course of providing professional services to various clients in the sector are well appreciated as a value-add in the NGO funded project audits that they review.

#### **5.2.4 External Auditors' Evidence-based Approach and Performance of NGO Funded Projects**

The study sought to establish the extent to which external auditors' evidence-based approach influenced performance of NGO funded projects. When respondents were asked about the extent to which external auditors' evidence-based approach influenced performance of NGO funded projects, 20% said to a very great extent, 67% said to great extent and 13% to a moderate extent. They agreed that external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting. The study findings also show that external auditors seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects. The level of sufficiency and appropriateness of evidence sought is however slightly below the average with a standard deviation of 0.44. On sufficiency of evidence collected and reviewed by external auditors to test conformance to selected standards and policies, the respondents agreed that the quantity of evidence sought by the external auditors is enough to inform their opinions regarding the performance of the projects. Majority of the respondents indicated that they agreed understood the external auditors' deliverables which are presented with verifiable documentation that references to support documentation relied upon when coming up with their opinion. Therefore, the external auditors' evidence-based approach significantly influences the performance of NGO funded projects.

### **5.3 Discussion of the Findings**

This section of the report discusses in detail the findings and compares them with literature reviewed in Chapter Two.

### **5.3.1 External Auditors' Professionalism and Performance of NGO Funded Projects**

Certification sets professional auditors apart from the rest by documenting their mastery of the field and attributes of internal auditing. Becoming certified requires extensive preparation, study, knowledge, and experience; and indicates a commitment to professionalism (The Institute of Internal Auditors, 2015). This agrees with the findings of the study that by being members of professional oversight bodies, external auditors are professional and that they remain calm even in conflict and that they are not interested in the life of the projects they audit. In terms of technical knowledge and expertise, auditors must understand accounting and auditing authoritative literature, develop industry and client-specific knowledge, develop and apply computer skills, evaluate internal controls, and assess and respond to fraud risk. Furthermore, a strong ethical foundation is critical for each auditor (Johnstone et al (2016). This agrees with the findings of the study that external auditors' clients always understood what the auditors would recommend to them as improvement areas and the communication was formal. Johnstone et al (2016) stated that in terms of professionalism, auditors make presentations to management and audit committee members, exercise logical reasoning, communicate decisions to users, manage and supervise others by providing meaningful feedback, act with integrity and ethics, interact in a team environment, collaborate with others, and maintain a professional presence. This agrees with the study's findings that external auditors have strong work ethic with a focus on delivery. Further, the study also found out that external auditors explained identified control deficiencies in an understandable manner. Central to the professional behavior of auditors is the audit judgment and decision-making process while performing audit tasks. Some behaviors such as skeptical judgments, knowledge sharing and consultation behavior, working in fluid and flexible audit teams, communication of and negotiation on audit observations and findings, and audit documentation and justification (Bik, 2010). This agrees with the findings of the study that external auditors are held in high regard due to unimpaired objectivity, they report findings with high levels of truthfulness and that they are unbiased in their judgment whilst reviewing project performance. The study further found that external auditors provide third party assessments of the projects they review and further provide credible reports of projects.

### **5.3.2 External Auditors' Level of Education and Performance of NGO Funded Projects**

The nature of the industry, any applicable specific laws and accounting treatments may require professional knowledge and professional skills in addition to that required for all other audit professionals (IFAC Education Committee, 2005). This agrees with the findings of the study that the external auditors are often referred to for guidance on policy development to guide project implementation within their organizations due to their vast experience in the sectors their clients operate in. To perform competently in this specialist area, professional accountants will require a higher level of education and training in audit and related areas than what is required of those who do not have substantial involvement in financial statement audits. Professional accountants involved in financial statement audits in specific industries may be more specialized yet (IFAC Education Committee, 2005). This agrees with the findings of the study that external auditors often engaged clients in very meaningful conversations and that the analytical reviews they do are well informed and show a good level of understanding of the area or sector under review. The study further established that clients did not need to overemphasize or reiterate explanations on concepts regarding their operations as projects within the greater organizations. The IFAC Education Committee (2005) further states that to acquire the capabilities required of audit professionals, professional accountants may need to take education and development programs and activities in addition to those they needed to qualify as professional accountants. The study established that there is an indifference as to whether the certifications obtained by qualified external auditors imply that they are better than the staff working in the NGO funded projects. The education and development process for developing the capabilities of audit professionals can include advanced professional education pursued at academic institutions or through the programs of professional bodies; on-the-job training and experience programs; off-the-job training; and continuing professional development (CPD) courses and activities. The study findings agrees with this since it was noted that the staff being sent to client organizations from the external audit firm are well trained and well versed in the latest sector trends and that CPE requirements meant that they were abreast with the sectorial developments. Auditors receive specific training in audit planning, design of audit programmes, evaluation of audit evidence and documentation of audit evidence gathered and evaluated. Other more specialized professionals do not have this type of training nor do they routinely use these specific skills (Gul and Fung, 2014)

### **5.3.3 External Auditors' Work Experience and Performance of NGO Funded Projects**

Professional experience is the power which can be obtained by the practice over time from past experiences and direct feedback and the general knowledge which lead to accomplish the task with high quality (Bedard and Chi, 1993). Previous studies concerning experience effects in audit judgments have produced mixed results, possibly because they did not consider the knowledge necessary to complete the task and when it would normally be acquired (Bonner, 1990). This study however found out that the external auditors can be referred to for guidance on policy development to guide project implementation within client organizations due to their vast experience in the sector the clients operate in. Depending upon the nature of the audits to be undertaken under that mandate, persons whose education and experience are commensurate with the nature, scope, and complexities of the audit task should carry out the audit work (Deloitte, 2007). This agrees with the findings of the study that the external auditors bring in new ideas from their multi-sector exposure, have insightful and informative conversations and that their recommendations are based on best practices in the sector and their vast experience results in a value-add from their services. In their study on the effect of working experience, integrity, competence, and organizational commitment on audit quality Bouhawia et al (2015) found out that both experiences acquired through long working period, and through frequency of the audit engagement, affect audit quality. Long tenure of audit job leads to an auditor gaining more general professional experience, which in turn enables the auditor to acquire more competency. This agrees with the findings of the study that the external auditors are reliable since the more often than not had faced similar challenges/ issues in other similar organizations operating within the same sectors. The study further found that clients place high reliance on the external auditors' reports and recommendations given they audit similar organizations. Frequency of the audit work leads the auditor to amass client specific experience. This client specific experience can enable an auditor to gain more specific knowledge of the client's business, systems, and risks, which in turn would lead to high audit quality.

### **5.3.4 External Auditors' Evidence-based Approach and Performance of NGO Funded Projects**

The overall objectives for the auditor are: to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared

in all material respects, in accordance with an applicable financial reporting framework (Bik, 2010). Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit (IFAC, 2008). The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required) (IFAC, 2008). This agrees with the findings of the study that the external auditors always seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of NGO funded projects. The study further found that the evidence collected and reviewed by the external auditors is sufficient to test conformance to selected standards and policies. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based (IFAC, 2008). To get the value from one's investment, focus first on establishing sound audit processes. This includes defining the objectives to be achieved; clarifying roles and responsibilities for audit activities and identifying the audit scope, taking into account materiality, timeliness and risk (Dunmire, 2012). The study agrees with this as it was found that the external auditors asked relevant questions and reviewed documents that are related to the scope and nature of the audit they conduct. Audit findings and audit conclusions should be based on audit evidences that are verifiable (Singhal, 2014). The study found that the external auditors present deliverables with verifiable documentation with reference to support documents used and is laid out in an understandable document/report. Dunmire (2012) stated that audits have only limited value unless the results are documented and communicated to individuals who can address them appropriately.

#### **5.4 Conclusion of the Study**

The results indicate a significant relationship between external auditors' professionalism, level of educations, work experience and evidence-based approach on the performance of NGO funded projects.

Professionalism of the external auditors was found to have a great influence on the performance of NGO funded projects. This is mainly through the way the external auditors communicate and relate with the project staff, their approach to contentious issues, focus on delivery, impartiality and unbiased judgment.

The study also revealed that the level of education of external auditors had great influence over the performance of NGO funded projects with their training, continuous professional education requirements and their informed interactions and analytical reviews being cited as the main indicators desirable to the respondents. Significant impact is achieved from conversations/interactions with external auditors along with the analytical reviews carried out when conducting audits. These were found to evidence good levels of understanding on the auditors' part.

The research results showed that external auditors' work experience also has a significant influence over how the projects being implemented and funded by NGOs perform. The vast multi-sector exposure, insightful and informed recommendations were found to be greatest value-additions brought about by the external auditors which was found to be key in the performance of the projects.

The study further concludes that external auditors' evidence-based approach influences the performance of the NGO funded projects by a great extent. Majority of the respondents agreed that the external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting and that they seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects.

Finally, the study concludes that external auditors' work experience has the greatest influence on the performance of NGO funded projects. The respondents agreed that the external auditors' evidence-based approach had the least influence on the performance of the NGO funded projects.

## **5.5 Recommendations**

This study made the following recommendations:

1. External auditors should give more emphasis on professionalism, level of education, relevant work experience and evidence-based approach to auditing as these are key pillars used in assessing their performance by NGO project teams.
2. External auditors should ensure that client engagement in form of communication, issue resolution, focus on delivery and credibility of deliverables are upheld as these form the key indicators or professionalism from NGO project management teams' perspective.

3. The study farther recommends that the external auditors should embrace multi-sectorial exposure and experiences which keeps them abreast with the latest developments and practices.
4. For avoidance of doubt and protection of repute, external auditors should always seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects.

### **5.6 Suggestions for Further Studies**

1. This report recommends that further research should be carried out to establish the influence of other external auditor attributes on the performance of NGO funded projects other than professionalism, level of education, work experience and evidence-based approach to auditing.
2. The study assessed the influence of external auditor attributes on the performance of NGO funded projects with a focus on selected NGOs in Nairobi County. It is recommended that this topic can be investigated from other parts of the Country.



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## APPENDICES

### APPENDIX 1: Letter of Transmittal

Amos Mokua Nyabiosi  
P. O. Box 29819 (00202)  
Nairobi, Kenya

**Dear Respondent,**

**RE: Academic Research**

I am a student of the University of Nairobi pursuing a Master of Arts Degree in Project Planning and Management. I am conducting academic research on the influence of external auditor attributes on the performance of Non-Governmental Organization funded projects. I have chosen NGOs based in Nairobi County as a case study to provide information relating to the influence of external auditor attributes on the performance of their projects.

I humbly request you to fill the enclosed questionnaire. Please note that all the information provided for this study will be treated with utmost confidentiality and will be used only for the purpose of my academic research. Your ability to answer all the questions comprehensively and to the best of your knowledge will be highly appreciated.

Thank you for your co-operation.

Yours faithfully,

Amos Mokua Nyabiosi

Email: [amos.nyabiosi@gmail.com](mailto:amos.nyabiosi@gmail.com)

Phone: 0721 545 893



## APPENDIX 2: Questionnaire for the Respondents

**Note:** Do not write your name anywhere on this questionnaire. Please tick your options where applicable. Your cooperation is highly appreciated. The responses you give will be strictly confidential. No reference will be made to any individual(s) in the report of the study.

### PART A: Respondents Profile

1. Gender      Male      Female

2. Age

Below 24 years      24-29 years      30-34 years

35-39 years      40-44 years      Over 44 years

3. What is your education level (state the highest level)?

Certificate      Diploma      Undergraduate

Postgraduate      Other .....

4. How many years have you worked for the organization?

Less than 1 year      1-3 years      4-7 years

8-11 years      Over 11 years

5. In which department do you work in?

Project Management      Grant Management      Project Coordination

Internal Audit      Finance and Accounting

Other .....

**PART B: Influence of external auditors’ professionalism on the performance of NGO funded projects**

6. Below are statements on external auditors’ professionalism in relation to project performance.

Please indicate the degree to which you agree using the scale:

Strongly Agree (5); Agree (4); Neutral (3); Disagree (2) and Strongly Disagree (1)

Statement	5	4	3	2	1
The external auditors always communicate with my team formally.					
I always understand what the external auditors are explaining whenever they talk to me for consultation and recommendations.					
The external auditors have a strong work ethic.					
Focus on delivery is one of the key factors why the external auditors are engaged.					
When the external auditors embark on an assignment, they seek to deliver on the required tasks.					
While conducting audits, the external auditors approach issues in a manner which I consider to be professional.					
Upon identifying contentious issues while conducting the audit, the external auditors discuss it with the concerned stakeholders/teams first to understand the matter prior to reporting.					
The external auditors present and explain the identified control deficiencies in a manner which I am able to understand.					
Being members of professional oversight bodies (ICPAK and ACCA), the external auditors are professional in everything they do.					
Whenever there’s a conflict or argument, the external auditors remain calm and focused on amicable resolution of the matter at hand.					
The external auditors are not interested parties in the life of the project being run within my organization. They just report on findings as per the Letter of Engagement (contract of appointment).					
The external auditors provide a third party/external assessment on the performance of the projects implemented by my organization.					
I trust that the external auditor will provide a credible report on the performance of projects.					
I hold the external auditors in high regard due to their unimpaired objectivity.					
The external auditors have high integrity and report their findings with the highest levels of truthfulness.					
The external auditors are not biased in their judgment while reviewing the financial and programmatic performance of projects.					

Statement	5	4	3	2	1
The external auditors feel and act like they are part of my organization.					
The external auditors do not report on control deficiencies noted in the project implementation for fear of parting ways with the management of my organization (losing their contract/being fired).					
The external auditors never report any deficiencies in the controls and governance framework when conducting project audits.					

7. In your own opinion, indicate the extent to which external auditors' professionalism influences the performance of NGO funded projects.

Very great extent

Great extent

Moderate extent

Little extent

No extent

**PART C: Influence of external auditors’ level of education on the performance of NGO funded projects**

8. Below are statements on external auditors’ level of education in relation to project performance. Please indicate the degree to which you agree using the scale:

Strongly Agree (5); Agree (4); Neutral (3); Disagree (2) and Strongly Disagree (1)

Statement	5	4	3	2	1
The external auditors usually engage me in very meaningful conversations and arguments.					
The analytical reviews done by the external auditors are well informed and show a good level of understanding.					
The professional certifications of the external auditors (CPA and ACCA) prove that they are a cut above most of the workforce including some of my team members and/or colleagues.					
The staff coming to our organization from the external audit firm are well trained and well versed in the latest sector trends.					
Continuous professional education (CPE) requirements for ICPAK and ACCA has ensured that the external auditors are kept abreast with the developments of the sector.					
When dealing with the external auditors, I do not need to reiterate explanations and discussion on concepts regarding the operations of the projects implemented by my organization.					
I can refer to the external auditors for guidance on policy development to guide project implementation within my organization due to their wealth of knowledge.					

9. To what extent do you think external auditors’ level of education influences the performance of NGO funded projects?

- Very great extent
- Great extent
- Moderate extent
- Little extent
- No extent

**PART D: Influence of external auditors’ work experience on the performance of NGO funded projects**

10. The following are key activities that characterize external auditors’ work experience. Please indicate the degree to which you agree using the scale:

Strongly Agree (5); Agree (4); Neutral (3); Disagree (2) and Strongly Disagree (1)

Statement	5	4	3	2	1
The external auditors bring in new ideas while conducting audits due to their multi-sector exposure.					
Conversations and discussion held with the external auditors are very insightful and informative.					
The recommendations that come from external auditors are usually based on best practices in the sector.					
The value-addition obtained from the external auditors mainly emanates from their vast experience (multi-sector).					
Given they audit similar clients to my organization (within the same sector), I place high reliance on the external auditors’ reports and recommendations.					
I can refer to the external auditors for guidance on policy development to guide project implementation within my organization due to their vast experience in the sector my organization operates in.					
The external auditors are reliable since they more often than not have faced similar issues to what we face in my organization.					

11. Please indicate the extent to which external auditors’ work experience influences the performance of NGO funded projects.

- Very great extent
- Great extent
- Moderate extent
- Little extent
- No extent

**PART E: Influence of external auditors’ evidence-based approach on the performance of NGO funded projects**

12. The following are key activities that characterize external auditors’ evidence-based approach. Please indicate the degree to which you agree using the scale:

Strongly Agree (5); Agree (4); Neutral (3); Disagree (2) and Strongly Disagree (1)

Statement	5	4	3	2	1
The external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting.					
The external auditors seek to obtain sufficient and appropriate audit evidence to back their opinions on the performance of projects.					
Evidence collected and reviewed by the external auditors is sufficient to test conformance to selected standards and policies					
The external auditors present deliverables with verifiable documentation with reference to support documents used and is laid out in an understandable document/report					

13. Please indicate the extent to which external auditors’ evidence-based approach influences the performance of NGO funded projects.

- Very great extent
- Great extent
- Moderate extent
- Little extent
- No extent

### **APPENDIX 3: List of Registered NGOs in Nairobi County**

The following list was extracted from the World Association of Non-Governmental Organizations (WANGO) website.

1. 748 Air Services (K) Ltd.
2. ACROSS
3. Action First For Progress (AFFP)
4. Africa Alliance of Young Men's Christian Associations
5. Africa Church Information Services (ACIS)
6. Africa Council for Adult and Continuing Education
7. Africa Humanitarian Action (AHA)
8. Africa Peace Forum
9. Africa Peniel Safaris
10. Africa Rehabilitation and Education Programme Foundation (AREP Foundation)
11. African Academy of Sciences (AAS)
12. African Advanced Level Telecommunications Institute, Nairobi (AFRALTI-Nairobi)
13. African Airlines Association (AFRAA)
14. African Association for Biological Nitrogen Fixation (AABNF)
15. African Association for Public Administration and Management (AAPAM)
16. African Association for the Advancement of Science and Technology
17. African Association of Dermatology
18. African Association of Insect Scientists (AAIS)
19. African Braille Centre
20. African Centre For Research in the Arts (ACRA)
21. African Centre for Resources and Environment (ACRE)
22. African Centre for Technology Studies (ACTS)
23. African Clinical Epidemiology Network (AFRICLEN)
24. African Community Education Network
25. African Council for Communication Education (ACCE)
26. African Economic Research Consortium (AERC)
27. African Energy Policy Research Network (AFREPREN/FWD)
28. African Foundation for Research and Development (AFRAND)
29. African Institute for Higher Technical Training and Research (AIHTTR)
30. African Medical and Research Foundation (AMREF)
31. African Meteorological Society
32. African Network for the Prevention and Protection Against Child Abuse and Neglect
33. African Population and Health Research Centre (APHRC)
34. African Pro-Poor Tourism Development Centre (APTDC)
35. African Regional Organization for Standardization (ARSO)
36. African Rural and Agricultural Credit Association (AFRACA)
37. African Seed Trade Association (AFSTA)
38. African Society for Environmental Studies Programme (ASESP)
39. African Stock Exchanges Association (ASEA)
40. African Taekwondo Union
41. African Telecommunications Union (ATU)
42. African Water Network (AWN)
43. African Women's Development and Communication Network (FEMNET)
44. Africashare Partnership
45. Agricultural Development Promotion Programme
46. Aid Kenya Foundation

47. AIDS Orphans Care and Support Program (AOCASP)
48. All Africa Conference of Churches (AACC)
49. All Africa Peace Initiative
50. Allavida Kenya
51. Arrow Kenya
52. Artist Forum International
53. Association for Better Land Husbandry (ABLH)
54. Association of Evangelicals in Africa (AEA)
55. Association of International Schools of Africa (AISA)
56. Association of Member Episcopal Conferences in Eastern Africa (AMECEA)
57. Associations of Surgeons of East Africa
58. Awareness Group on aids Prevention (AGAP)
59. Baathman computer training school
60. Best Buddies Kenya
61. BirdLife International, Kenya
62. Bloodlife Initiative Kenya
63. Bondo Community Development Programme
64. Borderklan foundation
65. Brothers Self Help Group
66. Building Africa, Kenya
67. Cactus Communication
68. Capital Area Soccer League
69. Capture Foundation International
70. Care and Restoration of Education Status on Poor AIDS Orphans (CRESPO)
71. Caring Neighbours
72. Catholic Biblical Centre for Africa and Madagascar (BICAM)
73. Catholic University Human Rights Association
74. Catholic University of Eastern Africa (CUEA)
75. Catholic University Students Organization (CUSO)
76. Center for Policy, Planning, and Performance
77. Centre for African Entrepreneurship Research and Development (CAERD)
78. Centre for African Family Studies
79. Centre for African Family Studies (CAFS)
80. Centre for Conflict Preventions and Reconciliation
81. Cherish Others Organisation Kenya
82. Children's Garden Home and School
83. Childfund Kenya
84. Chrisco Fellowship, Ylavia Kisumu, Youth Leader
85. Christian Age Concern Foudation Kenya
86. Church of Restoration Gathiga
87. Community Empowerment for Economic Development Organization
88. Community Initiatives and Social Support Organization (CISSO)
89. Community Service Foundation
90. Company for Habitat and Housing in Africa (Shelter-Afrique)
91. Compassion International
92. Connect Cente for Women and Children
93. Consumer Information Network (CIN)
94. Covenant Life Foundation
95. Crescent of Hope
96. Culture of Peace Network (CPN) "Unesco-Peer"
97. Cyntanada



98. Deaf Aid
99. Development Volunteer Africa
100. Diva Kenya
101. East Africa Natural History Society (EANHS)
102. East African Development Center (EADEC)
103. East African Enterprise Network (EAEN)
104. East African Wild Life Society (EAWLS)
105. East African Women's League (EAWL)
106. Eastern Africa Association for Theological Education by Extension (EAATEE-Kenya)
107. Eastern Africa Environmental Network (EAEN)
108. Eastern African Association for the Study of Religions (EAASR)
109. Eastern and Southern Africa Leath Industries Association (ESALIA)
110. Eastern and Southern African Business Organization (ESABO)
111. Eastern and Southern African Trade and Development Bank (PTA Bank)
112. Eastern Central and Southern African Federation of Accountants (ECSAFA)
113. Ecryp Technology Solutions Ltd
114. ELC International (ELCI)
115. End Poverty Resource Management Programm
116. Environemntal Ambasadors Association of Kenya
117. Environment Liaison Center International (ELCI)
118. Etegoa Worldwide Ministries
119. Familia Human Care Trust - Kenya
120. Family Federation for World Peace and Unification, Kenya
121. Family Federation for World Peace, Africa Regional Office
122. Family Help Line Organisation
123. Federation of African Public Relations Associations (FAPRA)
124. Fellowship of Christian Communicators in Africa and Madagascar (FOCCAM)
125. Female Education in Mathematics and Science in Africa (FEMSA)
126. Firstway Learning Consultants
127. Fitness for Health Initiative Africa
128. Flying Doctors' Society of Africa
129. Forum for African Women Educationalists (FAWE)
130. Foundation for Woodstove Dissemination (FWD)
131. Friends in Peace & Community Development
132. Friends of America Foundation
133. Friendship Force Club of Kenya
134. General Welfare International Foundation
135. Global Development of Peaceful Environments
136. Global Development Volunteers
137. Global Fund for Higher Education (Fonds Mondial pour l'Enseignement Superieur)
138. Global Village
139. Global Volunteers
140. Grande Famille Pour Le Developpement Communautaire, Internationale  
(GRAFADECO)
141. Grassroot Women For Habitat
142. Green Africa Network
143. Green Belt Movement (GBM)
144. Hardo Relief & Development Organization
145. HEALTHCARE RESCUE CENTRE.
146. HEMOPHILIA WELFARE FOUNDATION(KENYA)
147. Hifadhi Africa Organization (HAO)

148. Horn of African Peace
149. Hot Sun Foundation
150. Huruma Habitat For Humanity
151. Huruma Starehe Development Programme
152. Huruma Trust Fund
153. ICFTU African Regional Organization (AFRO)
154. IIFWP, Kenya
155. Institut francaise de recherche en Afrique (IFRA)
156. Institute of Civic Affairs and Development
157. Institute of Health Research and Services
158. Integrated Development Africa Programme
159. Integrated Development Africa Programmes(IDAP)
160. Interfaith Youth Peace Initiative
161. International Federation for Widows, Orphans and Needy
162. International Institute for Gender and Community Development
163. International Livestock Research Institute (ILRI)
164. International Movement for Catholic Students (IMCS)
165. International Training and Education Centre for Health (I-TECH)
166. IRFF, Kenya
167. Jasho Women Group
168. Jomutech Initiative Consortium
169. Jubba Environmetal and Development Action(Jeda)
170. Kenya Association for Maternal & Neonatal Health KAMANEH
171. Kenya Association for Maternal and Neonatal Health (KAMANEH)
172. Kenya Coalition Against Landmines
173. Kenya Enterprise Development Services Center
174. Kenya hortlink enterprises
175. Kenya Library Association
176. Kenya Peace Association Ministry
177. Kenya Red Cross Society
178. Kenya School of Aviation
179. Kenya Youth for Peace and Development
180. Kiambu Youth Progressive Forum
181. Kibera Community Youth Programme
182. KickStart International
183. Kimetrica Limited
184. Kioo Cha Ukweli
185. Kirinyaga Sports Foundation (KISFO)
186. Lake Victoria Special Arts Intiative
187. League of Kenya Women Voters
188. Lifebridge
189. Maendeleo Ya Wanawake Organization
190. Make A Change International Development (MACID)
191. Marginal Development And Environment Awareness Program
192. Marginal Development And Environment Awareness Program
193. Matonyok Nomad Development Organization - MANDO
194. Matonyok Nomads Development Organization (MANDO)
195. Matungu community Development Charity
196. Medea Group
197. Medical Assistance Programs (MAP International)
198. Megabridge Foundation

199. MERP KENYA
200. Migori Youth Education and Rural Health Programmes (MIYEHELP)
201. Movement of Men against AIDS in Kenya
202. Msingi Women
203. Muslim Youth Peace Care
204. Muslim Youth Peace Care
205. N.C.W.K.
206. National Council of Churches of Kenya (NCCCK)
207. Ngece Rinjeu Development Foundation
208. Ngong Youth Organization
209. Nile Relief and Development Society, South Sudan (NRDS)
210. Northern Aid
211. Northern Arid Lands Development Initiatives (NADI).
212. Nous Sommes Freres/ Pax Christi of Bukauu-Drc (NSF/PCJ)
213. Oasis Africa
214. Oasis of Hope
215. One Acre Fund
216. OPA Foundation
217. organisation for youth in environmental and educational affairs
218. Organization for Green Education
219. Pamoja Radio
220. Partnership for African Social and Governance Research
221. peace mercy foundation international kenya
222. Platform for Land Use Sustainability
223. Platform for Land Use Sustainability - Kenya
224. Point Five International
225. Ponty Education Services
226. Poverty Africa
227. Poverty Alleviation Initiativesfor Development (PAID)
228. Prayer Warriors, Young Men and Women Peace Makers
229. Prodigal Rescue Centre
230. Rawalo Youth Development Foundation
231. Rays of Good Hope International Volunteers (ROHIV)
232. Reach Out Disabled Foundation
233. Research Concepts
234. Safedrive Africa Foundation (SDAF)
235. Sangwa Amahoro Association
236. Save Kenya Water Towers
237. Shelter 2000
238. Shelter Action Organization
239. Single Ladies International Ministries
240. Smart Options
241. Society of St. Vincent De Paul
242. Solidarity for Social and Environmental Services (SOSES)
243. Somali Youth Development Foundation
244. South Sudan Law Society
245. Springs of Life Center
246. St Francis Childrens Village
247. St. Teresa's Youth Club
248. Strengthening Peoples Actions in Resilience through Knowledge (SPARK)
249. Sudan Islamic Aid Association

250. Sustainable Water Development Services (SWADES)
251. Talent Support Initiatives International
252. Tearfund
253. Terminal Tours Kenya
254. The Africa Tobacco Free-Initiative
255. The Congolese Communities of Africa
256. The CRADLE-The Children Foundation
257. The Episcopal Church of the Sudan
258. The Institute for Social Accountability (TISA)
259. The President Barack Obama Junior Africa Foundation (Aspiring Non-Profit)
260. The Young People Empowerment Initiative
261. Transparency International Kenya
262. Ukambani Christian Community Services (UCCS 2)
263. Ungana Young Friends of AMREF
264. UNHCR, Kenya
265. University of Washington – Global Assistance Programme (UW-GAP) Kenya
266. Upendo Child-care
267. Uthiru Selfhelp Group
268. UZIMA Foundation
269. Vipani
270. Volunteers For Africa
271. Wageria Community Based Organization
272. Wakilisha Safari Kenya
273. Waumini Youth Group
274. Weast Rural Development Programme
275. Winners Chapel International
276. Women Fighting AIDs in Kenya (WOFAK)
277. Women's Resource Centre
278. Woni Witu Foundation
279. World Harvest Mission
280. World Teens Federation
281. World Youth Channel
282. YFWP, Kenya
283. Yitzhak Rabin Foundation
284. Youth Alive! Kenya ( YAK)
285. Youth in Focus Kenya