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INFLUENCE OF EXTERNAL AUDITING PROCESS ON PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS IN BURUNDI:A CASE OF NGOS FUNDED BY IOGT NTO MOVEMENT SWEDEN

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Abstract
Accountability performance has been an important and necessary recipe for Non-Governmental Organisations. Efficacy and efficiency use of resources for achieving Non-Governments organisations goals and missions requires good governance and leadership, transparency in decision making, realistic financial reporting, realistic narrative reports . It is primarily for this reason that the study sought to survey and investigate influence of external auditors on NGOs performance in Burundi. The study employed both qualitative and quantitative research designs and utilized data from 3 NGOs in Burundi that is Burundi Girl Guide, Burundi Scouts association and Burundi Alcohol policy alliance. For this purpose the data from 109 workers fromBurundi Girl Guide 58, Burundi Scouts association and 57 Burundi Alcohol policy alliance was collected from 3 NGOs using purposive sampling method. Stratified sampling was used to determine the number of respondents to include in each stratum, and then simple random sampling was used to select participants from the strata.
The study found out that Findings from the study indicated that 12.39% of the staff members and members of the executive committee they were not sure if transactions were recorded in books of accounts and 42.20% said that no transactions were recorded while 8.26% of the staff members and members of the executive committee suggested that they were not sure if records of assets were accurate and 1.83% said the recorded were not accurate. The study therefore deduced that the uneven responses illuminated how ineffectively financial activities were carried within the organizations, and hence ineffective compliance to external audits

Keywords: *Burundi Girl Guides Association, Burundi Girl Guides Association, Burundi Alcohol Policy Alliance*

1.0: Introduction

1.1: Background Information

Non-Government organizations are known as nonprofit organizations; they can be local or international organizations. According to Jordan (2015), non-government organizations play the role of intermediary organizations between donors and beneficiaries. Donors are responsible for mobilizing funds and resources to provide to intermediary partners (Wells, 2013). Donors are usually international organizations and developed government agency. Partners organizations has to be nonprofit and non-government organizations. For that, partners' organizations have to prove and insure to donors' good governance based on transparency and performance. Performance has been vital for Non-Governmental Organisations. Efficacy and efficiency use of resources for achieving NGOsgoals and missions requires good governance and leadership, transparency in decision making, realistic financial reporting, realistic narrative reports (Cordery, Belal, & Thomson, 2019). Performance according to Viswesvaran (2016) is necessity to provide internal and external information related to the organization. The economic information identified, measured and communicated during the process of improving performance; allow taking rational decisions. Performance shows the responsibility of governing body regarding the success and shortcomings of an organization (Wells, 2013). Good governance is pegged on performance. Most of

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the institutions, including government owned, private-owned and civil societies must practice high levels of performance and fulfil the needs of their stakeholders, shareholders, and beneficiaries.
Internal and external stakeholders need access to timely and adequate information about the activities of NGOs since it plays significant roles to them performing effectively. NGOs must thus not only be honest, but they ought to be regarded as such because, government bodies can politically isolate them, which would render them incapable of going about their voluntary activities (Cordery, Belal, & Thomson, 2019).Given that NGOs receive funding from donors, the issue of performance is important (Wells, 2013).

1.2: Statement of the Problem

There has been recognition by both government and intergovernmental agencies regarding need to maximize the effectiveness on the operations of NGOs operating among beneficiary communities. Thus, making external audit an integral part of transparency and accountabilityperformance towards achieving the desired goals. Much aid funding in Burundi is channeled through NGOs which is responsible to ensure that funding is delivered with efficiency and efficacy. AccountabilityPerformance has the power of improving or decreasing the achievement of NGO goals (Minani, 2012). Although NGOs are audited by external auditors, the public perceptions and the publications kept pointing figures at NGOs misapplying donor funds. The beneficiaries and the government are complaining on how NGO in Burundi are failed to share financial information (Iwacu, 2017). Furthermore, there is in general lack of research on influence and perceptions of beneficiaries and stakeholders on NGO accountabilityperformance. Studies that have been addressed the issue of NGO are concentrated on the influence of services delivery by the NGOS in Burundi. They are focusing on goals and how the NGO are influenced in the community.
According to Gakiza (2015), financial information from the NGOs is not destined for public, most NGO are reporting only to Minister of Home affairs and their donors. There is lack of research on how Non-government organization have made improvement on delivering information to different stakeholders, donors and beneficiaries in order to become more accountable. A survey by Transparency international (2013) on the rate of corruption among NGOs in developing nations, and more specifically in Burundi in 2013 showed high rates of corruption and misappropriation of donor funds. NGOs funded by IOGTN NTO Movement in Burundi have been criticized severally for misappropriation of donor funding by hiking over heads and having unbalanced financial statements. Even though the NGOs are audited by external auditors, public perceptions and publications still point figures at NGOs misappropriation of donor funds. Hence, the issues of accountabilityperformance still debatable in order to improve effective and efficiency use of funds. It is against this background that the researcher assessed the contributions posed by external audit on NGOs activities and accountabilityperformance by focusing on NGO funded by IOGTN NTO Movement in Burundi.

2.0: Reviews of Related Literature

The Theoretical foundation for the present study was underpinned under auditing theories and stakeholder theory.

2.1: Auditing Theories

Auditing theories explains the importance of conducting an audit and its influence on accountabilityperformance. According to Hayes, Wallage, and Gortemaker (2014), there are four theories of audit. These are the policeman theory, the credibility theory, the theory of inspired confidence and agency theory.

2.1.1: The policeman theory where auditors are perceived as policeman with responsibilities of searching, detecting and preventing fraudulent activity. However, auditors' responsibilities remain a hot topic and recently the auditors begin to focus on clarity and fairness of financial information's. In modern societies the users of statements want auditors to be responsible for fraud detection as they use audit reports to analyze and make decisions. Auditors also have a duty of care to the end users of audit reports and should consider risks of material misstatements due to fraud when calculating audit risk.

2.1.2: Credibility theory comes with credibility of financial statement. Therefore adding credibility to financial statements is an integral part of auditing, making it a fundamental service auditors provide to clients. Auditor responsibilities reflect the credibility for the organisations. Therefore, accountabilityperformance of organisations comes on board in order to prove that decisions making are based on reliable information. The credibility gained by

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financial statements would affect the decisions by stakeholders and also helps shareholders put trust in management, reducing the information symmetry between stakeholders and the management.

2.1.3: The theory of inspired confidence. It is also referred to as theory of rational expectations. The demand for audit services is as a result of direct consequences of the participation of outside stakeholders in the company. These stakeholders therefore demand accountability from the management in return for their contribution or resources.

Accountability is usually realized through the issuance of periodic financial reports by the management. The information provided by the management may be biased and the outside parties have no direct means of monitoring and an audit is required to assure the reliability of this information.

2.1.4: The Agency Theory: This theory suggests that the auditor is appointed in the interest of both the third parties as well as the management. A company is therefore viewed as a web of contracts. Several groups for example suppliers, bankers, customers, employees among others make some kind of contribution to the company for a given price. The task of the management is to coordinate these gropus and contracts and try to optimize them through low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and wages for employees. In these relationship, the management is the agent which tries to gain contributions from principals.

2.1.5: Stakeholder Theory

According to Freeman (2010), the stakeholder theory is based on that the companies are operating and influencing in community, so that they have to be accountable to many sectors including donors or shareholders. Stakeholder theory value the relationships between an organizations and others internal or external partners. It considers a stakeholder as a person or an entity that can affect or be affected by the organization.

2.2: Conceptual Framework

The independent variable is external auditing and the dependent variable is NGO's performance. The framework postulates that external auditing has a potential influence in the performance of NGOs. The measurements of external auditing are represented by external audit reports, accounting system, and internal reporting standards. The measurements of NGO's performance are represented by balanced financial statements, accurate account and operational data, and efficient operational budget.

The intervening variables include external auditor qualifications and organizational characteristics. The assumption brought forth is that the qualifications of external auditors could influence the results of external audits, which in turn determine the degree of performance in an NGO. Likewise, organizational characteristics and processed pose significant influences to the entire accounting system that affect the nature of performance in an NGO.

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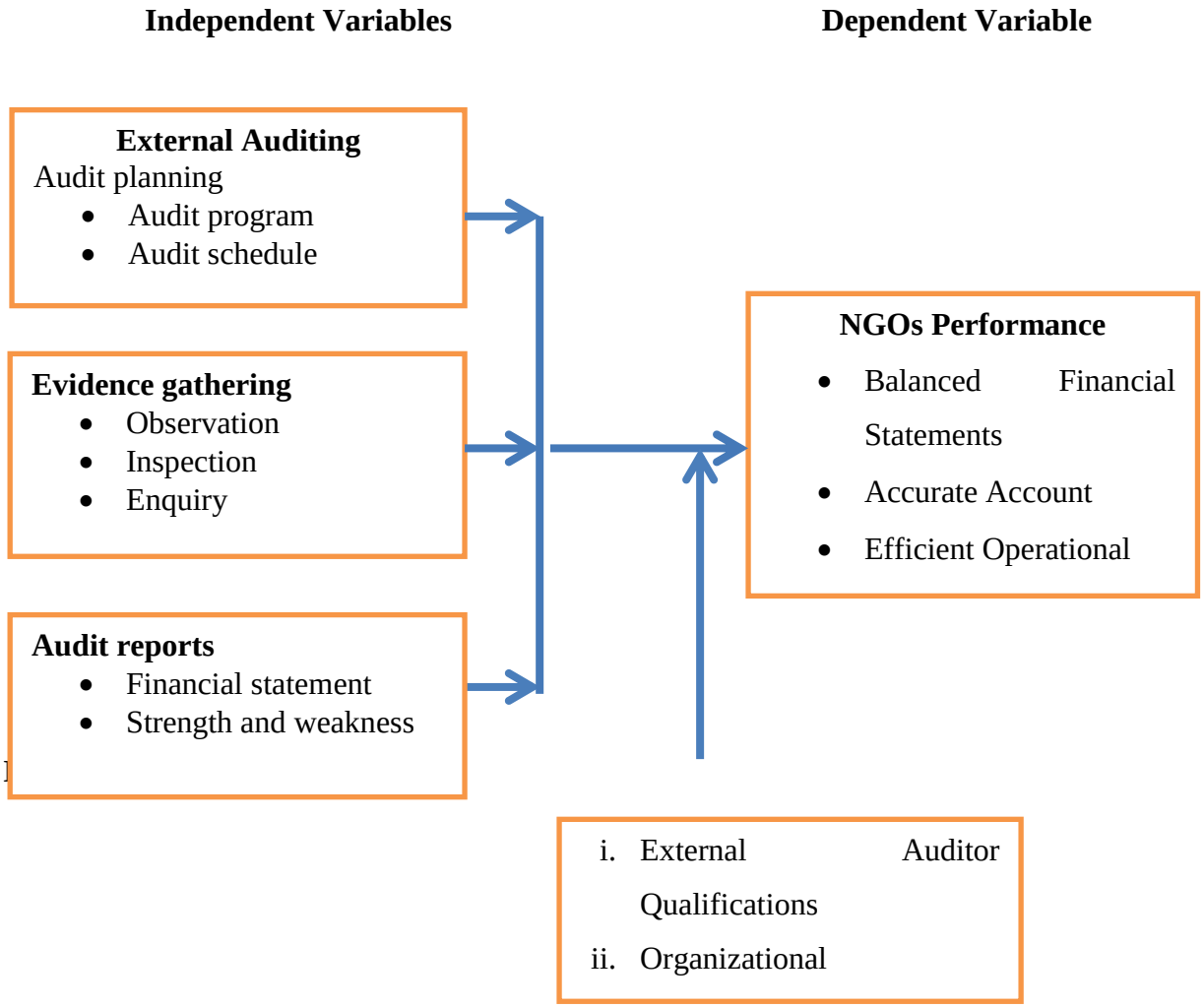

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3.0: Methodology

3.1: Research Methodology

The study employed a descriptive research design. The study focused on 3 NGOs that are funded on IOGT NTO (Burundi Girl Guides Association, Burundi Scouts Association and Burundi Alcohol Policy Alliance).The target population was 482.The sample population was determined using Slovin's formula and 218 respondents were selected.In this study purposive sampling design was used to recruit participants from the target population.

Primary data was collected through questionnaireswhich contained both close-ended and open-ended questions whilesecondary data was collected through Books, Periodicals, Journals, Research papers, and case–study, Websites, Articles, and Newspapers. The use of internet has presented help to the researcher via various search engines, i.e google.com. Notes also were taken during collection of data in order to avoid loss of information.Data was analysed and coded then entered into the Statistical Packages for Social Sciences (SPSS- Version 23). Percentages were used to determine sample distribution across various variables. Standard deviation was also used in the analysis. Analyzed data was presented in tables.

4.0: Research Findings

The total number of questionnaires that were administered to the respondents was 218. A total of 198 questionnaires were duly filled and returned. This represented an overall successful response rate of 90.19% which is sufficient to provide credible sample.

Influence of External Audit Planning on Accountability Performance in NGO's funded by IOGT NTO Movement Sweden

Table 4.1: Influence of Audit Planning on NGO's Performance

Statement	N Valid	Mean	Std. Deviation
External audit planning ensures that correct procedures are established among NGOs	218	4.0596	.92638
External audit planning ensures that the NGOs maintained correct financial procedure	218	4.0734	1.09213
External audit planning ensures that correct procedures are followed so that the financial and management data disclosed through timely reports	218	3.5092	1.17281
External audit planning ensures that accurate accounts, and records of revenue and expenditure are duly accounted for.	218	3.5183	1.27078
External audit planning promote accuracy and reliability in accounting and operating data	218	3.7982	1.18189
External audit planning safeguard resources against waste	218	3.8807	1.20080
External audit planning measure the extent of the operating departments compliance with donor policy	218	3.4404	1.19083
External audit planning evaluate the overall efficiency of the operating functions	218	3.8761	1.17512
External audit planning safeguard donor resources against fraud	218	4.4404	.79667
External audit planning safeguard government resources against inefficient utilization	218	4.0688	1.18354

As indicated in Table 4.1, mean values ranged from 4.44 to 3.44 suggesting that the responses ranged from agree to neutral.

Respondents agreed to the following statements; external audit planning ensures that correct procedures are established among NGOs (mean 4.05, sdv 0.92); external audit planning ensures that the NGOs maintained correct financial procedure (mean 4.06, sdv 1.09); external audit planning safeguard donor resources against fraud (mean 4.44; sdv 0.79); and external audit safeguard government resources against inefficiency utilization (mean 4.06; sdv 1.18).

Respondents recorded neutral responses to the following statements; external audit planning ensures that correct procedures are followed so that the financial and management data disclosed through timely reports (mean 3.50, sdv 1.17); external audit planning ensures that accurate accounts, and records of revenue and expenditure are duly

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accounted for (mean 3.51, sdv 1.27); external audit planning promote accuracy and reliability in accounting and operating data (mean 3.79; sdv 1.18); external audit planning safeguard resources against waste (mean 3.88, sdv 1.20); external audit planning measure the extent of the operating departments compliance with donor policy (mean 3.44, sdv 1.19); and external audit planning evaluate the overall efficiency of the operating functions (mean 3.87; sdv 1.17).

Respondent responses suggested a high rate of awareness regarding the importance of external audit planning in ensuring that correct procedures are established among NGOs, in maintaining correct financial procedures, in safeguarding donor resources against fraud, and safeguarding government resources against inefficiency utilization. The findings were similar to those by Cumbe and Inácio (2018); Mzenzi and Gaspar (2015); and Bananuka, et al., (2018).

Cumbe and Inácio (2018) associated external audits with financial dependence between the organization and the donors. Mzenzi and Gaspar (2015) suggested that external audit planning had the potential of enhancing performance in the context that the scope is widened and in the case that recommendations are implemented. Bananuka, et al., (2018) linked internal audit planning to enhanced performance of statutory corporations.

Although the respondents were aware of the importance of external audits to their respective NGOs, the neutral responses to most of the responses regarding the application of external audit planning indicated that the practice was well known but not effectively practiced. For instance, respondents were not sure if external audit planning ensured that correct procedures are followed in the financial management of data and generation of timely reports and ensured performance for accurate accounts, revenue records, and expenditure, yet, there were high levels of agreement regarding the importance of the practice in maintaining correct financial procedures. Financial management of data and generation of timely report and performance for accurate accounts are important financial procedures in accounting and reporting. Neutral levels of agreement regarding the role of external audit planning in promoting accurate and reliable accounts and operating data, safeguarded resources against waste, and measured the extent of donor department compliance with donor policy suggested that respondents had some little hope in the practice.

5.0: Conclusion

From the research work carried out, the following conclusions were arrived at. To begin with, 12.39% of the staff members and members of the executive committee suggested that they were not sure if transactions were recorded in books of accounts and 42.20% said that no transactions were recorded while 8.26% of the staff members and members of the executive committee suggested that they were not sure if records of assets were accurate and 1.83% said the recorded were not accurate. Thus, the study deduced that the uneven responses illuminated how ineffectively financial activities were carried within the organizations, and hence ineffective compliance to external audits. Respondents agreed that the reports of external audits were studied and enforced by the audit committee and ensured that recommendations were enforced (mean 4.24) and the audit committee discussed the report with the management (mean 4.18). However, there were neutral responses regarding the content of the report implemented (mean 3.96); the management ensuring that the recommendations are implemented (mean 3.88). There is therefore more to be done for external audit report to be effective in the NGOs industry. It was revealed also that the audit reports of NGOs were not discussed with the key players and recommendations were not enforced and implemented and as such contributing nothing to performance and transparency.

5.1: Recommendations:

For the influence of external audit processes to be effective on NGOs activities in relation to performance and transparency the following have been recommended.

Evaluation of the projects run by the NGOs should not be only narrative but should include audited financial statement to be signed an authorized external auditor.

Performance can best be enforced when anomalies are identified and the management is called to explain why compliance is compromised. NGOs contracts with donor agencies could end if it is clear in external audit report that

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there has not been transparency and that funds meant for beneficiaries are not properly accounted for, so that only credible and accountable and transparent NGOs are supported to implement projects.
Audit Committees should be established in NGOs so that they can educate staff on the findings in the audit reports. This will help put information available to all. The audit committees would ensure that external auditor's recommendations are studied, enforced and implemented.
Beneficiary communities and stakeholders should be educated and enlightened to demand full disclosure of the entire package of support such that they can hold NGOs implementing the projects within their community accountable if they refused to render the agreed support package.
At the time of evaluation, the NGOs would require the various stakeholders to mention areas of support for the external evaluator to document demonstrating how successful they have been and the influence thereof. When communities and stakeholders who these grants are meant to support understand their role in the roll out and achievement of outcomes of the NGOs, the can hold them accountable

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