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Influence of Risk Based Internal Audit on Financial Sustainability of Non-Governmental Organization in Nakuru County, Kenya

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Abstract: *Non-governmental organizations are faced with sustainability challenges which are attributed to difficulties in the design, monitoring and implementation of project financing strategies which impact negatively on overall sustainability. The declining state of foreign funding imposes a strain to an already constraining situation. The study sought to determine the influence of risk based internal audit on financial sustainability of non-governmental organization. The study specifically looked into the influence of Internal Auditors Competency on financial sustainability. A sample frame of 79 NGOs was used. A sample of 115 officials was selected. Data was collected using questionnaires constructed on a likert scale and analyzed using statistical package for social sciences (SPSS) IBM software. Data was analyzed using descriptive statistics and inferential statistics presented in tables. The study established that auditor competency had significant relationships with financial sustainability. Regression analysis showed that auditors' competence significantly influence financial sustainability. The study concluded that auditor competency had significant influence on financial sustainability of non-governmental organization in Nakuru County. The study recommended that the organizations should ensure that they recruit competent auditors with sufficient knowledge and skills in auditing to ensure that the audit process gives an accurate position of the financial standing of the organization.*

Keywords: *Internal Audit, Auditors Competence, Auditors Independence, Financial Sustainability, Auditing Transparency*

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I. INTRODUCTION

Financial sustainability is an important factor in the long-term survival and effectiveness of NGOs. According to Lynn (2013) the more there are different sources of funds available the more financially sustainable an NGO is. In other words, financial sustainability of an NGO depends on its ability to diversify its sources of funds. In practice NGOs that are not dependent on a particular funding stream is likely to remain sustainable. A sustainable NGO is one that can continue to fulfill its mission over time and meet the needs of its key stakeholders, particularly its beneficiaries and supporters (Malvern, 2002). Sustainable NGOs are those that are able to respond strategically and effectively to such external changes, revise their mission and objectives accordingly, access new sources of income, and adapt their systems and processes to meet the new challenges.

Risk Based Auditing could improve the precision of financial statement information by issuing qualified opinions to firms with unreliable financial statements. Auditors enable investors to screen out such firms (Gibson, 2003). Uncertainty regarding the association between the focus of voluntary corporate governance guidelines and risk management and internal control activities in practice has created a research gap in this area. Beekes and Brown (2006) refer to company responses to such voluntary guidelines as a rich area for research. The impact of risk based audit has been found to mitigate the occurrence of risks through enhancing quality financial reporting, minimizing losses and eventually improving institutions financial performance (Vafeas, 1999).

The aims of this risk-based approach are to assess and identify the high-risk areas, while at the same time; the auditor is minimizing the risk of negligence (Griffiths, 2006). This can therefore speed the audit work and help to allocate specialists to specific areas of the audit. However, this process can cause more time to be spent on the audit and raise costs, thus not making economic sense. Unfortunately, another problem faced by auditors when adopting the risk-based approach is when identifying high-risk areas. Auditors must decide what evidence is required and in how much detail (Commonwealth of Australia, 2004). Risk based audit can be an effective external mechanism because it signals to potential investors and donors whether the manager complied with the accounting practices and did not misrepresent financial information.

Quality of risk audit also matters as evidence suggests that it is usually driven by active stakeholders (Ashbaugh & Warfield, 2003). In addition, there is evidence that firms who voluntarily adopt the International Accounting Standards or US Generally Accepted Accounting Practices (GAAP) have lower cost of debt (Leutz & Verrecchia, 2000).Goodwin-Stewart and Kent (2006) assert that internal auditing plays a crucial role in monitoring a firm's risk profile and identifying areas to improve risk management.

The object of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. Generally, internal audit has become an indispensable management tool for achieving effective control in both public and private organizations. In a study on a sample of Australian and New Zealand firms, Coram et al. (2008) established that organizations with an internal audit function are more likely to detect and self report fraud through misappropriation of assets than those that do not. According to Serageldin (2006) sustainability is determined by several financial and human capital related factors. An NGO is considered sustainable if it has diverse funding sources, so that if one or two left the scene, no great harm would be done to the organization's capacity to continue its work (Pratt & Hailey, 2012). Risk Based Auditing could improve the precision of financial statement information by issuing qualified opinions to firms with unreliable financial statements. Auditors enable investors to screen out such firms (Gibson, 2003). The aims of this risk-based approach are to assess and identify the high-risk areas, while at the same time, the auditor is minimizing the risk of negligence (Griffiths, 2006). This can therefore speed the audit work and help to allocate specialists to specific areas of the audit.

Risk based audit can be an effective external mechanism because it signals to potential investors and donors whether the manager complied with the accounting practices and did not misrepresent financial information. Quality of risk audit also matters as evidence suggests that it is usually driven by active stakeholders (Ashbaugh & Warfield, 2003). Goodwin-Stewart and Kent (2006) use an agency framework to explore firm characteristics associated with the existence of internal audit role in risk management, risk control and governance perspectives influencing financial performance in financial institutions.

Chen (2003) investigated the relationship between Risk Based Internal Audit and corporate governance structures. It was found that there existed a significant positive relationship between the level of risk based internal audit (RBIA) used and corporate governance board size. The findings of this study indicated a significant negative correlation existed, suggesting that a small board size seems to be more effective, and is more likely to use RBIA, as a complementary mechanism.

The Risk Based Audit, which focuses on both recorded and unrecorded risk, improves financial statement assurance and the financial statement reporting process. The Risk Based Audit focuses on business risk and the processes for controlling these risks. The higher the risk area, the more audit time and client controls are required. Besides focusing on the level of risk, the risk-based method helps to evaluate and build value into the financial reporting process and the clients company. In order to do this, the auditor must have an up to date insight of the clients business and activities. This knowledge is gained through the way the client operates their business, management, internal and external environments. The knowledge gathered can help to design the audit program that includes the most effective and efficient combination of tests responsive to each client's unique circumstances. For this reason, the risk-based approach is then superior to traditional auditing methods (Gibson, 2003).

II. NON-GOVERNMENTAL ORGANIZATIONS IN KENYA

In Kenya, NGO growth has truly been staggering; in 1974, there were only 125 NGOs in Kenya, by 1990 there were over 400 registered with the government, soaring nearly to 3000 in 2004 and well over 4200 by 2007 (Brass 2010 citing National Council of NGOs, NGO Coordination Board, 2006). The current number of registered NGOs is 7082 (NGO Coordination Board, 2014). Most of the NGO funding is derived from foreign sources, indeed most NGOs in Kenya- whether established within the country by Kenyan citizens or abroad are funded via international sources or local private sources. Of the 4211 organizations listed in the Kenya's government NGO Board database in December 2006, only 663 (about 16%) submitted a return with funding source information in the most recent return year, 2005. In these return figures 91% of funds were listed as coming from international sources. Of the other 9% of funds, 8% came from local private sources, with only 1% of the NGO funds being derived from the Government of Kenya at the national or local level. Over 35% of the organizations received funding entirely from abroad, with organizations receiving funds from a mix of local and international sources (an additional 25% of organizations) getting 71% of their funds from abroad on average (Brass,2010).

Nakuru County in Kenya is home to about 249 duly registered and active NGOs (NGO Coordination Board, 2014). Some of these NGOs are headquartered there while others have simply set up their branch offices in Nakuru to enable them to access the western parts of the country while maintaining proximity to Nairobi. Logistically, Nakuru County is convenient in resupplying the western and mostly arid and semi-arid lands (ASAL) in the north. However, with declining donor funding, some NGOs branches in the area are facing closure due to the financial sustainability imperative. In the same vein, the NGOs headquartered in the area may also face challenges in diversifying sources of funds through investment due to the existing opportunities in the area (Kerine 2015).

III. STATEMENT OF THE PROBLEM

In Nakuru County, there has been a massive expansion of NGOs and a substantial infusion of money combined with the desire for change which has led to the financing of NGOs. Although donors are the major sources of funding of NGOs, the level of donor contributions has steadily declined. This has affected the operations of NGOs' in Nakuru County. As a result, the NGOs have been unable to achieve their objectives. Also complaints concerning sustainability of NGOs have been raised by the government, the community and the donors. Financial sustainability is critical to NGOs for stability and enhancement of growth. However, NGOs usually end their operations when funding stops. The emergence of new business risks has compelled many organizations to formulate strategies and to elevate the status of internal auditing (Szpirglas, 2006). This has been so through creation of independent internal auditing departments. Through this, the internal auditors add value to the organizations through greater accountability, independence and objectivity (Mutchler et al, 2001). The success of internal audit is pegged in a strong, active management support and improved governance structures. The management have to allocate sufficient resources to the internal audit department to enable them hire competent staff to do their job efficiently. Effectiveness and transparency in the auditing process in the organizations is a sure way of enhancing performance resulting to sustainability of the organization. The trend in the running of NGOs raises doubt on the extent of their adoption of Risk based internal audit and the influence on their financial sustainability. NGOs tend to be dissolved once the donor funding stops trickling in rising doubt unto the sustainability of NGO projects. The foregoing prompts the undertaking of this study to examine the influence of risk based internal auditing on financial sustainability of NGOs in Nakuru County Kenya.

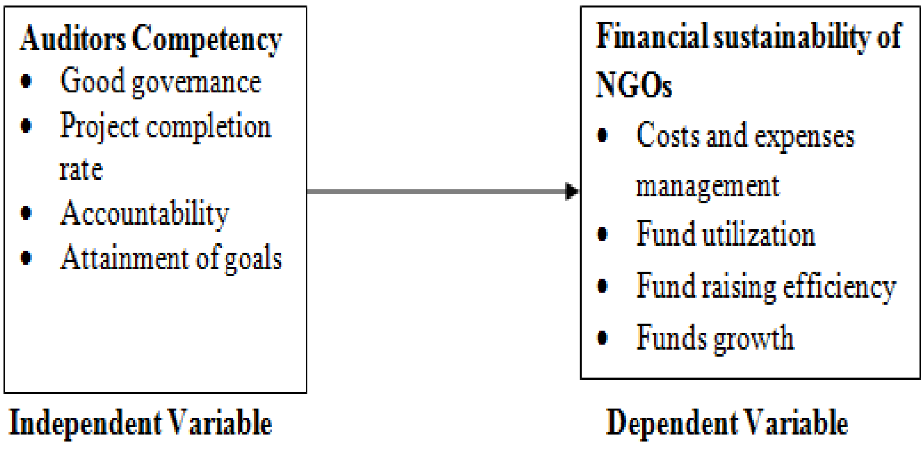
IV. OBJECTIVES OF THE STUDY

The study sought to establish the influence of risk based internal audit on financial sustainability of Non-governmental organizations in Nakuru County, Kenya. Specifically the study examined the influence internal auditors' competency on financial sustainability of Non-governmental Organizations in Nakuru County Kenya.

V. HYPOTHESIS OF THE STUDY

H_0: There is no statistically significant influence of internal auditors' competence on financial sustainability of Non-governmental organizations.

VI. CONCEPTUAL FRAMEWORK



VII. THEORETICAL REVIEW

7.1 Auditing Theory

Auditing theory helps to explain why auditing is needed in organizations. It also reveals certain laws that govern the audit process and its activities. Auditing theory enhances the understanding of the relationships and interrelationships between different parties of an organization. A sub-theory of auditing theory is the policeman theory. According to this theory, the auditor is responsible for searching, discovering and preventing fraud. Recently, the main focus of the auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, nevertheless, still a crucial topic in the debate on the auditor's responsibility, and typically after events where financial statement frauds have been revealed, the pressure increases the responsibilities of auditors in detecting fraud (Hayes et al., 2005).

The lending credibility theory is another sub-theory of auditing theory which postulates that the primary function of the audit is to add credibility to the financial statements. In light of the foregoing, the auditors are perceived to sell "credibility" to the clients. Audited financial statements are viewed as having elements that enhance the confidence of the financial users in the results presented by the management in the financial statements. On the other hand, the users are perceived to gain benefits from the increased credibility; these benefits are ideally considered to be that the quality of investment decisions improve when they are based on reliable information (Ittonen, 2010).

Also another part of the audit theory is the "theory of inspired confidence" which Hayes et al. (2005) also regard as the "theory of rational expectations". The theory addresses both the demand and the supply for audit services. It is argued that the demand for audit services is a direct consequence of the participation of third parties in the organization. These parties demand for accountability from the management in return for their investments in the firm. In this light, accountability is realized through the issuance of periodic financial reports. It is, however, argued that the information provided by the management is probably biased, and as such outside parties have no direct means of monitoring. Auditing according to this theory risk based auditing is required to validate this information. It is emphasized that the auditor should always strive to meet the public expectations.

VIII. INTERNAL AUDITORS' COMPETENCY ON FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS

The competency of internal auditors is important in promoting good governance and ensuring effective utilization of public resources. The internal audit function personnel both at the audit committee level and at actual internal auditors should be qualified, competent and knowledgeable to enable them perform their duties effectively. Morgan (2009) posited that internal auditors needed to be experienced and have the expertise. The uniqueness of internal auditor's competency is fostered by ensuring internal auditor's independence, expertise, integrity and diligence to perform their role effectively (DeZoort, Hermanson, Archambeault & Reed 2002). In organizations with internal auditors with high competency levels, there is a positive correlation with performance which results in overall more effective corporate governance.

Lack of experience, expertise, knowledge and qualification on auditing practices hinders performance of internal auditors. Kariuki, (2010) posited that internal auditors in a firm should be competent professionals. Lack of adequate understanding when coupled with low level of knowledge on auditing operations poses a major threat to the achievement of high performance. The audit function requires internal auditors to be competent with high professional qualification with required experience to effectively execute their mandate. To achieve good governance, internal auditors must have attained minimum education level and have good professional standing in auditing. The chief auditor is required to effectively select and recruit highly trained and skilled internal auditors (Kunkel, 2014). Knowledge, competency and qualification of the internal auditors role depends on the level of staff competency attained and this impacts on the audit quality (Mihret & Yismaw, 2013).

Detecting fraud is a challenging task. Perpetrators actively engage in deception in an attempt to conceal their behaviour, auditors may have limited experience in fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect (Nieschwietz et al., 2000). Hence, the organization would be optimally served by identifying and utilizing those individuals who, because they appear to share certain unique personality traits or characteristics, may be best suited to the fraud detection task. Uecker et al. (2011) used perceptions of relative aggressiveness between internal and external auditors to investigate the detection of corporate irregularities. Internal auditors play an important role in fraud detection with most frauds identified by the internal audit function (KPMG, 2013).

Due to the importance of effective fraud detection, any measures that can enhance the efficacy of auditors should be of value. While experience and ability are undeniably important in the detection process, certain individual characteristics may be predictive of the capacity to detect fraud (Ashton, 2013). Understanding how auditors are perceived, and how these perceptions lead to beliefs regarding their detection abilities, is an important first step in relating personality traits to the efficacy of auditors. Effective internal audit system helps in achieving performance, resource optimization and prevents loss of revenues. The public expenditure management systems of the government are greatly enhanced by effective internal systems in which the internal audit has an important role in raising the reliability of the internal control system, improving the process of risk management and above all, satisfying the needs of internal users.

Tan and Kao (2010) pointed out that it is important to focus on individual's competence in performing assigned responsibilities as people having relevant experience and knowledge normally demonstrate better performance as they tend to prove their competence. The internal audit support enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders

(Eighme & Cashell, 2010). Taken together, the internal audit department provides a reliable, objective, and neutral service to the management, board of directors, and audit committee, while stakeholders are interested in return on investments, sustainable growth, strong leadership, and reliable reporting on the financial performance and business practices of a company (Ljubisavljević & Jovanovi, 2011).

IX. FINANCIAL SUSTAINABILITY

Shiu (2008) aimed at investigating the current use of risk based audit approach (RBAA) by Taiwanese banks and to explore factors associated with the adoption of RBAA by Taiwanese banking industry. To understand banks‟ demand of RBAA, the study examined whether the use of RBAA varied with factors reflecting banks‟ risk management, internal control, corporate governance and internal auditors‟ technical competence. The models tested in the study found empirical support that banks that use a relatively high level of RBAA will disclose more information about financial risk management, compliance risk management, technology risk management and have a higher ratio of Non-Performing Loan. The results supported the null hypothesis that the level of RBAA employed is positively associated with the bank's risk management.

Kibara (2007) in his study on a survey of internal auditors risk management practices in the banking industry in Kenya found out that, most banks in Kenya were in process of drafting the Early Rate Mode process and strategies. Kibet (2008) concluded that internal audit function played a role in corporate governance. The limitations of the study were time constraints, restriction to the state owned corporations and having to make prior arrangement in order to meet the heads of IADS. Recommendations of further study were effective and contribution of internal audit in promoting corporate governance for companies listed in the Nairobi Stock Exchange (NSE). Additionally, a study on the influence of internal audit and audit committee on financial reporting quality was recommended.

Rasler (2007) argues that building a truly "sustainable" NGO is a multidimensional challenge entailing both internal factors of strengthening organizational capacity, as well as external factors of establishing a more supportive regulatory environment and secure resources for NGO initiative. Krishnan, (2005) carried out an empirical analysis on the role of risk based audit on internal corporate governance and found that the higher level of independent directors and supervisors employ higher percentage of RBIA for monitoring of risk management. Finally, the result indicated that financial institutions use a relatively high level of RBIA when there was a higher level of shareholdings held by institutional shareholders and internal auditors' technical competence are higher.

The Sarbanes-Oxley Act of 2002 has also contributed to the growth of internal auditing. "Internal auditors have enjoyed increased prominence, higher salaries, and a greater public appreciation for the role that internal auditing can play in a well-governed organization (Hermanson, 2006)." In particular, companies are using internal auditors to strengthen and evaluate their internal control systems to comply with the internal controls provisions of Sarbanes-Oxley. A 2003 survey by The Institute of Internal Auditors indicated that 20% of companies included in the Fortune 1,000 did not yet have internal audit departments but 50% of the Fortune 1,000 companies planned to increase their internal audit staffs to comply with Sarbanes-Oxley (Harrington, 2004). A later survey of 117 chief audit executives of public companies subject to the provisions of Sarbanes-Oxley indicated that 111 reported their companies increased internal audit budgets from 2002 to 2005 (Kaplan & Schultz, 2006). Of these 111, 32% increased internal audit budgets by more than 50%. Another survey of 402 companies reports that more than half of them increased internal audit resources as a result of Sarbanes-Oxley, with 15% indicating more than a 50% increase (Price water house Coopers, 2006).

X. RESEARCH METHODOLOGY

The study employed descriptive survey research design. The design enabled the researcher to describe the characteristics of the variables under study in relation to the practices in the NGOs in Nakuru County. The study was conducted in Nakuru County. The target population of this study included the management team of NGO's based in Nakuru County registered with the NGO council of Kenya. There are 79-registered NGO's in Nakuru County Kenya with 237, management staff. Nassiuma's (2000) formula for estimating a sample size **n** from a known population, N was used in selecting 115 respondents from the study population. To arrive at this sample the researcher employed stratified proportionate random sampling method. The researcher employed the use of a structured questionnaire to collect data from the respondents. The questionnaire consisted of statements constructed in form of a 5 point Likert scale (1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree). The questionnaires facilitated the collection of data within a short period of time. The primary data collected in this study was coded and tested for completeness and then analyzed using descriptive statistics and inferential statistics and presented using tables. Descriptive statistical techniques (frequencies, percentages, and chi-square) were employed to analyze field data from questionnaires to assist the interpretation and analysis of data using Statistical Package for Social Sciences (IBM SPSS Version 24). Inferential statistics, in form of Pearson correlation coefficient were used to check the relationship between the variables. Regression analysis was used to establish the influence of internal auditors' competence on financial sustainability of NGOs in Nakuru County at 95% level of significance.

XI. FINDINGS AND ANALYSIS

A total of 115 questionnaires were distributed for the staff in NGOs. 84 questionnaires were returned by the respondents. Six of the returned questionnaires were incompletely filled and were deemed inappropriate for data analysis thus were discarded. Thus 78 questionnaires were completely filled and returned indicating a response rate of 68% which was characterized as very good (Babbie, 1990).

XII. AUDITORS COMPETENCE

Respondents' views were sought in regard to auditors' competence in the NGOs in Nakuru. The findings from the analysis were as presented in table below

Table 4. 1: Descriptive Statistics on Auditors Competence

	SA (%)	A (%)	U (%)	D (%)	SD (%)	$\chi 2$	P-Value
The organization hires qualified auditors to perform its functions	44.2 (34)	37.7 (29)	9.1 (7)	2.6 (2)	6.5 (5)	57.740	.000
The hiring of competent auditors has enhanced good governance in the NGO	45.5 (35)	45.5 (35)	1.3 (1)	3.9 (3)	3.9 (3)	83.325	.000
Good management of financial resources enables the completion of NGO projects	51.9 (40)	37.7 (29)	3.9 (3)	2.6 (2)	3.9 (3)	82.935	.000
The audit department accounts for all the NGOs project expenditures	28.6 (22)	22.1 (17)	11.7 (9)	26.0 (20)	11.7 (9)	9.688	.047
The high understanding of audit operations by the auditors enables the achievement of high performance in the NGO	27.3 (21)	35.1 (27)	29.9 (23)	2.6 (2)	5.2 (4)	34.623	.000
The chief auditor in the NGO selects and recruits and recruits highly skilled auditors	24.7 (19)	23.4 (18)	13 (10)	10.4 (8)	28.6 (22)	9.558	.049
The internal control systems in the NGO is highly reliable in enhancing transparency	42.9 (33)	26.0 (20)	15.6 (12)	6.5 (5)	9.1 (7)	33.844	.000
Valid N (listwise)	77						

It was observed that 81.9% of the respondents strongly and/or agreed that the organization hires qualified auditors to perform its functions. 91% of them observed that the hiring of competent auditors enhances good governance in the NGOs. Further 89.6% of the respondents also strongly and/or agreed that good management of financial resources enables the completion of NGOs projects. 62.4% of the respondents strongly and/or agreed that the high understanding of audit operations by the auditors enabled the achievement of high performance in the NGOs. In addition 68.9% of the respondents noted that the internal control systems in the NGOs are highly reliable in enhancing transparency. Respondents were however undecided on whether the audit department accounts for all the NGOs project expenditures with their responses appearing to balance across all response categories. In addition they were undecided on whether the chief auditors in the NGOs select and recruits highly skilled auditors. The chi-square ($\chi 2$) statistic for the two aspects were found to be insignificant at $p<.05$ indicating that the responses did not indicate any significant differences. However all the other aspects had chi-square ($\chi 2$) statistics significant indicating that the respondents demonstrated significant differences in their responses.

XIII. Financial Sustainability Of Ngos

The study sought respondents' views on the financial sustainability of the NGOs. The findings were as presented in table 4.8

Table 4. 2: Descriptive Statistics on NGOs Financial Sustainability

	SA %	A %	U %	D %	SD %	$\chi 2$	P-Value
Auditors competence enhances timely completion of NGOs projects	28.6 (22)	31.2 (24)	32.5 (25)	1.3 (1)	6.5 (5)	34.104	.000
Audit transparency in the NGOs has resulted	33.8	49.4	6.5	7.8	2.6	64.883	.000

to increased donor funding	(26)	(38)	(5)	(6)	(2)		
Improved management support enables the NGO to operate efficiently and proactively to environmental threats	31.2 (24)	53.2 (41)	7.8 (6)	5.2 (4)	2.6 (2)	73.195	.000
There is accountability in financial management my NGO	32.5 (25)	44.2 (34)	18.2 (14)	2.6 (2)	2.6 (2)	51.896	.000
Auditors independence enhances the timely attainment of goals and objectives of the NGO	20.8 (16)	22.1 (17)	41.6 (32)	7.8 (6)	7.8 (6)	29.558	.000
Due to increased management support has led to increased capitalization of the NGO through good will donations and fundraising	28.6 (22)	32.5 (25)	31.2 (24)	2.6 (2)	5.2 (4)	33.714	.000
Increased management support has led to increased capitalization of the NGO through good will donations and fundraising	41.6 (32)	33.8 (26)	19.5 (15)	1.3 (1)	3.9 (3)	47.158	.000
Valid N (listwise)	76						

The findings indicated that 59.8% of the respondents strongly and/or agreed that the auditors competence enhances timely completion of NGO projects. Further 83.2% of them strongly and/or agreed that audit transparency in the NGOs has resulted to increased donor funding. They observed that improved management support enables the NGO to operate efficiently and proactively to environmental threats. On the other hand, 76.7% of the respondents strongly and/or agreed that there is accountability in financial management in their NGOs. Further, 61.1% of the respondents strongly and/or agreed that increased management support has led to increased capitalization of the NGO through good will donations and fundraising. They were however inconclusive on whether auditors independence enhances the timely attainment of goals and objectives of the NGO with a majority of the respondents choosing to be undecided on this aspects. The respondents' views were however very diverse with all the responses having chi-square ($\chi2$) statistic significant at $p<.05$.

XIV. RELATIONSHIP BETWEEN AUDITORS COMPETENCE AND FINANCIAL SUSTAINABILITY

The composite score for pay expectations were computed and correlated with employee organizational commitment. The findings from the analysis were as shown in Table 4.13

Table 4. 3: Correlation between Pay Expectations and Organizational commitment

		Auditors' competence	Organizational Commitment
Auditors' competency	Pearson Correlation	1	.419**
	Sig. (2-tailed)		.000
	N	77	77

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

An average positive significant ($r=.419$, $p=.001$) relationship was established between auditors competence and financial sustainability. The study therefore observed that auditors' competence was important in determining financial sustainability of NGOs. As such, auditors' competence plays a role in determining the financial sustainability of NGOs in Nakuru County.

XV. INFLUENCE OF EMPLOYEES PAY EXPECTATIONS ON ORGANIZATIONAL COMMITMENT

The hypothesis of the study sought to establish the influence of internal auditors' competence on financial sustainability of NGOs in Nakuru County Kenya. To accomplish this, the following hypothesis was formulated.

H_{01}: Internal auditors' competency has no significant influence on financial sustainability of Non-governmental organizations in Nakuru County.

The hypothesis indicated that internal auditor's competency does not significantly influence financial sustainability of NGOs the Nakuru County. ANOVA was done to establish whether the hypothesis was correct or not. The findings from the analysis were as shown hereafter.

Table 4. 4: Model Summary

Model	R	R Square	Adjusted R	Std. Error of the Estimate

			Square	
1	.419[a]	.175	.164	.65129
a. Predictors: (Constant), Auditors competence				

From the model summary table 4.12, an R-squared value of .175 was established. This meant that auditors' competence accounted for 17.5% of the total variance in financial sustainability of non-governmental organizations in Nakuru County. The remaining 82.5% of variation in financial sustainability was accounted for by factors not considered in this model. The analysis of variances yielded the following results in table 4.13

Table 4. 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.766	1	6.766	15.950	.000[b]
	Residual	31.813	75	.424		
	Total	38.579	76			
a. Dependent Variable: Financial Sustainability						
b. Predictors: (Constant), Auditors competence						

The F-statistics ($F_{(1,75)}$= 15.950, p=.000) was found to be significant at p<.05 level of significance. This implied that auditors' independence significantly explains the variation in financial sustainability in non governmental institutions in Nakuru County. Therefore, the null hypothesis H_{02}, that internal auditors' competency has no significant influence on financial sustainability of Non-governmental organizations in Nakuru County was consequently rejected.

XVI. CONCLUSION

Secondly the researcher concluded that the auditors' competence had a significant influence on financial sustainability of the NGOs in Nakuru County. Auditors' independence had the greatest impact in terms of explaining the variations in financial sustainability in the NGOs. As such it was concluded that auditors' competence was more important in determining the financial sustainability of the NGOs. The researcher recommended that the internal auditors department should ensure they recruit competent auditors in the organizations with sufficient knowledge and skills in auditing. This will ensure that the audit process is accurate giving an accurate position of the financial standing of the organization.

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