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Assessment of the relationship between corporate governance practices and employee fraud frequency in Non-Governmental Organizations in Kenya

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**ASSESSMENT OF THE RELATIONSHIP BETWEEN
CORPORATE GOVERNANCE PRACTICES AND
EMPLOYEE FRAUD FREQUENCY IN NON
GOVERNMENTAL ORGANISATIONS IN KENYA**

JUDITH AWUOR OTIENO

JUNE, 2018

**ASSESSMENT OF THE RELATIONSHIP BETWEEN
CORPORATE GOVERNANCE PRACTICES AND
EMPLOYEE FRAUD FREQUENCY IN NON
GOVERNMENTAL ORGANISATIONS IN KENYA**

BY

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ADMISSION NO: 030856

**A RESEARCH THESIS PRESENTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF THE DEGREE OF MASTER OF COMMERCE,
STRATHMORE UNIVERSITY.**

JUNE, 2018

DECLARATION

I declare that this work has not been previously submitted and approved for the award of degree by this University or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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ABSTRACT

The purpose of this study was to determine the relationship between corporate governance practices and employee fraud frequency in NGOs in Kenya. To achieve this objective the study used a causal explanatory design. The population was 1,700 active NGOs from which a sample of 234 was selected using simple random sampling. Primary data was collected through a structured questionnaire. The data collected was analyzed using ordinal regression model to test five hypothesis from the study. The study established that board size was significant in explaining employee fraud frequency in NGOs. The study concluded that most of the governance practices proposed in literature are insignificant in explaining employee fraud frequency. It is recommended that policy makers and the NGO coordination bureau stipulate the maximum board size of 10 members for NGOs. It is further recommended that NGOs use other practices besides governance practices to deter employee fraud such as tone at the top, whistle blower policies, strong compliance programs and conducting fraud risk assessments. The study has contributed to current literature on governance and fraud in NGOs by demonstrating that governance practices alone are not enough in deterring employee fraud in NGOs.

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LIST OF ABBREVIATIONS

ACFE	Association of Certified Fraud Examiners
BDO	Binder Dijker Otte & Co.
CEO	Chief Executive Officer
IMF	International Monetary Fund
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation & Development
PWC	Price Waterhouse Coopers
SEC	Securities and Exchange Commission
UK	United Kingdom
USAID	United States Agency for International Development

CHAPTER 1: INTRODUCTION

1.1 Background

The Nongovernmental sector in Kenya, and worldwide has been growing at an unprecedented rate (Kimemia, 2013). The reasons for this rapid growth include government and market failure in service delivery to needy areas, efficiency of NGOs in service delivery and preference of NGOs over government by large donor agencies like OECD, USAID and IMF (Kimemia, 2013). The NGO sector has played a big role in supplementing government revenue both directly through taxes and indirectly from the revenues received, employment creation and service delivery to beneficiary communities.

Despite making these contributions, there have been reports of increasing cases of fraud and corruption in the sector. In Kenya accounts of corruption by NGOs have been highlighted and reported by the media, Transparency International and government auditors (Kimemia, 2013). The NGO co-ordination Bureau accused NGOs in the sector report for 2015, of non-compliance in annual reporting and fraud through maintenance of two separate books of accounts and unaccounted funds to the tune of 23.6 billion Kenya shilling. Incidences of fraud in NGOs have been blamed on poor governance and poor implementation of internal controls (Gibelman & Dean, 2000; Greenlee, Fischer, Gordon, & Keating, 2007). NGOs with poor governance risk losing donor funding as evidenced by research in other countries where the findings indicated a relationship between good governance and increased donations (Harris, Petrovits, & Yetman, 2015). This can lead to loss of faith and public trust by the relevant stakeholders, ultimately resulting in the erosion of moral authority and legitimacy (Kimemia, 2013). Corruption can lead to a loss of funding for the sector, ultimately resulting in the weakening of the NGO sector and erosion of credibility (Gibelman & Gelman, 2004).

Corporate governance has attracted increasing attention over the past years, due to financial scandals from accounting irregularities (Brennan, 2008). This has increased the number of studies on governance, most of which have focused on companies in countries such as USA (Beasley, 1996; Beasley, Carcello, Hermanson, & Lapedes, 2000), UK, Australia, China and Malaysia (Chen, Firth, Gao, & Rui, 2006; Farber, 2005; Shan, Graves, & Ali, 2013). These studies have yielded mixed results making it difficult to generalize the relationship between corporate governance and fraud. A study by Beasley (1996) in USA, found that firms with no-fraud had a more independent directors on their boards. Similar findings were obtained by other scholars such as Chen et al. (2006), (Farber, 2005), (Uzun, Szewczyk, & Varma, 2004). On the

contrary, some researchers have found no relationship between some governance variables such as board independence, audit committee and internal audit and fraud (Agrawal & Chadha, 2005; Shan et al., 2013). Farber (2005) found that firms which were victims of fraud later amended their governance system by appointing independent board members. A study in Asia by Chen et al., (2006), found a relationship between the incidence of fraud and some board features namely proportion of outside directors, number of board meetings and the tenure of the chairman. In contrast, a similar study by Rahmayanti & Irianto (2010) on Malaysian firms found no relationship between fraud and corporate governance and board characteristics except audit quality. The study also found that firms audited by the big four accounting firms experienced less fraud than their counterparts audited by other audit firms.

The literature on nonprofits provides little guidance on the relationship between governance and employee fraud. This could be due to the fact that most of the researchers have studied governance aspects independently without linking them to fraud, but to other aspects such as accuracy of expenses, donations, performance and organizational efficiency (Callen, Klein, & Tinkelman, 2003; Harris et al., 2015; Kawira, 2012; Kimunguyi, Memba, & Njeru, 2015; Yetman & Yetman, 2012). Other researchers on nonprofit fraud have considered other aspects such as nonprofit corruption and organizational culture (Kimemia, 2013), while others have studied nonprofit fraud alone without linking it to governance (Archambeault, Webber, & Greenlee, 2014; Greenlee et al., 2007; Okaro, Okafor, & Ofoegbu, 2013). A fraud survey by BDO found employee fraud to be on the rise, while other surveys over the years by Association of Certified fraud Examiners (ACFE) indicate that occupational fraud or employee fraud is the most common or frequent fraud in organizations.

Moreover, some research on governance in profit making organizations have only considered governance aspects narrowly by focusing on individual governance aspects such as board characteristics, audit committees and CEO duality (Fich & Shivdasani, 2007; Uzun et al., 2004). A similar approach has been used by some researchers in nonprofit governance studying board composition, audit committees (Hyndman & McDonnell, 2009; Kitching, 2009; Puyvelde, Caers, Bois, & Jegers, 2012). Some researchers such as Cornforth (2012) and Renz (2010) have raised concern on the narrow conceptualization of governance limited to board characteristics and proposed broadening governance to include audit and regulatory bodies.

1.1.1 Governance in NGOs

Varied definitions of corporate governance have been made by different bodies and researchers. OECD, (2004), views corporate governance in light of relationships between a company's board, stakeholders, management and shareholders. Cadbury, (2002), view corporate governance as the method by which companies are controlled and directed. Brigham and Daves (2004) view corporate governance as the rules, laws, and procedures that influence the operations of a company and the decisions made by its managers. The purpose of corporate governance in for-profit organizations is, to define the roles, responsibilities, and balance of power, among executives, directors, and shareholders (Ryan et al., 2010). Some researchers in nonprofit view governance as a set of internal and external mechanisms aimed at ensuring that management minimize the misuse of charitable assets, while working towards fulfilling their mission and fiduciary responsibilities (Harris, Petrovits, & Yetman, 2017).

Some researchers in nonprofit governance argue that governance has over emphasized on board characteristics, thereby making the conceptualization of nonprofit governance narrow. (Cornforth, 2012; Stone & Ostrower, 2007). Others have dwelt on the boards role and its composition and how it relates with management (Cornforth, 2001; Miller-millesen, 2003). This they argue, has largely left out the interactions with other players such as regulatory and inspection groups, audit and the contribution of internal groups like members, management and advisory bodies towards governance functions (Cornforth, 2012). The researcher's stress that nonprofit research should go beyond focus on boards.

1.1.2 Employee Fraud Frequency

More research has been conducted on fraud in companies as compared to that in NGOs. Empirical studies on fraud in companies have focused on financial statement fraud (Beasley et al., 2000; Bourke, 2006; Shan et al., 2013; Uzun et al., 2004), while limited studies are available on asset misappropriation frauds perpetrated by employees (Harris et al., 2017; Otieno, Chelule, & Bor, 2014). One of the justifications for this focus on financial statement fraud is difficulty in measurement and identification of asset misappropriation type frauds (Tan, Chapple, & Walsh, 2015). A study by PriceWaterHouse in 2009 indicated that asset misappropriation constituted 95% of the frauds committed. A similar study in 2016 indicated that asset misappropriation still leads among committed frauds at 64%. Further, a fraud survey by Association of Certified Fraud Examiners, (2014), indicated that asset misappropriation occurs in more than 83% of cases and is the most common form of occupational fraud. In this

case the median loss is \$125,000 which is the lowest of the frauds. Other fraud surveys by firms such as BDO (2014) have indicated that NGOs reported more incidents of frauds involving employees. Even though the median loss on occupational fraud or employee fraud is low in comparison with financial statement fraud and corruption, this type of fraud may lead to cumulative high losses for an organization considering that it is the most common.

Empirical studies on fraud in Kenya have been few, and those available have focused on the banking industry and county governments (Otieno et al., 2014). Fraud studies in NGOs have looked at corruption (Kimemia, 2013). Other accounts on fraud in NGOs have been reported in newspaper articles. Furthermore, the available studies have mainly focused on describing fraud perpetrated and characteristics of fraud commonly perpetrated in nonprofits (Harris et al., 2017).

The Association of Certified Fraud Examiners (BDO Newzealand, 2016) classify fraud into three categories namely Asset misappropriation, financial statement fraud and corruption. Asset misappropriations are frauds perpetrated by employees by stealing or misuse of organization resources. They include skimming and cash larceny, frauds involving fraudulent disbursement of cash like billing, cheque tampering, expenses reimbursement, payroll inflation, tempering with cash register and assets misappropriation, like cash on hand misappropriation and non-cash appropriation (Otieno et al., 2014). Financial statement fraud involves the misstatement or omission of material information from the organizations' financial reports. Corruption is defined as the misuse of public power, office or authority for private benefit.

Despite the fact that frauds by employees seem to be on the rise, and that employee fraud or occupational fraud is the most common or frequent fraud encountered, empirical research is limited. The available empirical studies have not researched on employee fraud frequency and the fraud surveys undertaken by firms such as ACFE and BDO have been descriptive of occupational fraud. This leaves a knowledge gap which this study will attempt to fill. This study will focus on asset misappropriation fraud or employee fraud by looking at how frequently 13 types of occupational fraud proposed by ACFE occur.

1.1.3 NGOs in Kenya

The NGO sector is large and has been growing at an average rate of 400 organizations per year (NGO coordination Board, 2010). There are currently approximately 8,569 NGO's registered in Kenya. It is estimated that the NGO sector contributes about 130 billion Kenyan Shillings annually to the Kenyan economy, not to mention the other contributions in the form of employment creation, service delivery to beneficiary communities and tax contribution to the revenue authority. A report published by the NGO coordination Bureau on the state of the sector in 2015, claimed that 23.5 Million Kenya Shillings was unaccounted. This implied that NGOs in Kenya could be fraudulent. Fraud perpetrated by staff against NGOs have been highlighted in the local dailies. NGOs face the challenge of whether or not to disclose the frauds due to fear of denting the organization image to donors and other stakeholders.

1.2 Problem Statement

The NGO sector has grown rapidly and many large donors have been channeling funding intended for various beneficiaries through them (Harris et al., 2017; Kimemia, 2013). There have been claims that fraud in the NGO sector prevents funding from reaching the intended beneficiaries, yet empirical studies on NGO fraud are few. Fraud surveys indicate that occupational fraud by employees occurs frequently as compared to corruption and fraud involving financial statements, yet studies in this area are few. Some researchers have linked incidences of fraud in NGOs to poor governance and poor implementation of internal controls (Gibelman & Dean, 2000; Greenlee et al., 2007). While a lot of research has been conducted on nonprofit governance, most of the research has focused on the board characteristics. Calls have been made to broaden nonprofit research to include other governance aspects such as audit and regulators. Studies in United States and UK on NGO governance have related governance with performance, donations, asset diversions and accuracy of charitable expenses (Harris et al., 2015; Yetman & Yetman, 2012).

Studies on fraud in Kenya are limited and those available have focused on linking governance in NGOs with other aspects other than fraud, such as performance, organizational efficiency and financial performance (Kimunguyi, Memba & Njeru, 2015; Meme, 2012; Ouna, 2014). Other studies have focused on corporate governance and performance in other sectors such as in Kenyan banks (Matengo, 2008) and Kenya cooperative creameries (Mureithi, 2008). Current research on nonprofit fraud has not linked governance and employee fraud frequency and it is

not clear if there is a relationship between nonprofit governance and frequency of employee fraud.

The available studies on governance and fraud in Non-governmental organizations make it difficult to generalize the relationship between NGO governance and employee fraud frequency. Furthermore, the narrow conceptualization of governance to board characteristics without broadening it to other governance aspects such as audit committees, external audit leaves a gap which this study aims at filling.

1.3 General Objective

The general objective of this study was to assess the relationship between governance practices and employee fraud frequency in NGOs in Kenya.

1.4 Specific Objectives

The Specific research objectives were;

1. To determine employee fraud frequency in NGOs in Kenya.
2. To determine the governance practices in NGOs in Kenya.
3. To establish the relationship between governance practices and employee fraud frequency in Kenyan NGOs.

1.5 Research Questions

This study will provide answers to the following research questions:

1. How frequently does employee fraud occur in NGOs in Kenya?
2. What are the governance practices among NGOs in Kenya?
3. What is the relationship between governance practices and employee fraud frequency Kenyan NGOs?

1.6 Scope of the Study

The study focused on employee fraud or asset misappropriation as proposed by Association of Certified Fraud Examiners, (2014) and Seven corporate governance practices as proposed by (Cornforth, 2012; Harris et al., 2015). The population under study was 1,700 NGOs in Kenya which submitted annual returns to the NGO Bureau in 2016. A sample of 234 NGOs was selected using simple random sampling.

1.7 Significance of the Study

The findings from this study will be a step towards understanding corporate governance practices among Kenyan NGOs and how these relate to employee fraud frequency. It will support the government's efforts towards strengthening the NGO sector through the NGO Bureau. Kenyan NGOs have become an important development partner of the donors and the Kenyan government, and other stakeholders. Proper governance practices will help ensure that funding reaches the intended beneficiaries, thereby ensuring that the donor objectives are met. Failure to use good governance practices leads to misuse of funding due to fraud thereby negatively impacting on the NGO sector and robbing the beneficiaries and society as a whole of the benefits of the projects.

This study will be useful to policy makers such as the NGO coordination bureau in terms of policy formulation on existing governance practices especially minimum board size for Kenyan NGOs and audit committees. The NGO Bureau being a body responsible for NGOs sets the Policy framework to improve accountability in the sector. Policy makers require information to enable them formulate sound policies that would enhance discipline in the sector as far as governance is concerned. This study will provide relevant information for policy formulation in the NGO sector regarding governance practices which can help deter fraud in the NGO sector.

The study results will be beneficial to NGOs keen on understanding the governance practices that can help in curbing employee fraud. Research has shown that improving the governance practices in NGOs is key and is a proactive approach in dealing with employee fraud.

The results of this study will add on the available literature on fraud and governance in NGOs using, as informed by agency theory and institutional theory. Students and academicians will find this beneficial, since the study will highlight possible research areas that can form basis for further studies for academicians and reference points for students.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The literature review section identified and examined what has been done by other scholars and researchers in relation to governance and fraud. The chapter looked at the theories relating to governance and prior research on governance and fraud. It is organized as follows: Section 2.2 deals with theoretical framework of governance in nonprofits, 2.3 employee fraud frequency and asset misappropriation in NGOs, while section 2.4 tackles governance practices in NGOS. Section 2.5 highlights studies on governance and fraud, Section 2.6 outlines the conceptual framework while Section 2.7 highlights the chapter summary and knowledge gap of the study.

2.2 Theoretical Framework of Governance in Nonprofits

Research on governance in nonprofit organizations is fairly under developed in comparison to research in for profit organizations (Cornforth, 2012; Harris et al., 2015; Miller-millesen, 2003). Some researchers in nonprofit governance have used agency theory to explain board behavior (Callen et al., 2003; Miller-millesen, 2003), while others have used resource dependence theory to link and explain the dependence of nonprofit organizations on external resources (Heimovics, Herman, & Jurkiewicz, 1993). Others have used resource dependence theory on studies on executive leadership, while Stone, Hager, and Griffin, (2001), used it on market orientation and board structure. Trussel, Greenlee, and Brady, (2002) used resource dependence theory to explain financial vulnerability in nonprofits. Institutional theory has also been used in studies on board strategy (Parker, 2007), while Currie and Suhomlinova, (2006) used it on knowledge management. Some researchers have used coercive isomorphism derived from institutional theory to explain the pressure faced by nonprofits in conforming with legal requirements such as external audits (Verbruggen & Christiaens, 2011). These studies have yielded mixed results due to the differences in theories applied as well as different variables studied.

Most of the available research has conceptualized governance as fiduciary duties and responsibilities of the directors, following legal and corporate guidelines from agency theory (Carver, 1997; Fama & Jensen, 1983; Oster, 1995). Some researchers argue that these functions construe a narrow definition of nonprofit governance, thereby promoting the institutional interests of the organization over the best interests of the community. There is therefore a call by some researchers to broaden governance in order to include more leadership work outside

the boundaries of nonprofits (Chait, Ryan, & Taylor, 2005; McCambridge, 2004). Other researchers have emphasized that nonprofit governance should be multi theoretical in order to capture the key aspects of nonprofit governance (Cornforth, 2012; Stone & Ostrower, 2007; Tan et al., 2015). Empirical studies using multiple theories in studies on governance and employee fraud are limited as some of those available have used agency theory alone (Harris et al., 2015). The researcher used agency and institutional theory for purposes of this study, as these two theories both capture the monitoring and control functions of governance both within the organization and from external parties.

2.2.1 Agency Theory

Many corporate governance researchers have used agency theory to explain and to provide solutions to the agency conflict (Beasley, 1996; Jensen & Meckling, 1976; Shan et al., 2013). Jensen and Meckling (1976) view an agency relationship as a contract where the principal delegates authority to make decisions to the agent. By delegating control to an agent, the principal expects the agent to act in a manner consistent with his or her interests (Jensen & Meckling, 1976; Miller, 2002). Nonprofit establishments unlike profit making firms, have no residual owners of the assets of the entity (Callen & Tinkelman, 2014). According to Fama and Jensen (1983), a nonprofit entity can only survive and be successful if there is assurance that donations from different sources will not be expropriated but will be used effectively. The agency relationship typically involves some costs which Jensen and Meckling (1976) term as the total costs of monitoring, bonding, and residual loss. Monitoring costs are those incurred by the principal to limit the activities of the agent, and can be carried out by the full board, committees of the board and external auditors (Harris et al., 2017), or by inclusion of major donors on the nonprofit board (Callen et al., 2014). Agency theory propositions for nonprofit boards also include boards composed of non-executive or independent directors. This can provide assurance to donors that collusion and funding expropriation will not occur (Hough Professor Myles McGregor-Lowndes Professor Christine Ryan, 2005). Some researchers also use agency theory to justify board size, arguing that larger boards are expected to be less effective in fulfilling the monitoring role, due to communication problems resulting from the unwieldy size (Hyndman & McDonnell, 2009).

2.2.2 Institutional Theory

Institutional theory is founded on the basis that behavior in organizations is modeled by the institutional environment, and that organizations seek legitimacy relative to external constituencies. Organizations focus on improving their chance of success and survival in

comparison to their environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Zucker, 1987). In order to be viewed as legitimate, organizations adopt and include the values, norms, beliefs, and expectations of their operating environments (Andersson, 2012). Organizations may adopt certain actions and behaviors because they perceive them as the most common or accepted way of behaving (Zucker, 1987). In this light therefore, governance practices and structures may be adopted because they may be deemed as the correct or appropriate way of conducting governance. This is referred to as institutional isomorphism, which occurs through three different processes; coercive, mimetic and normative isomorphism (DiMaggio and Powell, 1983).

Coercive isomorphism results from pressures on the organization by other actors and organizations. These pressures make nonprofits responsive to the mandates and requirements of their legal environments. Law makers and government agencies not only set rules and monitor nonprofit behavior, but also have the capability of punishing or sanctioning organizations that do not comply or violate these rules. This fear of sanctions influences the way nonprofits act and should be considered when examining nonprofit governance (Andersson, 2012). In this case, nonprofit boards play a key role because they ensure that nonprofits fulfill their legal and ethical duties and responsibilities (Ingram, 2003). Different donors can be a source of coercive pressure on nonprofits (Miller-Millesen, 2003), where project funding is pegged on establishing specific governance practices stipulated by donors. The pressure to be more effective and ensure accountability has resulted in outside organizations trying to assess just how effective nonprofits really are. In Kenya the NGO coordination bureau exerts pressure on NGOs receiving more than KES 1 million from donors to conduct annual external audits. Audited accounts are usually submitted together with the annual NGO returns.

Mimetic isomorphism occurs when an organization copies the actions, behaviors or practices of others they view as more legitimate or successful. Thus, NGOs may include audit committees in their governance practices, even though it is not a legal requirement. According to Miller-Millesen (2003), mimetic isomorphism offers one way to explain the growing trend among nonprofits to mimicking Sarbenes Oxley type governance propositions. This they perceive will make them more business-like and market-oriented (Andersson, 2012).

Normative isomorphism comes from the pressure for professionalism (DiMaggio & Powell, 1983). Nonprofits can gain legitimacy by adhering to and perpetuating norms, values and

characteristics of good governance outlined in the normative literature or proposed by governance experts or consultants (Andersson, 2012). Ultimately, institutional theory suggests that legitimacy is the main reason for nonprofits adoption of prescriptive best practices (Miller-millesen, 2003). Some of the best practices include establishing functional boards, internal audit functions and audit committees.

This study used five governance variables as informed by agency theory; board size, board meeting frequency, donor presence, board independence and internal audit presence. From institutional theory, the study used two variables; audit quality stemming from coercive pressures by NGO bureau and audit committees from mimetic and normative isomorphism.

2.3 Employee Fraud Frequency

Fraud survey conducted by ACFE, 2016 indicates that asset misappropriation is the most frequent fraud perpetrated by employees, occurring in over 91% of fraud schemes. This makes it the most common fraud. Even though this category of fraud costs the victim organizations much less than other types of fraud such as bribery and corruption and financial statement fraud, it could lead to higher cumulative losses for victim organizations when the fraud frequency is high. Empirical studies on employee fraud frequency are rare.

Fraud studies in the USA have found asset misappropriation to be the most common fraud in charitable organizations, represented by 95% of the total frauds (Holtfreter, 2008; Greenlee et al., 2007). A study on fraud by PriceWaterhouseCoopers in 2009 indicated that Asset misappropriation represents 95% of the frauds committed in organizations. Similar findings have been found by recent fraud surveys by ACFE (2016); PWC (2016) indicating that asset misappropriation still represents the highest fraud experienced. Despite this fact, empirical studies on asset misappropriation and employee fraud frequency are fewer in comparison with other frauds such as financial statement fraud (Harris et al., 2017). Most of the available research on fraud in nonprofits is descriptive, focusing on characteristics of fraud and fraud perpetrators (Archambeault et al., 2014; Greenlee et al., 2007; Otieno et al., 2014). The available studies on asset misappropriation in for profit organizations have examined asset misappropriation in addition to financial statement fraud (Beasley, 1996; Sharma, 2004) while others focused on financial statement fraud (Dechow, Sloan & Sweeney, 1996; Farber, 2005). In the Kenyan context, studies on fraud have been conducted in relation to banks and the county government (Ogola, K'Aol, & Linge, 2016; Otieno et al., 2014). These studies have yielded

mixed results that cannot be used to generalize how governance practices relate to employee fraud frequency.

Fraud against an organization can be perpetrated by individuals within or outside the organization. The Association of Certified Fraud Examiners (ACFE) define occupational fraud as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets (Association of Certified Fraud Examiners, 2014). The ACFE classify frauds into three main components, namely asset misappropriation (e.g., theft of cash, fraudulent disbursements, misuse of assets), corruption (e.g., bribery, conflicts of interest), and Financial Statement fraud (e.g., misstatement of assets, misstatement of revenues, improper valuations, improper disclosures).

2.3.1 Asset Misappropriation in NGOs

ACFE (2014) define asset misappropriation as a fraud scheme in which an employee steals or misuses the employing organization's resources (e.g., theft of company cash, false billing schemes or inflated expense reports). Prior studies on occupational fraud indicate that the most commonly misappropriated asset is cash (Greenlee et al, 2007; ACFE, 2014). A study by Greenlee et al., (2007) on NGOs in the United States found that almost 95% of the misappropriated assets reported related to cash. The median loss in this case was \$100,000, similar to noncash misappropriations. Wells (2005), identifies three main types of cash frauds. Skimming involves stealing cash before a record of it is made, while larceny occurs where cash is appropriated after recording in the books. Fraudulent disbursements involve payment of expenses not owed by an organization (Greenlee et al., 2007). The same study further found that over 75% of cash misappropriations related to fraudulent disbursements, followed by skimming.

Researchers identify five major types of fraudulent transactions relating to disbursements: Fraudulent billing involves payment of false or overstated invoices. Payroll fraud takes place where a payroll check is issued based on inflated hours worked or the check is paid to fictitious, nonexistent employees. Expense repayment fraud involves payment of fictitious expense claims raised by employees for travel reimbursement. Check tampering fraud involves theft or alteration of an organization's check; and fraudulent register disbursements involve making false entries in a cash register or making cash refunds from the register without documentation. Greenlee et al (2007) found fraudulent billing to be the most common type of fraudulent

disbursement. In terms of cost of fraud, register disbursements topped the list while the least fraudulent disbursement was expense reimbursement fraud.

A similar study by Holtfreter (2008) found that most NGO frauds, at 97.7% were committed solely by employees or offenders within the organization. These internal frauds included 96.1% of cases classified as asset misappropriation and 1.6% of fraudulent statements. Only 2.3% of the cases were classified as corruption, indicating that in this sample, detected frauds involving collusion between employees and those outside the organization (for example, vendors) were rare. A similar study on fraud in Nairobi County council revealed that 65.3% of committed fraud was internal while the remaining 34.7% was external fraud (Otieno et al., 2014). The study further revealed that Bribery at 41.8% was the most committed fraud followed by asset misappropriation at 34.4%, financial statement fraud at 10.2%, liability and revenue fraud at 8.3% and disclosure fraud at 5.1%.

The above studies are descriptive and focus on describing the types of fraud perpetrated against organizations by their employees as well as describing the characteristics of the fraud perpetrators. Some researchers have argued that nonprofits are particularly susceptible to asset misappropriation, as these organizations often lack basic controls that would help to prevent or detect this type of activity (Archambeault et al., 2014). These studies have not touched on employee fraud frequency and have resulted in mixed results. This study will focus on 13 types of employee or asset misappropriation frauds proposed by ACFE, 2016. These are: theft of cash on hand, theft of cash deposits, unrecorded sales, understated sales, forged cheques, payment to ghost workers, theft of inventory, theft of fixed assets, overpayment of employees, overstated expense reports, altered cheque payee, falsified wages, multiple expense report reimbursements, fraudulent invoices and personal use of organization assets e.g. vehicles.

2.4 Governance Practices in NGOs

Various definitions of corporate governance have been provided by different researchers. OECD (2004), states that corporate governance involves a set of relationships between a company's management, its board, shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of a company are set and the means of attaining those objectives and monitoring performance. Sir Adrian Cadbury describes corporate governance as the manner in which companies are directed and controlled (Cadbury, 2002). Brigham and Daves (2004) views governance as the set of laws, procedures and rules

that influence a company's operations and the decisions made by its managers. Corporate governance thus relies heavily on the agency relationship in companies, with the aim of protecting shareholder interests and restraining opportunistic behavior by management (Andersson, 2012).

According to Daily, Dalton & Cannella, (2003), corporate governance literature predominantly emphasizes how to protect shareholder value and restrain opportunistic behaviors where control and ownership of a firm are separated. Consequently, this builds on a narrow application. Corporate governance is also defined in terms of the economic interests of the participants. Shleifer and Vishny (1997) refer to corporate governance as dealing with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. This focus on an economic angle has prompted researchers to concentrate on agency issues and on various ways available to guard shareholders from the selfish interests of an organizations' executives (Daily et al., 2003).

Some researchers in nonprofit agencies started viewing governance as a general term for describing the collective and governing actions of boards of directors (Ott & Shafritz, 1986). Therefore from a legal standpoint, nonprofit governance focuses on how boards fulfill their legal and fiduciary duties (Chisolm, 1995). The agency theory perspective which is widely applied in the corporate governance literature concentrates on the separation between ownership and control (Fama & Jensen, 1983). Other scholars have conceptualized nonprofit governance by describing and focusing on the core roles and responsibilities of the nonprofit board (Caers, DuBois, Jegers, Gieter, & Schepers, 2006; Miller-millesen, 2003). This over emphasis on nonprofit characteristics has been criticized by some researchers as overly narrow and consequently calls have been made to broaden nonprofit governance to include audit and regulatory authorities (Cornforth, 2012; Stone & Ostrower, 2007).

Some researchers on nonprofits define governance as a set of internal and external mechanisms aimed at ensuring that managers work towards fulfilling their organization's charitable mission and fiduciary responsibilities. This in turn minimizes the misuse of charitable assets (Harris et al., 2017). Cornforth (2003) views governance as the systems by which organizations are directed, controlled and accountable. A similar definition has been given by Hyndman (2009), where governance in charities is related to the way that charities are directed or controlled. Hyndman (2009) adds that a broader understanding of 'governance' includes how different stakeholders interact in an organization.

Most of the available research on nonprofit governance has focused on description of nonprofit board characteristics (Aggarwal, Evans, & Nanda, 2014; Andrés-Alonso & Romero-merino, 2006, 2009; Callen et al., 2003; Steane & Christie, 2002; Stone & Ostrower, 2007). Miller-millesen, (2003), focused on behavior, while Caers et al., 2006 studied the, relationship with staff and effectiveness in relation to organizational effectiveness. Many scholars have conceptualized nonprofit governance by describing and focusing on the core roles and responsibilities of the nonprofit board (Miller-millesen, 2003; Puyvelde et al., 2012).

For purposes of this research, the definition advanced by (Harris et al., 2015) has been adopted. The researchers define governance as a set of internal and external mechanisms designed to ensure that managers are working to fulfill their organization's charitable mission and fiduciary responsibilities and, in turn, to minimize the misuse of charitable assets (Harris et al., 2015). Therefore, for purposes of this research, the internal governance variables to be considered will be board composition, independence, meeting frequency, audit committees and internal audit. The external audit variables will be audit quality.

2.4.1 Board Composition

Numerous studies on corporate governance in both for profit and nonprofit organizations have focused on the composition of the board (Beasley, 1996; Cornforth, 2012; Farber, 2005; Law, 2011; Stone & Ostrower, 2007). This focus on boards has been overemphasized to the point of treating corporate governance as synonymous to the board (Stone & Ostrower, 2007). The interests of some important stakeholders such as donors should be represented on the nonprofit boards as well as other groups served by the charity (Cornforth, 2003). Donors are one important stakeholder group that may be involved in governing a charity. This may be justified from an agency theory perspective, whereby donors can help monitor management to ensure that donations are disbursed to the correct recipients (Andrés-alonso & Romero-merino, 2009; Hyndman & McDonnell, 2009).

Another important aspect of board composition commonly considered in literature is board size. Some studies in profit making organizations argue that board size should not exceed ten members, in order to prevent the chief executive from dominating the board (Lipton and Lorsch, 1992; and Jensen, 1993). In the nonprofit sector, some scholars argue that if the board is large, there is the risk of domination of trustees by a powerful inner core (Hyndman & McDonnell, 2009). The researcher perceives a powerful chief executive to be more dangerous

than a domination by an inner core of trustees, as chief executives are able to direct funds than trustees (Hyndman & McDonnell, 2009).

A key nonprofit board function is mobilizing the required resources to enable it survive. A larger board may be useful where all the board members can provide contacts and networks that can aid in raising funds for the charity. The Charity Commission considers a board size of between three to nine trustees adequate, because where the board size exceeds nine members decision making may be difficult due to problems in communication. On the other hand, smaller boards have the potential of being overworked. Some charities insist on including various stakeholders on their boards thereby making them larger (Hyndman & McDonnell, 2009).

Board independence is another important aspect of corporate governance mentioned widely. The presence of some inside directors may be necessary for optimal strategic decision making if these have specific knowledge about the functioning of the organization (Baysinger & Hoskisson, 1990; Bhagat & Black, 1998). Outsiders on the other hand provide a level of independence necessary for monitoring management in both for-profits, and also in nonprofits (O'Regan & Oster, 2005). The presence of independent board members has therefore been used a proxy for board independence (Shan et al., 2013).

2.4.2 Auditor Type

Internal and external audit functions are key in helping boards fulfill their monitoring duties thereby by ensuring appropriate use of resources (Morgan, 2010). As opposed to research on corporate governance in the private sector, fewer studies have been carried out on nonprofit organizations on audit influence and reporting requirements. Some researchers view external audits as a form of external control and coercive isomorphism (Verbruggen & Christiaens, 2011), as is the case in Kenya where NGOs are expected to conduct annual external audits and to submit audit reports with annual returns. Some researchers argue that audit quality is related to auditor reputation which in turn is related to audit firm size (De Angelo 1981; Dye 1993). Nonprofit studies have documented the association between audit firm size and audit quality (Deis and Giroux 1992, Krishnan and Schauer, 2000, and Keating et al., 2003). Other researchers have found a relationship between audit quality as measured by the engagement of big audit firms and increased donations from donors (Kitching, 2009).

2.4.3 Audit Committees

The emphasis on the existence of audit committees came as a consequence of the Sarbanes Oxley Act of 2002 in response to accounting scandals in large companies in USA. The Act requires that the audit committee of publicly traded companies be responsible for appointing, compensating, and overseeing the auditor. The audit committee generally must include at least one financial expert, and may not include employees or other individuals who are paid by the organization for professional services. While various in depth studies on various aspects of audit committees have been conducted in profit making organizations (Bourke, 2006; Uzun et al., 2004), fewer studies on nonprofits have been conducted. This could be due to the fact that the adoption of audit committees in nonprofits is not a mandatory requirement as is the case in companies. Some of the studies on companies have found a positive relationship between various aspects of audit committees such as size, independence, meeting frequency and financial expertise with reduced incidents of fraud (Farber, 2005; Shan et al., 2013; Thiravudi, 2010; Uzun et al., 2004). Nonetheless, nonprofits in the USA are expected to disclose their governance policies annually while reporting to the tax body IRS (Harris et al., 2015). Even though Kenyan NGOs are not required to report on their governance structure, the use of audit committees is recommended for good practice. Some researchers (Harris et al., 2017) argue that the use of an audit committee in nonprofits can help ensure that the external auditor is competent and independent and that the overall quality of the audit is acceptable. Other researchers have found no relationship between audit committee presence and internal controls in NGOs (Al-Moataz, E. S., & Basfar, 2010).

2.5 Governance and Employee Fraud Frequency

Most of the empirical studies linking corporate governance and fraud have been conducted in profit making organizations (Beasley et al., 2000; Bourke, 2006; Chen et al., 2006; Fich & Shivdasani, 2007; Law, 2011; Shan et al., 2013; Uzun et al., 2004). Similar research in nonprofit organizations has been limited, yet good governance practices have been proposed as a solution to fraud in nonprofits. Some of the studies in nonprofits have focused on linking different governance variables to donations (Harris et al., 2015; Kitching, 2009), organization performance (Andersson, 2012; Kawira, 2012; Stone & Ostrower, 2007; Szekendi et al., 2014), and financial performance (Aggarwal, Evans, & Nanda, 2014; Kimunguyi et al., 2015). Others have linked governance with accountability (Coule, 2015; Jepson, 2005; Jordan & van Tuijl, 2012; Reiser & Kelly, 2011) and efficiency (Callen et al., 2003; Ouna, 2014). A study conducted in USA on governance and asset diversions by (Harris et al., 2017), found a positive

relationship between fraud occurrence and four of the eleven governance aspects studied namely monitoring by debt holders and government grantors, audits, and keeping managerial duties in-house. The above studies have made conflicting findings and studies relating corporate governance practices with employee fraud frequency are scarce. The studies might be few because NGOs tend not to disclose fraud for fear of loss of credibility and funding.

2.5.1 Board Characteristics and Employee Fraud Frequency

Various researchers in the profit making sector have highlighted the role of the board of directors as a mechanism for internal governance in preventing fraud (Rezaee, 2005; Shan et al., 2013). Agency theory and contractual literature assert that some board features such as size, composition, internal structure, and founders' commitment help in guaranteeing the efficiency of nonprofit organizations (Callen, Klein, & Tinkelman, 2003; Herman & Renz, 2000, 2004). Some researchers in profit making organizations have found a strong relationship between an independent board and corporate fraud

(Beasley, 1996; Chen et al., 2006; Farber, 2005; Uzun et al., 2004). Independent directors play a key part in monitoring any fraudulent behavior by executive directors which can reduce the likelihood of fraud (Beasley, 1996; Uzun et al., 2004). Studies in nonprofit governance have yielded conflicting results with some indicating no relationship between board characteristics and organizational efficiency (Andrés-alonso & Romero-merino, 2006; Harris et al., 2015; Miller, 2002). A Kenyan study on Somali NGOs by Meme (2012), found a weak positive relationship between board characteristics and NGO performance. Agency theory advocates for proper monitoring of the board by including some independent members on the board.

Even though nonprofit organizations do not have legal owners, other constituencies mainly large donors are significantly interested in the efficient use of the nonprofit organizations' resources (Callen & Tinkelman, 2014). The presence of active donors who provide large quantities of resources to an organization may favor the monitoring of management behavior and may have enough power and access to information to become efficient monitors (Frumkin & Kim, 2001; Herman & Renz, 2000; O'Regan & Oster, 2002). Hansmann (1980) and Fama and Jensen (1983), taking the agency perspective, propose that major donors serve as effective monitors of nonprofits. Callen et al. (2003) provide evidence in favor of the relationship between having major donors on a nonprofit board and effective board monitoring.

Board size is another characteristic that has been considered in corporate governance studies. Some prior studies in profit making organizations suggested that large boards increase the likelihood of fraud as a bloated board may become ineffective in monitoring management. This

may make it easier for the Chief Executive to control the board (Beasley, 1996; Beasley et al., 2000; Lei & Song, 2012). Other studies suggest that too many board members cause communication problems in terms of coordination, and decision making, resulting in less efficient managerial monitoring (Eisemberg, Sundgren, & Wells, 1998; Yermack, 1996). These problems have also been observed in nonprofit boards of trustees (Callen et al., 2003; O'Regan & Oster, 2005). A study by Yermack (1996) showed an inverse relation between board size and firm performance in for-profit firms, and concluded that smaller boards are more effective in monitoring the firm, from an agency perspective. Similar studies by Bradshaw et al. (1992) found board size to have little power in explaining differences in growth in budgets. Cornforth (2001) did not find board size to be significantly related to board effectiveness. From the above discussion, the following hypothesis on board size can be derived:

H1: The size of the board is positively related to employee fraud frequency.

The frequency of board meetings is another board characteristic that has been emphasized in studies in profit making organizations. The board meeting frequency is often related to how active and vigilant the company board members are (Shan et al., 2013). Since it is difficult to measure activity or vigilance, the frequency of board meetings is used to measure board activity. Some researchers such as Chen et al. (2006), argue that boards may meet more frequently when organizations face financial distress or when controversial decisions need to be made. A study by Shan et al. (2013), found a positive relation between board meetings and fraud occurrence in Malaysian companies. Other researchers have found no association between board meeting frequency and performance of Malaysian co-operatives (Othman et al., 2016). The above studies shed little light on the relationship between board meeting frequency and employee fraud frequency. The following hypothesis on frequency of board meetings can be made:

H2: The frequency of board meetings is positively related to employee fraud frequency.

2.5.2 Auditor Type and Employee Fraud Frequency

External audits are used by boards to monitor and management from agency theory perspective, and are also considered by institutional theory as means used by donors and other regulatory bodies to coerce organizations to be diligent and accountable in use of funds.

Prior studies on audit quality and fraud in profit making firms have yielded mixed results. A study by Ramayanti & Irianto (2009) found a relationship between audit quality and presence

of fraud in Indonesian firms. On the contrary some studies have found no relationship between audit quality and fraud (Law, 2011; Shan et al., 2013). In Kenya, NGOs audits are compulsory and audited reports are required when submitting annual returns to the NGO co-ordination bureau.

Some scholars have argued that big audit firms can provide higher-quality audits since they possess a higher degree of independence and expertise. They are therefore better placed to monitor the business of a company (Bourke, 2006; Farber, 2005; Shan et al., 2013). Other studies suggest that the use of high-quality auditors is associated with high quality financial statements (Lennox, 2010). Other scholars are of the view that firms with weak internal corporate governance mechanisms cover up management's opportunistic behavior by choosing lower-quality auditors, who are inexperienced or lack independence (Lin & Liu, 2009). Auditor size has been used as a common measure of auditor quality and has been found to be positively associated with a wide variety of financial reporting quality measures (Lennox, 2010; Lin & Liu, 2009; Shan et al., 2013). There are fewer papers in the nonprofit setting, though some evidence suggests an inverse relation between auditor size and client internal control problems (Coram, Ferguson, & Moroney, 2006). On the contrary, other researchers have found a positive relationship between auditor size and increased donor funding (Kitching, 2009). It is difficult to generalize the relationship between auditor type and employee fraud frequency from these studies. From the arguments above, the following hypothesis on audit quality can therefore be made:

H3: The use of the Big Four audit firms is negatively related to employee fraud frequency.

2.5.3 Audit Committees

The existence of audit committees has grown in current years due to loss of trust in accounting firms which led to collapse of big companies such as Enron. Prior studies have found an association between the effectiveness of audit committees and governance in an organization. A Canadian study by Goh (2009) found an association between audit committee independence and timeliness in remedies in material internal control weaknesses, thereby improving financial reporting quality and corporate governance. Some studies on audit committees and financial expertise have yielded mixed results (Mustafa & Ben Youssef, 2010). In the United States, Mustafa and Meier (2006) found that the greater the effectiveness of the AC, the higher the percentage of independent members and the longer the average tenure of AC members, the lower the incidence of misappropriation of assets. In Australia, Chapple et al. (2007) also found

that the proportion of independent directors on the Audit Committee is inversely related to asset misappropriation. Another study found no association between audit committee presence in nonprofits and internal control weaknesses related to financial reporting (Al-Moataz, E. S., & Basfar, 2010). It is difficult to make generalizations and draw conclusions from the above studies on how audit committee presence relates to employee fraud frequency. The following hypothesis can be made from the discussion above:

H4: The presence of audit committee is negatively related to employee fraud frequency.

2.5.4 Internal Audit Function

Internal audit has been key in monitoring the behavior of management from an agency perspective. Research has also shown that an effective internal audit function plays a vital role in corporate governance (Karagiorgos, Drogas, Gotzamanis, & Tampakoudis, 2010). Regulators and professional bodies have recognized the value of the internal audit function within the corporate governance structure. The Treadway Commission (1987) identified internal audit as a function that is critical to the integrity of financial reporting. Similarly, the Association of Certified Fraud Examiners (ACFE, 1993) and the Cadbury Committee (1992) likewise noted the importance of the internal auditor's responsibility for deterring and detecting fraud.

Even though the benefits of internal auditing are widely accepted, there are fewer studies on the role of internal auditing on firm performance (Hutchinson & Zain, 2009). Some researchers imply that the internal audit department quality is more important than mere existence of an internal audit department. Davidson, Goodwin-Stewart and Kent (2005) found no significant relation between voluntarily establishing an internal audit function and a decrease in of discretionary accruals levels. The professional literature views both accounting qualifications as well as prior auditing experience of the internal audit staff as key requirements if the internal audit function is to be effective (Hutchinson & Zain, 2009). In nonprofit organizations, the internal audit function has been left out in some cases due to funding constraints. The following hypothesis on internal audit can be made as follows:

H5: The existence of an internal audit function is negatively associated with employee fraud frequency.

2.6 Conceptual Framework

In this study, employee fraud frequency is the dependent variable, while seven governance practices are the independent variables. Corporate governance is represented by Seven independent variables namely Board size, board meeting frequency, board independence, donor presence, audit quality, audit committees and internal audit. This is represented in the following diagram.

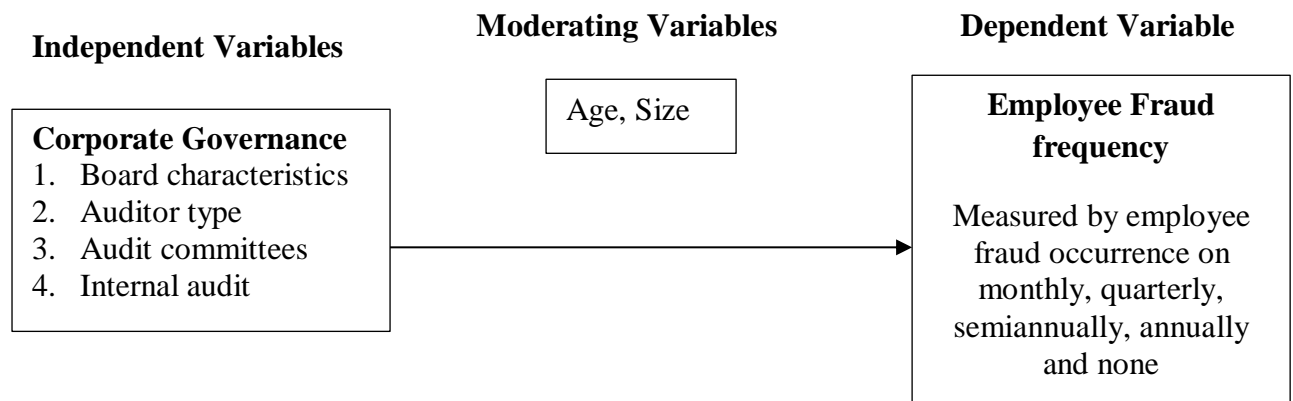


Figure 1.1: Conceptual Framework

2.7 Chapter Summary

Different scholars have advanced different theories to address the issue of corporate governance, with agency theory being the most common theory. Some scholars have advocated for the use of multiple theories in governance research (Cornforth, 2012; Stone & Ostrower, 2007). While multiple theories have been used in empirical studies on nonprofit governance and other aspects such as board composition and performance, compliance and financial reporting, a gap still exists due to the limited studies using multiple theories to relate governance and fraud. Never the less, various scholars have continually underscored the importance of corporate governance in both for profit and nonprofit making organizations (Archambeault et al., 2014; Labelle et al., 2007). Many studies in profit making organizations have indicated a high probability of fraud occurrence in organizations with poor governance practices. The available empirical studies linking several governance practices to fraud cannot be used to explain governance practices and employee fraud frequency in nonprofit organizations. This study has identified this research gap and has attempted to fill it.

CHAPTER 3: METHODOLOGY

3.1 Introduction

This chapter presents the research design used by the researcher, data collection, the population studied, and sampling method, type of data collected, data analysis and the reliability and validity of the data. The chapter is organized as follows: Section 3.2 covers the Research philosophy, 3.3 research design, 3.4 Population and sampling techniques, and 3.5 covers data collection techniques. Section 3.6 covers Operationalization of variables, section 3.7 data analysis techniques, section 3.8 Data reliability and validity while section 3.9 covers Ethical considerations.

3.2 Research Philosophy

Research philosophy refers to a system of beliefs and assumptions about the development of knowledge. Well thought out and consistent research assumptions are important in designing a coherent research project. In this case, all the research elements in terms of choice of method, research strategy, data collection and analysis techniques should all fit together. Each stage in the research process involves making some assumptions (Burrell & Morgan, 1979). These include epistemological assumptions, which relate to assumptions about human knowledge, or ontological assumptions about the realities encountered in research. There are also axiological assumptions which relate to the extent and ways the research process is influenced by the researchers' values (Saunders, Lewis, & Thornhill, 2009).

There are five major philosophies used in business and management. These are positivism, critical realism, interpretivism, postmodernism and pragmatism. The argument underlying Positivism and realism is that the social world can be studied according to the same principles as the natural sciences. On the contrary, interpretivism argues that the principles of natural sciences cannot be used to study the social world (Saunders et al., 2009). The positivist assumption is that objective facts offer the best scientific evidence, hence this approach is likely to result in the choice of quantitative research methods. Therefore, research objectives are likely to be considered objective and generalizable.

This study followed the positivist approach and Epistemology. This involves the use of the scientific method, based on measurable facts by way of the dependent and independent variables. Law like generalizations by way of five hypotheses were used, and a causal prediction and explanation of the relationship between governance and employee fraud

frequency was made. The deductive method was used as well as quantitative techniques in data analysis.

3.3 Research Design

A causal explanatory research design was used in order to explain the relationship between the independent and the dependent variables. An explanatory research design is one that shows the relationship between dependent and one or more independent variables (Kothari, 2004). The dependent variable in this study was the employee fraud frequency while the independent variables were seven corporate governance practices.

3.4 Population and Sampling Techniques

The study targeted a total of 1,700 active NGOs which submitted annual returns to the NGO bureau in 2016, as the list for 2017 was not available when the data collection was commenced. A sample consisting of 234 NGOs was selected from the population based on a 90% confidence level and 5% margin of error as proposed by Cooper & Schindler (2011). In order to determine the sample size using simple random sampling, some researchers propose the use of census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size (Israel, 1992; Kothari, 2004). Other researchers have used similar sampling methods in obtaining the sample size (Kawira, 2012; Kimunguyi et al., 2015).

Simple random sampling technique was used in sample selection, as it gave each NGO on the population an equal chance of selection. According to Cooper & Schindler (2011), simple random sampling has the advantage of being easy to implement due to the use of computerized random digits. The list of NGOs provided by the NGO coordination bureau indicated that several NGOs implemented projects belonging to multiple sectors thereby making it challenging to use stratified sampling. The sample was drawn easily using random numbers in Excel from a list of 1,700 NGOs constituting the population obtained from the NGO coordination bureau. Some NGOs were untraceable and were therefore replaced by the next one on the list.

3.5 Data Collection Technique

The study relied on primary data that was collected through the administration of a structured questionnaire. Structured questionnaires are the most appropriate data collection instrument due to the relative ease of administering and cost effectiveness to the researcher. According to Kothari (2004) questionnaires have the advantage of being free from

interviewer bias and answers are in respondents' own words. Respondents also have adequate time to give well thought out answers. Questionnaires were also simple and quick for the respondent to complete as the respondents remain anonymous. The Likert scale has the advantage of being quick and easy to construct, are more reliable and provide greater volume of data (Cooper & Schindler, 2011). Kothari (2004) points out the main demerits of use of the questionnaires as low rate of return of the duly filled in questionnaires. There is also the possibility of ambiguous replies or omission of replies altogether to certain questions thus making interpretation of omissions is difficult. Furthermore, it is difficult to know whether willing respondents are truly representative and the method is likely to be the slowest of all.

The questionnaires were administered using “drop and pick” method as well as snowballing through email. The questionnaire was divided into 4 sections. Section A elicited information on the organization background in terms of the number of years of operation in Kenya, whether local or international NGO, sector of operation and employment level of the person filling the questionnaire. Section B sought information necessary to answer objective 1 on the frequency of 13 types of frauds faced by Kenyan NGOs. The fraud frequency was categorized into 5; monthly, quarterly, semi-annually, annually and none. Section C sought to answer objective 2 by seeking information on the corporate governance practices relevant to this study namely board size, board independence, donor presence, board meeting frequency, audit quality, audit committees and internal audit. Objective 3 on the relationship between corporate governance practices and employee fraud frequency was answered using ordinal regression. The targeted respondents were senior managers. A sample of the questionnaire is on appendix I.

3.6 Operationalization of Variables

The Three objectives in the study were measured as follows:

Objective 1 on the frequency of employee fraud in NGOs in Kenya was achieved by considering the frequency of 13 different types of occupational frauds proposed by ACFE, 2016. Objective 2 on the corporate governance practices in NGOs was answered by using 7 corporate governance practices mentioned widely in literature. These are board size, board independence, board meeting frequency, donor presence, and audit committee presence, big 4 audit firm use and existence of internal audit. Objective 3 on the relationship

between employee fraud frequency and corporate governance practices was achieved using an ordinal regression analysis. The variables are defined in figure 1 below.

The ordinal regression model is as follows:

$$\text{Logit } [P(y \leq j)] = \alpha_j + \beta_1 \text{OUT} + \beta_2 \text{BOARDSIZE} + \beta_3 \text{MEETING} + \beta_4 \text{DONOR} + \beta_5 \text{TOP4} + \beta_6 \text{AUDCOMMIT} + \beta_7 \text{INTAUD} + \epsilon_{it}$$

Where:

1. **Y** – Represents the employee fraud frequency measured by fraud occurrence in 6 levels denoted by j, up to j-1.
2. **α_j** denotes the intercept equivalent for the each level of employee fraud frequency.
3. **$\beta_1 \text{OUT}$** – represents the coefficient for outside directors on the BOD.
4. **$\beta_2 \text{BOARDSIZE}$** – represents the coefficient for the number of board members on the BOD.
5. **$\beta_3 \text{MEETING}$** – represents the coefficient for number of board meetings per year.
6. **$\beta_4 \text{DONOR}$** – represents the coefficient for donor presence on the BOD.
7. **$\beta_5 \text{TOP4}$** – indicates coefficient for auditor type, based on whether the organization uses the top 4 audit firms represented by value 1 or if not represented by value 0.
8. **$\beta_6 \text{AUDCOMMIT}$** – represents the coefficient for presence of audit committees.
9. **$\beta_7 \text{INTAUD}$** – represents the coefficient for presence of an internal audit function.

Variable	Name	Measurement indicator
Dependent variable	Employee Fraud frequency	Fraud occurrence monthly (5), quarterly (4), semi-annually (3), annual (2) and none (1) basis.
Independent variables	Board size	Number of board members
	Board meeting frequency	Number of meetings per year
	Board independence	Presence of external board members
	Donor presence	Presence of donors on BOD
	Auditor type	Use of Big 4 auditors
	Audit committees	Presence of audit committee.
	Internal audit	Presence of internal auditor/ internal audit department.

Table 3.1: Operationalization of variables

3.6.1 Dependent Variable

The dependent variable in the study was employee fraud frequency, which was measured by the occurrence of 13 types of fraud. The variable employee fraud frequency was measured on an ordinal scale using 6 points with the highest frequency taking a value of 6 and the lowest frequency a value of 1. Where fraud occurred monthly a value of 5 was assigned, quarterly a value of 4, semi-annually a value of 3, annually a value of 2 and no fraud a value of 1.

3.6.2 Independent Variables

Seven independent variables representing corporate governance practices in NGOs were considered. These corporate governance variables include board size, board independence, board meetings, donor presence, audit committee presence, internal audit presence and the quality of auditors. The variable board independence was measured by the presence of independent or outside directors on the BOD and is a categorical variable. Board size relates to the number of directors on the board, and is grouped into 3 categories. Board meeting frequency is measured by the number of board meetings held by an NGO per year and is a

continuous variable. Auditor type is measured by the use or not of the big 4 audit firms and is a categorical variable. Internal audit presence represents the variable internal audit. Where internal audit function exists, the variable has been coded as 1 and 0 where there is none.

3.7 Data Analysis Technique

Descriptive statistical measures were used to summarize data for objective 1 and 2. The results for objective 1 were analyzed using percentages and results presented in frequency tables. Objective 2 was similarly analyzed using percentages for the closed ended questions and mean and standard deviations for Likert questions. These were presented using frequency tables. Ordinal regression was used to analyze and answer objective 3 on the relationship between corporate governance practices and employee fraud frequency. The quality of the regression model was tested using the goodness of fit coefficients, namely chi-square and Nagel Kerke.

3.8 Data Reliability and Validity

Cooper et al (2011) note that the accuracy of data to be collected largely depends on the data collection instruments validity and reliability. For this research, a pilot study was conducted. The questionnaire was shared with 5 respondents from NGOs and later refined to ensure reliability and validity.

Cronbach alpha was computed for the Likert questions involving fraud, board features and Audit committee features. The initial results obtained were 0.698, 0.326 and 0.775 respectively. The alpha value for audit committee questions was above the required value of 0.7, thus indicating that the questions were reliable. To improve the alpha value for Likert questions on fraud and board features, the correlation matrix was used to identify and eliminate questions where the values were low. One question was removed from the fraud likert relating to the age of the fraud perpetrators and hence the value of the Cronbach alpha increased to 0.71. For the questions on board features, questions relating to links with donors and gender of the board members were removed. The alpha value improved to 0.705.

3.9 Ethical Considerations

The aspect of ethical consideration was taken care of in this research by notifying the respondents that all the information they provide would be treated confidentiality. Any information collected was used solely for research and no other purposes. In addition, the names of the respondent organizations was not requested in the questionnaire thereby maintaining confidentiality.

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter gives details of information processed from data collected from this study on Assessment of the relationship between corporate governance practices and employee fraud frequency in NGOs in Kenya. The sample consisted of 234 NGOs in Kenya. The data was gathered exclusively using questionnaire as the research tool using closed ended and Five point Likert scale. The chapter is organized as follows: section 4.2 reports the response rate, 4.3 summarizes the demographic information of the respondents and 4.4 details the results on employee fraud frequency. Section 4.5 summarizes the results on governance practices in NGOs while section 4.6 deals with regression analysis on the relationship between employee fraud frequency and corporate governance practices.

4.2 Response Rate

The study targeted 234 NGOs and a total of 234 questionnaires were sent out. Data collection was conducted over a period of 6 months, and it took long to obtain responses since many NGOs declined to fill in the questionnaires and had to be replaced by new ones. 70 valid questionnaires were received representing a 29.9% response rate. 5 questionnaires were invalid as not all the questions were answered. The sensitivity of the topic had an impact on the response rate, since many NGOs may not be willing to disclose fraud in their organizations. The questionnaire had been pilot tested and shared with 10 NGOs from which 5 responded. This response of 50% was sufficient for the study.

4.3 Demographic Information

The study sought to establish basic information about the respondent organizations namely the number of years in operation, whether the organization was a local or international NGO and the main sector of operation. Majority of the respondent organizations represented by 65.7% have been in operation for more than 16 years. This was followed by 15.7% that have been in operation for 6 to 10 years and 12.9% that have been in operation for 11 to 15 years. The remaining 5.7 % have been in operation for 5 years and below. The results are summarized in the table 4.1 to 4.3 as follows:

	Frequency	Percent	Cumulative Percent
0-5 Years	4	5.7	5.7
6-10 years	11	15.7	21.4
11-15 years	9	12.9	34.3
16 years and above	46	65.7	100.0
Total	70	100.0	

Table 4.1: Years of operation

Many of the respondent organizations were International NGOs representing 64.3%, while the remaining 35.7% were local NGOs, as represented in the table below.

	Frequency	Percent	Cumulative Percent
Local NGO	25	35.7	35.7
International NGO	45	64.3	100.0
Total	70	100.0	

Table 4.2: Type of organization

From the respondents, 22.86% belonged to multiple sectors and had projects in Health, Education and youth, Democracy and governance and Agriculture. 22.86% were from the Health sector while 22.85% belonged to other sectors specifically elderly persons, capacity building, research, orphans, peace and conflict resolution and humanitarian and advocacy sectors. 14.29% of the respondents were from Education and Youth. 10% were from Agriculture, Business & Education sector, while Democracy and governance constituted 5.71%. Natural Resource and management were represented by the lowest number of organizations at 1.43%.

N=70	n	Percent	Cumulative Percent
Health	16	22.86%	22.86%
Democracy & Governance	4	5.71%	28.57%
Education & Youth	10	14.29%	42.86%
Agriculture, Business & Environment	7	10%	52.86%
Natural Resource management	1	1.43%	54.29%
Other	16	22.86%	77.15%
Multiple sectors	16	22.85%	100%
Total	70	100.0	

Table 4.3: Respondents by sector

From the respondent NGOs, 72.9% were in management while the remaining 27.1% were drawn from non-managerial positions. The study targeted Finance managers in NGOs, but since some of them were unavailable other managers filled in some of the questionnaires.

	Frequency	Percent	Cumulative Percent
Other	19	27.1	27.1
Management	51	72.9	100.0
Total	70	100.0	

Table 4.4: Respondent employment level

4.4 Employee Fraud Frequency

In order to assess the frequency of employee fraud, 13 different frauds were considered at 6 different frequencies multiple, monthly, quarterly, semi-annually, annually and none. The scores for employee fraud frequency from 6 for multiple frequency to 1 where there was no fraud. This is as summarized in the section below.

A total of 57 NGOs representing 81.43% reported fraud at varying frequencies, while the remaining 18.57% reported none. Nine organizations representing 12.9% reported fraud frequency on a monthly basis, five representing 7.1% of the respondents reported fraud frequency on a quarterly basis. One organization representing 1.4% of the respondents reported

semi-annual fraud frequency while five representing 7.1% of the respondents reported annual fraud frequency. Majority of the respondents at 52.8% reported multiple frauds occurring at various frequencies. The table 4.5 below shows the summary.

Fraud frequency	n	Percent
None	13	18.6
Monthly	9	12.9
Quarterly	5	7.1
Semi-annually	1	1.4
Annually	5	7.1
Multiple	37	52.8
Total	70	100%

Table 4.5: Employee fraud frequency

The most frequently occurring fraud was personal use of organization assets by 76% of the respondents. Under this category, 28 respondents at 40% reported monthly fraud frequency, 15 respondents at 21% reported quarterly fraud frequency while 4 respondents at 6% reported semi-annual fraud frequency. 6 respondents at 9% reported annual fraud frequency.

Inventory theft was the second most frequent fraud at 44%. 8 respondents at 11% reported monthly fraud frequency, 6 respondents at 9% reported quarterly fraud frequency while 10 respondents at 14% reported semi-annual fraud frequency. 7 respondents at 10% reported annual fraud frequency.

Overstated expense report was the second most frequent fraud at 14% followed closely by expense report fraud at 13%. Inventory theft and fraudulent invoices followed at 11% and 9% respectively. Cash theft, fixed assets theft and altered cheque payee were next at 4%. Deposit theft, forged cheques, payroll fraud and employee overpayment were reported by 1% of the respondents as occurring monthly, while falsified wages was not reported by any respondent.

For the frauds that were reported as occurring quarterly, personal asset use was reported by 21% of the respondents, followed by inventory theft and overstated expense reports as reported by 9% of the respondents. Expense report fraud was reported by 6%, while cash theft was reported by 3% of the respondents. Forged cheques and fraudulent invoices were each reported

by 1% of the respondents, while. Deposit theft, payroll fraud, fixed asset theft, employee overpayment, altered payee and falsified wages were not reported by any of the respondents.

Inventory theft was reported semiannually by 14% of the respondents, followed by expense report fraud and cash theft as reported by 10% and 9% of the respondents respectively. Falsified wages were reported by 7% of the respondents, while fraudulent invoices and personal asset use were each reported by 6% of the respondents as occurring semiannually. Overstated expense reports was reported semiannually by 4%, while deposit theft, payroll fraud and employee overpayment were reported by 3%, 1% and 1% respectively. Forged cheques, fixed assets theft and altered payee were not reported by any respondent on a semiannual basis.

Fixed assets theft was reported by 14% of the respondents with an annual occurrence, while cash theft was reported by 10% of the respondents. 10% of the respondents reported inventory theft, employee overpayment, overstated expense reports and expense report fraud annually. 9% of the respondents reported fraudulent invoices, and personal asset use annually. Payroll fraud, falsified wages, cash theft and altered payee were reported by 7%, 6%, 4% and 3% of the respondents with an annual occurrence. Forged cheques was not reported as occurring annually by any of the respondents.

Fraud relating to forged cheques was the least reported fraud as 97% of the respondents did not encounter this fraud. This was followed by altered cheque payee, deposit theft and payroll fraud as reported by 93%, 91% and 90% of the respondents respectively. Personal asset use and inventory theft were the most frequently reported frauds as reported by 76% and 44% respectively.

Employee Fraud Frequency										
Fraud type	Monthly		Quarterly		Semi-annually		Annually		None	
N=70	n	%	n	%	n	%	n	%	n	%
Cash theft	3	4%	2	3%	6	9%	10	14%	49	70%
Deposit theft	1	1%	0	0%	2	3%	3	4%	64	91%
Forged Cheques	1	1%	1	1%	0	0%	0	0%	68	97%
Payroll Fraud	1	1%	0	0%	1	1%	5	7%	63	90%
Inventory Theft	8	11%	6	9%	10	14%	7	10%	39	56%
Fixed asset theft	3	4%	0	0%	0	0%	11	16%	56	80%
Employee overpayment	1	1%	0	0%	1	1%	7	10%	61	87%
Overstated expense report	10	14%	6	9%	3	4%	7	10%	44	63%
Altered Payee	3	4%	0	0%	0	0%	2	3%	65	93%
Falsified wages	0	0%	0	0%	5	7%	4	6%	61	87%
Expense report fraud	9	13%	4	6%	7	10%	7	10%	43	61%
Fraudulent Invoices	6	9%	1	1%	4	6%	6	9%	53	76%
Personal asset use	28	40%	15	21%	4	6%	6	9%	17	24%

Table 4.6: Employee fraud frequency by fraud type

The study results found that NGOs that have been in operation for 5 years experienced employee fraud quarterly (25%), monthly (25%) and multiple frequencies (50%). Those that have been in operation for 6-10 years experienced employee fraud, monthly (18.2%) and multiple frequencies (54.5%). NGOs that have been in operation for 11-15 years experienced employee fraud quarterly (11.1%) and multiple frequencies (77.8%). Those in operation for 16 years and above experienced employee fraud annually (10.9%), semi-annually (2.2%), quarterly (6.5%), monthly (13%) and multiple frequencies (47.8%). The results imply that the older NGOs experience employee fraud multiple times. Table 4.7 below summarizes the details.

N = 70			Employee Fraud frequency						Total
			No fraud	Annual fraud	semiannual fraud	Quarterly fraud	Monthly fraud	Multiple fraud	
Age	0-5 Years	n	0	0	0	1	1	2	4
		%	0.0%	0.0%	0.0%	25.0%	25.0%	50.0%	100.0%
	6-10 years	n	3	0	0	0	2	6	11
		%	27.3%	0.0%	0.0%	0.0%	18.2%	54.5%	100.0%
	11-15 years	n	1	0	0	1	0	7	9
		%	11.1%	0.0%	0.0%	11.1%	0.0%	77.8%	100.0%
	16 years and above	n	9	5	1	3	6	22	46
		%	19.6%	10.9%	2.2%	6.5%	13.0%	47.8%	100.0%
Total		n	13	5	1	5	9	37	70
		%	18.6%	7.1%	1.4%	7.1%	12.9%	52.9%	100.0%

Table 4.7: Employee fraud frequency by years in operation

The study findings indicated that 72% of the Local NGOs experienced employee fraud multiple times, 8% monthly and 4% quarterly. 52.9% of the International NGOs experienced employee fraud multiple times, 12.9% monthly, 7.1% quarterly, 1.4% semiannually and 18.6% annually. These results imply that local NGOs experience employee fraud more frequently than the International NGOs.

			Employee fraud frequency						Total
			No fraud	Annual fraud	semiannual fraud	Quarterly fraud	Monthly fraud	Multiple fraud	
OrgType	Local NGO	n	4	0	0	1	2	18	25
		%	16.0%	0.0%	0.0%	4.0%	8.0%	72.0%	100.0%
	International NGO	n	9	5	1	4	7	19	45
		%	20.0%	11.1%	2.2%	8.9%	15.6%	42.2%	100.0%
Total		n	13	5	1	5	9	37	70
		%	18.6%	7.1%	1.4%	7.1%	12.9%	52.9%	100.0%

Table 4.8: Employee fraud frequency by organization type

From the Likert scale responses, most of the respondents agreed with the statement that cash is the most commonly misappropriated asset with a mean of 3.78 and a standard deviation of 1.247. The low standard deviation indicates that most of the responses were close to the mean and not dispersed. One respondent did not answer this question. The question of whether male employees commit more frauds than their female counterparts resulted in a mean value of 3.24 indicating neutral position by the respondents with a standard deviation of 1.028. The low standard deviation indicated that most of the responses were close to the mean. Similarly, the respondents were neutral as to whether senior level employees commit more frauds than junior staff from the mean value of 3.00 and standard deviation of 1.022. As to whether most frauds are committed by accounting staff than non-accounting staff, the respondents disagreed with the statement with a mean of 2.8 and a standard deviation of 1.071.

	N	Minimum	Maximum	Mean	Std. Deviation
Cash is the most commonly misappropriated asset	69	1	5	3.78	1.247
Male employees commit more frauds than their female counterparts	70	1	5	3.24	1.028
Senior level employees commit more frauds than junior staff	70	1	5	3.00	1.022
Most frauds are committed by accounting staff than non-accounting staff	70	1	5	2.80	1.071

Table 4.9: Employee fraud Likert responses

4.5 Corporate Governance Practices

The study sought responses from NGOs on the corporate governance practices currently in place. Specifically, the governance practices under consideration were board size and composition, board meeting frequency, audit committee presence and composition, audit quality and internal audit. The results are summarized in the section below.

4.5.1 Board Size and Composition

A third of the respondents at 34.3% indicated that they had boards composed of 11-15 members, while 30% indicated a board size of 6-10 members. This was followed by boards with 2-5 members, representing 25.7%. 7 respondents representing 10% had large boards with more than 16 members. The results indicate that 55.7% of the respondent NGOs have small boards with 2-10 members, while 44.3% have large boards consisting of 11 members and above. This is summarized in table 4.10 below.

		Frequency	Percent	Cumulative Percent
Board size	2-5 members	18	25.7	25.7
	6-10 members	21	30.0	55.7
	11-15 members	24	34.3	90.0
	16 members and above	7	10.0	100.0
	Total	70	100.0	
Board independence	None	3	4.3	4.3
	2-5 members	41	58.6	62.9
	6-10 members	14	20.0	82.9
	11-15 members	12	17.1	100.0
	Total	70	100.0	
Donor presence	None	41	58.6	58.6
	2-5 members	23	32.9	91.4
	6-10 members	4	5.7	97.1
	11-15 members	2	2.9	100.0
	Total	70	100.0	

Table 4.10: Board size and composition

More than half of the respondent NGOs at 58.6% had between 2-5 independent board members followed by 20% that had 6-10 members. Another 17.1% had 11-15 independent board members while the remaining 4.3% had no independent board members. The results indicate that majority of the respondents NGOs have independent boards with at least 2 members and at most 15 members. This is summarized in table 4.10 above.

Many of the respondents had no donor representation on the boards representing 58.6%. 23 respondents representing 32.9% had 2-5 donors present on the BOD while 4 representing 5.7% had between 6-10 members. The remaining 2.9% had between 11-15 donors represented on the BOD. The results imply that majority of the respondent NGOs have no donors on their boards of directors. Table 4.10 summarizes this information.

From the respondents, 47.1% indicated that the board meets quarterly, followed by 32.9% where boards meet semi-annually. 14.3% of them indicated an annual meeting frequency, while one respondent representing 1.4% indicated that the board meets thrice a year. The results indicate an average meeting frequency of quarterly to semiannually for the respondent NGOs.

	Frequency	Percent	Cumulative Percent
Once a year	10	14.3	14.3
Semi-annually	23	32.9	47.1
Quarterly	33	47.1	94.3
Monthly	3	4.3	98.6
Other	1	1.4	100.0
Total	70	100.0	

Table 4.11: Board meeting frequency

From the Likert question on dual role of the board chairman and Executive director, the respondents strongly agreed that these roles were separated with a mean of 4.4 and a standard deviation of 1.082. This response implies that majority of the NGOs have no CEO duality and a close cluster of the responses to the mean. The respondents were neutral on the statement that board members level of professional qualifications and expertise in financial aspects are important and skill deficiencies of board members are considered. In this case the mean was 3.9 and the standard deviation was 1.144. The respondents were also neutral on the statement

that at least one member appointed by major donors sits on the board. In this case the mean was 3.57 with a standard deviation of 1.314. This result concurs with the earlier response on donor representation where majority indicated donor absence in their boards. This is summarized in table 4.12 below.

	N	Mean	Std. Deviation
The role of the Chairperson and Executive Director or CEO are separated and held by different persons	70	4.40	1.082
When selecting board members their level of professional qualifications and expertise in financial aspects is important and deficiencies in the skills of current board members are considered	70	3.90	1.144
At least one board member appointed by major donors sits on the board	70	3.57	1.314

Table 4.12: Board characteristics Likert responses

4.5.2 Audit Committee

The study sought to establish the existence of audit committees, the size, number of members with financial expertise and professional accounting qualifications as well as the number of independent members. The results indicated that 62.8% of the respondents had audit committees while the remaining 37.2% did not have audit committees.

70.5% of the respondents with audit committees had audit committees with 1-5 members, 22.7% had 6-10 members, while 6.8% had more than 10 members. 88.6% of the respondents reported the presence of 1-5 audit committee members with financial expertise, while 11.4% had 6-10 members with financial expertise. 4.5% of the NGOs with audit committees had no independent members, while 86.3% had 1-5 independent members. 6.8% had 6-10 independent audit committee members while 2.4% had more than 10 independent members on their audit committees. This is as summarized in table 4.13 below.

		Frequency	Percent	Cumulative Percent
AC Presence	Yes	44	62.8	62.8
	No	26	37.2	100.0
	Total	70	100.0	
AC size	1-5 members	31	70.5	70.4
	6-10 members	10	22.7	93.1
	More than 10 members	3	6.8	100.0
	Total	44	100.0	
AC Finance expertise	1-5 members	39	88.6	88.6
	6-10 members	5	11.4	100.0
	Total	44	100.0	
AC Independence	None	2	4.5	4.5
	1-5 members	38	86.3	90.8
	6-10 members	3	6.8	97.6
	More than 10 members	1	2.4	100.0
	Total	44	100.0	

Table 4.13: Audit committee characteristics

The respondents agreed to the statement that the audit committee is appointed by the board with a mean of 4.6 and a standard deviation of 1.134. They also concurred with the statement that the audit committee members are independent non-executive directors as indicated by the mean of 4.37 and standard deviation of 1.241. They strongly agreed that at least one member of the audit committee has the relevant financial qualifications/experience from the mean score of 4.9 and standard deviation of 0.801. The mean score of 4.73 and standard deviation of 0.962

indicate that the respondents strongly agreed that the audit committee monitors the integrity of the financial statements, monitors and reviews the effectiveness and independence of the external auditor and objectivity of the audit procedure. The respondents were neutral on whether the audit committee meets external and internal auditors in the absence of management to review any issues arising from the audit and its submission. This is based on the mean score of 3.86 and standard deviation of 1.506. The low standard deviations show that the responses were closely clustered around the mean.

	N	Mean	Std. Deviation
The audit committee is appointed by the board	70	4.60	1.134
The audit committee members are independent non-executive directors	70	4.37	1.241
At least one member of the audit committee has the required financial qualifications/experience	70	4.90	0.801
The audit committee monitors the integrity of the financial statements, reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process	70	4.73	0.962
Audit committee meets the external/or internal auditors in the absence of management to deliberate on any issues arising from the audit and submission	70	3.86	1.506

Table 4.14: Audit committee Likert responses

4.5.3 Auditor Type

The study sought to establish whether the respondents are audited annually by the big 4 audit firms and if audit reports are submitted to the NGO Bureau with the annual returns. Majority of the respondents represented by 95.7% are audited annually and submit audit reports annually to the NGO Bureau. The remaining 4.3% are not audited annually and do not submit annual audit reports to NGO Bureau.

The study also revealed that many NGOs are not audited by the big 4 audit firms. 57.1% of the respondents are audited by other firms while 14.3% are audited by Deloitte. KPMG audits 12.9%, while PWC audits 10%. Ernst & Young audit 5.7% of the respondents. This indicates that the size of the audit firm is not an important factor as the NGOs consider competent firms capable of undertaking audits within their budgets.

The respondents were required to indicate whether they submitted audit reports together with returns to the NGO bureau annually. 92.9% reported that they submitted audited accounts with the returns while 7.1% did not submit audited accounts with annual returns to the NGO Bureau.

The NGOs responded on whether organizations audited by the Big 4 audit firms were less susceptible to fraud than those that were not. 54.3% were in agreement with this statement while 44.3% disagreed with this statement. One respondent representing 1.4% was not sure. These results contradict other results above on the number of NGOs audited by the big audit firms in comparison with the small firms. Table 4.18 below provides the details.

		Frequency	Percent	Cumulative Percent
Annual audit	Yes	67	95.7	95.7
	No	3	4.3	100.0
	Total	70	100.0	
Audit firms	KPMG	9	12.9	12.9
	PWC	7	10.0	22.9
	Deloitte	10	14.3	37.1
	Ernst & Young	4	5.7	42.9
	Other	40	57.1	100.0
	Total	70	100.0	
Audit report & returns submission	Yes	65	92.9	92.9
	No	5	7.1	100.0
	Total	70	100.0	
Fraud susceptibility	Not sure	1	1.4	1.4
	Yes	38	54.3	55.7
	No	31	44.3	100.0
	Total	70	100.0	

Table 4.15: Annual audit and Audit quality

4.5.4 Internal Audit Function

The study sought to establish the existence of an internal audit function in the respondent organizations as well as the level of education and years of experience of the head of internal

audit. Majority of the respondents at 67.1% indicated the existence of an internal audit department while the remaining 32.9% had no internal audit function.

76.6% of the respondents with internal audit had 1-5 members in the department. 23.4% had internal audit departments with 6-10 members. Many of those with no internal audit departments reported budget constraints as the main reason for not having an internal audit department.

The study further sought to establish the level of qualification of the head of internal audit department. 2.1% had heads of internal audit with Master's degree only with no professional accounting qualifications. 4.3% had internal audit heads with undergraduate degrees, while 38.3% had both undergraduate degrees and professional qualifications. 55.3% had internal audit department heads with Masters Degrees and professional accounting qualifications.

40.4% of the respondents had internal audit heads with 6-10 years of experience. This is followed by 11-15 years by 25.6% of the respondents and more than 15 years' experience as reported by 17%. Another 17% had internal audit heads with between 1-5years experience. These results imply that the heads of internal audit in the respondent NGOs are experienced with a minimum of 6 years of experience. Table 4.16 below summarizes the findings.

		Frequency	Percent	Cumulative Percent
Internal Audit presence	Yes	47	67.1	67.1
	No	23	32.9	100.0
	Total	70	100.0	
Internal Audit department size	1-5 members	36	76.6	76.6
	6-10 members	11	23.4	100.0
	Total	47	100.0	
Internal Audit head years of experience	Undergraduate	2	4.3	4.3
	Undergraduate & professional	18	38.3	42.6
	Masters	1	2.1	44.7
	Masters & professional	26	55.3	100.0
	Total	47	100.0	
Internal Audit head years of experience	1-5 years	8	17.0	17.0
	6-10 years	19	40.4	57.4
	11-15 years	12	25.6	83.0
	More than 15 years	8	17.0	100.0
	Total	70	100.0	

Table 4.16: Internal audit characteristics

4.6 Regression between Employee Fraud Frequency and Corporate Governance Practices

The study sought to determine the relationship between employee fraud frequency and corporate governance practices. Ordinal regression was used to achieve this objective. An ordinal scale with 6 points was used to measure the dependent variable employee fraud frequency. Each respondent was assigned a score based on the reported frequency of the 13 frauds from 1-6. A score of 6 represented multiple fraud frequency, 5 monthly fraud, 4 quarterly fraud, semiannual fraud 3, annual fraud 2 and no fraud 1.

The independent variables were seven in total and consisted of both continuous as well as categorical variables. Board size measured by the number of board members was a categorical variable initially divided into four categories. Board size 1 consisted of 2-5 members; board size 2 had 6-10 members; board size 3 had 11-15 members, while board 4 had 16 or more members. During the regression analysis, the categories were reduced to 2, small boards with 2-10 members and large boards with more than 10 members. The next variable Board independence measured by the presence of independent board members had 2 categories,

independent where external members were present and non-independent where there were no external members. The third variable donor presence a categorical variable was measured by the presence of donors on the board. Variable 4 board meeting frequency a continuous variable was measured by the number of board meetings held per year. Variable 5 audit committee presence a binary variable was measured by the existence or not of audit committees. Variable 6 on auditor type a binary variable was measured by the use or not of the top 4 audit firms. Variable 7 internal audit, was measured by the presence of and features of internal function.

4.6.1 Ordinal Regression Assumptions Check

The study used ordinal regression analysis to test the five hypothesis made and to determine the relationship between corporate governance and employee fraud frequency. Two of the assumptions for ordinal regression were checked before running the regression analysis.

Ordinal regression requires that the dependent variable should be ordinal with specific levels, as a first assumption. The study met this assumption since the dependent variable employee fraud frequency was measured on an ordinal scale with 6 points. Multiple fraud frequency had the highest value of 6, monthly fraud frequency 5, and quarterly fraud frequency a value of 4. Semiannual fraud frequency had a value 3, annual fraud frequency 2 and no fraud had a value of 1.

The second assumption is that there should be one or more independent variables that are continuous, ordinal or categorical. This assumption was met, as the study had one continuous independent variable, board meeting frequency and six categorical independent variables. The six categorical independent variables were Board size with 2 categories (small and large board), board independence with 2 categories (independent member present or absent) , donor presence with 2 categories (donor present and donor absent), audit committee presence with 2 categories (audit committee present and audit committee absent), internal audit presence with 2 categories (internal audit present and internal audit absent) and auditor type with 2 categories (use of big 4 audits and use of other firms).

4.6.2 Ordinal Regression Analysis of Employee Fraud Frequency and Governance

Ordinal regression assumes that the relationship between independent variables and the logits of the dependent variable are the same across all the logits. The results are a set of parallel lines, one for each level of the dependent variable. This is the parallel lines assumption which is fulfilled if the observed significance level from the parallel lines output for the change is large. The null hypothesis is that the lines are parallel, and that the significance level is large. From the ordinal regression results, the parallel line assumption was met since the p value was large, $p > 0.995$. Table 4.17 shows the details.

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	149.017			
General	128.456 ^b	20.561 ^c	40	.995

Table 4.17: Test of parallel lines

Ordinal regression was used to determine the overall goodness of fit of the final model with explanatory variables over the baseline or intercept only model. The study findings indicated a chi-square value of 12.752 and $p > 0.546$. This statistically insignificant chi square result indicates that the final model with seven corporate governance explanatory variables does not give a significant improvement over the intercept only model. This is tabulated below.

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	172.858			
Final	160.106	12.752	14	.546

Table 4.18: Model fitting information

The study results showed a Pearson's chi-square statistic for the model of 239.846 with a $p > 0.683$, as well as another chi-square statistic for deviance of 146.583 with a $p > 1.0$. These statistics are intended to test whether the observed data are consistent with the fitted model. Since the p values for both the chi-square for pearson and deviance are large, we do not reject the null hypothesis and conclude that the data and the model predictions are almost similar and that we have a good model. The results are summarized in the table below.

	Chi-Square	df	Sig.
Pearson	239.846	251	.683
Deviance	146.583	251	1.000

Table 4.19: Goodness of Fit

The study sought to determine how much of the dependent variable employee fraud frequency was explained by the seven independent governance variables. The results from the pseudo R^2 statistics indicated values of 0.167 for cox and Snell, 0.179 for Nagelkerke and 0.067 for McFadden. The value of 0.179 or 17.9% for Nagelkerke shows that the seven governance variables explain 17.9% of the outcome variable employee fraud frequency.

Cox and Snell	.167
Nagelkerke	.179
McFadden	.067

Table 4.20: Pseudo R-Square

4.6.3 Hypothesis Testing

From the literature review, five hypothesis relating employee fraud frequency and 5 governance practices had been made.

H1: The size of the board is positively related to employee fraud frequency.

This results show the estimated coefficient for small board is 1.80. Taking the exponent of this to find the Odds Ratio for small boards as the base: $\exp(1.80) = 6.09$. To find the complementary Odds Ratio for large boards as the base, the reverse the sign of the coefficient before taking the exponent, $\exp(-1.8) = 0.163$. The results indicate that a change from small boards to large boards increases the odds of experiencing higher employee fraud frequency by 6.09 or 6 times, a statistically significant effect with $P=0.00$. Change from large to small boards would increase the odds of higher employee fraud frequency by 0.163. This implies that a change from a small board to large board is statistically significant, and can lead to higher employee fraud frequency, thus indicating that smaller boards are less likely to experience high employee fraud frequency. The larger the board, the higher the odds of high employee fraud frequency. The positive relationship is in line with hypothesis 1 previously made, as well as findings by some researchers (Shan et al., 2013) who found positive relationship between board size and probability of fraud in Malaysian firms. Similarly, Berkman et al. 2009 found that the

size of the board of directors does not play a significant role in preventing fraudulent behavior by the management. In nonprofit research, Cornforth (2001) did not find board size to be significantly related to board effectiveness. Some researchers have argued that large boards tend to increase the probability of fraud as bloated boards become less effective in monitoring management (Beasley et al., 2000; Shan et al., 2013).

H2: The frequency of board meetings is positively related to the frequency of employee fraud.

This results show the estimated coefficient for board meetings 0.083. Taking the exponent of this to find the Odds Ratio as the base: $\exp(0.083) = 1.0865$. The results indicate that a unit increase in the frequency of board meetings increases the odds of high employee fraud frequency, by 1.08 or 1.08 times, $p > 0.463$. The results imply a positive but insignificant relationship between number of board meetings and employee fraud frequency. These results are in line with the hypothesis 2, in terms of the positive relationship, though other researchers (Chen et al., 2006; Shan et al., 2013), found a statistically significant positive relationship between board meetings and fraud. Organizations tend to have frequent board meetings in times of distress or in order to deliberate and confront matters of fraud.

A hypothesis between use of big 4 audit firms and employee fraud frequency had been made as follows:

H3: The use of the Big Four audit firms is negatively related to the employee fraud frequency.

This results show the estimated coefficient for Big 4 audit firms is 0.119. Taking the exponent of this to find the Odds Ratio as the base: $\exp(0.119) = 1.12$. To find the complementary Odds Ratio for other audit firms as the base, the reverse the sign of the coefficient before taking the exponent, $\exp(-0.119) = 0.886$. The results indicate that a change from use of Big 4 audit firms to other firms increases the odds of experiencing high employee fraud frequency by a factor of 1.12 or 1.12 times. A change from use of other audit firms to Big 4 audit firms increases the odds of high employee fraud frequency by 0.887. Therefore movement from use of Big 4 audit firms to other firms increases the odds of high employee fraud frequency more than the movement from other firms to the Big 4 firms. This was not statistically significant, with $p > 0.866$. This implies that use of big audit firms leads to lower odds of high employee fraud frequency, consistent with hypothesis 3. These results are in line with findings by some researchers who found negative insignificant relationships between use of big 4 audit firms and

fraud in companies (Chen et al., 2006; Shan et al., 2013). In the nonprofit sector, some researchers have found positive relationships between auditor size and increased donor funding (Kitching, 2009). The results indicate that organizations that use large audit firms also experience fraud just as those which use other audit firms for their annual audits. This could be due to the fact that audits use sampling and do not vouch 100% of transactions. Consequently, auditors might miss out on fraudulent transactions.

H4: The presence of an audit committee is negatively related to employee fraud frequency.

The literature had also hypothesized a negative relationship between the number of independent directors on the audit committee and employee fraud frequency.

This results show the estimated coefficient for audit committee presence is -0.432. Taking the exponent of this to find the Odds Ratio as the base: $\exp(-0.432) = 0.649$. To find the complementary Odds Ratio for other audit committee absence as the base, the reverse the sign of the coefficient before taking the exponent, $\exp(0.432) = 1.84$. The results indicate that a change from presence of audit committees to absence of audit committees, increases the odds of being in the higher levels of employee fraud frequency by 0.64, or 0.64 times. On the other hand, a change from absence of audit committees to presence of audit committees increases the odds of high employee fraud frequency by 1.84 or 1.84 times. This was not statistically significant, $p > 0.526$. This means that NGOs with audit committees are at higher odds of high employee fraud frequency than their counterparts with no audit committees. This findings contradicts hypothesis 4 and prior research findings where presence of audit committees have been found to deter fraudulent financial reporting (Thiravudi, 2010) and misappropriation of assets (Chapple et al., 2009; Mustafa & Ben Youssef, 2010).

H5: The existence of an internal audit function is negatively associated with employee fraud frequency.

According to prior literature, there is a negative relationship between the presence of the internal audit function and fraud. This was the basis for hypothesis 5.

This results show the estimated coefficient for internal audit presence is 0.121. Taking the exponent of this to find the Odds Ratio as the base: $\exp(0.121) = 1.128$. To find the complementary Odds Ratio for internal audit absence as the base, the reverse sign of the coefficient before taking the exponent, $\exp(-0.121) = 0.886$. The results indicate that a change

from presence of an internal audit function to absence of the internal audit function increases the odds of being in the higher levels of employee fraud frequency by a factor of 1.12, or 1.12 times. On the contrary, a change from absence of internal audit function to presence of internal audit increases the odds of high employee frequency 0.886 times. This was not statistically significant with $p>0.84$. This means that NGOs with internal audit functions are at lower odds of experiencing higher employee fraud frequency than those without. These results are in line with hypothesis 5 and prior research findings where Davidson, Goodwin-Stewart and Kent (2005) found no significant relation between establishing an internal audit function and a decrease in the discretionary accruals level. The Treadway Commission (1987, 37-39) identified internal audit as a function that is critical to the integrity of financial reporting.

		Estimate	Std. Error	Exponent of Estimate	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Employee fraud frequency	No fraud	5.166	2.370		1	.000	4.702	5.631
	Annual fraud	5.215	2.374		1	.000	4.750	5.680
	Semiannual fraud	5.223	2.375		1	.000	4.758	5.689
	Quarterly fraud	5.259	2.381		1	.000	4.793	5.726
	Monthly fraud	5.316	2.392		1	.000	4.847	57.849
Governance practices	Meeting frequency	.083	.113	1.0865	1	.463	-.139	.305
	small board	1.8081	1.049	6.09	1	.000	1.6026	2.0137
	Large board	0a			0			
	Independent board	1.491	1.437	4.053	1	.300	-1.326	4.308
	Non independent board	0a			0			
	Donor present	.498	.529	1.354	1	.347	-.539	1.536
	Donor absent	0a			0			
	present Audit Committee	-.432	.682	0.649	1	.526	-1.769	.905
	absent Audit Committee	0a			0			
	Internal Audit present	.121	.602	1.128	1	.840	-1.058	1.301
	Internal Audit absent	0a			0			
	Big 4 audit firm	.119	.705	1.12	1	.866	-1.263	1.502
	Other audit firm	0a			0			

Table 4.21: Parameter estimates

4.6.4 Summary of Hypothesis Testing

The study analyzed the data obtained in order to test five hypothesis on the relationship between governance practices and employee fraud frequency. The results indicated that a positive relationship between board size, board independence, meeting frequency and employee fraud frequency in line with Hypothesis 1, 2 and 3. The results were not significant. The findings contradicted Hypothesis 4, indicating a positive relationship between presence of audit committees and employee fraud frequency. The overall model was not statistically significant in explaining employee fraud frequency.

CHAPTER 5: DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides discussion of research findings, summary, conclusion and recommendation of the main findings on the study. The study was on the assessment of the relationship between employee fraud frequency and corporate governance practices in NGOs in Kenya. The chapter is organized as follows: section 5.2 details the summary of the findings, section 5.3 conclusions and 5.4 recommendations for practice and policy. Section 5.5 discusses the study limitations while section 5.6 gives the recommendations for future studies.

5.2 Discussion of Findings

The aim of the study was to assess the relationship between corporate governance practices and employee fraud frequency in NGOs in Kenya. The research findings on the frauds most committed by employees contradicts prior study findings. There are some similarities and contradictions in the governance practices as well as in the relationship between the individual governance variables and employee fraud frequency as discussed below.

5.2.1 Employee Fraud Frequency

The study found that majority of the respondent NGOs reported employee fraud at multiple frequencies. Local NGOs experienced more frequent employee fraud as compared to the International NGOs. Many NGOs that have been in operation for longer experience employee fraud more frequently than those that have been in operation for fewer years. This implies that NGOs are vulnerable to fraud as reported by some researchers (Archambeault et al., 2014), and that NGOs have reported more incidents of fraud involving employees (BDO, 2014). NGOs have experienced employee fraud, even though some do not want it disclosed for fear of loss of reputation and donor funding.

The most frequently reported fraud was personal use of organization assets, followed by overstated expense reports and expense report fraud. The least frequently occurring fraud was forged cheques. These findings differ from other research findings which reported cash as the most commonly misappropriated asset (Greenlee et al., 2007; Greenlee et al., 2006). A survey by ACFE, (2014) found check tampering to be the most perpetrated fraud. In this case forged cheques was the least frequent fraud. This finding could be attributed to more security features in cheque printing and use where cheque alterations are not allowed previously introduced by the Central Bank of Kenya.

From the Likert scale responses on fraud, majority of the respondents were neutral with the statement that cash is the most misappropriated asset. This finding is contrary to prior findings in the USA that both found cash to be the most misappropriated asset (Archambeault et al., 2014; Greenlee et al., 2007; Greenlee et al., 2006). The study found out that the respondents did not think that male employees commit more frauds than their female counterparts as elicited by the responses to the Likert questions. This implies that both male and female employees are likely to perpetrate fraud. Similarly, the respondents were neutral as to whether senior level employees commit more frauds than junior staff. These findings are contrary to findings by some researchers who found more fraud committed by female employees and managers (Greenlee et al., 2006) . The respondents disagreed with the statement that most frauds are committed by accounting staff than non-accounting staff. This implies that non accounting staff commit more frauds than accounting staff.

5.2.2 Corporate Governance Practice Findings

This study also sought to establish which corporate governance practices exist in Kenyan NGOs, from a list of seven governance practices mentioned in literature. The findings indicate that about one third of the respondent NGOs had large boards of directors consisting of 11-15 members. Another one third had boards consisting of 6-10 members. This implies that about two thirds of the respondent NGOs had boards with at least 6 and at most 15 members. Some researchers propose that a nonprofit board should not exceed ten members in order to prevent the chief executive from dominating the board (Lipton and Lorsch, 1992; and Jensen, 1993). The upper limit of 15 members from the findings would be acceptable as proposed by some researchers who see the ability to raise resources in larger boards than smaller boards (Hyndman & McDonnell, 2009). This however contradicts other research suggestions where it is argued that where the board of directors is too large, there is a risk of domination of trustees by an inner core in the charity sector (Beasley, 1996). There is no one size that fits all proposition of the optimal board size, the Charity Commission suggests that a board of at least three and nine at most is adequate. Decision making can be problematic where boards are too large, and conversely small boards can also get overworked (Hyndman & McDonnell, 2009).

The findings also indicated that the respondent NGOs had independent boards. This finding is in line with good governance practice (Beasley, 1996; Uzun et al., 2004). This means that NGOs in Kenya have adopted good governance practice by electing independent directors to their boards.

The research findings indicate the absence of donors on NGO boards of directors, as reported by majority of the respondents. This finding is contrary to propositions by some researchers who argue that the presence of donors on the board can be a deterrent to fraud (Andrés-alonso & Romero-merino, 2006). Many donors tend not to sit on the BOD of the recipient organizations in order not to meddle in the decision making of the organizations.

The study results indicate that the boards of majority of the respondents meet quarterly and semiannually. These findings are similar to that by Ouna (2012) which found board meeting frequency to be quarterly. The findings imply that NGO boards do not meet too frequently as frequent board meetings could signal problems in the NGOs. According to Shan et al (2013), frequent board meetings may be held during financial distress or when controversial decisions need to be made on illegal or questionable activities.

Kenyan NGOs exercise separation of the role of the Executive director and chairman of the board as elicited by the research findings. This response implies that majority of the NGOs have no CEO duality. Similar findings have been obtained in other studies by Meme (2012) and Ouna (2014), who found no CEO duality in governance studies on NGOs in Somalia consortium and NGOs in Kenya. The research findings indicate that Kenyan NGOs value level of professional qualifications and expertise in financial aspects of the directors on the BOD. The study found that donors do not sit on the BOD of the recipient organizations as reported by majority of the respondents. This result contradicts propositions by Andres et al (2006) on having major donors on the BOD to monitor the performance of management. The finding is in line with the earlier response on donor representation where majority indicated donor absence on their boards.

The study found that majority of Kenyan NGOs have set up audit committees, mainly consisting of between 1-5 members. This indicates that many NGOs have adopted this governance practice, a finding similar to that of Ouna (2014). The audit committees also consisted of members with financial and accounting expertise as reported by 89% of the respondents. This finding is in line with good practice recommended by SEC, (2002) and can be effective in reducing fraud as proposed by some researchers (Mustafa & Ben Youssef, 2010; Shan et al., 2013; Thiravudi, 2010).

The study findings indicate that majority of the respondents were not audited by the big 4 audit firms. This finding is in line with findings by some researchers which found no significant relationship between use of large audit firms as a measure of audit quality and fraud (Chen et

al., 2006; Shan et al., 2013). Some Kenyan NGOs are not able to afford the high audit fees charged by the big 4 firms, while others believe that smaller credible audit firms are equally competent in conducting credible audits. Moreover, there have been instances where large audit firms such as Andersen have been implicated in fraud, thereby eroding credibility of the large audit firms to an extent. Majority of the respondents submit annual audited accounts with the annual returns to the NGO bureau as required by the Kenyan law.

The study further revealed that majority of the respondents had internal audit departments with between 1-5 members, implying small internal audit departments. The study further shows that the internal audit departments were run by department heads with masters' degrees and professional accounting qualifications. Majority of the respondents had a minimum of 6 years' experience. These findings mean that Kenyan NGOs have adopted the use of internal audit and employ qualified personnel to run the internal audit function. This is in line with suggestions by some researchers who view the presence of internal audit as a key fraud deterrent (Coram et al., 2006). Some regulatory bodies such as The Treadway Commission emphasized the importance of ensuring the integrity of financial reporting by establishing internal audit practice.

5.2.3 Relationship between Employee Fraud Frequency and Governance Practices

Five hypothesis based on literature had earlier been made on how the dependent variable employee fraud frequency relates to five dependent variables.

The findings of the study show that NGOs with large boards are at higher odds of experiencing high employee fraud frequency, which is in line with hypothesis 1. This finding concurs with other research results by some researchers (Shan et al., 2013) who found positive but statistically insignificant relationship between board size and likelihood of fraud in Malaysian firms. Similarly Berkman et al 2009, found that the size of the board of directors does not play a significant role in preventing fraudulent behavior by the management. In nonprofit research, Cornforth (2001) did not find board size to be significantly related to board effectiveness. The study findings imply that employee fraud frequency would be lower where the board size is small board. Some researchers have argued that large boards tend to increase the probability of fraud as blotted boards become less effective in monitoring management (Beasley et al., 2000; Shan et al., 2013). Large boards also tend to have communication problems making it difficult to reach decisions (Hyndman & McDonnell, 2009). Thus larger boards would therefore be less capable of giving attention to employee fraud.

The study results show higher odds of experiencing high employee fraud frequency when the number of board meetings increase. These results are in line with the hypothesis 2, as well as findings by other researchers who found a positive relationship between board meetings and fraud (Chen et al., 2006; Shan et al., 2013). Shan et al (2013) argued that the number of board meetings required are likely to be higher during times of fraudulent activities. Similarly, Chen et al (2006) suggests that companies have more board meetings during times of financial distress or when decisions on illegal and questionable activities need to be made.

The research findings show that a change from use of Big 4 audit firms to other firms increases the odds of experiencing high employee fraud frequency, consistent with hypothesis 3. These results contradict findings by some researchers who found positive relationships between use of big 4 audit firms and fraud in companies (Chen et al., 2006; Law, 2011; Lennox, 2010; Shan et al., 2013). The research results are consistent with results from a study by Ramayanti & Irianto (2009) that found a positive relationship between audit quality and presence of fraud in Indonesian firms. In the nonprofit sector, some researchers such as Kitching (2009) found positive relationships between auditor size and increased donor funding. The explanation for the results could be that organizations that use large audit firms also experience fraud just as those which use other audit firms for their annual audits. This could be due to the fact that external audits use sampling and do not examine 100% of the transactions and might miss out on fraudulent transactions.

The study found that change from absence of audit committees to presence of audit committees increases the odds of high employee fraud frequency. This finding contradicts hypothesis 4 and prior literature where presence of independent directors on the audit committees were found to deter fraudulent financial reporting (Thiravudi, 2010) and misappropriation of assets (Chapple et al., 2009; Mustafa & Ben Youssef, 2010). An audit committee with many independent members might not lead to less employee fraud as some independent members may assume that the others are vigilant thereby becoming less diligent in their duties.

The results indicate that a change from presence of an internal audit function to absence of the internal audit function increases the odds of high employee fraud frequency. This implies that employee fraud frequency will be higher where there is no internal audit function. These results are in line with hypothesis 5, but contrary to findings by some researchers who found no significant relation between voluntarily setting up an internal audit function and a decreased

levels of discretionary accruals (Davidson, Goodwin-Stewart & Kent, 2005). The study findings are consistent with those by some researchers who found that organizations with an internal audit function were more likely to detect fraud within their organizations than those without such a function (Coram et al., 2006). The Treadway Commission (1987, 37-39) identified internal audit as a function that is critical to the integrity of financial reporting.

The results show that a change from board independence to no independence increases the odds of high employee fraud frequency. This implies that NGOs without independent boards are at greater odds of high employee fraud frequency than their counterparts with independent boards. These findings are consistent with other research findings which have found a negative relationships between independent directors and fraud in Malaysian companies (Shan et al., 2013), and possibility of earnings restatements and independent directors (Agrawal & Chadha, 2005). The results show that board independence is insignificant in explaining employee fraud frequency, contrary to findings by other researchers who have found board independence to be significant in reducing fraud (Bourke, 2006; Chen et al., 2006; Farber, 2005; Uzun et al., 2004).

The results indicate that a change from presence of donors on the board to absence increases the odds of high employee fraud frequency, though insignificant. This finding is in line with study results by Alonso & Romero (2006), where the presence of donors was found to improve donations to recipients and monitor management. This finding implies that the presence of donors on the board is effective in reducing employee fraud frequency.

The study found that the final model with seven corporate governance explanatory variables does not give a significant improvement over the intercept only model. The findings further show that the seven governance variables only explain part of the outcome variable employee fraud frequency, and were not significant.

5.3 Summary of Findings

In summary, the study results show that employee fraud exists in Kenyan NGOs, and that personal use of assets, inventory theft and expense report fraud are the most frequently encountered frauds. Cheque payee alterations was the least frequent fraud possibly due to increased security features in cheque printing and restrictions on cheque alterations.

Majority of the respondents concurred with the opinion that cash is the most misappropriated asset. The study findings indicate that gender is not a factor when it comes to perpetration of

fraud. Similarly, the findings indicate neutrality on whether accounting staff commit more frauds than non-accounting staff.

Most of the Kenyan NGOs use most of the seven governance variables under study. The NGOs have boards of directors with 6-15 members and mainly meet on quarterly and semiannual basis. The NGO boards are independent due to the presence of 2-5 independent members. Donors are not represented on the boards of most NGOs as this is generally not a requirement by the donors. The NGO boards have no CEO duality and comprise of qualified members with financial expertise.

Majority of the NGOs do not use large audit firms as the large firms are not a deterrent to fraud. This finding implies that many NGOs do not equate audit firm size with reduced fraud incidents as elicited by some researchers. Some large audit firms such as Anderson and company were accused of irregularities which led to the collapse of Enron.

Some of the NGOs have set up audit committees, a practice common in companies especially in the USA where audit committees are mandatory. NGOs in Kenya are not obliged to establish audit committees, yet they have adopted this as part of good practice. The NGOs have internal audit function in place, headed by qualified and experienced personnel. NGOs that have no internal audit function cited lack of resources to set up the function.

The overall regression model was insignificant in explaining the relationship between employee fraud frequency and the governance variables. One variable, board size was significant in explaining the odds of high employee fraud frequency.

5.4 Conclusions

The study concludes that board size significantly affects employee fraud frequency in NGOs. Large boards have been associated with fraud due to poor communication leading to poorer oversight over management. Small boards are important in deterring employee fraud as they tend to be more efficient in monitoring management in Kenya NGOs.

The presence of audit committees increases the odds of high employee fraud frequency. This is contrary to prior research findings which advocate for establishment of audit committees by NGOs.

The study further concludes that some key governance practices proposed by some researchers for good practice in deterring fraud are insignificant in explaining employee fraud frequency.

Board meeting frequency, use of big 4 audit firms, presence of external directors, donor presence and presence of internal audit function show little power in explaining employee fraud frequency.

5.5 Recommendations for Policy and Practice

The study focused on the relationship between corporate governance practices and employee fraud frequency. The findings of the study indicate that NGOs experienced fraud at different times and most likely have borne the burden of the cost of fraud. Fraud subjects many organizations to high losses if left unchecked and can jeopardize the ability of NGOs to raise funds for their projects.

Board size was significant in explaining employee fraud frequency. Small boards consisting of a maximum of 10 members had lower odds of high employee fraud frequency than those with more than 10 members. NGOs should set up boards with a maximum of 10 members, since small boards are more effective in monitoring management, and will be instrumental in reducing employee fraud.

The presence of audit committees was found to increase the odds of high employee fraud frequency. NGOs should not feel coerced to set up audit committees to reduce fraud frequency, as this might not reduce employee fraud frequency. They can consider other practices such as strengthening the board.

Governance has been recommended as useful in deterring fraud as part of good practice. The study showed that NGOs use most of the governance practices under study and still experience employee fraud at varying frequencies. In addition to good governance practices, alternative measures should be used to deter fraud such as tone at the top, whistle blower policies, strong compliance programs and conducting fraud risk assessments.

The NGO sector regulators such as the NGO coordination bureau can help NGOs by stipulating a maximum board size of 10 members. Large boards with more than 10 members have been found to be ineffective in monitoring management and could still lead to frequent employee fraud.

5.6 Limitations of the Study

The study was founded on agency and institutional theories, from which the governance variables were derived. Therefore the governance variables focused on the monitoring role of the board from agency theory, leaving out the incentive based side where agents are given incentives to encourage them to act on behalf of the principal. The variables were focused on board characteristics and audit, and would be different if incentive alignment in agency theory and other theories such as stakeholder and resource dependence would have been used. In the case of stakeholder theory the governance variables would have focused on other stakeholders such as community beneficiaries. The scope of the study was therefore limited by the use of agency and institutional theory.

There was a challenge in obtaining responses from many NGOs on the sample, resulting in a low response rate. This might have had an impact on regression results obtained. Different results might have been obtained if the response rate had been higher.

In addition, some respondents who indicated that no fraud had occurred in their organizations might have provided favorable responses in fear of tainting their integrity and being viewed as fraudulent. Fraud is a sensitive topic and many NGOs shy away from disclosing its existence for fear of losing credibility with the donor community and beneficiary communities they serve. Consequently, some of the favorable responses might not be a true representation of the actual situation of fraud in those NGOs.

Communication with the respondents was difficult since many contact details provided by the NGO coordination bureau as well as the sampled NGOs websites were outdated. This made the data collection process very slow and necessitated substituting some selected NGOs with new ones.

5.7 Suggestions for Further Study

Due to difficulty in obtaining information on fraud, this study focused on employee fraud frequency only while leaving out other types of fraud namely financial statement fraud and corruption. Future studies can consider the extent of these frauds in NGOs in order to come up with recommendations on policy improvement by regulators.

The study also used questionnaires as the primary source of data. Future studies can consider using both questionnaires and other data collection tools such interviews and focus group discussions where available to determine the extent of fraud.

Most of the governance practices proposed by literature in monitoring management were insignificant in explaining employee fraud frequency, except board size. Future studies can broaden the scope and definition of governance to include definition of roles, responsibilities, and balance of power, among executives, directors, and stakeholders.

The ordinal regression model could explain 17.9% of the dependent variable, indicating that 82.1% of the variance in the employee fraud frequency could be explained by other aspects not covered in this study, proper internal controls, roles and responsibilities of boards, tone at the top, establishment and adherence to whistle blower policies. These can form the basis for further studies in this area.

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APPENDICES

APPENDIX I: Research letter



14 March 2017

To whom it may concern

Academic Reference for Otieno Judith Awuor – Student Number 030856

Strathmore University offers the Masters of Commerce (MCom) degree program. In their 2nd year of study, each student is required to work on a Research Thesis Project. The project involves reading literature that relates to the research topic; data collection and analysis and finally preparing a written document of the research findings and recommendations.

Judith is requesting to gather information to be used in her research. She is accountable for all information extracted from you and ensure that it will be used for research purpose only and will be kept confidential.

The research is entitled **“Assessment of the relationship between corporate governance and Employee fraud.”**

We are looking forward for your co-operation and assistance to the above named student.

Yours Faithfully,

Quindos Karanja,
Administrator, School of Management and Commerce
Email qkaranja@strathmore.edu

APPENDIX II: Questionnaire

ASSESSMENT OF RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES AND EMPLOYEE FRAUD IN NONGOVERNMENTAL ORGANISATIONS IN KENYA.

QUESTIONNAIRE

The information provided here will be used solely for academic purposes and will be treated with utmost confidentiality.

Instructions

Please answer the following questions in Section A, B, C and D, by placing a tick (✓) in the space provided or by filling in the necessary details in the spaces provided.

SECTION A: BASIC INFORMATION

1. Age of the organization _____

0 – 5 years [] 6 – 10 years [] 11 – 15 years [] 16 years and above []

2. Position held in the organization

Management [] other (specify) _____

3. Type of organization

Local (Kenyan) NGO []

International NGO []

Other [] (please specify) _____

4. Core business of the organization.

Health []

Democracy & Governance []

Education & Youth []

Agriculture, Business & Environment []

Natural Resource Management []

Other (specify)

[

]

SECTION B: FREQUENCY OF EMPLOYEE FRAUD IN NGOs

This section aims at determining the type of frauds and frequency or number of fraud incidences in NGOs. Please tick the boxes as appropriate.

Type of fraud	Frequency of fraud				
	Monthly	Quarterly	Semi-annually	Annually	None
Theft of cash on hand					
Theft of cash deposits					
Unrecorded sales					
Understated sales					
Forged cheques					
Payment to ghost workers					
Theft of inventory					
Theft of fixed assets					
Overpayment of employees					
Overstated expense reports					
Altered cheque payee					
Falsified wages					
Multiple expense report reimbursements					
Fraudulent invoices					
Personal use of organization assets e.g. vehicles.					

Please indicate the extent to which you agree with the following statements based on a scale of 1 to 5.

Key: 1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Agree

		1	2	3	4	5
4.	Cash is the most commonly misappropriated asset					
5.	Male employees commit more frauds than their female counterparts					
6.	Senior level employees commit more frauds than junior staff					
7.	Most frauds are committed by accounting staff than non-accounting staff					

SECTION C: CORPORATE GOVERNANCE PRACTICES IN NGOS.

This section aims at determining corporate governance practices in NGOs in Kenya.

Board Size and Composition

- 1. How many members currently serve on your organizations 'Board of Directors?**

2 – 5 [] 6 – 10 [] 11 – 15 [] 16 and above []

- 2. How many independent board members are currently present on your BOD?**
(An independent director is one who does not take part in the day to day running of the NGO).

2 – 5 [] 6 – 10 [] 11 – 15 [] 16 and above []

- 3. How frequently does the board meet in a year?**

Once a year [] Semiannually [] Quarterly [] Monthly []

Other [] Specify_____

Please indicate the extent to which you agree with the following statements based on a scale of 1 to 5.

Key: 1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Agree

		1	2	3	4	5
11.	The role of the Chairperson of the Board and Executive Director or Chief Executive Officer are separated and held by different persons					
12.	When selecting board members their level of professional qualifications and expertise in financial aspects is important and deficiencies in the skills of current board members are considered					
13.	There are more male board members than female board members					
14.	At least one board member appointed by major donors sits on the board					

Audit committee

15. Do you have an audit committee? (Tick as appropriate)

Yes [] No [] Why not? _____

16. How many members sit on the audit committee? _____

1 - 5 members [] 6 – 10 members [] More than 10 members []

17. How many audit committee members possess financial expertise and professional accounting qualifications?

1 - 5 members [] 6 – 10 members [] More than 10 members []

18. How many independent members sit on the audit committee?

1 - 5 members [] 6 – 10 members [] More than 10 members []

Please indicate the extent to which you agree with the following statements based on a scale of 1 to 5.

Key: 1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Agree

		1	2	3	4	5
20.	The audit committee is appointed by the board					

21.	The audit committee members are independent non-executive directors					
22.	At least one member of the audit committee has the relevant financial qualifications/experience					
23.	The audit committee monitors the integrity of the financial statements, reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process					
24.	Audit committee meets the external and/or internal auditors without management to discuss matters relating to its submission and any issues arising from the audit					

Audit quality

25. Is your organization audited on an annual basis? (Tick as appropriate)

Yes [] No [] Why not? _____

26. Which accounting firm conducts the annual audit? (Tick as appropriate)

KPMG [] PriceWaterhouseCoopers [] Deloitte [] Ernst & Young []
other [] Please specify.

27. The audit report and accounts are submitted to the NGO Bureau with annual returns.

Yes [] No [] Why not? _____

Please indicate the extent to which you agree with the following statements based on a scale of 1 to 5.

Key: 1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Agree

		1	2	3	4	5
28.	Organizations audited by one of the big 4 audit firms are less susceptible to fraud.					

Internal audit

29. Does your organization have an internal audit departments?

Yes [] No [] why not _____

30. Does your organization have an internal auditor?

Yes [] No [] why not _____

31. How many staff work in the internal audit department?

1 - 5 members [] 6 – 10 members [] More than 10 members []

32. How many years of audit experience does the internal auditor have?

1 - 5 years [] 6 – 10 years [] 11 – 15 years [] More than 15 years []

33. What qualifications does the head of internal audit have?

Undergraduate []

Undergraduate & professional qualification []

Master's degree []

Master's degree & professional qualification []

Other [] (specify)

APPENDIX III: List of NGOS

1. Act Change Transform
2. Action Aid International Kenya
3. ActionAid International-Africa Regional Office
4. Adventist Development And Relief Agency - Kenya
5. Africa Centre For Leadership And Missions
6. Africa Health Information Channel (Ahic)
7. Africa Muslims Agency - Kenya
8. African Family Health
9. African Institute Of Deaf Studies And Research
10. African Leadership And Reconciliation Ministries
11. African Youth Rejuvenation Network
12. Afrilink Entrepreneurs International - Kenya
13. Afya Research Africa
14. Agency For Development And Aid
15. Agrisystems Foundation
16. Ahadi - Kenya
17. All Kenya Women Federation
18. Amici Del Mondo World Friends - Onlus
19. Amka-Space For Women's Creativity
20. Amoud Foundation
21. Angels Of Hope Organization
22. Anti-Drug International Organization
23. Arid life Development Agency
24. Asego Green Forestry Organization
25. Asilia Africa
26. Barwaqa Relief Organization
27. Bridges Development Agency
28. British Institute In Eastern Africa
29. Building Africa
30. Call Africa
31. Camp Counsellors Africa
32. Care International
33. Caring Neighbors
34. Caritas Switzerland
35. Catholic Relief Services
36. Centre For Education And Professional Exchange
37. Centre For Media And Information Literacy In Kenya
38. Centre For Women And Children International
39. Centre Of Excellence In Development
40. Child Connect Africa
41. Childfund Kenya

42. Children International Kenya
43. Citizens Awareness Network
44. Civic Enlightenment Network
45. Community Effort For Development
46. Community Health Access Program
47. Community Multi Development
48. Community Nurturing International
49. Community Oriented Project Support (Copso)
50. Community Road Empowerment
51. Community Smile International
52. Companionship Of Works Association
53. Concern Worldwide
54. Crescent Medical Aid Kenya
55. Deborah Amoi Foundation
56. Deco International (Kenya Chapter)
57. Diakonie Emergency Aid
58. Diaspora Renaissance Initiative
59. Disability Caucus For Empowerment And Development
60. Donatamarie Learning Centre
61. Dry Lands Management Programme
62. East Africa Centre For Research And Advocacy On Developmental Disability
63. Eastern Community Development Programme
64. Eco-Growth Development Organization
65. Economic And Social Rights Centre - Hakijamii
66. Ecumenical Pharmaceutical Network
67. Education And Reconstruction Development Organization
68. Education Beyond Borders Kenya
69. Empower Africa
70. Energy, Environment And Development Network For Africa
71. Engender Health
72. Enkishui Water And Sanitation Initiative
73. European Committee For Agricultural Training
74. Families Support Foundation Kenya
75. Family Health Options Kenya
76. Filmaid - Kenya
77. Finn Church Aid Kenya
78. Flying Kites Kinangop Children's Centre
79. Foundation For Human Rights And Resources Monitoring
80. Furaha Organization For Care Upkeep, Shelter For Children
81. German Agro Action
82. Global Alliance For Africa
83. Global Children International

84. Glory Wonder Organization
85. Goal Ireland
86. Goldenlife International Foundation
87. Grace Development Foundation
88. Green Solutions Organization
89. Growth Partners Africa
90. Handicap International
91. Harun Otwoma Foundation
92. Heifer Project International
93. Help Reach Africa
94. Helpage International
95. Human Development International Organization
96. Humanity For Orphans ,Youth And Widows Initiatives Kenya
97. Ignitors Centre For Peace And Development
98. Imani Rehabilitation Agency
99. Integrated Rural Growth Initiatives
100. International Youth Fellowship - Kenya
101. Intersos Kenya
102. Into Abbas Arms
103. Ipas Africa Alliance
104. Irene Limika Foundation
105. Jacaranda Development Initiative
106. Jacaranda Women Empowerment Project
107. Jani Jipya Initiative
108. Jisaidie Development Network
109. Kaimba Youth Initiative
110. Kenya Association Of Professional Counsellors (Kapc)
111. Kenya Consortium To Fight Aids, Tuberculosis And Malaria
112. Kenya Consumers' Organization
113. Kenya Friends For The Needy
114. Kenya Medical Women's Association
115. Kenya Network Of Women With Aids (Kenwa)
116. Kenya Orphans Support Organization
117. Kenya Restoration International
118. Kickstart International Inc. Kenya
119. Korea International Volunteer Organization
120. Korea Project On International Agriculture
121. Kujenga Maisha East Africa
122. Latter Day Saint Charities
123. Life And Peace Institute
124. Life Bridge Network
125. Lutheran World Federation Department For World Services

126. Lutheran World Relief East And Southern Africa Regional Office
127. Mabawa Empowerment Organization Kenya
128. Maisha Mapya Initiative
129. Maisha Yetu
130. Malteser-Germany
131. Marie Stopes Kenya
132. Mbithi Memorial Education Centre
133. Medecins Du Monde (France)
134. Medecins Sans Frontieres - Switzerland
135. Medecins Sans Frontieres Belgium
136. Medecins Sans Frontiers - France
137. Medicenes Sans Frontieres - Spain
138. Medicins Sans Frontireres - Belgium
139. Megabridge Foundation
140. Michael Chege Njoroge Foundation
141. Micronutrient Initiative Kenya
142. Moses Otunga Foundation
143. Mothers 2 Mothers Kenya
144. Mountain View Conservation Programme
145. Mubarak For Relief And Development Organization
146. Multy Touch International
147. Network Of African Science Academies
148. Northern Education And Environmental Development Organization
149. Oasis Rehabilitation Centre (International)
150. Ongoza Initiative Kenya
151. Opening Village Doors Foundation
152. Organization For Assisting Hearing Impaired Persons
153. Overseas Social Services International
154. Pamoja Road Safety Initiative
155. Pan African Climate Justice Alliance
156. Passion To Illuminate Pathways
157. Peace Promoters Forum
158. People For Peace Kenya
159. Plan International
160. Planned Parenthood Federation Of America-International Africa Regional Office
(Ppfa-I/Aro)
161. Platform For Land Use Sustainability - Kenya
162. Popote Tupo Organization
163. Positive Exposure -Kenya
164. Positive Transformation Initiative
165. Potential Enhancement Awareness Programme
166. Prisoners Care Programme

167. Programme Against Malnutrition
168. Programmes For Education And Scholarships
169. Prosperity Micro Credit Development Initiative
170. Pure Love Expressed Health Care International
171. Rachuonyo Integrated Outreach Programme
172. Rafiki Multipliers Of Information Initiative
173. Reach The Destitute For Better Destiny
174. Red R U K
175. Refuge Point International
176. Regional Organization On Resource Based Conflicts
177. Rekebisho
178. Resource Institute For Community And Human Development Agency
179. Reverse Momentum Foundation Inc
180. Richard Turfosa Orero Foundation
181. Rightspan For Social Economic Equality
182. Rise Above Tribe
183. Rivers Of Mercy Programme
184. Rural Health Needs Kenya
185. Sage Organization
186. Salitogenesis Services Programme
187. Samaritan Organization For Advocacy And Empowerment
188. Samaritans Purse International Relief
189. Saru Youth And Children Network
190. Save The Children Fund (Uk)
191. Save The Children International (Kenya)
192. Servizio Volontario International - Kenya (The International Voluntary Service - Kenya)
193. Shalom Centre For Counselling And Development
194. Sight Savers International
195. Smile Of Africa
196. Social Ministry Research Network Centre
197. Socio-Economic Rights & Advocacy Centre
198. Sokoni Women's Development Initiative
199. SOS Children's Village Kenya
200. SOS Kinderdorf International
201. Sports For Life Programme
202. Success Educational Programme
203. Sustainable Development For All - Kenya
204. Sustainable Development Solution
205. Sustainable Health Care Foundation
206. Swahili Heritage
207. Tabasamu Afya Organization

208. Take Heart Association Project
209. Tatua Kenya Project
210. Teach A Child Africa-Kenya Chapter
211. Terre Des Hommes Netherlands
212. Terry Child Support And Youth Resource Centre
213. The Healthcare Improvement Initiative
214. The Junior Shelters
215. The Kalonzo Musyoka Foundation
216. The Kenya National Committee For The Prevention Of Alcoholism And Drug Dependency
217. The Woman's Hope Organization
218. Therapeutic Rescue International
219. Transformation Community Initiatives
220. Trocaire
221. Tula Education Foundation
222. Tunegeni Youth Support International
223. Tushinde Children's Trust
224. Universal Generation For The Advancement Of Gender And Development
225. University Of Washington Global Assistance Program Kenya
226. Usalama Children's Centre
227. Users And Survivors Of Psychiatry In Kenya
228. Ushindi Development Foundation
229. Uzima Foundation Africa
230. Veterinaires Sans Frontieres (Vsf-Germany)
231. Veterinaires Sans Frontieres(Switzerland)
232. Veterinaries Sans Frontiers (Vsf) Switzerland
233. Vetworks Eastern Africa
234. Vijana Against Aids And Drug Abuse

Source: NGO Coordination Bureau, 2016