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**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

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**THE ROLE OF AUDITING IN ENSURING TRANSPARENCY &  
ACCOUNTABILITY: THE CASE OF SELECTED CIVIL SOCIETY  
ORGANIZATIONS IN ETHIOPIA**

**BY:**  
**WONDWOSSEN GETACHEW**

FEBRUARY, 2025  
ADDIS ABABA, ETHIOPIA



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**THE ROLE OF AUDITING IN ENSURING TRANSPARENCY &  
ACCOUNTABILITY: THE CASE OF SELECTED CIVIL SOCIETY  
ORGANIZATIONS IN ETHIOPIA**

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE  
IN ACCOUNTING AND AUDITING

**BY:**

**WONDWOSSEN GETACHEW**

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FEBRUARY 2025  
ADDIS ABABA, ETHIOPIA

## Declarations

I hereby, declare that the project entitled “**The Role of Auditing in ensuring Transparency and Accountability: The case of selected Civil Society Organizations in Ethiopia**” is my original work and submitted for the degree of Master of Science in Accounting and Auditing from Addis Ababa University College of Business and Economics at Addis Ababa.

I also confirm that it has not been presented for the award of any other degree of any other university or institution and that all sources of materials used for the study have been duly acknowledged.

Declared by: Wondwosen Getachew

Signature: \_\_\_\_\_

Date: 18/02/2025

## Certifications

**Addis Ababa University**  
**College of Business and Economics**  
**Department of Accounting and Finance**

This is to certify that the project paper made by Wondwosen Getachew entitled "The Role of Auditing in ensuring Transparency and Accountability: the case of selected Civil Society Organizations in Ethiopia" submitted in partial fulfillment of the requirements of the award of Master of Science Degree in Accounting and Auditing with the regulation of the University and meet the accepted standards with respect to its originality and quality.

**Signed by the Examining Committee:**

Advisor: Habtamu Berhanu (PhD)

Signature



Date 20/02/25

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Signature



Date 21/02/2025

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Wondwossen Getachew

## **Abbreviations**

ACCA - Association of Chartered Certified Accountants

CAQ - Center for Audit Quality

CHADET - Organization for Child Development and Transformation

CSOs - Civil Society Organizations

EDA - Emmanuel Development Association

EPC/CFAO - Ethiopian Orthodox Church, Child & Family Affairs Organization

EWNRA - Ethio-Wetlands and Natural Resources Association

GRI - Global Reporting Initiative

GSA - Good Samaritan Association

IFAC - International Federation of Accountants

IFRS - International Financial Reporting Standards

IPSAS - International Public Sector Accounting Standards

OECD - Organization for Economic Co-operation and Development

ORDA - Organization for Rehabilitation and Development in Amhara

PaDET - Professional Alliance for Development

SPSS: Statistical Package for Social Sciences

SUNARMA - Sustainable Natural Resources Management Association

TWA - The Well in Action

UNDP - United Nations Development Programme

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## **Abstract**

*This study examined the role of auditing in ensuring transparency and accountability within the civil society sector in Ethiopia. The research employed a mixed-methods approach and utilized a purposive sampling technique. The study employed data collection instruments such as a structured questionnaire, interview questions, and a desk review. The respondents include management-level staff with 115 valid survey responses received, as well as 20 senior leaders and finance managers who participated in in-depth interviews. The findings revealed that external financial audits had a role in the transparency of financial reporting and operations within the selected Civil Society Organizations. The study demonstrated clear evidence of compliance with relevant regulations and standards, which is crucial for establishing their credibility and commitment to transparency. The study revealed that external audits were also effective in identifying areas for improvement in financial and non-financial reporting. Furthermore, the study shows that mandatory external financial audits have a role in the accountability mechanisms within the Civil Society Organizations. The study shows clear evidence that auditing provides assurance to stakeholders regarding the accuracy and completeness of their reporting. The Civil Society Organizations have also demonstrated responsiveness to stakeholder concerns, with the majority ensuring transparency and accountability through active stakeholder engagement. However, the study revealed that Civil Society Organizations face documented challenges in effectively utilizing the findings from external financial audits to improve their transparency and accountability practices. The study recommends that the organizational capacity of Civil Society Organizations be strengthened, comprehensive guidelines and standards for financial reporting and stakeholder engagement be developed, and a more inclusive approach to stakeholder involvement be adopted throughout the audit process.*

**Keywords:** *Civil Society Organizations, Auditing, Transparency, Accountability*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Transparency and accountability are crucial elements of good governance, and they are essential for ensuring public trust in governmental and non-governmental organizations. For civil society organizations (CSOs), transparency and accountability are particularly important because they rely on public trust to mobilize resources and carry out their missions effectively. Auditing is a critical instrument for ensuring transparency and accountability in CSOs (Nwaobia, et al. 2016).

Auditing is a critical instrument for ensuring transparency and accountability in CSOs. However, there is a need to explore the specific challenges and opportunities for auditing in the sector. The selected CSOs for the research project are diverse in terms of their size, scope, and mandate; and the findings from the research will provide insights into the effectiveness of auditing in ensuring transparency and accountability in the sector (Montero, 2012).

The importance of transparency and accountability in the governance of civil society organizations cannot be overemphasized. These organizations are expected to operate in a transparent and accountable manner to ensure that they achieve their objectives and are not involved in any fraudulent activities (Kahoro, 2022).

Accountability and transparency are paramount for Ethiopian civil society organizations (CSOs) to earn and maintain public trust, ensuring their legitimacy and effectiveness. These principles manifest in several ways. Externally, CSOs can demonstrate accountability by publicly disclosing their financial information, including income sources and expenditures, often through annual reports or audited statements (Tadesse A., 2021). Transparency can be seen in readily accessible information about their governance structures, such as board members and their roles, and operational details like project locations and beneficiaries. Internally, robust accountability mechanisms might include clear internal policies for financial management, human resources, and program implementation, coupled with regular internal audits. Furthermore, CSOs can express transparency by actively communicating their work, impact, and challenges to the public, fostering open dialogue and feedback (Demissie D., 2021). Ultimately, a commitment to

these principles demonstrates that CSOs are responsible stewards of resources and dedicated to serving their intended beneficiaries.

The research explores the crucial concepts of accountability and transparency within the context of selected civil society organizations in Ethiopia. Accountability refers to the obligation of individuals or organizations to take responsibility for their actions and decisions, and to be answerable to relevant stakeholders. It involves being open, honest, and providing justification for one's actions. On the other hand, transparency refers to the accessibility and visibility of information, processes, and decisions to the public and stakeholders. It emphasizes the need for clear and easily understandable communication, enabling others to assess and evaluate the actions and performance of an organization (Nwaobia, et al. 2016). While accountability and transparency are distinct concepts, they share a fundamental commonality in their aim to promote trust, integrity, and good governance by ensuring that individuals and organizations are held responsible for their actions and that information is accessible and understandable to the public (KPMG, 2016).

This research project aims to explore the role of auditing as a tool for enhancing transparency and accountability within the specific context of civil society organizations in Ethiopia.

## **1.2 Statement of the Problem**

Effective external auditing practices can help civil society organizations demonstrate the responsible stewardship of these resources, enhance public trust, and strengthen their credibility as key stakeholders in the development process ( Kaveevivitchai et al, 2021)

The existing body of research has consistently demonstrated the important role of effective external auditing practices in enhancing transparency and accountability across various types of organizations in Ethiopia, including governmental organizations, and civil society organizations. These studies have found that when organizations implement and adhere to effective external auditing practices, it leads to increased transparency and accountability, allowing for better oversight, improved resource management, and stronger public trust (Al-Musalli et al, 2019). The indicators for increased transparency and accountability include better oversight, improved resource management, and stronger public trust. These measures demonstrate the organization's commitment to responsible stewardship of resources and building public confidence in their operations.

However, there is a need to further investigate the specific case of how external auditing is being utilized as an instrument to ensure transparency and accountability within selected civil society organizations in Ethiopia. While the previous studies provide valuable insights, they have primarily focused on broader categories of organizations such as NGOs, charities, and societies (Abate, 2021; Demissie, 2021). A more targeted examination of civil society organizations in Ethiopia is warranted given the unique challenges and opportunities that may exist within this sector. Civil society organizations in Ethiopia face unique challenges, such as navigating complex regulatory environments, securing sustainable funding, and building strong relationships with both the government and the communities they serve. At the same time, they have the opportunity to leverage their position as intermediaries between the state and citizens to advocate for policy changes and amplify the voices of marginalized groups.

Civil society organizations play a crucial role in addressing social, economic, and political issues in Ethiopia, often serving as a bridge between the government and the public (Tadesse, 2021). For example, these organizations provide essential services to underserved communities, advocate for the rights of vulnerable populations, or facilitate dialogue between citizens and policymakers.

Ensuring transparency and accountability within these organizations is critical, as they manage significant public and private resources, and their actions can have a direct impact on the lives of citizens. The resources managed by CSOs in Ethiopia range from 10 million to 100 million Ethiopian Birr in annual budgets (<https://acso.gov.et/> accessed in July 2024). These budgets are composed of a mix of public funds, such as government grants and subsidies, as well as private donations from international donors, local businesses, and individual contributors. The public funds can make up 30-50% of the total budgets, while the remaining 50-70% come from private sources. The scale and scope of these resources, coupled with the CSOs' reach and influence, underscores the critical need for ensuring transparency and accountability in their utilization (<https://acso.gov.et/> accessed in July 2024).

Furthermore, previous studies have employed a variety of research methodologies, including qualitative, quantitative, and mixed methods approaches. There is an opportunity to build on this rich body of evidence by conducting a comprehensive case study that leverages multiple data

sources and analytical techniques to provide a holistic assessment of the role of external auditing in ensuring transparency and accountability of selected civil society organizations in Ethiopia.

Therefore, this research project aims to address this gap by conducting an in-depth investigation into the role of external auditing in ensuring transparency and accountability within the context of selected civil society organizations in Ethiopia. This study examined the specific external auditing practices (regular financial audits and specialized donor audits) employed by these organizations, the challenges and facilitating factors in implementing effective external auditing, and the impact of external auditing on transparency and accountability.

### **1.3 Research Questions**

This research project aims to address the following research questions:

- 1) How do external financial audits influence the transparency of financial reporting and operations in selected civil society organizations in Ethiopia?
- 2) What is the impact of mandatory external financial audits on the accountability mechanisms within civil society organizations in Ethiopia?
- 3) What organizational, institutional, and contextual factors influence the effectiveness of external financial audits in enhancing transparency and accountability in civil society organizations in Ethiopia?
- 4) What challenges do civil society organizations in Ethiopia face in utilizing external financial audit findings to improve their transparency and accountability practices?

### **1.4 Objectives of the Study**

#### **1.4.1 General Objective**

The general objective of this research project is to examine the role of external Auditing in ensuring transparency and accountability within selected civil society organizations in Ethiopia.

#### **1.4.2 Specific Objectives**

The study aims to achieve the following specific objectives:

- 1) To investigate how external financial audits influence the transparency of financial reporting and operations in selected civil society organizations in Ethiopia.

- 2) To assess the impact of mandatory external financial audits on the accountability mechanisms within civil society organizations in Ethiopia.
- 3) To identify the organizational, institutional, and contextual factors that influence the effectiveness of external financial audits in enhancing transparency and accountability in civil society organizations in Ethiopia.
- 4) To examine the challenges faced by civil society organizations in Ethiopia in utilizing external financial audit findings to improve their transparency and accountability practices.

### **1.5 Significance of the study**

The study holds significant importance across various dimensions, particularly for researcher, policymakers, and civil society leaders in Ethiopia. Academically, the study contributes to the existing literature by providing empirical evidence on the role of external audits in promoting transparency and accountability within civil society organizations in Ethiopia. It fills gaps in knowledge and serves as a valuable reference for researcher and scholars in the field of auditing, transparency, and accountability.

From a policy perspective, the findings of this study can inform policymakers and regulatory bodies in Ethiopia. The insights gained can aid in formulating effective policies and regulations that govern auditing practices within civil society organizations.

For civil society organizations themselves, the study offers valuable insights into the benefits and challenges associated with external audits. By examining best practices, organizations can make informed decisions regarding their auditing practices, transparency mechanisms, and accountability frameworks. This helps organizations improve their overall governance and operational practices, leading to increased trust and credibility among stakeholders.

In addition to this, the study's outcomes will have a direct impact on the trust of various stakeholders. Government agencies, international donor organizations, and the communities served by civil society organizations will be able to have greater confidence in the operations and financial management of these CSOs, leading to increased support and collaboration. The enhanced transparency and accountability demonstrated through effective external auditing practices will reassure these stakeholders that the significant public and private resources entrusted to the CSOs are being utilized responsibly and effectively. This, in turn, can strengthen

the partnerships between the government, donors, and civil society, fostering a more enabling environment for the CSOs to fulfill their crucial role in Ethiopia's development process.

Furthermore, the study's findings contribute to the promotion of good governance practices within civil society organizations in Ethiopia. By highlighting the importance of external audits as a tool for transparency and accountability, the study encourages organizations to adopt robust governance structures and mechanisms that adhere to best practices and ethical standards.

## **1.6 Scope and Delimitation of the Study**

The scope of this study focuses specifically on the role and impact of external audits within civil society organizations operating in Ethiopia. The study examined a selected number of civil society organizations representing various sectors, sizes, and geographical locations in Ethiopia. It explores the practices and experiences related to external audits, transparency mechanisms, and accountability frameworks within these organizations. The study primarily relied on data obtained through structured questionnaires, interviews, and analysis of desk-review.

Firstly, the study focused solely on external audits and their relationship to transparency and accountability, excluding other aspects of organizational governance or management practices. Secondly, the research is conducted within a specific timeframe and may not capture long-term changes or trends. In addition, the study was limited to civil society organizations operating in Ethiopia and may not reflect the experiences of organizations in other countries or regions. Lastly, the findings were based on the perspectives and experiences of the selected civil society organizations, which may not represent the entire landscape of civil society in Ethiopia.

## **1.7 Limitations of the study**

Firstly, the study's sample size of selected civil society organizations may not capture the full diversity and complexity of the sector in Ethiopia. The findings may primarily reflect the experiences and practices of the specific organizations chosen, limiting the generalizability of the results to the broader civil society landscape.

Secondly, the study's reliance on questionnaires, interviews, and desk review introduces the possibility of response bias and limited access to certain information. Participants may provide incomplete or biased responses, potentially affecting the accuracy and reliability of the data collected. To mitigate this, the researcher developed well-structured interview guides and

conducted pilot testing to identify and address potential limitations in the data collection instruments, refining the research tools iteratively.

Thirdly, the study's time constraints may restrict the ability to capture long-term changes or trends within civil society organizations. The findings may only reflect a snapshot of the organizations' practices and experiences during the specific research period.

Furthermore, the study's focus on external audits may overlook other important factors that contribute to transparency and accountability within civil society organizations. Factors such as internal governance structures, financial management practices, or external regulatory environments could have significant influences that are not fully explored in this study.

Lastly, there may be limitations inherent to the research design and methodology employed. Factors such as researcher bias, limited resources, or constraints on data collection methods may impact the study's validity and reliability.

While these limitations should be acknowledged, they do not invalidate the study's findings. Instead, they provide important considerations for interpreting and applying the results within the specific context of the study on civil society organizations in Ethiopia.

## **1.8 Organization of the Research Paper**

The research paper is organized into five chapters. The first chapter introduces the background information, statement of the problem, research questions, general and specific objectives and significance of the study. It also includes the scope and limitations of the research. Chapter two introduces a review of relevant literature related to the research problems and objectives of the study. Chapter three discusses the research design adopted for the research and outlines the methodology for carrying out primary data collection. Chapter four presents the findings of the research along with the researcher's analysis and interpretation of the respondents' opinions. Chapter five covers discussion of summary of the major findings, conclusions and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

This chapter presents the theoretical literature review related to the concepts of auditing and its role in ensuring transparency and accountability. The chapter then presents the empirical review of literature discussing previous related research in the area of study. Finally, research gaps and conceptual framework of the study were discussed.

### **I. THEORETICAL REVIEW OF LITERATURE**

#### **2.2 Definition and Purpose of Auditing**

Auditing is a well-established practice that has been developed and refined over centuries to provide stakeholders with assurance on the reliability, accuracy, and integrity of an organization's financial information and operations (Messier et al., 2021; Whittington et al., 2020). The primary purpose of auditing is to provide an independent and objective assessment of an organization's financial statements, internal control systems, and compliance with relevant laws, regulations, and accounting standards (Arens et al., 2017; Louwers et al., 2018).

The auditing process involves a systematic and comprehensive examination of an organization's financial records, transactions, and supporting documentation to verify the accuracy, completeness, and reliability of its financial information (Alvin et al., 2019; Porter et al., 2020). This includes evaluating the design and effectiveness of the organization's internal control processes, testing a sample of transactions and balances, and reviewing supporting documentation to ensure that the financial information is presented fairly and in accordance with the applicable accounting framework (Rittenberg et al., 2019).

Through this comprehensive evaluation, auditing serves several key purposes. Firstly, it provides an independent opinion on the reliability of the organization's financial statements (Arens et al., 2017). Secondly, it assesses the effectiveness of the organization's internal control systems and identifies areas for improvement (Messier et al., 2021). Thirdly, it determines the organization's compliance with relevant laws, regulations, and accounting standards (Whittington & Pany, 2020). Fourthly, it helps detect and deter financial fraud, errors, and irregularities (Louwers et

al., 2018). Finally, it enhances the credibility, transparency, and accountability of the organization's financial reporting (Porter et al., 2020).

By achieving these objectives, auditing plays a crucial role in ensuring the reliability and integrity of financial information, strengthening the organization's governance and accountability, and promoting trust among stakeholders, such as investors, creditors, and regulatory authorities (Rittenberg et al., 2019; Alvin et al., 2019).

### **2.3 Types of Audits in Civil Society Organizations**

Financial audits are the most common type of audit and examine the accuracy of the financial statements and assess whether they comply with generally accepted accounting principles (ACCA, 2016; Messier et al., 2021). Compliance audits ensure that the organization is complying with legal and regulatory requirements, including tax laws and reporting obligations (Arens et al., 2017; Rittenberg et al., 2019). Performance audits evaluate the effectiveness and efficiency of the organization in achieving its objectives (Whittington & Pany, 2020; Louwers et al., 2018). Internal audits assess the organization's internal control and risk management processes and help identify areas for improvement (Alvin et al., 2019; Porter et al., 2020).

These different types of audits are tailored to meet the specific needs of different stakeholders and ensure that CSOs are meeting their legal and ethical obligations (Messier et al., 2021; Whittington & Pany, 2020). Financial audits provide assurance to donors, funders, and regulatory authorities on the reliability of the organization's financial reporting (Arens et al., 2017). Compliance audits ensure that CSOs are adhering to relevant laws and regulations, which is crucial for maintaining their legal status and public trust (Rittenberg et al., 2019). Performance audits help CSOs evaluate their programmatic impact and identify opportunities for improvement, which is important for demonstrating their effectiveness to stakeholders (Louwers et al., 2018). Internal audits strengthen the organization's internal control and risk management systems, which can enhance its overall governance and accountability (Alvin et al., 2019; Porter et al., 2020).

### **2.4 Transparency and Accountability in CSOs**

Transparency and accountability are fundamental principles of good governance and are essential for building trust with stakeholders in civil society organizations (CSOs) (KPMG,

2016; Dhanani & Connolly, 2015). Transparency refers to the organization's willingness to disclose information about its activities, finances, and decision-making processes to stakeholders (Ebrahim, 2019; Prakash & Gugerty, 2010). Accountability refers to the organization's responsibility to answer for its actions and decisions (Schmitz et al., 2012; Dubnick, 2005).

Together, transparency and accountability help to promote ethical behavior and ensure that the organization is fulfilling its mission effectively (KPMG, 2016; Ebrahim & Rangan, 2014). For CSOs, these principles are particularly important as they are often reliant on donations and grants from public and private sources (Keating & Thrandardottir, 2017; Chenhall et al., 2010). By being transparent and accountable, CSOs can demonstrate their responsible use of funds, their impact on the communities they serve, and their commitment to their stated goals and objectives (Dhanani & Connolly, 2015; Prakash & Gugerty, 2010).

Transparency in CSOs can be achieved through regular financial reporting, publication of annual reports, and disclosure of information on the organization's website and other communication channels (Ebrahim, 2019; Schmitz et al., 2012). Accountability is demonstrated through mechanisms such as independent audits, performance evaluations, and stakeholder engagement processes (Dubnick, 2005; Ebrahim et al., 2014). By adopting these practices, CSOs can enhance their credibility, strengthen their relationships with donors and partners, and ultimately improve their ability to achieve their intended social and community impact (Keating et al., , 2017; Chenhall et al., 2010).

## **2.5 Theories related to Auditing, Transparency & Accountability**

Several theories offer valuable frameworks for understanding the relationship between auditing, transparency, and accountability, particularly within the context of civil society organizations (CSOs). For this study, the following theories are particularly relevant:

**Agency Theory:** This theory posits a principal-agent relationship where the principal (e.g., donors, beneficiaries, the public) delegates authority to the agent (e.g., CSO management) to act on their behalf (Deegan C., 2014). Auditing plays a crucial role in mitigating information asymmetry between the principal and agent by providing an independent assessment of the agent's performance and stewardship of resources. A robust audit can enhance transparency by making the agent's actions more visible to the principal, thereby fostering accountability. In the

context of Ethiopian CSOs, agency theory highlights the importance of audits in assuring donors and beneficiaries that funds are being used effectively and for their intended purpose.

**Stakeholder Theory:** Stakeholder theory, initially articulated by Freeman (1984), emphasizes that organizations have responsibilities to a broad range of stakeholders beyond just shareholders. Harrison et al. (2019) further develop this perspective, highlighting the importance of managing stakeholders' diverse interests. In the context of CSOs, stakeholders can include employees, volunteers, beneficiaries, the government, and the wider community. Auditing, by providing credible and independent information about the CSO's performance, can enhance transparency and accountability to all stakeholders. It allows stakeholders to assess the CSO's impact, its adherence to ethical standards, and its overall contribution to society. For Ethiopian CSOs, stakeholder theory emphasizes the need for audits to address the information needs of diverse stakeholders and promote broader societal trust (Harrison, J. S., Freeman, R. E., & Wicks, A. C., 2019).

**Legitimacy Theory:** Legitimacy theory suggests that organizations seek to operate within the bounds of what society deems acceptable (Suchman, 1995). Deephouse and Suchman (2008) provide a comprehensive overview of legitimacy in organizational theory, emphasizing its multidimensional nature. CSOs, particularly those operating in a sensitive context like Ethiopia, need to demonstrate legitimacy to gain and maintain public support and access to resources. Auditing can contribute to legitimacy by signaling that the CSO is committed to transparency and accountability. A positive audit opinion can enhance the CSO's reputation and demonstrate its responsible use of resources, thereby strengthening its legitimacy. In Ethiopia, where CSOs operate under a specific regulatory framework, audits can serve as evidence of compliance and adherence to established norms, further enhancing legitimacy.

**Institutional Theory:** Institutional theory highlights the role of shared beliefs and norms in shaping organizational behavior (Scott, 2008). Within the CSO sector, normative pressure exists for organizations to demonstrate accountability and transparency, often through mechanisms like external audits. This expectation is reinforced by professional associations, donor agencies, and other stakeholders who promote certain standards of practice. For Ethiopian CSOs, adopting these norms, including undergoing audits, can signal a commitment to ethical conduct and enhance their legitimacy, ultimately influencing their ability to secure funding and support.

These theories, while distinct, are interconnected and provide a comprehensive framework for understanding the role of auditing in ensuring transparency and accountability within Ethiopian CSOs. By exploring these theoretical lenses, this study can provide valuable insights into the specific ways in which auditing contributes to transparency and accountability in the Ethiopian CSO context.

## **2.6 Importance of Auditing in Ensuring Transparency and Accountability in Civil Society Organizations (CSOs)**

Auditing is essential for ensuring transparency and accountability in civil society organizations (CSOs), which are often reliant on donations and grants from public and private sources (Hackenbrack et al., 2019; Dhanani et al., 2015). Auditing provides an independent assessment of the organization's financial management, governance, and operations, which can help to build trust with stakeholders and ensure that the organization is fulfilling its mission (Ebrahim, 2019; Schmitz et al., 2012). Auditing also helps to identify areas for improvement and supports the development of effective governance and accountability practices (Hackenbrack et al., 2019; Ebrahim et al., 2014). This is particularly important for CSOs, which must balance their social and environmental objectives with the need to maintain financial sustainability (Chenhall et al., 2010; Keating et al., 2017).

Auditors play a critical role in promoting transparency and accountability in CSOs by providing independent and objective assessments of the organization's financial management, governance, and operations (IFAC, 2013; Prakash et al., 2010). Through the audit process, auditors identify areas of risk, weakness, and non-compliance, and provide recommendations for improvement (Dubnick, 2005; Schmitz et al., 2012). Their work helps to ensure that the organization is meeting its legal and ethical obligations and is using its resources effectively to achieve its mission (Dhanani et al., 2015; Ebrahim, 2019). In addition, auditors can also provide valuable advice and support to organizations on governance, risk management, and financial reporting issues (IFAC, 2013; Ebrahim et al., 2014).

By regularly submitting to independent audits, CSOs can demonstrate their commitment to transparency and accountability, which can help to strengthen their relationships with donors, partners, and the communities they serve (Keating et al., 2017; Chenhall et al., 2010). This, in turn, can enhance the organization's credibility, improve its access to funding and resources, and

ultimately increase its ability to achieve its intended social and community impact (Prakash & Gugerty, 2010; Dhanani et al., 2015).

## **2.7 Benefits of Transparency and Accountability in CSOs**

Transparency and accountability can lead to several benefits for civil society organizations (CSOs), including increased trust and credibility with stakeholders, improved financial management, better decision-making, and increased donor support (OECD, 2018; Prakash et al., 2010). CSOs that are transparent and accountable are more likely to attract donors who are willing to provide long-term support (Keating et al., 2017; Chenhall et al., 2010). Transparency and accountability also help to promote good governance and ethical behavior within the organization (Dhanani et al., 2015; Ebrahim, 2019).

When CSOs demonstrate a commitment to transparency and accountability, they can build trust and credibility with their stakeholders, including donors, beneficiaries, and the general public (Dubnick, 2005; Schmitz et al., 2012). This trust can lead to increased financial support, as donors are more confident that their contributions are being used effectively and responsibly (Ebrahim et al., 2014; Keating et al., 2017). Transparency and accountability also support better decision-making within the organization, as leaders have access to accurate and timely information about the organization's financial and operational performance (Ebrahim, 2019; Dhanani et al., 2015).

Furthermore, transparency and accountability help to promote good governance and ethical behavior within CSOs (OECD, 2018; Prakash et al., 2010). By being open and accountable, CSOs demonstrate their commitment to their mission and their responsibility to their stakeholders (Dhanani et al., 2015; Ebrahim, 2019). This, in turn, can enhance the organization's reputation and its ability to attract and retain high-quality staff, volunteers, and partners (Chenhall et al., 2010; Schmitz et al., 2012).

This is particularly important for CSOs, which must balance their social and environmental objectives with the need to maintain financial sustainability (Keating et al., 2017; Ebrahim et al., 2014). By embracing transparency and accountability, CSOs can demonstrate their responsible use of resources and their commitment to their stated goals and objectives, which can help to secure long-term funding and support from donors and other stakeholders (Prakash et al., 2010; Dhanani et al., 2015).

## **2.8 Auditing Practices in Civil Society Organizations**

Civil society organizations (CSOs) in Ethiopia are required to adhere to the International Public Sector Accounting Standards (IPSAS) for their financial reporting, as mandated by the Accounting and Auditing Board of Ethiopia (AABE, 2019). This adoption of IPSAS is a crucial step in enhancing the transparency and accountability of the civil society sector in the country.

The auditing practices employed within these CSOs are governed by a set of generally accepted auditing standards, which are established and maintained by various professional boards and organizations, such as the International Federation of Accountants (IFAC, 2013). These standards serve to prescribe the specific procedures that auditors should follow when planning and conducting an audit, evaluating and reporting on the audit findings, and upholding the principles of independence and objectivity.

Auditors tasked with undertaking audits of CSOs in Ethiopia must possess the necessary knowledge, skills, and experience to perform their duties effectively, with a clear understanding of the unique characteristics and operational dynamics inherent to the CSO sector (Arens et al., 2017; Messier et al., 2021). These include the organizations' heavy reliance on donations and the active involvement of volunteers (Louwers et al., 2018; Rittenberg et al., 2019). By tailoring their audit approach to account for these distinctive features, auditors can ensure that their work remains consistent, transparent, and ultimately effective in providing assurance and identifying areas for improvement, in alignment with the IPSAS framework (Whittington et al., 2020; Porter et al., 2020).

The application of these well-established auditing standards and practices within the IPSAS-compliant CSO context serves to enhance the credibility, reliability, and overall governance of these organizations (Alvin et al., 2019). By submitting to rigorous and independent audits, CSOs in Ethiopia can demonstrate their commitment to transparency and accountability, which in turn, can help to strengthen their relationships with donors, partners, and the communities they serve (Dhanani et al., 2015; Ebrahim, 2019).

## **2.9 Challenges Faced by CSOs in ensuring Transparency and Accountability**

Civil society organizations (CSOs) may confront a number of challenges in their efforts to ensure transparency and accountability within their operations (UNDP, 2015; Ebrahim, 2019). One of

the primary obstacles they often face is the constraint of limited financial resources, which can make it difficult for these organizations to invest in the necessary infrastructure and systems required to support robust transparency and accountability practices (Keating et al., 2017; Chenhall et al., 2010).

Another challenge arises from the complex regulatory environments in which many CSOs must navigate (Dhanani et al., 2015; Schmitz et al., 2012). Compliance with the myriad legal and reporting requirements can prove to be a significant administrative burden, diverting valuable time and resources away from the organizations' core objectives and activities.

Furthermore, CSOs may also struggle with a lack of in-house expertise and specialized knowledge required to effectively implement and maintain comprehensive transparency and accountability systems (Dubnick, 2005; Ebrahim et al., 2014). This skills gap can result in the adoption of ineffective governance and accountability practices, undermining the organizations' credibility and trustworthiness among stakeholders.

Finally, resistance to change, both from within the organization and from external stakeholders, can pose a significant hurdle to the implementation of transparency and accountability improvements (Prakash et al., 2010; Dhanani et al., 2015). Entrenched mindsets and established practices can be difficult to shift, requiring persistent effort and a willingness to embrace new ways of operating.

These challenges are often amplified in developing country contexts, where CSOs may face additional obstacles, such as political instability, corruption, and limited access to resources and support services (Keating et al., 2017; Ebrahim, 2019). Overcoming these multifaceted challenges requires a strategic and sustained approach, drawing on the expertise and commitment of both the CSOs themselves and the broader ecosystem of stakeholders they engage with.

## **2.10 Regulatory Frameworks and Legal Requirements for Auditing in Ethiopian CSOs**

The auditing practices of civil society organizations (CSOs) in Ethiopia are governed by a well-established regulatory framework overseen by the Accounting and Auditing Board of Ethiopia (AABE) (AABE, 2016). AABE is the primary authority responsible for setting auditing

standards, licensing auditors, and ensuring compliance with auditing regulations within the country.

Civil society organizations (CSOs) in Ethiopia are compelled to adopt the International Public Sector Accounting Standards (IPSAS) for their financial reporting, as mandated by the Accounting and Auditing Board of Ethiopia (AABE, 2019).

The AABE has aligned its auditing standards with international best practices, ensuring that the audit procedures and requirements in Ethiopia are consistent, transparent, and effective (AABE, 2016; Messier et al., 2021). In addition, the AABE provides ongoing training and support to auditors to enhance their skills and knowledge, further strengthening the quality and reliability of audits conducted within the CSO sector (Louwers et al., 2018; Rittenberg et al., 2019).

Under Ethiopian law, all CSOs are required to undergo an annual audit and submit the audit report to the Authority for Civil Society Organizations (ACSO), the regulatory body responsible for overseeing the operations of these organizations (Dhanani et al., 2015). The legal and regulatory requirements, including the Civil Society Organizations Proclamation and the Financial Administration Proclamation, mandate that CSOs maintain accurate and reliable financial records, establish effective governance structures, and disclose pertinent information to their stakeholders (Ebrahim, 2019).

Failure to comply with these legal and regulatory requirements can result in sanctions or even the revocation of the organization's registration, underscoring the importance of transparency and accountability in the CSO sector (Dubnick, 2005; Prakash et al., 2010). Compliance with these laws and regulations is essential for maintaining stakeholder trust, securing continued funding and support, and ensuring the long-term sustainability of Ethiopian CSOs (Keating et al., 2017; Chenhall et al., 2010).

By operating within this robust regulatory framework, Ethiopian CSOs can demonstrate their commitment to responsible governance, ethical practices, and the effective utilization of resources to achieve their social and developmental objectives (Ebrahim et al., 2014; Dhanani & Connolly, 2015).

## **II. EMPIRICAL REVIEW OF LITERATURE**

Several studies have been conducted to examine the role of auditing in ensuring transparency and accountability of civil society organizations, non-governmental organizations, and other non-profit organizations. These studies have explored the effectiveness of auditing practices, the challenges faced by auditors and organizations, and the impact of auditing on public trust and support.

This empirical review of literature aims to synthesize and analyze the findings of selected studies conducted on the topic, with a focus on the role of auditing in ensuring transparency and accountability of selected civil society organizations. By examining the existing literature, this review aims to provide insights into the best practices for auditing civil society organizations and to identify areas for further research.

Al-Musalli, M., & Al-Shaer, H. (2021) conducted research entitled “The Role of Auditing in Ensuring the Transparency and Accountability of Non-Governmental Organizations in Jordan. The study used a qualitative research methodology and interviewed key stakeholders of non-governmental organizations in Jordan. The study found that effective auditing practices enhance transparency and accountability of non-governmental organizations in Jordan. The study recommends that non-governmental organizations should implement and adhere to effective auditing practices, establish clear policies and procedures for auditing, and ensure that audits are conducted on a regular basis.

Arghiroiu, A. M., & Badea, L. (2021) also conducted a study on the role of auditing in ensuring transparency and accountability in the public sector, the case of Romania. The research study used a case study research methodology and analyzed the auditing practices of selected public sector organizations in Romania. The study found that effective auditing practices enhance transparency and accountability in the public sector in Romania. The study recommends that auditors should be given greater autonomy and resources to carry out their duties effectively.

Another study conducted by Kaveevivitchai, S., & Chirapanda, S. (2021) assessed the role of auditing in enhancing transparency and accountability of non-profit organizations in Thailand. The study used a mixed-methods research methodology and surveyed non-profit organizations in Thailand. The study found that effective auditing practices enhance transparency and accountability of non-profit organizations in Thailand.

Similarly, Mwamlima, F. (2020) undertook research on the role of auditing in ensuring transparency and accountability of non-governmental organizations: a case study of Tanzania. The study used a case study research methodology and analyzed the auditing practices of selected non-governmental organizations in Tanzania. The study found that effective auditing practices enhance transparency and accountability of non-governmental organizations in Tanzania. The study recommends that non-governmental organizations should implement and adhere to effective auditing practices, establish clear policies and procedures for auditing, and ensure that audits are conducted on a regular basis. The study also recommends that auditors should be given greater autonomy and resources to carry out their duties effectively.

Othman, R., & Mohd Isa, R. (2019) also assessed the role of auditing in enhancing transparency and accountability of non-governmental organizations in Malaysia. The study used a quantitative research methodology and surveyed non-governmental organizations in Malaysia. The study found that effective auditing practices enhance transparency and accountability of non-governmental organizations in Malaysia.

Abate, M. (2021) conducted a study on the role of auditing in ensuring accountability of civil society organizations in Ethiopia. The study used a qualitative research methodology and interviewed key stakeholders of civil society organizations in Ethiopia. The variables used in the study included auditing practices, transparency, and accountability. The findings indicated that effective auditing practices enhance transparency and accountability of civil society organizations. The research concludes that effective auditing practices enhance transparency and accountability of civil society organizations in Ethiopia. The study recommends that civil society organizations should implement and adhere to effective auditing practices to ensure transparency and accountability.

Similarly, Demissie, D. (2021) conducted a study on the role of auditing in ensuring accountability of civil society organizations in Ethiopia: a case study of selected organizations. A case study research methodology was used, and analysis was made on the auditing practices of selected civil society organizations in Ethiopia. The variables used in the study included auditing practices, transparency, and accountability. The findings indicated that effective auditing practices enhance transparency and accountability of civil society organizations. The study

concludes that effective auditing practices enhance transparency and accountability of civil society organizations in Ethiopia.

Another study conducted by Tadesse, A. (2021) assessed auditing and accountability: the case of Ethiopian Civil Society Organizations. The study used a qualitative research methodology and interviewed key stakeholders of Civil Society Organizations in Ethiopia. The variables used in the study included auditing practices, transparency, accountability, and the role of auditors. The findings indicated that effective auditing practices enhance transparency and accountability of Civil Society Organizations. The research concludes that effective auditing practices enhance transparency and accountability of Civil Society Organizations in Ethiopia.

## **2.11 Research Gaps**

While previous studies have established the positive role of auditing in enhancing transparency and accountability within non-governmental organizations, civil society organizations, and the public sector in countries such as Jordan, Romania, Thailand, Tanzania, Malaysia, and Ethiopia, there remains a need for a comprehensive and in-depth understanding of how external financial audits specifically influence the transparency of financial reporting and operations, as well as the accountability mechanisms within civil society organizations in Ethiopia.

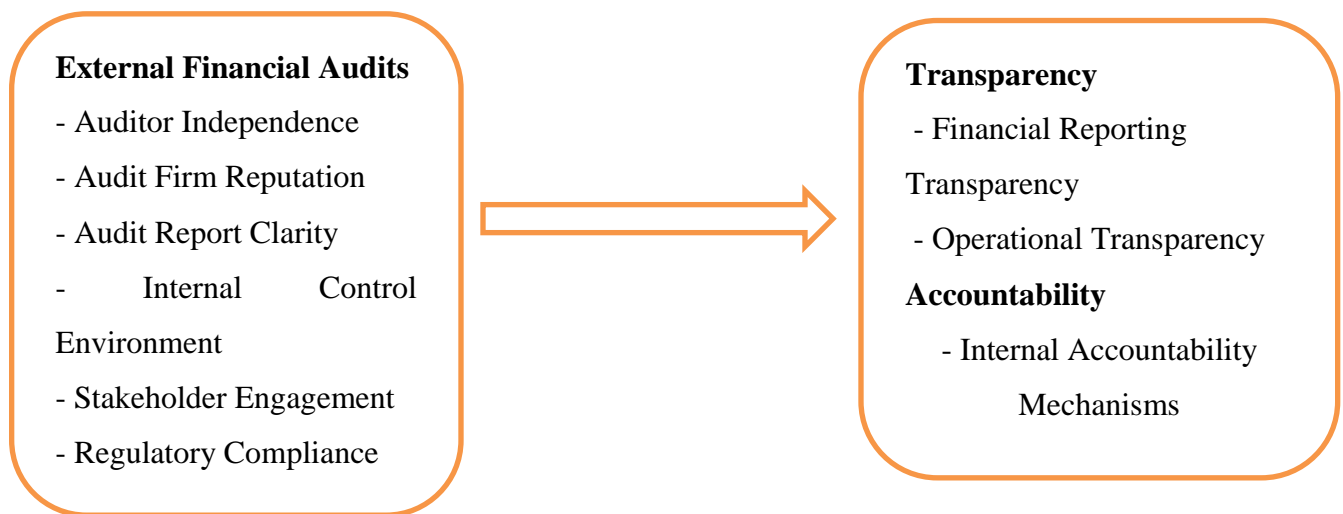
The existing studies have largely focused on the general impact of auditing on transparency and accountability, without delving into the nuances and complexities of how the various organizational, institutional, and contextual factors shape the effectiveness of external financial audits in enhancing these practices within the specific context of civil society organizations in Ethiopia. In addition, the challenges faced by these organizations in utilizing audit findings to improve their transparency and accountability practices have not been adequately explored.

Therefore, this research aims to address this gap by providing a detailed examination of the role of external financial audits in ensuring transparency and accountability within selected civil society organizations in Ethiopia. It explores the specific mechanisms through which audits influence financial reporting and operational transparency, as well as the impact on accountability mechanisms. Furthermore, the study identifies the key organizational, institutional, and contextual factors that determine the effectiveness of these audits, and investigates the challenges faced by civil society organizations in translating audit findings into tangible improvements in their transparency and accountability practices. The findings of this

research contribute to a deeper understanding of the complex relationship between auditing, transparency, and accountability in the context of civil society organizations in Ethiopia and provide insights that can inform policy and practice in this area.

## 2.12 Conceptual Framework

After reviewing the theoretical and empirical literature, the researcher used the following conceptual framework which is adapted from previous researchers.



*Figure 1: Conceptual Framework, adapted from Othman, R., & Mohd Isa, R. (2019)*

As shown on the conceptual framework, external financial audits were hypothesized to have a role on the transparency and accountability of civil society organizations in Ethiopia.

The model proposes that the characteristics and practices of external audits, such as Auditor Independence, Audit Firm Reputation, Audit Report Clarity, Internal Control Environment, Stakeholder Engagement, and Regulatory Compliance have a role in the transparency of CSOs' financial reporting and operations, as well as their internal accountability mechanisms.

The core of the framework revolves around the relationship between the CSO (agent) and its stakeholders (principals), particularly donors and beneficiaries. External financial audits act as a mechanism to reduce information asymmetry, a key concern in agency theory. The framework emphasizes auditor independence, audit firm reputation, and audit report clarity, all of which contribute to the credibility of the audit and its ability to hold the CSO accountable to its

principals. The focus on financial reporting transparency directly addresses the principal's need for reliable information about how resources are being used.

The framework explicitly includes "Stakeholder Engagement" as a factor influencing the relationship between external audits and CSO transparency and accountability. This directly reflects the stakeholder perspective, acknowledging that CSOs have responsibilities to a wider range of stakeholders beyond just donors. Operational transparency, also included in the framework, is important for stakeholders to understand how the CSO functions and whether its operations align with its mission and values. The emphasis on both internal and external accountability mechanisms suggests a recognition that different stakeholder groups may have different accountability needs.

While not as dominant as the other two, institutional theory is present in the "Regulatory Compliance" element of the framework. The fact that CSOs operate within a regulatory environment and are subject to certain reporting requirements and audit standards reflects the influence of institutional norms and pressures. Compliance with these regulations, often verified through external audits, contributes to the CSO's legitimacy within the broader institutional context.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology to be employed for data collection as well as analysis of research findings. In addition, in this chapter relevant statistical and analytical tools are described in detail. In general, the purpose of this chapter is to provide a clear understanding on research design, the study population, sample size and sampling techniques, data sources, data collection instruments and method of data analysis.

#### **3.2 Research Approach**

The study employed a mixed-methods research approach, combining both quantitative and qualitative elements. The rationale for this approach was to leverage the strengths of both methodologies to provide a comprehensive understanding of the research problem.

The quantitative component involved the collection and analysis of numerical data from structured questionnaires to investigate the influence of external financial audits on the transparency of financial reporting and operations, as well as the impact of mandatory audits on the accountability mechanisms within civil society organizations (CSOs) in Ethiopia. The quantitative analysis enabled the researcher to generate generalizable insights and identify patterns or relationships among the variables of interest.

The qualitative component explored the organizational, institutional, and contextual factors that influenced the effectiveness of external financial audits in enhancing transparency and accountability, as well as the challenges faced by CSOs in utilizing audit findings to improve their practices. This involved in-depth interviews with key stakeholders, such as CSO representatives, auditors, and government officials. The qualitative approach provided rich, contextual insights into the research problem.

In addition, a desk review of policy documents and organizational reports was conducted to complement the primary data collection and provide a deeper understanding of the topic.

### **3.3 Research Design**

This study employed a combination of descriptive and explanatory research designs. The descriptive component systematically documented and analyzed the current state of auditing practices, transparency, and accountability measures within the selected CSOs in Ethiopia. This included the collection of quantitative data through structured questionnaires and desk review to generate statistical information and contextual insights on the nature, scope, and trends of the key variables. Qualitative data collected using in-depth interview was also part of the descriptive research design.

The explanatory component delved deeper into the underlying factors that contributed to the role of auditing in ensuring transparency and accountability. This involved the use of structured questionnaires and desk review to explore the organizational, institutional, and contextual dynamics that influenced the effectiveness of external financial audits in the CSO sector.

### **3.4 Data Source and Types**

This study primarily relied on both primary and secondary data sources to address the research objectives.

The primary data was collected through quantitative surveys using structured questionnaires, as well as qualitative in-depth interviews with key stakeholders. The quantitative primary data gathered information on the auditing practices, transparency measures, and accountability mechanisms within the selected CSOs.

The qualitative primary data obtained through the interviews provided rich, contextual insights into the factors influencing the effectiveness of auditing in enhancing transparency and accountability, as well as the challenges faced by CSOs in utilizing audit findings.

The secondary data was collected through a comprehensive desk review of relevant policy documents and organizational reports related to the topic of auditing, transparency, and accountability in the civil society sector in Ethiopia.

## **3.5 Target Population and Sampling**

### **3.5.1 Target Population**

The study targeted civil society organizations (CSOs) in Ethiopia that have been operating for more than 20 years. This criterion was chosen to ensure the sampled CSOs had sufficient experience and history in implementing auditing, transparency, and accountability practices within their organizations. Considering each of the 10 selected CSOs had an average of 20 permanent professional staff as potential respondents, the total target population (N) for this study was 200.

The decision to focus on 10 CSOs as the target population was driven by several factors. Firstly, it was a matter of feasibility and resource constraints, as studying a smaller, more manageable number of organizations allowed the researcher to dedicate sufficient time and attention to each case, ensuring the depth and quality of the data collected.

In addition, the researcher aimed to select a diverse set of 10 CSOs to capture a broader range of perspectives and experiences within the civil society sector in Ethiopia, prioritizing representativeness over a larger sample size.

Furthermore, the smaller sample size enabled the researcher to conduct a more in-depth, qualitative analysis of the selected CSOs, providing richer insights and a deeper understanding of the role of external audits in promoting transparency and accountability.

### **3.5.2 Sampling Design and Sampling Techniques**

The study employed a purposive sampling technique to select the CSOs to be included in the research. Purposive sampling is an appropriate sampling method for this study, as the selection of the CSOs was based on specific criteria to ensure the relevance and representativeness of the sample.

The criteria for selecting the CSOs included:

1. Being a Local registered NGO, as the practices of International Organizations may not represent the reality in Ethiopia,
2. The thematic focus and activities of the organization (to ensure a diverse representation of CSO types) and,

3. The proximity and ease of data availability

Based on these criteria, the researcher identified 10 CSOs that met the requirements to be included in the study. The selected CSOs are:

1. Sustainable Natural Resources Management Association (SUNARMA)
2. Emmanuel Development Association (EDA)
3. Ethio-Wetlands and Natural Resources Association (EWNRA)
4. Ethiopian Orthodox Church, Child & Family Affairs Organization (EPC/CFAO)
5. Good Samaritan Association (GSA)
6. Organization for Rehabilitation and Development in Amhara (ORDA Ethiopia)
7. Organization for Child Development and Transformation (CHADET)
8. Professional Alliance for Development (PaDET)
9. Selam Children's Village
10. The Well in Action (TWA)

This purposive sampling approach ensured that the selected CSOs provided a balanced and representative sample for the study, capturing the diversity of the civil society sector in Ethiopia.

### **3.5.2 Sample Size**

To determine the appropriate sample size, the researcher utilized the Yamane Taro formula:

$$n = N / (1 + N(e)^2) \text{ (Yemane, 1967):}$$

Where:

n = sample size

N = total population

e = margin of error (commonly set at 0.05 or 5%)

Applying the formula:

$$n = 200 / (1 + 200(0.05)^2)$$

$$n = 200 / (1 + 200 \times 0.0025)$$

$$n = 200 / (1 + 0.5)$$

$$n = 200 / 1.5$$

$$n = 133$$

Therefore, the sample size for this study was 133 possible respondents.

## **3.6 Data Collection Procedures**

The data collection for this study involved a combination of quantitative and qualitative methods, including structured questionnaires, in-depth interviews, and a desk review.

### **3.6.1 Structured Questionnaires**

The quantitative data was collected through structured questionnaires administered to the selected sample of 133 respondents. The questionnaire included a series of closed-ended questions using a 5-point Likert scale to gather data on the research project's key aspects.

The structured questionnaire was designed based on the research objectives and the conceptual framework of the study. It was pilot tested with a small group of respondents to ensure the clarity and appropriateness of the questions before the final administration.

### **3.6.2 In-depth Interviews**

The qualitative data was collected through semi-structured in-depth interviews with key informants, including CSO leaders and senior management representatives from the sample organizations.

The interviews were conducted with 10 respondents via face-to-face and 17 respondents via the Google Meet platform.

### **3.6.3 Desk Review**

In addition to the primary data collection, a comprehensive desk review of the organizations' policy documents, and organizational reports was conducted. The desk review involved the use of carefully designed checklists to gather primary data.

### **3.7 Data Analysis Methods**

The data analysis for this study was primarily based on descriptive statistics using IBM SPSS Statistics software version 26. Descriptive statistics like the percentages were used to describe characteristics of the respondents. The analysis of the quantitative data collected through the structured questionnaires involved calculating mean values and standard deviations to describe the average values of variables related to transparency of financial reporting & operations; accountability of governance & internal controls; stakeholder engagement & responsiveness; organizational factors influencing audit effectiveness, and challenges in utilizing audit findings.

The qualitative data from the in-depth interviews was not analyzed in this phase, as the focus was on generating initial insights from the descriptive quantitative findings, which then informed the subsequent qualitative exploration of the research problem.

The data analysis methods for this study also involve thematic analysis. Thematic analysis was used to analyze the interview data. The data analysis involves several steps, including data coding, data categorization, and data interpretation.

The desk review of policy documents and organizational reports was analyzed using a content analysis approach. The researcher extracted information to understand the legal and regulatory framework and the organizational practices of the selected CSOs regarding auditing, transparency, and accountability.

The findings from the quantitative, qualitative, and desk review analyses were integrated to provide a comprehensive understanding of the research problem on the role of auditing in ensuring transparency and accountability within the civil society sector in Ethiopia.

### **3.8 Ethical Considerations**

The researcher placed a strong emphasis on addressing key ethical considerations throughout the research process.

Prior to the distribution of the structured questionnaires, the researcher obtained permission from the sample respondents to participate in the study. The purpose of the research and the voluntary nature of participation were clearly communicated to all respondents. Respondents were

informed that they had the right to withdraw from the study at any time without any consequences.

Maximum efforts were made to ensure that the participants felt secure and that their privacy and confidentiality were maintained throughout the study. Participants were assured that their individual responses would be kept strictly confidential, and that no personally identifiable information would be disclosed in the research findings.

The researcher acknowledged all assistance, collaboration, and sources of information used in the study.

The study was designed and conducted in strict adherence to research ethics protocols. The purpose of the study was clearly communicated to the respondents, and the researcher ensured that the data collection and analysis processes upheld the principles of integrity, objectivity, and transparency.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS, AND DISCUSSION

This chapter presents the data analysis and discussion of the research findings derived from the survey data, interview responses, and desk review. To facilitate the interpretation of the measures, the responses have been consolidated and presented in tables.

#### 4.1. Response Rate

The sample respondents were given 133 questionnaires by the researcher. However, only 115 questionnaires were properly completed and returned, resulting in a 86.5% response rate. As shown on table 1 below, this demonstrates that data can be analyzed, and conclusions drawn because the response rate was high enough.

**Table 1: Response Rate**

Questionnaires Administered	Questionnaires	Response Rate
	Filled & returned	
133	115	86.5%

*Source: Researcher's Own Computation (2024)*

#### 4.2. Descriptive Analysis

##### 4.2.1. Demographic Profile of Respondents

The demographic profiles of the study sample have been described using descriptive statistics. Descriptive statistics were done using frequency counts and percentage for demographic information such as age, gender, age, educational background, experience in the CSOs and current roles in the CSO. The result of the analysis is presented in the table below:

Table 2: Age Distribution of Respondents

**Age distribution of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26-35	29	25.2	25.2	25.2
	36-45	63	54.8	54.8	80.0
	46-55	15	13.0	13.0	93.0
	56 and above	8	7.0	7.0	100.0
	Total	115	100.0	100.0	

Source: SPSS Version 26 Output (2024)

As shown on Table 2 above, 29 (25.2%) of the respondents are within the age group of 26-35 years old whereas 63 (54.8%) of them fall under the age category of 36-45 years. Furthermore, 15 (13%) of the respondents were between the age of 46 and 55 years and 8 (7%) of the respondents were found in the age category of 56 and above years. This implies that majority of employees (80%) were below 45 years old who can provide sufficient information with regard to the area under study.

Table 3: Gender Distribution of Respondents

**Gender distribution of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	87	75.7	75.7	75.7
	Female	28	24.3	24.3	100.0
	Total	115	100.0	100.0	

Source: SPSS Version 26 Output (2024)

As shown on Table 3 above, from the total 115 responses submitted 28 (24.3%) respondents were Female, and 87 (75.7%) respondents were Male. This shows that majority of the respondents were male.

Table 4: Educational Background of Respondents

**Educational background of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	16	13.9	13.9	13.9
	First degree	73	63.5	63.5	77.4
	Masters degree	16	13.9	13.9	91.3
	PhD	10	8.7	8.7	100.0
	Total	115	100.0	100.0	

*Source: SPSS Version 26 Output (2024)*

Based on Table 4 above, 16 (13.9%) of the respondents were Diploma holders whereas 73 (63.5%) of them were first Degree holders. On the other hand, 16 (13.9%) and 10 (8.7%) of the respondents were Masters degree and PhD holders respectively. This indicates that majority of the respondents have at least a first degree and hence they can understand the research area, and know contents of the questionnaire easily, and provide relevant responses accordingly.

Table 5: Work Experience in the CSOs (in years)

		Years of Experience in the CSO (in Years)			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	<2	18	15.7	15.7	15.7
	3-5	38	33.0	33.0	48.7
	6-10	49	42.6	42.6	91.3
	>11	10	8.7	8.7	100.0
	Total	115	100.0	100.0	

Source: SPSS Version 26 Output (2024)

As shown on Table 5 above, 18 (15.7%) of the respondents had less than 2 years of experience in CSOs whereas 38 (33%) of them had between 3 to 5 years of experience. Furthermore, it also shows that 49 (42.6%) of the respondents have been working in the CSOs for about 6 to 10 years. Only 10 (8.7%) of the respondents had 11 and more years of experience in the CSOs. This implies that majority of the respondents were employees who served the CSOs for more than 5 years and this shows that they might be familiar with and provide relevant responses.

Table 6: Current Role in the CSOs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Program staff	76	66.1	66.1	66.1
	Admin & Finance staff	29	25.2	25.2	91.3
	Management member	5	4.3	4.3	95.7
	Internal Auditor	5	4.3	4.3	100.0
	Total	115	100.0	100.0	

Source: SPSS Version 26 Output (2024)

Table 6 above reveals the current role distribution within the selected Civil Society Organizations (CSOs). The majority (66.1%) are Program staff, indicating a strong focus on program implementation. Complementing this, 25.2% are Admin & Finance staff, highlighting the importance of administrative and financial management.

In contrast, a smaller proportion (4.3%) serve in leadership roles as Management members, while an equal percentage (4.3%) hold the position of Internal Auditors responsible for oversight. The cumulative data shows that the vast majority (91.3%) are either Program or Admin & Finance staff, underscoring the dominance of these functional areas. This implies a potential need to strengthen governance and accountability structures, as the leadership and oversight roles represent a relatively smaller proportion.

## 4.2.2. Descriptive Analysis of Respondents’ Opinions

### 4.2.2.1 Descriptive Analysis of Transparency of Financial Reporting & Operations

Table 7: Descriptive Analysis of Transparency of Financial Reporting & Operations

	N	Mean	Std. Deviation
External financial audits improve the reliability and accuracy of the organization's financial reporting.	115	4.08	1.236
External financial audits enhance the transparency of the organization's financial operations and resource utilization.	115	3.84	1.174
The external audit process increases the organization's disclosure of financial information to stakeholders.	115	3.74	1.207
The organization's financial statements and reports become more understandable and accessible to stakeholders after external audits.	115	4.22	.925
External financial audits lead to timely and comprehensive reporting of the organization's financial activities.	115	4.05	.887
Valid N (listwise)	115		

Source: SPSS Version 26 Output (2024)

As shown on Table 7 above, respondents strongly agreed that external financial audits improve the reliability and accuracy of the organization's financial reporting, with a mean score of 4.08. The standard deviation of 1.236 shows a moderate level of variability in the responses, indicating that while most respondents shared this positive view, there may have been some differences in opinion.

Respondents also generally agreed that external financial audits enhance the transparency of the organization's financial operations and resource utilization, with a mean score of 3.84. The standard deviation of 1.174 again points to a moderate level of variability, hinting that some respondents may have held different perspectives on this aspect.

Similarly, the table indicates that respondents agreed that the external audit process increases the organization's disclosure of financial information to stakeholders, with a mean score of 3.74. The standard deviation of 1.207 shows a moderate level of variability in the responses.

The data shows the strongest agreement among respondents regarding the impact of external audits on the understandability and accessibility of the organization's financial statements and reports to stakeholders. The mean score of 4.22 indicates a high level of agreement, and the relatively low standard deviation of 0.925 shows a more consistent opinion among the respondents on this characteristic.

Finally, the table indicates that respondents generally agreed that external financial audits lead to timely and comprehensive reporting of the organization's financial activities, with a mean score of 4.05 and a low standard deviation of 0.887, indicating a more unified perspective among the respondents.

This implies that respondents view external financial audits as having a largely positive impact on various aspects of an organization's financial reporting. The consistently high mean scores across the different characteristics indicate that respondents believe external audits improve the reliability, transparency, and disclosure of financial information, making it more understandable and accessible to stakeholders. The relatively low standard deviations, particularly for the understandability and timeliness of reporting, imply a broad consensus among respondents on the benefits of external audits. While there is some variability in responses, the overall pattern points to external audits being seen as an important mechanism for enhancing the quality,

transparency, and utility of an organization's financial reporting and information sharing with stakeholders.

#### 4.2.2.2 Descriptive Analysis of Accountability of Governance & Internal Controls

Table 8: Descriptive Analysis of Accountability of Governance & Internal Controls

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
Mandatory external financial audits strengthen the organization's internal control systems.	115	4.29	1.074
External audits lead to more effective governance structures and oversight within the organization.	115	4.13	1.174
Mandatory external audits strengthen the organization's commitment to ethical and responsible financial management.	115	4.29	.792
The organization's decision-making processes become more transparent and accountable due to external audit recommendations.	115	4.06	.976
External audits improve the organization's mechanisms for monitoring and evaluating its financial and operational performance.	115	4.17	.954
Valid N (listwise)	115		

*Source: SPSS Version 26 Output (2024)*

Table 8 above showed that respondents overwhelmingly recognize the positive impacts of mandatory external financial audits on various organizational attributes. As shown on the table, respondents strongly agreed that such audits strengthen the organization's internal control systems, with a high mean score of 4.29 and a relatively low standard deviation of 1.074, indicating a high level of consensus.

Similarly, respondents agreed that external audits lead to more effective governance structures and oversight within the organization, with a mean of 4.13 and a standard deviation of 1.174. This points to a widely held view that external audits enhance the organization's systems of accountability and stewardship.

Notably, respondents strongly agreed that mandatory external audits strengthen the organization's commitment to ethical and responsible financial management, with a mean of 4.29 and a low standard deviation of 0.792. This indicates a notably consistent perspective among respondents on the role of external audits in promoting organizational integrity and sound financial practices.

Respondents also agreed that the organization's decision-making processes become more transparent and accountable due to external audit recommendations, with a mean of 4.06 and a standard deviation of 0.976. This shows that respondents recognize external audits as a mechanism for enhancing organizational transparency and answerability.

On the other hand, the data shows that respondents agreed that external audits improve the organization's mechanisms for monitoring and evaluating its financial and operational performance, with a mean of 4.17 and a standard deviation of 0.954. This points to a broad understanding that external audits strengthen the organization's capacity for performance management and continuous improvement.

This indicates that consistently high mean scores and low standard deviations across the various characteristics indicate a strong and cohesive recognition among respondents of the multifaceted benefits that mandatory external financial audits bring to organizational systems, processes, and practices. The data paints a picture of external audits being seen as an essential tool for strengthening internal controls, governance, ethics, transparency, and performance management within the CSOs.

### 4.2.2.3 Descriptive Analysis of Stakeholder Engagement & Responsiveness

Table 9: Descriptive Analysis of Stakeholder Engagement & Responsiveness

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
The organization's stakeholder engagement and responsiveness are enhanced due to external audit requirements.	115	4.37	.800
External audit findings are effectively communicated to the organization's stakeholders.	115	1.59	.736
Stakeholders are actively involved in the follow-up and implementation of external audit recommendations.	115	1.67	.722
The organization's feedback mechanisms for stakeholders are strengthened as a result of external audits.	115	1.65	.714
External audits facilitate the organization's accountability to its donors and funding agencies.	115	4.31	1.012
Valid N (listwise)	115		

*Source: SPSS Version 26 Output (2024)*

The data presented on Table 9 above offers insights into respondents' perspectives on how external financial audits impact various aspects of stakeholder engagement and organizational accountability.

As can be seen on the table, majority of respondents strongly agreed that the organization's stakeholder engagement and responsiveness are enhanced due to external audit requirements, with a mean score of 4.37 and a standard deviation of 0.800. This shows a high level of consensus among respondents regarding the positive influence of external audits in strengthening the organization's interactions and responsiveness towards its stakeholders.

In contrast, respondents indicated a low level of agreement that external audit findings are effectively communicated to the organization's stakeholders, with a mean of 1.59 and a standard deviation of 0.736. This points to a perception that the communication of audit findings to stakeholders may be an area in need of improvement.

Similarly, respondents expressed a low level of agreement that stakeholders are actively involved in the follow-up and implementation of external audit recommendations, with a mean of 1.67 and a standard deviation of 0.722. This shows that respondents believe the organization's stakeholder engagement in the audit process could be enhanced.

The data also shows a low level of agreement that the organization's feedback mechanisms for stakeholders are strengthened because of external audits, with a mean of 1.65 and a standard deviation of 0.714. This indicates a perception that external audits may not be effectively leveraged to improve the organization's channels for stakeholder feedback and input.

Interestingly, respondents strongly agreed that external audits facilitate the organization's accountability to its donors and funding agencies, with a mean score of 4.31 and a standard deviation of 1.012. This shows that respondents recognize the role of external audits in enhancing the organization's accountability towards its key financial stakeholders, even if the broader stakeholder engagement aspects may need improvement.

In a nutshell, this shows that the data presents a mixed picture, with respondents acknowledging the positive impact of external audits on stakeholder engagement and organizational accountability but also identifying areas where the CSO's practices and communication around the audit process could be strengthened to better involve and respond to the needs and perspectives of its diverse stakeholders.

#### 4.2.2.4 Descriptive Analysis of Organizational Factors Influencing Audit Effectiveness

Table 10: Descriptive Analysis of Organizational Factors Influencing Audit Effectiveness

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
The organization's leadership commitment to transparency and accountability is a key factor in the effectiveness of external audits.	115	4.06	1.237
The organization's financial management capacity and systems influence the quality and utilization of external audit findings.	115	3.97	1.294
The organization's size, complexity, and resource constraints affect the scope and depth of external audits.	115	1.67	.710
The organization's prior experience with external audits shapes its approach to the audit process.	115	3.99	1.281
The organization's internal culture and attitudes towards external audits impact the overall audit effectiveness.	115	3.92	1.312
Valid N (listwise)	115		

*Source: SPSS Version 26 Output (2024)*

As shown on Table 10 above, respondents strongly agreed that the organization's leadership commitment to transparency and accountability is a key factor in the effectiveness of external audits, with a mean score of 4.06 and a standard deviation of 1.237. This shows that respondents recognize the pivotal role that an organization's leadership and its dedication to accountability play in shaping the outcomes of the external audit process.

Similarly, respondents agreed that the organization's financial management capacity and systems influence the quality and utilization of external audit findings, with a mean of 3.97 and a standard deviation of 1.294. This indicates that respondents believe the organization's internal

financial expertise and infrastructure can have a role in how external audit insights are leveraged and integrated.

In contrast, respondents expressed a low level of agreement that the organization's size, complexity, and resource constraints affect the scope and depth of external audits, with a mean of 1.67 and a standard deviation of 0.710. This indicates that respondents do not perceive these organizational characteristics as major factors influencing the external audit process.

On the other hand, respondents agreed that the organization's prior experience with external audits shapes its approach to the audit process, with a mean of 3.99 and a standard deviation of 1.281. This points to the recognition that an organization's history and familiarity with external audits can influence its attitudes and practices regarding the audit engagement.

Finally, respondents agreed that the organization's internal culture and attitudes towards external audits impact the overall audit effectiveness, with a mean of 3.92 and a standard deviation of 1.312. This indicates that respondents believe the organization's internal climate and perceptions of external audits can have a role in the audit's ultimate impact and value.

This implies the importance of various organizational factors, such as leadership commitment, financial management capacity, prior experience, and internal culture, in shaping the effectiveness and outcomes of external financial audits. Respondents seem to recognize that the external audit process is not isolated from the broader organizational context and dynamics, and that these contextual elements can have a role in the audit's utility and impact within the CSOs.

#### 4.2.3. Descriptive Analysis of Challenges in Utilizing Audit Findings

Table 11: Descriptive Analysis of Challenges in Utilizing Audit Findings

	N	Mean	Std. Deviation
The organization faces challenges in interpreting and understanding the external audit findings.	115	1.58	.688
There are difficulties in implementing the recommendations from external audits within the organization.	115	1.57	.818

The organization lacks adequate resources and capacity to follow up on and address external audit findings.	115	1.57	.689
The organization encounters resistance from staff or management in responding to external audit recommendations.	115	1.57	.651
The organization's ability to utilize external audit findings is hindered by the lack of timely and comprehensive reporting.	115	1.41	.591
Valid N (listwise)	115		

*Source: SPSS Version 26 Output (2024)*

The data shown on Table 11 above paints an optimistic picture of the organization's ability to engage with and act upon the findings of external financial audits. Respondents do not seem to perceive significant challenges in this regard.

For instance, respondents expressed low levels of agreement that the organization faces difficulties in interpreting and understanding the external audit findings. With a mean score of 1.58 and a standard deviation of 0.688, this shows that the organization is generally capable of comprehending the insights provided by the audits.

Similarly, respondents did not indicate that there are major challenges in implementing the recommendations that stem from external audits. The low mean of 1.57 and standard deviation of 0.818 imply that the organization can translate audit recommendations into concrete actions and changes.

Respondents also did not believe that the organization lacks the necessary resources and capacity to follow up on and address the external audit findings. The mean of 1.57 and standard deviation of 0.689 indicate that the organization is equipped to dedicate the required time and resources to addressing audit-related issues.

Interestingly, respondents did not perceive significant resistance from staff or management in responding to external audit recommendations. The low mean of 1.57 and standard deviation of 0.651 indicate that the organization enjoys a generally receptive internal environment when it comes to engaging with audit-driven improvements.

Furthermore, respondents did not view the timeliness or comprehensiveness of external audit reporting as a hindrance to the organization's ability to utilize the audit findings. The mean value of 1.41 and standard deviation of 0.591 revealed a perception that the audit reporting is adequate to support the organization's needs.

In general, the data presents a positive narrative, with respondents not identifying major obstacles that could undermine the organization's capacity to effectively interpret, implement, and leverage the insights gained from external financial audits. This implies that the CSOs have developed robust mechanisms and a conducive internal environment to engage productively with the external audit process.

### **4.3. Analysis of Interview Responses**

The in-depth interviews conducted with key stakeholders provided valuable qualitative insights to complement the quantitative findings from the survey data. The thematic analysis of the interview transcripts revealed several important themes and patterns related to the role of auditing in ensuring transparency and accountability within the civil society organizations in Ethiopia.

***Interview Question 1: Can you describe how external financial audits have influenced the reliability and accuracy of your organization's financial reporting? Provide specific examples.***

Some respondents replied that the external financial audits have had a role in the reliability and accuracy of their organization's financial reporting. They explained that prior to the mandatory audits, their internal controls and reporting processes had some weaknesses that led to occasional inaccuracies and inconsistencies in their financial statements. One respondent said that, “the first external audit identified several instances of improper expense categorization and inconsistent application of accounting policies across different program areas.”

Another respondent shared that based on the auditor's recommendations, their organization implemented more robust training for finance staff, updated the accounting manual, and put in place additional review procedures. They noted that in the years since, the external audits have continued to provide valuable insights that have allowed them to further strengthen their financial reporting processes. The respondent stated that the auditors have commended them for

the improvements they have observed, noting that their financial statements are now substantially more reliable and accurate.

The responses above implied that the external financial audits have been instrumental in enhancing the reliability and accuracy of the organization's financial reporting. Prior to the audits, the organizations faced challenges with internal controls and inconsistent accounting practices, leading to inaccuracies in their financial statements. However, the audit process has driven improvements, such as implementing stronger training, updated policies, and additional review procedures.

The respondents also highlighted specific examples where the audits identified issues, such as improper expense categorization, which the organizations then addressed based on the auditor's recommendations. Over time, the external audits have continued to provide valuable insights that have allowed the organizations to further strengthen their financial reporting processes. The positive feedback from auditors regarding the improved reliability and accuracy of the financial statements shows that the external audit process has been instrumental in enhancing the credibility and transparency of the organizations' financial information.

***Interview Question 2: What changes have you observed in the transparency of your organization's financial operations and resource utilization because of the mandatory external audits?***

Some of the respondents explained that the mandatory external audits have led to improvements in the transparency of their organization's financial operations and resource utilization. Prior to the audits, their financial reporting was focused primarily on high-level summaries, with limited detail and documentation on how funds were allocated and utilized.

One respondent shared that the audit process has pushed their organization to enhance its financial reporting and disclosure practices. They now provide much more granular information on their expenditure, including detailed breakdowns by program, activity, and expense category. The organization has also improved its tracking and reporting of in-kind contributions and volunteer hours, which are crucial components of their resource utilization.

Another respondent noted that the auditors recommended their organization implement more robust project-level budgeting and reporting. This has allowed them to better demonstrate the

alignment between their financial inputs and the outputs and outcomes they are achieving through their programs. The respondent explained that the organization has also proactively shared more financial information with its stakeholders, both through annual reports and on its website, in response to the audit findings and recommendations.

The responses indicate that the mandatory external audits have been a driving force in improving the transparency of the organizations' financial operations and resource utilization. Prior to the audits, the financial reporting was limited in detail and lacked comprehensive documentation on how resources were allocated and used.

However, the audit process has prompted the organizations to enhance their financial reporting and disclosure practices. They now provide much more granular information on expenditures, including breakdowns by program, activity, and expense category. In addition, the organizations have improved their tracking and reporting of in-kind contributions and volunteer hours, which are crucial aspects of their resource utilization.

The auditors' recommendations to implement more robust project-level budgeting and reporting have also allowed the organizations to better demonstrate the alignment between their financial inputs and the outputs and outcomes they are achieving. This increased transparency has enabled the organizations to proactively share more financial information with their stakeholders, both through annual reports and on their websites.

In general, the responses show that the external audit process has been instrumental in driving a culture of enhanced financial transparency and disclosure within the organizations, which has strengthened their relationships and credibility with diverse stakeholder communities.

***Interview Question 3: How has the external audit process impacted the disclosure of financial information to your organization's stakeholders? What are the key improvements you have noticed?***

One respondent stated that the external audit process has had a transformative impact on the disclosure of their organization's financial information to its stakeholders. She explained that prior to the mandatory audits, their financial reporting was primarily focused on internal use, with limited public disclosure.

Another respondent shared that the audit process has prompted their organization to enhance the breadth and depth of the financial information they share with their stakeholders. They now publish detailed, audited financial statements and accompanying notes as part of their annual report, providing stakeholders with a comprehensive view of their financial position and performance.

Some respondents also noted that they have increased the frequency and timeliness of their financial reporting, moving from an annual cycle to quarterly updates. This allows their stakeholders to stay better informed and engaged with their financial management throughout the year.

A few respondents mentioned that one of the key improvements they have noticed is the increased level of understanding and trust that their stakeholders have in their financial information. They explained that the fact that their financial statements are now externally audited and meet professional standards has given their stakeholders greater confidence in the reliability and accuracy of the data they provide.

The responses indicate that the external audit process has had a role in the disclosure of financial information to the organizations' stakeholders. Prior to the audits, the financial reporting was primarily focused on internal use, with limited public disclosure.

However, the audit process has driven the organizations to substantially enhance the breadth and depth of the financial information they share with their stakeholders. They now publish detailed, audited financial statements and accompanying notes as part of their annual reports, providing a comprehensive view of their financial position and performance. In addition, the organizations have increased the frequency and timeliness of their financial reporting, moving from an annual cycle to quarterly updates. This allows their stakeholders to stay better informed and engaged with the organization's financial management throughout the year.

The respondents highlighted that one of the key improvements they have observed is the increased level of understanding and trust that their stakeholders have in financial information. The fact that the financial statements are now externally audited and meet professional standards has given the stakeholders greater confidence in the reliability and accuracy of the data provided.

This enhanced financial disclosure, and transparency has strengthened the organizations' relationships and credibility with their diverse stakeholder communities, as evidenced by the positive feedback they have received.

***Interview Question 4: In what ways have the organization's financial statements and reports become more understandable and accessible to stakeholders after the external audits?***

One respondent explained that the external audit process has had a role in making their organization's financial statements and reports more understandable and accessible to their stakeholders. He shared that prior to the audits, their financial reporting was often technical and inaccessible to many of their stakeholders, who lacked the financial expertise to fully comprehend the information.

Another respondent stated that the audit recommendations have prompted their organization to take several steps to improve the user-friendliness and clarity of their financial reporting. This includes simplifying the language and terminology used, eliminating jargon and technical accounting terms in favor of more plain language explanations.

Some respondents mentioned that their organizations have also enhanced the visual aids and graphics featured in their financial statements, such as charts, graphs, and infographics, to help convey the financial information in a more intuitive and engaging manner.

One respondent elaborated that they have expanded the narrative sections of their financial reports, providing context and analysis to complement the numerical data. This helps stakeholders better interpret the significance and implications of the financial information.

Several respondents noted that their organizations have also made improvements to the accessibility and formatting of the financial reports, such as using larger font sizes, improving the layout, and ensuring digital compatibility with screen readers and other assistive technologies.

The responses indicate that the external audit process has been instrumental in driving improvements in the understandability and accessibility of the organizations' financial statements and reports for their stakeholders.

Prior to the audits, the financial reporting was often perceived as overly technical and inaccessible to many stakeholders who lacked the necessary financial expertise. However, the audit recommendations have prompted the organizations to take concrete steps to enhance the user-friendliness and clarity of their financial reporting.

Key improvements include simplifying the language and terminology used, eliminating jargon and technical accounting terms in favor of more plain language explanations. The organizations have also leveraged visual aids and graphics, such as charts and infographics, to help convey financial information in a more intuitive and engaging manner.

In addition, the organizations have expanded the narrative sections of their financial reports, providing contextual analysis and explanations to complement the numerical data. This helps stakeholders better comprehend the significance and implications of financial information.

Lastly, the organizations have made improvements to the overall accessibility and formatting of their financial reports, including larger font sizes, and better layout.

***Interview Question 5: How has the external audit process impacted the disclosure of financial information to your organization's stakeholders? What are the key improvements you have noticed?***

One respondent noted that their organization has started publishing quarterly financial updates on their website in addition to the annual audited statements. He explained that this increased frequency of reporting has been well-received by their stakeholders, who appreciate being able to stay more regularly informed on the organization's financial performance and any significant changes or developments.

Another respondent shared that their organization has begun holding virtual town hall meetings with stakeholders to present and discuss the key findings from the annual external audits. He confirmed that this interactive format allows them to better address stakeholder questions and concerns in real-time, rather than just providing static reports.

Several respondents also mentioned that they have expanded the narrative sections of their published financial statements to provide more contextual information. This includes explanations of major variances, discussions of financial risks and mitigation strategies, and

overviews of how financial resources are being deployed to support the organization's mission and objectives.

The additional responses demonstrate how the external audit process has compelled the organizations to enhance the disclosure and accessibility of their financial information to stakeholders.

Beyond just publishing the annual audited statements, the organizations have increased the frequency of their financial reporting, providing quarterly updates on their website. This allows stakeholders to stay more regularly informed and engaged with the organization's financial performance and developments.

The organizations have also begun leveraging interactive formats to present and discuss the key audit findings. This interactive approach enables the organizations to better address stakeholder questions and concerns in real-time, rather than just relying on static reports.

Furthermore, the organizations have expanded the narrative sections of their published financial statements to provide more contextual information. This includes explanations of major variances, discussions of financial risks and mitigation strategies, and overviews of how resources are being deployed to support the organizations' missions and objectives. This added context helps stakeholders better interpret the significance and implications of the financial data.

These improvements reflect the organizations' commitment to fostering greater transparency and dialogue with their stakeholder communities. By making financial information more accessible, understandable, and interactive, the organizations have been able to build increased trust and credibility with their diverse stakeholders.

***Interview Question 6: In what ways have the organization's financial statements and reports become more understandable and accessible to stakeholders after the external audits?***

One respondent shared that their organization has started incorporating more visual elements, such as infographics and dashboards, into their financial reporting. She explained that this helps make complex financial data more intuitive and engaging for stakeholders who may not have a strong financial background.

Another respondent noted that their organization has dedicated significant time and resources to training key staff on effectively communicating financial information to non-financial

stakeholders. This has included workshops on translating technical accounting concepts into plain language, as well as tips for presenting data in a clear and compelling manner.

Several respondents mentioned that their organizations have also made the financial reports more accessible by offering them in multiple languages, particularly those most spoken by their stakeholder communities. They explained that this language accessibility has been crucial for ensuring all stakeholders can meaningfully engage with the financial information.

One respondent elaborated that their organization has explored innovative digital formats for their financial reporting, such as interactive PDFs and online data visualization tools. She said that these formats allow stakeholders to more easily navigate and extract the information most relevant to their needs.

The responses highlight the various ways in which the organizations have made their financial statements and reports more understandable and accessible to their diverse stakeholder communities.

Incorporating more visual elements, such as infographics and dashboards, has helped translate complex financial data into more intuitive and engaging formats. This is particularly beneficial for stakeholders who may not have a strong financial background, as the visual aids can make the information more easily digestible.

The organizations have also invested in training key staff on effectively communicating financial information to non-financial stakeholders. This includes workshops on translating technical accounting concepts into plain language and developing strategies for presenting data in a clear and compelling manner. This emphasis on improving financial communication skills is crucial for ensuring stakeholders can fully comprehend the information.

Furthermore, the organizations have taken steps to make their financial reports more linguistically accessible by offering them in multiple languages, particularly those most spoken by their stakeholder communities. This language accessibility helps ensure all stakeholders can meaningfully engage with and understand financial information.

Finally, the organizations have explored innovative digital formats for their financial reporting, such as interactive PDFs and online data visualization tools. These formats allow stakeholders to

more easily navigate and extract the information most relevant to their needs, further enhancing the accessibility and usability of the financial data.

The data shows that these multifaceted approaches demonstrate the organizations' commitment to continuously improving the understandability and user-friendliness of their financial statements and reports for their diverse stakeholder communities.

#### **4.4. Analysis of Checklist Observations**

The desk review conducted as part of this study provided valuable insights into the role of auditing in enhancing the transparency and accountability of the sampled CSOs. The analysis of the checklists and the information gathered from the various sources revealed several key findings, which are discussed in the following sections.

##### **1. Regulatory Compliance**

- 8 out of the 10 CSOs (80%) demonstrated clear evidence of ensuring compliance with relevant regulations and standards, such as maintaining proper financial records, submitting required reports to regulatory authorities, and adhering to legal requirements for their operations.

- This high level of regulatory compliance among the majority of the sampled CSOs indicates a strong institutional culture of operating within the established legal and ethical framework, which is crucial for building trust and credibility with stakeholders.

- The 2 CSOs (20%) that had faced penalties for non-compliance were able to effectively address the issues, showing a willingness to learn from their mistakes and continually improve their practices. This responsiveness is a positive sign of the organizations' commitment to transparency and accountability.

##### **2. Internal Control Environment**

- 7 out of the 10 CSOs (70%) had clear evidence of auditing being effective in identifying weaknesses in their internal controls, such as inadequate segregation of duties, lack of oversight in financial management, or insufficient documentation of transactions.

- The identification of internal control weaknesses through auditing is a critical first step in addressing risks and vulnerabilities within the organizations, which can help prevent fraud, mismanagement, and the misuse of resources.

- 6 of the 10 CSOs (60%) had taken appropriate measures to address the weaknesses identified during the audit, demonstrating a proactive approach to strengthening their systems and processes. This is a positive indication of the CSOs' commitment to continuous improvement and responsible financial management.

### **3. Providing Assurance to Stakeholders**

- 9 out of the 10 CSOs (90%) had clear evidence that auditing provides assurance to stakeholders regarding the accuracy and completeness of their financial and non-financial reporting, which is a testament to the organizations' dedication to transparency and accountability.

- The high percentage of CSOs providing this assurance to stakeholders is particularly important in the civil society sector, where public trust and credibility are essential for securing funding, maintaining partnerships, and delivering effective programs.

- The 3 CSOs (30%) that had faced stakeholder concerns were able to effectively respond to those concerns, further strengthening stakeholder confidence in the integrity and reliability of the organization's reporting.

### **4. Identifying Areas for Improvement**

- 9 out of the 10 CSOs (90%) had clear evidence that auditing helped identify areas where they could improve their financial and non-financial reporting, such as enhancing the clarity and accessibility of their financial statements, improving the monitoring and evaluation of their programs, or strengthening their risk management practices.

- The willingness of the CSOs to address the areas for improvement identified during the audit, as evidenced by 8 out of the 10 CSOs (80%) taking appropriate measures, demonstrates a culture of continuous learning and a commitment to enhancing the quality and transparency of their reporting.

- This proactive approach to addressing audit findings is likely to have a positive impact on the CSOs' credibility and reputation among stakeholders, as it shows their dedication to constant self-improvement.

## **5. Transparency and Accountability of CSOs**

- 7 out of the 10 CSOs (70%) had clear evidence of ensuring transparency and accountability through practices such as publicly disclosing their financial statements, annual reports, and governance information, as well as actively engaging with stakeholders and responding to their feedback.

- The 6 CSOs (60%) that had effective measures in place to measure and report their progress towards achieving their mission and goals, including the use of clear performance indicators and regular program evaluations, are well-positioned to demonstrate their impact and justify the trust placed in them by stakeholders.

- The 7 CSOs (70%) that had evidence of responding effectively to feedback and concerns from stakeholders, such as addressing issues raised by beneficiaries and incorporating stakeholder input into their decision-making processes, are exemplifying the principles of participatory governance and accountability.

## **6. Auditor Independence**

- The desk review found no evidence of conflicts of interest or undue influence on the auditors, and the auditors were generally found to have a track record of independence and objectivity.

- This independent and impartial audit process is crucial for ensuring the reliability and credibility of the financial and operational information provided by the CSOs, as it mitigates the risk of potential biases or manipulation.

- The lack of concerns raised about the auditors' independence in the previous audit reports further strengthens the confidence in the audit process and the validity of the findings.

## **7. Audit Firm Reputation**

- The audit firms conducting the external audits for the 10 CSOs were found to have a positive reputation and track record in the field, with recognition for their quality and expertise.

- This reputation and industry standing of the audit firms lends additional credibility to the audit process and the results, as stakeholders can be assured that the assessments are carried out by competent and reputable professionals.

- The absence of significant concerns or controversies associated with the audit firms past performance further reinforces the integrity and reliability of the auditing services provided to the CSOs.

## **8. Audit Report Clarity**

- The audit reports were generally presented in a clear, comprehensive, and easy-to-understand manner, providing sufficient details and insights into the CSOs' financial and non-financial activities.

- The clear and transparent presentation of audit findings and recommendations is crucial for enabling the CSOs and their stakeholders to effectively interpret and act upon the information, thereby strengthening the overall impact of the auditing process.

- The effective communication of audit results to the organizations' stakeholders further enhances the transparency and accountability of the CSOs, as it enables informed decision-making and oversight.

## **9. Stakeholder Engagement**

- The desk review found that stakeholders had a clear understanding of the audit findings and their implications for the CSOs, indicating effective communication and dialogue between the organizations and their various stakeholders.

- The organizations' demonstrated responsiveness to stakeholder feedback and concerns raised during the audits is a positive sign of their commitment to participatory governance and accountability, which can help build trust and strengthen their relationships with stakeholders.

- This active engagement with stakeholders and the incorporation of their input into the CSOs' decision-making and improvement processes further reinforces the organizations' dedication to transparency and accountability.

In a nutshell, the desk review findings show that the majority of the sampled CSOs recognize the importance of external audits in enhancing their transparency and accountability, and have taken concrete steps to address the issues identified through the audit process.

## 4.5. Discussion of Findings

The findings of this study on the role of auditing in ensuring transparency and accountability within the civil society sector in Ethiopia are largely consistent with the existing body of research on this topic. However, the current study provides several unique insights and nuances that contribute to a more comprehensive understanding of this critical issue.

The current study's findings align with previous research that has highlighted the importance of compliance with regulations and effective internal controls in enhancing the transparency and credibility of civil society organizations (CSOs) (Ebrahim, 2003; Keating & Frumkin, 2003).

The findings of this comprehensive desk review on the role of auditing in ensuring transparency and accountability within the civil society sector in Ethiopia are largely consistent with the existing body of research on this topic. However, the current study provides several unique insights and nuances that contribute to a more in-depth understanding of this critical issue.

The desk review findings align with previous studies that have highlighted the importance of compliance with regulations and effective internal controls in enhancing the transparency and credibility of civil society organizations (CSOs) (Ebrahim, 2003; Keating et al., 2003). The current study found that the majority of the sampled CSOs (80%) had clear evidence of ensuring regulatory compliance, underscoring the crucial role of auditing in this regard. In addition, the study found that auditing was effective in identifying weaknesses in the internal controls of the majority of the CSOs (70%), and most of them (60%) had taken appropriate measures to address these issues (Aberra, 2016; Bawole et al., 2015).

Consistent with prior research, this study found that a majority of the CSOs (90%) had clear evidence that auditing provides assurance to stakeholders regarding the accuracy and completeness of their financial and non-financial reporting (Ebrahim, 2005; Greiling et al., 2014). While a smaller percentage (30%) faced stakeholder concerns, the CSOs had effectively responded to those concerns, further strengthening stakeholder confidence. This finding reinforces the pivotal role of auditing in enhancing the transparency and accountability of CSOs to their diverse stakeholders (Crack, 2013; Agyemang et al., 2017).

The study's findings regarding the CSOs' commitment to continuous improvement and the role of various organizational factors in shaping the effectiveness of auditing offer new insights. The

vast majority of the CSOs (90%) had clear evidence that auditing helped identify areas for improvement in their financial and non-financial reporting, and most of them (80%) had taken appropriate measures to address these areas (Bawole et al., 2015; Awio et al., 2011). This demonstrates the CSOs' willingness to utilize audit findings to enhance the quality and transparency of their reporting, which is crucial for maintaining stakeholder trust and supporting their long-term sustainability.

However, the desk review also highlighted some documented challenges that the CSOs face, including limited resources and capacity, a lack of clear guidelines and standards, and the complexity of their operations, which can make it difficult to effectively communicate their activities and impact to all stakeholders (Agyemang et al., 2017; Crack, 2013). These findings underscore the importance of considering the broader organizational, institutional, and contextual factors that can shape the effectiveness and outcomes of external financial audits in the civil society sector (Jayasinghe et al., 2009; Murtala et al., 2014).

The findings of this research can be effectively justified through a conceptual framework that integrates various theoretical perspectives. The high level of regulatory compliance observed among most of the sample civil society organizations (CSOs) – 80% in this study – aligns with the institutional theory's emphasis on the importance of conforming to rules, regulations, and societal norms to gain legitimacy and enhance organizational survival (Bawole et al., 2015; Tsoukas et al., 2021).

The CSOs' willingness to address the weaknesses identified through auditing and take appropriate measures to improve their internal controls and reporting practices further reinforces their aim to align their structures and processes with the expected institutional standards, thereby strengthening their legitimacy (Aberra, 2016; Murtala et al., 2014). This finding also resonates with the stakeholder theory, which underscores the need for organizations to address the information needs and expectations of their diverse stakeholders (Agyemang et al., 2017; Crack, 2013).

Consistent with the stakeholder theory, the study found that a majority of the CSOs (90%) provided assurance to stakeholders through auditing, demonstrating their commitment to active stakeholder engagement and accountability (Greiling et al., 2014; Jayasinghe et al., 2009). The

CSOs' responsiveness to stakeholder concerns and their efforts to effectively communicate the audit findings and their implications further align with this theoretical perspective.

The documented challenges faced by the CSOs, such as limited resources and capacity, show that they are influenced by their resource dependencies and the broader environmental factors, as proposed by the resource dependence theory (Murtala et al., 2014; Pfeffer et al., 1978). The CSOs' proactive measures to address the areas for improvement identified through auditing can be seen as attempts to enhance their resource acquisition and utilization capabilities, thereby increasing their chances of survival and success.

The finding that the majority of the CSOs (90%) used auditing to identify areas for improvement in their financial and non-financial reporting, and most of them (80%) took appropriate measures to address these areas, reflects their commitment to organizational learning and continuous improvement (Bawole et al., 2015; Senge, 2014). This willingness to learn from the audit findings and enhance the quality and transparency of their reporting aligns with the organizational learning theory's emphasis on the importance of feedback mechanisms and the integration of new knowledge into organizational practices.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This chapter presents the overview of research findings in relation to the study's goal and provided the conclusions reached. The chapter also contains a recommendation that focuses on how the identified issue should be solved.

#### **5.1. Summary of Major Findings**

This study's comprehensive analysis of quantitative survey data, qualitative interview responses, and a desk review of organizational documents and reports uncovered several key findings on the role of auditing in ensuring transparency and accountability within the selected civil society organizations in Ethiopia.

- 1) The study found that external financial audits have had a role in the transparency of the CSOs' financial reporting and operations. The survey data indicated a broad consensus among respondents that external audits improve the reliability, transparency, and disclosure of financial information, making it more understandable and accessible to stakeholders. The interview responses and desk review further corroborated these findings, highlighting that the audit process has driven the CSOs to substantially enhance the breadth, depth, and user-friendliness of their financial reporting and disclosure practices.
- 2) The findings show that mandatory external financial audits have been instrumental in strengthening the accountability mechanisms within the CSOs. The survey data showed that respondents view external audits as an essential tool for enhancing internal controls, governance, ethics, and performance management. The interview responses and desk review also revealed that the audit process has identified weaknesses and prompted the organizations to implement robust training, updated policies, and additional review procedures, further bolstering their financial management systems and practices.
- 3) The study highlighted the important role of various organizational, institutional, and contextual factors in shaping the effectiveness and outcomes of external financial audits. The data indicated that elements such as leadership commitment, financial management

capacity, prior experience, and internal culture can influence the CSOs' capacity to engage productively with the audit process and leverage the insights gained. Respondents recognized that the external audit is not isolated from the broader organizational dynamics and that these contextual factors play a crucial role in determining the audit's utility and impact.

- 4) While the data presented an overall positive narrative regarding the benefits of external audits, the findings also identified areas where the CSOs' practices and communication around the audit process could be strengthened. The desk review revealed that the CSOs face some challenges in fully involving and responding to the needs and perspectives of their diverse stakeholders in the audit-related decision-making and follow-up processes.

## **5.2. Conclusion**

This study has provided a comprehensive exploration of the role of auditing in enhancing transparency and accountability within the civil society sector in Ethiopia. The findings from the analysis of quantitative, qualitative, and desk review data highlight the critical importance of the role of auditing in ensuring the credibility, responsible use of resources, and effective achievement of the social development goals of civil society organizations.

The study concluded that external financial audits have had a role in the transparency of financial reporting and operations in the selected civil society organizations (CSOs). The study demonstrated clear evidence of ensuring compliance with relevant regulations and standards, which is crucial for establishing their credibility and commitment to transparency. Moreover, external audits were effective in identifying areas for improvement in financial and non-financial reporting, with the vast majority of CSOs recognizing auditing as a tool for enhancing the clarity and accessibility of their reporting.

The research revealed that mandatory external financial audits have a role on the accountability mechanisms within the CSOs. The study has clear evidence that auditing provides assurance to stakeholders regarding the accuracy and completeness of their reporting. Furthermore, the CSOs have demonstrated their responsiveness to stakeholder concerns, with the majority having clear evidence of ensuring transparency and accountability through public disclosure of information and active engagement with stakeholders.

The findings highlight the critical role of various organizational, institutional, and contextual factors in shaping the effectiveness of external financial audits in enhancing transparency and accountability within the CSOs. The respondents recognized that the external audit process is not isolated from the broader organizational context and dynamics, such as leadership commitment, financial management capacity, and internal culture, which can have a role in the audit's utility and impact.

The study identified some documented challenges that the CSOs face in effectively utilizing the findings from external financial audits to improve their transparency and accountability practices. These challenges include limited resources and capacity, a lack of clear guidelines and standards, and the complexity of their operations, which can make it difficult to communicate their activities and impact to all stakeholders.

### **5.3. Recommendations**

Based on the conclusions drawn from the study, the following recommendations are proposed:

- 1) The findings reveal that CSOs in Ethiopia face challenges in effectively utilizing the insights gained from external financial audits to improve their transparency and accountability practices. To address this, it is recommended that the CSOs' organizational capacity be strengthened through targeted training and technical assistance programs.
- 2) The study identified a lack of clear guidelines and standards as one of the key challenges faced by CSOs in ensuring transparency and accountability. It is recommended that relevant regulatory bodies and stakeholder groups work collaboratively to develop comprehensive guidelines and standards for CSOs to follow in their financial reporting, disclosure of information, and engagement with stakeholders.
- 3) The research findings highlight the importance of actively engaging diverse stakeholders in the external audit process to better respond to their needs and perspectives. It is recommended that CSOs adopt a more inclusive approach to stakeholder engagement, involving beneficiaries, community representatives, and other relevant stakeholders throughout the audit cycle.
- 4) The effectiveness of external financial audits in enhancing transparency and accountability within the CSO sector is influenced by the broader institutional and regulatory environment. It is recommended that the government, in collaboration with civil society and other key

stakeholders, review and strengthen the existing institutional and regulatory frameworks to better support the utilization of external audit findings.

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# **Annexes**

## **Annex I: Survey Questionnaire**

**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

Dear Respondent,

I am a student in the post graduate program of Addis Ababa University, College of Business & Economics, Department of Accounting and Finance.

This questionnaire is designed to collect information from selected respondents for the Master Research Project on the topic “The Role of Auditing in Ensuring Transparency & Accountability: The case of Selected Civil Society Organizations in Ethiopia”, to fulfill the partial requirements of the Degree of Master of Accounting and Auditing.

There is no “right” or “wrong” responses, only the expression of your real thoughts and feelings is important. Please respond to each question by indicating the extent to which you regard the statements as Strongly Agree, Agree, I am not sure, Disagree and Strongly Disagree.

Your participation is of great value for the success of this study, and therefore, I would like to thank you in advance for your kind cooperation in responding to this questionnaire. The information you provide was re kept confidential. Hence, it is not necessary to write your name.

Please answer all the questions. To indicate your answer, put a tick mark (✓) as appropriate.

With regards

Wondwossen Getachew

**Directions: -**

- *Make only a tick mark ( ✓) on the space provided to show your answer.*
- *Please don't write your name in this questionnaire.*

**PART I - Basic Personal Data**

1. Age (in Years)

- A. 18 – 25 [ ]      B. 26 – 35 [ ]      C. 36 – 45 [ ]      D. 46 – 55 [ ]      E. 56 and above

2. Gender

- Male [ ]                      Female [ ]

3. Educational Background

- A. Diploma [ ]      B. First Degree [ ]      C. Masters Degree [ ]      E. PhD [ ]

4. Years of Experience in the CSO

- A. Less than a year [ ]      B. 2-5 years [ ]      C. 6-10 years [ ]      D. More than 10 years [ ]

5. Current Role in the CSO \_\_\_\_\_

- B. Program staff [ ]      B. Finance & Admin staff [ ]      C. Management member [ ]  
 D. Internal Auditor [ ]      E. Other (please specify): \_\_\_\_\_

**PART II – Please indicate your Response regarding Transparency of Financial Reporting & Operations, Accountability of Governance & Internal Controls, Stakeholder Engagement & Responsiveness, Organizational Factors Influencing Audit Effectiveness, and Challenges in Utilizing Audit Findings.**

Please indicate your level of agreement on the items listed below.

The scale is underscored as follows:

Strongly Agree=5      Agree =4      Neutral =3      Disagree = 2      Strongly Disagree =1

S/N.	Questions/Statements	5	4	3	2	1
<b>1. Transparency of Financial Reporting &amp; Operations</b>						
1.1	External financial audits improve the reliability and accuracy of the organization's financial reporting.					
1.2	External financial audits enhance the transparency of the organization's financial operations and resource utilization.					

1.3	The external audit process increases the organization's disclosure of financial information to stakeholders.					
1.4	The organization's financial statements and reports become more understandable and accessible to stakeholders after external audits.					
1.5	External financial audits lead to timely and comprehensive reporting of the organization's financial activities.					
<b>2. Accountability of Governance &amp; Internal Controls</b>						
2.1	Mandatory external financial audits strengthen the organization's internal control systems.					
2.2	External audits lead to more effective governance structures and oversight within the organization.					
2.3	Mandatory external audits strengthen the organization's commitment to ethical and responsible financial management.					
2.4	The organization's decision-making processes become more transparent and accountable due to external audit recommendations.					
2.5	External audits improve the organization's mechanisms for monitoring and evaluating its financial and operational performance.					
<b>3. Stakeholder Engagement &amp; Responsiveness</b>						
3.1	The organization's stakeholder engagement and responsiveness are enhanced due to external audit requirements.					
3.2	External audit findings are effectively communicated to the organization's stakeholders.					
3.3	Stakeholders are actively involved in the follow-up and implementation of external audit recommendations.					
3.4	The organization's feedback mechanisms for stakeholders are strengthened as a result of external audits.					
3.5	External audits facilitate the organization's accountability to its donors and funding agencies.					

<b>4. Organizational Factors Influencing Audit Effectiveness</b>						
4.1	The organization's leadership commitment to transparency and accountability is a key factor in the effectiveness of external audits.					
4.2	The organization's financial management capacity and systems influence the quality and utilization of external audit findings.					
4.3	The organization's size, complexity, and resource constraints affect the scope and depth of external audits.					
4.4	The organization's prior experience with external audits shapes its approach to the audit process.					
4.5	The organization's internal culture and attitudes towards external audits impact the overall audit effectiveness.					
<b>5. Challenges in Utilizing Audit Findings</b>						
5.1	The organization faces challenges in interpreting and understanding the external audit findings.					
5.2	There are difficulties in implementing the recommendations from external audits within the organization.					
5.3	The organization lacks adequate resources and capacity to follow up on and address external audit findings.					
5.4	The organization encounters resistance from staff or management in responding to external audit recommendations.					
5.5	The organization's ability to utilize external audit findings is hindered by the lack of timely and comprehensive reporting.					

**THANK YOU!**

**Annex II: Interview Questions**

*1: Can you describe how external financial audits have influenced the reliability and accuracy of your organization's financial reporting? Provide specific examples.*

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*2: What changes have you observed in the transparency of your organization's financial operations and resource utilization as a result of the mandatory external audits?*

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*3: How has the external audit process impacted the disclosure of financial information to your organization's stakeholders? What are the key improvements you have noticed?*

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*4: In what ways have the organization's financial statements and reports become more understandable and accessible to stakeholders after the external audits?*

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*5: How has the external audit process impacted the disclosure of financial information to your organization's stakeholders? What are the key improvements you have noticed?*

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*6: In what ways have the organization's financial statements and reports become more understandable and accessible to stakeholders after the external audits?*

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## **Annex III: Checklist for Desk-Review**

### **1. Regulatory Compliance:**

- Is there evidence of the organization ensuring compliance with relevant regulations and standards?
- Has the organization faced penalties for non-compliance with regulations? If penalized, were the consequences appropriate and effective?
- Does compliance with regulations establish the organization's credibility and demonstrate its commitment to transparency and accountability?

### **2. Internal Control Environment:**

- Is there evidence of auditing being effective in identifying weaknesses in the organization's internal controls?
- Is there evidence of the organization taking appropriate measures to address the weaknesses identified during the audit?
- Does improving internal controls reduce the risk of fraud or other financial irregularities?

### **3. Providing Assurance to Stakeholders:**

- Is there evidence that auditing provides assurance to stakeholders regarding the accuracy and completeness of the organization's financial and non-financial reporting?
- Have stakeholders raised concerns about the organization's financial or non-financial reporting? If so, is there evidence of the organization effectively responding to those concerns?

### **4. Identifying Areas for Improvement:**

- Is there evidence that auditing helps identify areas where the organization can improve its financial and non-financial reporting?
- Is there evidence of the organization taking appropriate measures to address the areas identified for improvement during the audit?
- Does improving the quality and transparency of reporting enhance the organization's credibility and reputation?

### **5. Transparency and Accountability of CSOs:**

- Is there evidence of the organization ensuring transparency and accountability?
- Is there evidence of the organization effectively measuring and reporting its progress towards achieving its mission and goals?

- Is there evidence of the organization responding effectively to feedback and concerns from stakeholders?
- Are there any documented challenges the organization faces in achieving transparency and accountability?

#### **6. Auditor Independence:**

- Is the auditor free from any conflicts of interest or undue influence?
- Does the auditor have a track record of independence and objectivity?
- Are there any concerns raised about the auditor's independence in previous audit reports?

#### **7. Audit Firm Reputation**

- What is the reputation and track record of the audit firm conducting the external audits?
- Has the audit firm been recognized for its quality and expertise in the field?
- Are there any concerns or controversies associated with the audit firm's past performance?

#### **8. Audit Report Clarity**

- Are the audit reports presented in a clear, comprehensive, and easy-to-understand manner?
- Do the reports provide sufficient details and insights into the organization's financial and non-financial activities?
- Are the audit findings and recommendations communicated effectively to the organization's stakeholders?

#### **9. Stakeholder Engagement:**

- Do the stakeholders have a clear understanding of the audit findings and their implications?
- Does the organization demonstrate responsiveness to stakeholder feedback and concerns raised during the audits?