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THÈSE DE DOCTORAT

Soutenue à Aix-Marseille Université
le 27 Juin 2023 par

Georges Obeid

The contribution of internal audit and internal control to the governance of Lebanese and International NGOs

Discipline	•	Composition du jury	
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Affidavit

Je soussigné, Georges Obeid, déclare par la présente que le travail présenté dans ce manuscrit est mon propre travail, réalisé sous la direction scientifique de Nicolas Aubert et Samir Ayoub, dans le respect des principes d'honnêteté, d'intégrité et de responsabilité inhérents à la mission de recherche. Les travaux de recherche et la rédaction de ce manuscrit ont été réalisés dans le respect à la fois de la charte nationale de déontologie des métiers de la recherche et de la charte d'Aix-Marseille Université relative à la lutte contre le plagiat.

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I, undersigned, Georges Obeid, hereby declare that the work presented in this manuscript is my own work, carried out under the scientific direction of Nicolas Aubert and Samir Ayoub, in accordance with the principles of honesty, integrity and responsibility inherent to the research mission. The research work and the writing of this manuscript have been carried out in compliance with both the French national charter for Research Integrity and the Aix-Marseille University charter on the fight against plagiarism.

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1. EDAMBA : Summer Doctoral Workshop
2. EIASM : Conference on Corporate Governance
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Résumé

L'objectif de cette recherche consiste à examiner les rôles de l'audit interne et du contrôle interne dans la consolidation de l'efficacité de la gouvernance. Cette efficacité est déterminée par la responsabilité des contrôles internes et de la gouvernance pour assurer la transparence financière et la légitimité d'une ONG. La gouvernance est un point critique qui relie le contrôle interne et la transparence financière, ce qui est essentiel pour renforcer la confiance des parties prenantes ainsi que celle des donateurs de fonds, et de garantir les flux des donations pour le financement des ONG. Bien que des études antérieures aient apporté des éclairages sur le sujet, très peu d'études ont été menées à cet égard ; d'où l'adoption d'une méthodologie qualitative. L'approche qualitative consiste à comprendre les perceptions des interviewés sur l'utilisation des donations financières ainsi que sur les mécanismes sous-jacents qui consolident la transparence envers les donateurs de fonds, et la légitimité aux yeux de la communauté civile concernée. Les données collectées primaire et secondaire auprès d'ONG internationales et libanaises ont été traitées avec les logiciels NVIVO 12 et Iramuteq. Les résultats de la recherche ont conduit à l'établissement de dix propositions de recherche qui illustrent, d'une part, des éléments de réponses à la question de recherche principale, et d'autre part, pour interpréter les mécanismes qui conduisent à la légitimité des ONG.

Mots-clés: ONG, contrôle interne, audit interne, responsabilité, gouvernance, transparence, légitimité.

Abstract

The focus of this research is to examine the roles of internal audit and internal control in consolidating the governance efficiency. The latter relies on internal controls' accountability, whereas governance responsibility ensures legitimacy and financial transparency. Governance is a critical point that connects internal control and financial transparency, which is essential to build trust among stakeholders including donors of funds in order to secure funding for NGOs. While previous studies have provided insights into the subject matter, very few studies have been conducted in this regard; hence a qualitative methodology was adopted. The qualitative approach consists of understanding interviewees' perceptions about the use of financial donations as well as the underlying mechanisms that consolidate transparency towards stakeholders and to gain legitimacy in the eyes of the concerned civil community thereafter. Primary and secondary collected data from international and Lebanese NGOs was treated subsequently with NVIVO 12 and Iramuteq softwares. Research findings have led to establish ten research propositions that illustrate, on the first hand, elements of answers for the main research question, and on the other hand to interpret the mechanisms giving rise to NGOs legitimacy.

Keywords: NGOs, internal control, internal audit, accountability, governance, transparency, legitimacy.

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Introduction

1. Originality and reason for choosing the topic

Non-Governmental Organizations (NGO) arise as a result of civil initiatives, which are related to social and cultural development or other projects that generate changes in certain spaces, communities, regions or countries. NGOs are composed up of citizens with a vocation for service in coordination with beneficiaries and driven by a political conviction to promote fairness. In general, NGOs perform a vital role in the economic development of developing countries. They provide services to the society through welfare works for community development, assistance in national disasters, sustainable system development, and supportive financial donations for SMEs prosperity (Arellano-López and Petras, 1994). The same authors indicate that NGOs place themselves between the grassroots organizations and the state agencies and international donors, positioning themselves to act as development brokers. Concept difficult to seize and to contextualize, the term NGO covers different realities: diversity by origin, diversity of actions undertaken, philosophies, strategies or places of intervention, structural diversity and modes of operation, and diversity of impacts on national economy.

NGOs exist for their social mission and act as not-for-profit public or humanitarian institutions which activities are not structurally related to a government. It is at the heart of the definition of their policy of undertaken actions that their responsibilities are revealed. That responsibility is fundamental for their culture and identity and orients their strategy toward the objectives that impregnate from it. While there is still no agreement on how to

define NGOs at this time, it is possible to put forward a series of characteristics or values common for this type of heterogeneous organizations, the notion of association, the values of commitment, freedom and consent, respect, social justice, democracy, equity or solidarity (Kane, 2013, p. 1513). In addition, such organizations, rooted in civil society, promote certain values through their actions, such as free and willing engagement, respect for human rights, social justice, democracy, sustainable development, solidarity and altruism (Kane, 2013, p. 1507). However, if NGOs are qualified to reach their objectives since they are considered more efficient than governments in providing relief assistance and sustainable projects development; such organizations do not have written standard operating procedures, accounting systems in line with generally accepted accounting principles, or strong internal control systems (Abdulkadir, 2014).

Spira and Page (2003) redefine the internal control weakness by appropriating the concept of risk management. In such regard, the same authors indicate that the advantage of internal audit is perceived as an integrated service with corporate strategy through a risk management focus.

The Institute of Internal Auditors (IIA, 2019) recognizes internal audit as *“an independent, objective assurance and consulting activity designed to add value and improve an organization’s operation. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”* This is why the internal audit function is considered important in supporting the development of internal control. It is known that internal control is an integrated process that is implemented by all the staff of an NGO in order to provide reasonable assurance regarding the achievement of the pursued objectives within the scope of its mission.

Within that perspective, internal controls are defined through mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and to prevent fraud (Doyle and McVay, S., 2007). The purpose of choosing the subject stems from different reasons: the first one pertains to various scientific reviews (Spira and Page, 2003; Doyle and McVay, 2007; Abdulkadir, 2014;

Agyemang et al. 2019) that reveal a lack of coherence and a solid unifying conceptual framework in the studied field. Moreover, limitations on practical and theoretical levels had arisen which affect the issue of accountability and transparency towards financial donors. The second reason follows scientific outcomes and rarely unveils a comparative approach between international NGOs and local ones. The third one derives from the absence of scientific studies in the business sciences field and that are related to NGO that are operating in Lebanon.

2. Importance of the study

The study findings would be beneficial on two levels. The first one is related to the contribution of theories to existing works while illustrating a new theoretical framework that highlights the importance of internal control into the NGOs organizational development. Second, empirical findings would shed the light on informal and formal mechanisms that practitioners in the field would refer for in order to understand the functioning of the internal control and its repercussions on dimensions such as; relational, cognitive, informational and operational. In the same vein, it is crucial to understand the contribution of internal audit to the internal control and development of an NGO.

In general, NGOs are known to be independent entities from both the government and business sector. Their mandate is to promote the public interest and serve the public good rather than to generate profits or to promote the interests of a small group of individuals. Their independence enables them to monitor government performance and advocate for internal organizational improvements for a better operation in a particular field of activity. NGOs that are acknowledged by the Government, businesses, and individuals can help mediate to settle conflicts or find solutions to common problems. NGOs mobilize volunteers and other resources to achieve their vision.

Regardless of the scope or place of operation, all NGOs exist to make people's lives better by mainly tackling issues from a social perspective. Most NGOs are founded by people who are passionate about their communities and related causes. However, managing NGOs involves more than passion; Knowledge, skills, resources and relationships are integral required elements. Moreover, the multiplication of objectives and visions leads to the creation of many NGOs which come to compete with the existing ones. Faced with such a wide range of

challenges, the competition between these organizations for funding now appears unavoidable.

NGOs therefore have to defend their vision and their work. Their survival strongly depends on their ability to finance themselves, which requires a positive image towards the civil community and financial donors. NGOs organize their communication in this direction and set up cooperation, to be visible and build an image of legitimacy, allowing the collection of private funds. The social mission, public engagement, achievement of tangible results, efficient governance, and ethical and effective conducts are a set of activities maintained by NGOs through the supervision of operational activities. At a first stage, NGOs are responsible only towards their donors. Funders require to be informed about the allocation of financial resources and the pertaining operations.

As such, legitimacy, transparency and accountability constitute the dimensions that enhance NGO's credibility and transparency. Jo Sader (2021) have noted that it is nearly impossible to estimate the amount of donated money sent to Lebanon in the aftermath of the 2020 Beirut port explosion due to ambiguity, a lack of statistics, and low transparency requirements on the part of donors. For Jo Sader (2021): *"to date, approximately \$318 million in international financial aid has been disbursed, the majority of which came in the first four months following the explosion"*. By being accountable and transparent an NGO earns the trust of a community. Conversely, when community members and donors lack trust in an NGO, they are unlikely to participate in its programs or request its services. The more accountable and transparent an NGO is, the more it is capable to serve the community. Therefore, it can be concluded that an NGO success' development is based on complying with principles that are generating trust not only internally but also by enhancing a transparent management, free of corruption.

3. Theoretical interest

NGOs operate in a context as turbulent and as competitive as the commercial sector. NGOs have had to deal with their internal organizational development and efficiency as being reflective for maintaining, in such stream, their external environment trust and legitimacy. As illustrated into Figure 1, five axes of arguments contribute to the conceptualization of the theoretical model of the study.

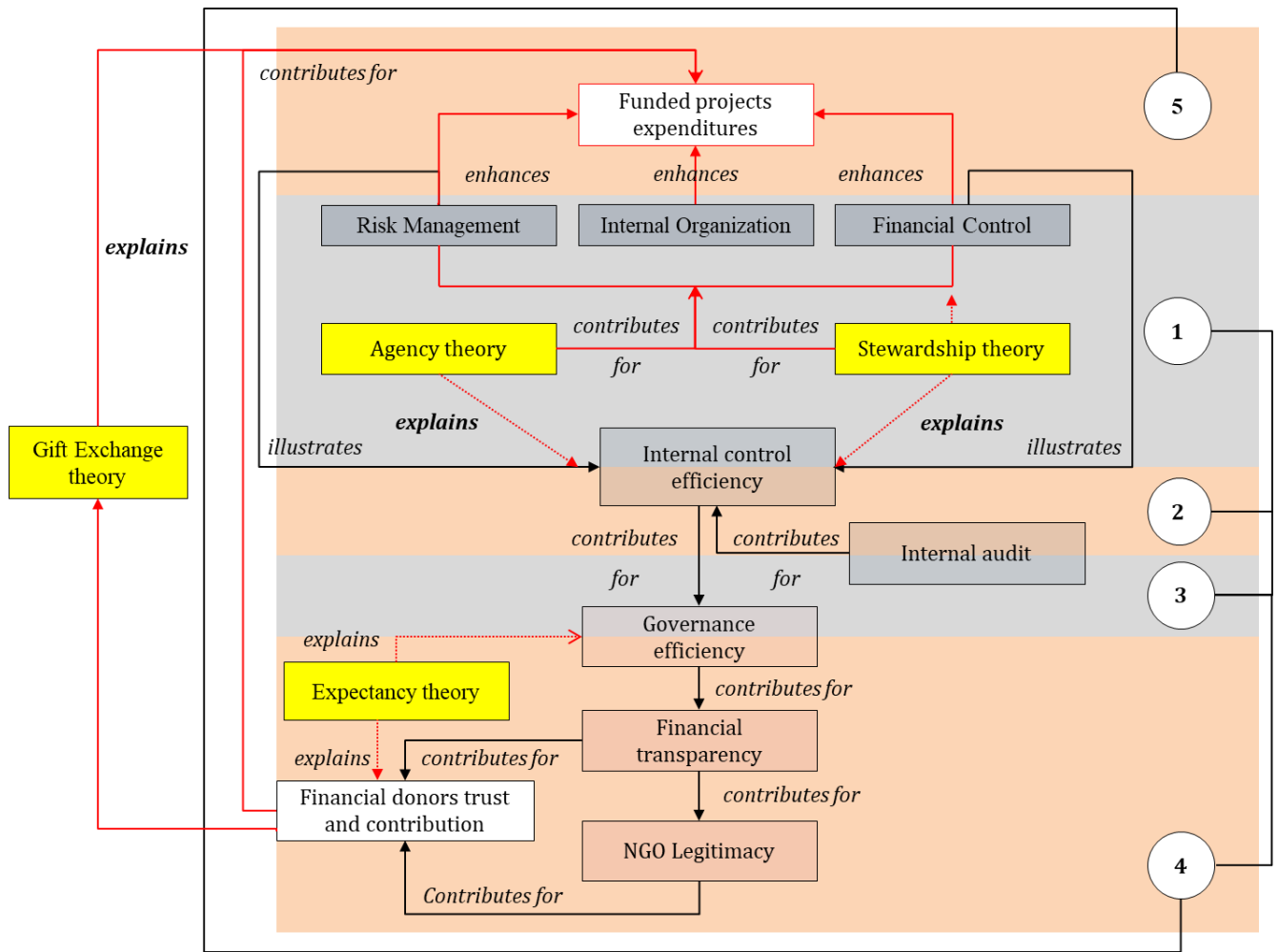


Figure 1: Theoretical concept

The first axe refers to personal, professional integrity and ethical values of managers and staff that determine their priorities and value judgments. This translates into a code of conduct and an adherence to the organizational federal values. These qualities must be reflected in an attitude of adherence to internal control, at all times and throughout the organization (Lloyd and de las Casas, 2006).

The said axes refer respectively to dimensions that assess the effectiveness of an NGO internal control. On the one hand, control within NGOs does not always imply an agreement to ensure the dominant coalition that respective managers require to prosper the non-profit organizations. Cooperation is built on a collective negotiation process that serves to amplify capital of trust, and to reduce, accordingly agency costs. As it is stipulated by the agency theory (Jensen and Meckling, 1976), individual and opportunistic behavior

exposes NGO to financial risks. In other words, a misleading behavior can be opportunistic and acts in light of the individual interest while diverting financial donations to their personal benefits. Managers can hide important information and harm stakeholder expectations. On the other hand, the stewardship theory (Davis et al. 1997), envisioned as a *“responsible organization”*, emphasizes commitment and collective cooperation among NGO actors. The stewardship theory, projected through a personal behavior and attitudes, emphasizes collective engagement and cooperation between managers and staff rather than conflicts of interests and divergence of opinions. This approach highlights the “collective” man model rather than the “contractual” man model, so NGO Managers’ identity is described more likely as stewardship rather than being opportunistic.

The second axe refers to the role of internal audit in enhancing a better internal control and a better transparency for a NGO internal organization as well as its external environment. Internal auditors are charged with ensuring that corporate processes and associated controls are functioning as intended. At that level, the internal audit role consists on reducing asymmetry of information and consolidating management practices to enhance a better risk management and an accurate financial control. For Spira and Page (2003), the reinvention of internal control lies on explicitly aligning internal control with risk management. For the same authors this represents a change in the relationship between risk and accountability: recent developments in audit have appropriated risk management as an accountability process. Conversely, the absence of effective internal audit, gives rise to a malfunction of accountability mechanism that will certainly harm the sustainability of NGO activities. In fact, the internal audit can detect relevant risks and provide accordingly corrective measures and recommendations to be implemented by the internal control.

The third axe is located at the confluence of the internal audit role and its contribution to the internal control efficiency and governance system improvement. In addition, internal auditors are developing new strategies and becoming more proactive. To be noted that appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit and control. In this vein, the third axe refers to an operational dimension.

In relations with the three axes, auditors, with their assistance, can promote values of objectivity and professionalism, as well as transmitting knowledge that improves internal control managers’ competencies. As a result, the role of internal audit is not presumed only to assist the internal control to provide corrective measures in undertaking a more efficient operation, but also to provide a detection of waste of financial resources, errors or even frauds.

Subsequently, and in line with the previous axes, the fourth one is reflected throughout governance efficiency and its contribution to financial transparency and NGO’s image

legitimacy consolidation. At that level, the stakeholders' expectancy theory can shed the light on stakeholders' perceptions regarding an NGO's commitment for the optimization of allocated financial resources. In such regard, an NGO is chosen over others when it comes to selection to respond to the civic community's aspirations. In other words, an NGO maintains its social activities while seeking for an optimal allocation of received financial donations. The promotion of commitment towards donors and credibility towards the environment is here crucial. On a first note, actions revealing such qualities must be able to be judged on the basis of evidence assessed by NGO's donors

According to Lloyd & de las Casas (2006), NGOs are dealing with their accountability in reaction to external threats and bad publicity. Ethical, moral, and deontological parameters defined through the organization and intertwined within inter-individual interactions, form a global positioning on quality. So, when responsible "*instincts*" interact, NGO members will tend to cooperate and align their interests by the adoption of common standards aimed to fulfill their social mission. So, the role of the NGO managers and members, perceived through a socio-cognitive learning process, is considered to be a vector of propensity to seek accountability related to financial donors' expectations (Abdulkadir, 2014).

Boomsma and O'Dwyer (2019, p. 9) speak about a construction of accountability. According to the same authors: "*within this process, the creation of competition for funding among NGOs emerged as an objective of accountability thereby offering a counterpoint to prior research which frequently perceives competition for funding as an explanation for increased attention to NGO accountability*".

The fifth axe concerns stakeholders and financial donors' trust to provide constantly, financial funds to meet the NGO financial prosperity and the related mission's continuity criteria. Such scheme is reflected by the gift giving theory which also seems to be interesting to question the particular bond which unites the volunteer and the donors with their association (Stirrat and Henkel, 1997).

4. Research statement and objectives

Donors place greater emphasis on effectiveness and transparency. Consequently, NGOs are currently under pressure to undertake increased monitoring and evaluation along with present measurable indicators of output, impact and capacity (Hailey and Sorgenfrei, 2004).

An NGO risks devaluating its image, credibility and legitimacy in front of donors once financial donations are misused.

This tendency towards NGOs internal control professionalization is sometimes conceived as a problematic approach to change, which balances militancy and professionalism. Above all, it is the process of a strategic questioning that involves the identity of an NGO, the image that reflects its professional working procedures and its own internal control. However, if the NGOs enhance the continuation of a missionary tradition, other critics note the role of NGOs as resource brokers rather than change agents (McGregor, 2004); as palliatives to real structural change (Arellano-Lopez and Petras, 1994); as producing too much overlapping of vested interests among donors; as not producing long term effectiveness of projects (De Waal and Omaar, 1993); financial corruption and drifting from NGOs' original mission (Coston, 1998).

In general, greater attention has been given to the management challenges that NGOs face such as frauds, money laundering and corruption. Consequently, the enhancement of a better internal control will help to prevent the occurrence of such opportunistic conducts. Thus, in the context of the present study, the focus resides in studying the reliability of the internal control of Lebanese and international NGOs.

The importance of studying such a type of organizations is related on the one hand to the transparency of the NGO towards its donors and its legitimacy, and on another hand to its proper conviction to establish an efficient internal control that enhances development and performance. NGOs' differ from other types of organizations by their structure, their places of intervention and their fundamental values (Fowler, 1996), by their social purpose (Rahman, 2007), and by managing their different stakeholders (Ager, 1999). For Tandon (1995), these are the criteria of performance measurement that allow the differentiation of one NGO from another. The institutional character of private companies is in a close relationship with their operational performance.

Lewis (2003) enlightened about the management of NGOs development. The latter stated that such organizations can be inspired by management practices² in various fields that are already widely studied. However, he emphasized on the fact the NGOs must improvise and adapt to management practices that comply with their specificities to build their own management model. Usually, NGOs lack the establishment of an efficient internal control that enhances their performance and organizational development (Abdulkadir, 2014). Moreover, reputational threat factors, particularly related to the way NGOs are managed and their effectiveness in terms of internal control, question the way donations have been used. Managers must then, seek for better practices to promote the efficiency and the

² Those practices are related to the classical management sector, public management, management in the third sector and development management.

effectiveness of internal operations. Going from such statements, the main problematic, for this research study, is elaborated in a way to know:

“To which extent internal control can optimize the transparency and accountability of the NGOs’ management system?”

In order to provide answers for the main interrogation, two questions motivate this research work:

RQ1: How do NGOs establish effective internal controls?

RQ2: How do NGO managers ensure the improvement of governance efficiency?

Six objectives are associated to these research questions:

1- Understand and explain why NGO managers should maintain professional integrity and ethical values;

2- Understand and explain how NGO managers and staff should establish cooperation and converge perceptions to fulfill their social mission;

3- Understand and explain the reasons behind maintaining financial transparency;

4- Understand and explain the intentions of involving internal auditors into the NGO internal control development.

5 Understand the interrelationship between internal control and governance;

6- Understand legitimacy importance according to stakeholders’ expectations.

5. Research methodology and procedures

The "Grounded Theory", developed by Glaser and Strauss (1967), is a research practice that aims to build, or more modestly, to enrich a theory from empirical data. This practice of a theory rooted in facts, operates a strong harmony between theory and field (Glaser and

Strauss, 1967). The Grounded Theory is based on two assumptions: the use of detailed observations close to the natural world of the observer (researcher) and the desire to avoid “a priori” engagement with any theoretical model. The methodological choice of the present thesis study is towards a modified form of "Grounded Theory": abduction, because the only inference is not sufficient to determine the key players and the necessary observations. This methodological approach must not deviate completely from the theoretical axes initially mobilized and it must not blindly permeate it during the investigation in the field. The most important thing, however, is to approach the field by trying to eliminate any “*theoretical consideration and any test of hypothesis*” (Eisenhardt, 1989).

An abductive approach mobilization has the major advantage of regularly adjusting the research problem in the field. This hybrid approach consists of going back and forth between the newly produced knowledge and that established in the literature. It then avoids a too great distortion between the theoretical constructs and the observed reality. Hybrid exploration is a way to enrich or deepen previous knowledge. Indeed, it is generally accepted that the choice of a qualitative approach is more judicious when the objective of the research is to lift the veil on a new theme whose concepts must be explored. That explains that the choice of method should not only depend on the objectives but also on the questions raised by the research.

In addition, the objective of this choice is to provide an explanatory framework based on research questions focused on the processes underlying the studied phenomenon.

The case study strategy has been favored insofar as it allows, among other things, to explore a given situation, all this by integrating the different subsystems considered to be inseparable in the understanding of the phenomenon that interests us (Yin, 1994, p. 25). The same author underlines that a case study is “*an empirical research which studies a contemporary phenomenon in a real context, when the borders between the phenomenon and the context are not clearly evident, and in which we mobilize multiple empirical sources*”.

In keeping with our concerns, the choice focused on the technique of semi-structured interview as an investigative tool. Defined by Kvale (1983), the interview research is semi-

structured and is not a free conversation or a highly structured questionnaire. It goes through an interview guide which, rather than containing an exact number of questions, focuses on certain themes. An interview guide will be developed throughout the literature review analysis. To retrace a set of axes around which the interview will be structured. It serves as primary axes and thematic guidance for the data collection process that affects the topics to be sketched during the interview.

The semi-structured interview is essential for the case study since it provides direct information on the studied phenomenon and allows the examination of the experiences and interpretations of the actors with regard to a given phenomenon. So, collected data will be qualitative. Interviews will be held with the following targeted Lebanese and international NGOs. Based on their experiences, exposing similarities in their speeches and contextualizing all of the information collected was necessary in order to give them meaning. Qualitative research technique refers for the interview and the purpose of which is to bring together the descriptions of the reality of the life of the interviewee with respect to the interpretation of meanings and perceptions. The use of interviews is essential in the context of a management situation analysis (Hlady-Rispal, 2002). By using a questionnaire, the quantitative method cannot reveal the reasons and the intentions which aim to maintaining NGO's accountability and legitimacy.

In other words, the physical presence of the interviewee is particularly important because of the relevance of his testimonies which gives so much importance to internal audit and control dynamism in promoting accountability, transparency and legitimacy. In a strategic action, actors' speeches offer a rich source of information to understand the representations conveyed (Martinet, 1990). Insofar as the research subject is delicate and relates to NGOs managers, the collected information must come exclusively from interviews carried out with NGOs members.

6. Thesis plan

The research study is divided into two parts: the literature review and the research methodology and findings discussion one. As for the first part, the first chapter covers the internal contribution to governance efficiency, and the second centers on NGOs accountability and financial transparency. The second part focuses on a third chapter that deals with the research methodology as well as on a fourth one that illustrates the findings discussion and interpretation.

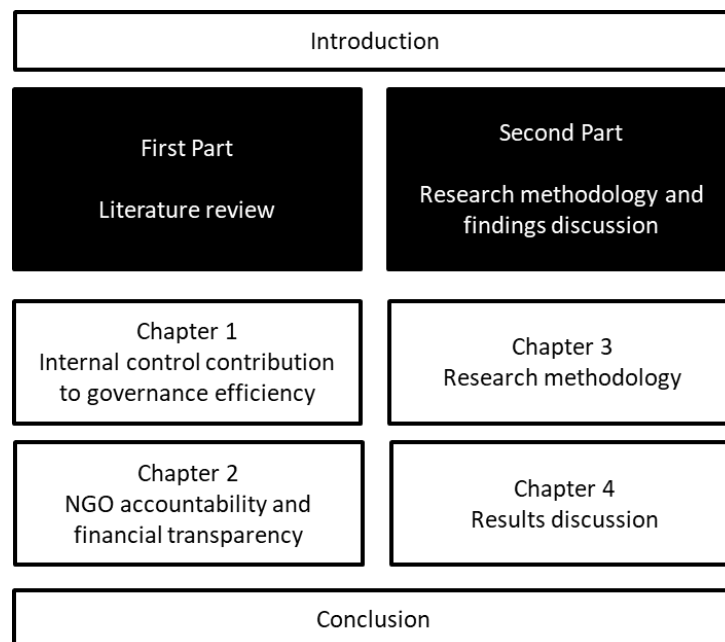


Figure 2: Thesis plan

First Part: Literature review

Chapter 1: Internal control contribution to governance efficiency

Introduction

The controlling environment is an essential element of an NGO's culture and the ability of its staff to implement an effective internal control and risk management system. Since early 90s, several researchers have shown the value of internal control systems and their managerial development in companies (Bouquin, 2008). The controlling environment determines the level of staff awareness of the need for control. It forms the basis of all internal control's elements, by imposing a discipline, an organization and a culture of recognition of the need for controls. Following a literature review analysis, NGO controlling systems were gradually structured to incorporate more economical forms of rationality (Chenhall, Hall and Smith, 2010). NGOs must increasingly be able to demonstrate that they are efficient and productive in terms of providing metrics that demonstrate their performance in converting resources into outcomes.

NGOs are not only accountable towards respective communities, but also towards their funders and donors. As a result, funders request that respective NGOs inform them of their activities. At that operational level, the issue of the performance model is sensitive for NGOs, as they appear to strive for a higher level of efficiency. As a result, norms and values are regarded as an important indicator of NGOs' organizational identity (O'Dwyer and Unerman, 2008). Furthermore, some researchers describe NGOs mode of control as a dominant and cultural control (Kraus, Kennergren and Von Unge, 2017). However, while financial donors encourage NGOs to justify the relationship between used resources and obtained results more finely and quantitatively (O'Dwyer and Unerman, 2008), NGOs are brought in to implement more formal methods of control.

1. NGOs internal environment

The controlling environment is the backbone of internal control. This is the principle on which the content of the other components will be based. Internal control is a term that might be related to the importance that an entity's staff and management place on it. This is a factor that influences corporate culture and the effectiveness of non-profit governance, among other things. In practice, an inefficient internal environment has a negative impact on organizational results, putting NGOs' reputation and image at risk.

In addition, the controlling environment exerts its influence on an day-to-day operation of the NGO's internal control system, and affects its design and architectural system. It encompasses organizational integrity and ethical values, the elements enabling the board to exercise its supervisory responsibilities, the organizational structure, as well as the allocation of powers and responsibilities. It embraces the recruitment process, training and retention of competent people, and the robustness of indicators, incentives and bonuses promoting the duty to report on performance.

1.1. NGOs integrity and members' ethical values

In recent years, a dramatic increase in the importance, number and diversity of NGOs have been witnessed. The current political impact of NGOs and their *"avant-garde"* initiatives, which were once exclusively under the control of governments and charities, as well as their humanitarian service has now become of vital importance for the benefit of an integral well-being of individuals and societies from all over the world. NGOs exist to fulfill a social objective and operate as a non-profit public or humanitarian institution with no structural connections to a government. Thus, it is at the heart of the definition of their missionary actions that their responsibilities and policies are revealed.

This responsibility is fundamental to their culture and identity and guides their strategy towards the objectives that permeate them. If there is still no consensus at this stage to

define NGOs, it is possible to put forward a series of characteristics or values common to this type of heterogeneous organization, the notion of association, the values commitment, freedom and consent, respect, social justice, democracy, equity or solidarity (Bell and Carens, 2004). In addition, these organizations, anchored in civil society, promote certain values through their actions, such as free and voluntary engagement, respect for human rights, social justice, democracy, sustainable development, solidarity and altruism.

In many cases, NGOs have proven to be more adept than governments in responding adequately to specific needs. This prevailing “third sector” exists between the government and the business sector, NGOs are bringing unprecedented vitality, as well as possessing a remarkable ability to provide guidance on issues related to services and world peace. The flexibility of NGOs and their way of connecting with popular bases to help them mobilize on the issue of rapidly generating resources in affected areas is notorious. Their frequent unique commitments and strong motivations have generated civic power that other institutions may not have. However, just as that importance grew, so did their responsibility and accountability. NGOs have the responsibility to be transparent, honest, responsible and ethical, in order to generate reliable information and to avoid creating situations of manipulation for a personal benefit. NGOs have the vocation to go beyond the limits of race, religion, ethnicity, culture and politics. They have the obligation to respect each person, fundamentally in relation to human rights.

NGOs must have a proper governance system. They have to be transparent when it comes to public funding, to act with professionalism and integrity, and to build public trust through a proper placement of public funds. As such, NGOs have the obligation to remain independent from any political or governmental involvement and to avoid being part of any opposition or government backed organization, and, under any circumstances, controlled by a governmental body. In short, NGOs have a responsibility to invest their resources for a welfare purpose based on high levels of ethical conducts. Personal and professional integrity and the relating ethical values determine the priorities and value judgments of NGO's managers and staff (Freyss, 2004). Internal control reflects the organizational culture. Therefore, it is appreciable to understand the effect of this culture on staff

awareness and ethical behavior in relation to the assigned missions. It is from this context that NGO employees are brought to work to establish effective internal control.

By providing a clear discipline and structure, the organization, internally, forms the basis of internal control's elements striving for maintaining specific vision and mission that can be determined by possessing cultural traits enhancing the organization performance. For NGOs, the ideology of a strategy, centered on a social mission, is a commitment to create value and ethics (Lewis, 2007). Thus, internal control encompasses the organization integrity and ethical values; the elements enabling the board to exercise a supervisory responsibility and allocate tasks, train and retain competent employees and volunteers, and promote the duty to report performance evolution. In other words, internal control is not a complementary function; it is rather a collective responsibility within an NGO. Within the framework of their responsibility and competencies, each member, at a managerial or technical level, is responsible of the implementation of internal control. Reasonable assurance reflects the idea that every active member of the NGO must demonstrate personal and professional integrity and respect of ethics.

1.2. NGOs commitment for perpetuating credibility

All NGOs, even the most sincere and disinterested, can benefit from a code of ethics and conduct that is consistently identified with acceptable ethical standards and practices. The adoption of a suitable internal strengthening code not only provides adequate ethical content for the NGO, but also provides ethical control for that NGO; and it also serves as a statute or statement for grantees, donors, showing that NGO takes and maintain, seriously, high standards. Such a code can assist stakeholders in identifying, evading and spotting "*sham*" and biased NGOs. NGOs Code of Ethics and Conduct³ was designed to promote the mutual benefit that concerns improving members' vocation and the civil community benefit. The code is applicable for organizations that focus on international programs, as well as for those who seek the improvement of issues related to local community development. As these rules assume the role of managers, NGOs can help developing and

³ The rules of the code are applicable regardless of the NGO's approach, whether for humanitarian aid, advocacy or support, conflict prevention, research, education, human rights monitoring, health care, or actions in the environment.

nurturing the concerns of a public conscience into an emerging global culture. As such, NGOs also have the specific task of maintaining the highest ethical standards and staying on that course, in terms of what they themselves have to practice internally and at the same time establish a service perspective.

1.3. Employees cooperation and coordination outcomes

Grant (2002) confirms the importance of knowledge and the need to guide organizations towards a Resource-based Approach, promoting a set of processes through which knowledge is developed, transferred and applied. As a result, different models and knowledge management systems have been developed to identify the set of activities that this practice can encompass, ranging from the simple use of new information and communication technologies to a cultural change of the organization aimed at promoting continuous learning. Nonaka and Takeuchi (1995) were the authors who recognized the value of knowledge creation over its simple management, elaborating and defining the process through which knowledge is created. They introduced a different and transformative vision of knowledge in an organization, and highlighted that the task of creating knowledge is not simply an activity but a way of behavior oriented towards innovation and development of new capacities. Knowledge creation is closely related to learning processes. In general, these organizations have a very simple structure; they are work teams in which each person performs a specialized function in coordination with other members with the sole purpose of carrying out tasks that are collectively proposed in a way to keep the internal relationship fundamentally democratic and deeply recognized for a criticism value and a self-criticism.

1.4. Management practices and communication

Information and communication are essential for activity coordination and decision-making processes. They both boost internal control by facilitating the task of monitoring and ensuring the efficiency of the internal system. Moreover, a decision can only be made on the basis of relevant, adequate, up-to-date and communicable information (Heyse, 2013). It is for this reason that information and communication occupy an important place in the achievement of all the objectives of internal control as well as the general objectives

of the organization. Information and communication are closely related (Maiers, Reynolds & Haselkorn, 2005). They represent important foundation pillars of an internal control system. The practical effectiveness of the internal control system is largely dependent on the production and diffusion of reliable information for the decision-making. It is also an essential factor to promote quality communication within the company. Subsequently, all the information relevant to the implementation of control is collected and disseminated through various means of communication, to the concerned stakeholders.

In sum, following an NGOs internal environment, effective internal coordination and integrity are essential for the constructive development of NGOs. They can lead to improved communication, increased efficiency, enhanced teamwork, better resource allocation, as well as a stronger reputation in the communities they serve. Ultimately, the said factors contribute to the organization's success in achieving its goals and making a positive impact.

2. Internal control dimensions

NGOs clearly define respective mission, vision, goals, objectives, principles and values, along with the systems which allow a proper internal control development and management (Mirvis, Googins and Kinnicutt, 2010). As such, responsibilities are allocated to each aspect: financial resources, human resources, projects, facilities and materials. Managers are selected to assess each operational area while performing various roles. Consequently, a controlling system, implemented by managers over all the administrative and operational activities of an NGO, aims to achieve, under the best circumstances, the organizational objectives. This section will address an internal control theoretical overview. It allows understanding internal control fundamentals and its relationship with the promotion of good governance. Such overview will be based on "COSO model" framework.

2.1. Informational transparency and internal control

Objectives achievement, control and performance of activities, regulatory compliance as well as accountability are today inseparable elements of the rules of good management of organizations in the private sector. The quality of financial and accounting information requires transparency and accuracy of the disseminated information, the effectiveness of corporate governance, the independence of auditors and the reliability of internal control. NGOs like any other type of managerial company must ensure the promotion of standards in the areas of internal control in general and internal audit in particular. Internal control is perceived as an ideology that helps creating value by improving the flow of information and controlling flows. In fact, providing an effective control concerns the assessment methods of all five COSO components, but also the monitoring of their implementation. Procedures evaluation can be carried out continuously and occasionally. Internal control objectives and components are related to each other; this is the reason why COSO repository is in the form of a cube. The internal control deems to be effective because of the management implementation of various processes. It should be remembered, however, that if, in terms of internal control, the guidelines and best practices provide a global framework for the definition, the structuring and the risk control process, its concrete translation needs to be adapted according to the context and the general environment of the said organization.



Figure 3: COSO Cube
Source: Provasi and Riva (2015)

COSO standard defines internal control as *“a process implemented by the board of directors, managers and staff of an organization intended to provide reasonable assurance as to the achievement of objectives relating to one or more categories: Effectiveness and efficiency of operations; reliability of financial information and compliance with laws and regulations”*. The strength and main advantage of the internationally recognized internal control model lies in the fact that the criteria are common, identifiable and recognizable. Its implementation can only be judged in terms of its relevance to reality and its efficiency for the benefit of internal and external users.

For Provasi and Riva (2015), the COSO framework states: *“to achieve its objectives, the organization can rely on five components of internal control, namely the control environment, risk assessment, control activities, information and communication, and monitoring”*. The five components of the internal control system are also interconnected and self-contained. The way the organization is run determines their strength and effectiveness. They are integrated into management processes and act as a criterion for evaluating the efficacy of internal control systems. The controlling environment is an essential element of a NGO’s culture and the ability of its staff to implement an effective internal control and risk management system. It constitutes also an indicator of personnel sensitivity regarding a need for control (Oppong, Owiredu, Abedana and Asante, 2016).

In other words, moving to NGOs accountability, as of means of internal accountability, one must consider the measures that NGOs take in regards to the empowerment of their staff and management. These measures have a lot to do with donors’ and beneficiaries accountabilities as they are inter-related. By providing structure and discipline, the control environment forms the pillar of an internal control system.

Most of NGOs depend on voluntary staff in order to proceed with their normal day-to-day activities and programs. This leads to a missed control over the quality and the level of expertise of their human capital and thus, may have implications on the efficient performance of duties regarding the implementation and monitoring of projects and plans in flow. The controlling environment influences the culture of the company and determines the level of staff awareness of the need for control. It forms the basis of all the other

elements of internal control, by imposing a discipline, an organization and a culture of recognition of the need for controls.

Internal control consists of activities carried out which allow managers to effectively run their organization. As such, the internal control process consists of exerting voluntary influence to help achieve a pre-established objective. In return, management is strongly involved in the control environment; it has an obligation to provide staff with an environment that promotes the practice of internal control, and to take the right decisions in alignment with the effectiveness of the internal control system and the control of risks. Therefore, it's quite important for an NGO to project a certain culture and dedicated staff and volunteers in order to improve results. A well-thought-out human resources policy would perform the job of keeping the NGO afloat and attracting the high-quality personnel it requires. In general, the internal control acceptance concerns the implementation of a controlling system that helps NGO managers to conduct the operational activities, in an orderly manner, to ensure the integrity of financial resources allocation and to make information flows more reliable (Chalmers, Hay and Khlif, 2019).

Internal control is both a state and a process that include financial and accounting controlling materials. It aims to improve operational efficiency and to strengthen adherence to the strategic policy of an NGO. Basically, internal control guarantees the quality of services provided internally and externally to the organizational environment of an NGO. In the same stream, internal control detects operating anomalies that identify visible or hidden wasted cost orders. Internal control must, therefore, be adapted to an organizational structure and its activity. It presents a universality of objectives, and a relativity of their respective application.

Given an NGO internal information system importance, the information control workflow will be an important dimension to focus on, since it is related to risks that impregnate from asymmetries of information. Without information and communication, the internal control system will be doomed to failure. Transparency is enhanced with the adaptation of mutual management that eases operations' efficiency and effectiveness. Argyris and Schön (1978)

already wrote that the responsibility, for the effectiveness of an organization, lies on the people coordination and cooperation rather than on the organization in itself.

Later, Senge, in 1992, when analyzing systems theory, also defended that the people inside the system must seek their share of responsibility for the errors that are made. Hence, learning becomes a fundamental piece for the organization. Consequently, information and communication occupy an important place in the achievement of all internal control objectives as well as NGOs general ones. In such, a decision can only be made on the basis of relevant, adequate, up-to-date and communicable information (Rittenberg, 2006).

Financial partners and donors are becoming more demanding and scrutinizing of NGOs' project financial resources allocation. They expect greater management openness at all levels of the firm. As a result, NGOs that are seeking to preserve a fiduciary relationship with donors, aim to upsurge control measures for resource monitoring. Bad governance jeopardizes NGOs' openness, accountability, and integrity, as well as allowing atrocities to go unpunished, notably in the area of corruption (Lehr-Lehnardt, 2005).

Effective governance, on the other hand, enables NGOs to build trust with financial donors. The primary goal is to retain current donors while simultaneously attracting new ones. As a result, this mechanism will assist in strengthening project management and attaining the goals in favor of the civil community and beneficiaries. It will also enable to defend its mode of operation and administration, as well as the level of structural costs, salary costs, human resources policy, purchasing procedures, and regular monitoring of activity execution.

At that level, an efficient internal control system is heavily reliant on the generation and dissemination of a trustworthy and relevant information for decision-making, as well as for a high-quality communication promotion within the NGO (Burger and Owens, 2010). The continuous improvement of internal control systems remains an obligation. In any organization, the concept of control has become a need. It's one of the most important aspects of effective governance. Internal control is a long-term system used by a company

that tries to monitor and regulate all the administration's procedures in order to achieve its goals. Internal control is manifested in the workplace through the use of methods, rules, and processes. Furthermore, establishing an efficient internal control system is a strategy for increasing the efficiency of managerial practices, managing restrictions, federating actions, and strengthening the governance structure.

2.2. Risk identification and assessment

Any company or association is confronted, according to the COSO, with a set of external and internal risks which must be evaluated. However, before proceeding with such an assessment, it is necessary to define compatible objectives and meet internal consistency requirements. Risk assessment revolves around setting objectives, identifying and analyzing risks. For instance, risk assessment is defined as the process of both identifying and assessing relevant risks that may affect the achievement of NGO's objectives, and then determining recommendations, to be implemented, as corrective actions. It is also a process of determining how these risks should be managed. NGOs deficiencies are related to the fact that the management is inadequate because it does not allow such organizations to plan activities, take on time and optimal decisions, and carry out an adequate control of their human, material and financial resources (Silbergeld, 2002).

In this context, the need for an internal control system may well be the solution to many encountered problems. Internal control helps an entity achieving organizational performance goals and prevents loss or waste of resources. It also ensures the preparation of reliable financial information, and ensures that the institution complies with laws and regulations, avoiding loss of reputation and other consequences. In short, it can help an entity meet its goals, avoiding unacknowledged dangers.

The development of this research work in risk management is necessary. It focuses on the establishment of the foundations of an internal control system with the participation of managers and employees, so that the efficiency and effectiveness of operations, the proper use of resources, the reliability of financial information, compliance with legal regulations and the objectives set achievement provide a reasonable degree of security, allowing

adequate criteria for the control and facilitating, thereafter, the optimization of management. The logical next step in the risk assessment is the implementation of control activities within the company. These activities make it possible to ensure that the measures taken by the organization in order to control the risks it faces are effectively implemented once they are applied correctly.

2.3. Internal audit contribution for internal control efficiency

The growing assurance needed by stakeholders and financial donors has led to consider the internal audit function as a lever for NGOs development and to improve the visibility of financial resources allocation pertaining to the undertaken projects. It also minimizes the information asymmetry. Researches show that internal control does not necessarily guarantee reliable and transparent accounting information (Oussii and Taktak, 2018), because accounting is influenced by accounting policies and internal misstatements. Regardless of an internal control quality, accounting data deviates from being a reliable economic measure for an effective financial performance report. For example, at the end of the year, to prepare the income statement, an accountant is required to make additional records of expenses and income, based on his estimates and the manager's choices.

Financial statements' representation results from accounting policies implementation, and leads to the influence of internal and external users, during the review and control of accounting results. According to the IIA (2019), the internal audit is in charge of the evaluation of the internal control. Internal audit ensures that the organization complies with the internal control requirements and procedures to ensure that controls are adequate in meeting the organization's goal. The latter is efficient when it is possible to detect operational anomalies and suggest then apply corrective measures and to improve organizational management quality.

The external auditors are independent from the company, and monitor internal control by limiting themselves to accounting and financial information procedures. Internal control is therefore an objective for internal auditors, while it is a mean for external auditors. In

this extension, internal audit remains an essential function in the research and improvement of sustainable performance. Indeed, it is obvious that, in the case of extravagant funds receipt, financial donors will be in a position of information asymmetry. Information asymmetry refers to a situation where one party in a transaction has access to more or better information than the other party. This can create an imbalance of power and lead to potential problems, such as moral hazard or adverse selection. Informational asymmetry represents a dilemma for both the civil community, who is supposed to benefit from funded projects for humanitarian aids, and the financial donors. The audit has the responsibility to minimize the information asymmetry that exists between NGOs managers and stakeholders, and helps in resolving issues related to the veracity of accounts by assuming an assurance function.

2.4. Internal control and attenuation of asymmetrical information

The agency theory has dominated research on governance structures. Some authors situate that theory in the extension of the theory on the “nature of the firm” written by Ronald Coase (1937). Others point out that these origins are related to the theory of economic utility (Ross, 1973) while others claim that it was initiated following the theory of Adam Smith when he showed the ineffectiveness of block holders companies managed by a non-shareholder agent. In any case, it was in the mid-1970s, with the work of Alchian and Demsetz (1972) and Jensen and Meckling (1976), that asymmetrical information difficulties were understood on a wide scale. These authors see the company as a node of contracts. Based on the agency theory, Jensen and Meckling (1976) went further and separated ownership, management and control. They then defined the agency relationship as “*a contract whereby a person (the principal) engages another person (the agent) to perform a service on his behalf, which implies a delegation of part of his authority to an agent to decide and act on his behalf*” (Jensen and Meckling, 1976, p. 308).

Agency theory basic assumptions are founded on individuals’ opportunism pursuing their own interests and by maximizing their own utility (Sundaramurthy, C., & Lewis, M., 2003). The objectives and interests between owners and managers, then, become

contradictory or incongruous (Caers et al. 2006), which creates a potential source of agency costs defined by Jensen and Meckling (1976) as the sum of monitoring, related to residual loss costs. The agency theory applicability question may arise in non-profit organizations since it evokes the opportunism of actors which is supposed to be absent within these organizations (Peterson, 2010). Rivera-Santos, Rufin, and Wassmer (2012) affirm this question in the affirmative and support it by citing the existence of a separation between property and management in these organizations during the execution of the missions to which they are assigned.

Other authors, on the other hand, qualify its application by suggesting the related difficulties: The first struggle is related to the motivation for the lack of interest in the financial benefits of various actors (AbouAssi, 2013). The main cause of this conflict of interest is related to information asymmetry, the adverse selection on which an individual opportunism depends (Williamson, 1993). The second struggle is related to complex objectives with multidimensional missions that are difficult to define (Van Puyvelde, Caers, Du Bois and Jegers, 2012), which leads to an evaluating results difficulty with a precise measure for performance, especially in the case of organizations which transform their funding into social values (Caers et al. 2006). Such theory also stipulates that if both parties are utility maximizers, there is a good reason to believe that the agent will not act in the interest of the principal. However, the contextual situation of an NGO differs completely given its non-lucrative aspect.

Stewardship theory, as envisioned by the responsible managers concept, emphasizes commitment and collective cooperation among actors over competing and self-interests. To that end, while agency theory appears to be appropriate in situations where executives exhibit individualistic behavior and maximize their own utility function, stewardship theory appears to be equally appropriate in situations where managers prioritize the general interest. Stewardship theory describes situations in which employees and managers act as stewards with goals that are aligned with those of their principals (NGO founders) (Davis, Schoorman and Donaldson, 1997). Psychological factors, particularly motivation, identification, and power, influence stewardship behavior.

According to the stewardship theory, actors' motivation is primarily based on Maslow's hierarchy of needs. In contrast to agency theory, which prioritizes monetary "rewards", stewardship theory entails information asymmetries and a reduction in opportunistic behavior. When managers' identities are formed from within the organization, they are more likely to act as stewards of resources rather than being opportunistic. In general, stewardship is a common situation in NGOs where non-economic goals are more important. Furthermore, steward managers demonstrate a strong dedication to organizational values. Finally, stewardship behavior is determined by the extent of their personal power, which serves as the basis of influence in stewardship relationships.

Overall, internal control is a reliable process that helps NGOs to achieve their objectives in an efficient manner. It can lead to a better management of risk and informational transparency by identifying and evaluating the associated risks. Moreover, It protects the organization against frauds and prevents potential errors, let alone the enhancement of accountability, and the compliance with laws and regulations. By implementing sound internal control measures, organizations can improve their overall performance and achieve their objectives while mitigating risks and maintaining transparency.

3. NGO accountability and ontology

Donors for the non-profit sector typically form partnerships in order to maintain long-term ties based on personal and desired commitments. Such commitments are mirrored in their stated mission and the values of the non-profit organizations they sponsor. Most donors will offer funds only if tight restrictions are in place and identified as part of an NGO's organizational development. Donors expect deliverables to be met and thorough financial management systems to be in place. Issues and challenges in acquiring essential money may arise if the proposed NGO fails to provide such elements, and funding acceptance may be restricted or dismissed. Furthermore, it is said that funders, both

domestic and international, operate according to their own aims and management methods, which NGOs must follow in order to acquire needed financial support (Liang, 2003).

Nonetheless, NGOs must be as open and responsible as possible in order to secure financial backing from donors, as this subject must be advanced in scholarly outputs and the practical basis of discussions and debates (Masdar, 2015). Indeed, most academic publications advocate for “good governance” of NGOs in order for them to become more transparent, credible, and accountable .

Firstly, this is due to the fact that NGOs, like governments and corporations, value the availability of accurate information and the presence of a healthy ecosystem (Burger and Owens, 2010). Secondly, they are gaining in prominence around the world, as they are rapidly increasing in number on various continents, and have strong development profiles that reflect their performance on the field (Dixon et al., 2006; Edwards and Hulme, 1996). Existing studies in the non-profit organization literature is focused on NGO accountability as a relational concept and practice that may be advanced from a variety of theoretical perspectives, including resource dependency, social capital theory, principal-agent theory, and institutional theory (AbouAssi and Trent, 2016).

3.1. NGO accountability and society expectations

For Banks, Hulme and Edwards (2015): *“legitimacy is based, in part, on the strength of NGOs accountability, [...] NGOs have to be held accountable of what they do if they want their claims of legitimacy to stand ”*. In fact, accountability is reflected through a wide range of groups involved in the organization, with different information needs, different priorities and also different visions, such as donors (individual and institutional), partners, workers and external critics (Edwards and Hulme, 1995). On the other hand, the importance of NGOs representativeness is understood through the extent to which such organizations have the right or the consent to get represented on a local level. For Pearce (1997), representativeness depends on the effectiveness of the organization. When addressing the NGOs legitimacy issue, development theorists do not ask for whom the legitimacy is created and for what reason, a question that denotes a positioning of power based on where the

legitimacy lies. It is through the organizational institutionalism theorists that legitimacy is undertaken and incorporated into NGOs analysis as of a socially constructed system and which importance is based on an existing normative framework (Beetham, 1991).

Suchman's definition (1995) of legitimacy is conceived through "*a generalized perception or assumption that the actions of an entity are desirable, adequate or appropriate within a socially constructed system of norms, values and beliefs*". This definition shows the importance that institutional theory attributes to an organizational environment and the role it plays in determining its structure and behavior. Rules, belief systems and relational networks, which arise in a broader social context, are considered as institutional culture (Meyer and Scott, 1992). Accountability, on the other hand, is the vow to follow through on a promise. It is defined as a concrete relationship between actors in which each assumes responsibility for activities that they have pledged to perform and for which they have accepted both a moral and legal obligation to do their best to achieve (Brown and Moore, 2001). Institutional culture characteristics are seized within individuals' activities and are considered as a fundamental factor for their behaviors explanation.

It is important to highlight, at this level, that three aspects of the institutional theory promote organizational legitimacy. Based on NGOs development researches, few are the studies that consider the relationship between NGO accountability and society expectations. In this regard, the said aspects are considered fundamental in the analysis of such a dimension. Following Lister (2003) advancements, the three aspects are related to NGO legitimation environments; the multifaceted legitimacy nature; and the enhancement of legitimacy through their identification with a series of symbols.

By legitimation environments, Edwards and Hulme (1995) consider, not only values that are already identified by NGO experts as fundamental, but also norms and rules or, as Meyer and Scott (1992) underline, the dominant cognitive models. In fact, organizations environments are not homogeneous; there are always diverse groups of stakeholders and people who participate in the organization both internally and externally. Each organization works in different environments at the same time and with different groups. In the NGO environment, financial donors, partnerships and collaborators, local counterpart

organizations, and beneficiaries have been identified as the four main interest groups or environments which operate around such a type of organizations. Regarding the multifaceted legitimacy nature, institutional theory identifies three types of legitimating elements of the organizational behaviors.

Following the point of view of Scott (1995), those types are reflected through the regulative elements, the normative elements and the cultural-cognitive elements. According to the same author, it is not possible to study different environments of an organization without having observed the role that those elements create and adopt, then understand the structural mechanism and codes of conduct developed by NGOs.

Regulative legitimacy elements rely on a compliance with existing regulatory institutions, rules, and laws to ensure stability and order. Normative legitimacy refers to norms, values and roles expected to be fulfilled; it moves in the realm of expectations and in what is executed. It requires congruence between pursued values by the organization and the broader values of society.

Cognitive legitimacy refers to values and beliefs that a group members share. Based on commonly accumulated experiences, cognitive legitimacy helps to interpret how to act and how to behave collectively. Behaviors entail a certain degree of regularity and constancy among a group of individuals. This legitimacy is related to the conformity to establish cognitive structures in society. The approaches, interests and perceptions of different stakeholder groups in an NGO environment⁴ will then determine which characteristics create legitimacy. Regulatory legitimacy is the most consistent type of legitimacy among different groups of stakeholders. The other two types of legitimacies; normative and cognitive, refer more to the analogy between the ideals and mental models of each group and organization. Finally, it is important to note that organizations are identified by certain symbols to create greater legitimacy.

Schneiberg and Clemens (2006) have reviewed the sociological theory of the new institutionalism by examining the processes of institutional change and transformation,

⁴ Neglecting an NGO's internal environment or its internal organizational development.

using the three legitimating mechanisms of institutionalism; regulatory, normative and cognitive, to seek research strategies that lead to a better understanding of institutionalism effects. The same authors advocate the need for greater precision in the measurement of the cultural and cognitive elements of institutional models, which would reinforce a new perspective of heterogeneity, variation and multiplicity of alternatives in the analysis of institutional effects and in the search for legitimacy, rather than adoption and homogeneity.

DiMaggio and Powell (1983) contribution converges on such a scheme of interpretations. It states that institutionalization process success creates groups of new legitimized actors who, in the task of pursuing different interests, tend to delegitimize and deinstitutionalize aspects⁵ of the institutional forms to be those that owe their own autonomy. Therefore, organization legitimacy⁶ does not impregnate only from combining accountability, performance and representativeness of an organization, but also from the stakeholders expectation and judgment regarding perceived NGOs actions and practices. An exploration of all these aspects can provide a better understanding of an “NGO behavior”. The importance of legitimacy in organizations is analyzed in a much more exhaustive way than the perspective of development theorists, taking into account the influence exercised by different environments in which these organizations operate.

3.2. NGO accountability and stakeholders theory

NGOs meet certain population needs, and not those of the whole society. On the other hand, NGOs seek to impress the greatest number of individuals through their statement to public, in order to attract members and funds. It is particularly interesting for the NGO to rely on the notion of being rooted in society, in order to promote the contribution to the population. However the use of the representativeness criterion responds to a calculation by NGO, to impose themselves in the field of action. They must prove their legitimacy to act before and their sense of competitiveness. When it comes to the legitimacy and reputation impact on NGOs organizational attraction, several theoretical approaches are used to justify the proposals, the assumptions and the results.

⁵ It means that new actors can provide sources of change, but also of conflicts.

⁶ In the case of the present study: from an NGO applying efficient organizational structures and procedures, as defined by development experts for such type of organizations.

The said approaches include stakeholder and expectation theory. In a first theoretical perspective, a systemic thinking theorist's vision and organizational learning will be introduced. For action and learning theorists, organizations legitimacy, in today's complex and changing world, is provided by the ability they have and demonstrate to adapt to the environment; that is, in the implementation of continuous improvement, which is derived from a reflection and continuous action of the different groups of personnel involved in the processes built within an organization.

A practical example of the theorists is the approach called Soft Systems Methodology (SSM) through which organizations should guide themselves, "*through social learning, to act to improve problem situations*" (Checkland and Poulter, 2006). Such methodology considers different visions and purposes of different interest groups (stakeholders) in making decisions to generate ideas for change and improvement that satisfy a large majority so "*different people with visions can coexist*". In this way, the organization can be assimilated to group learning, a learning that never ends as it becomes a double loop or a continuous and endless spiral, following the interpretation of Argyris (1999).

Argyris and Schön (1997) have studied the behavior of people within organizations to detect difficulties in learning and changing. They have found that there are important differences between what people say and what they finally do, often being unaware of their own contradictions, but not of the contradictions of others. And this causes a lot of friction within the organization, hampering any learning process. What fails, in many cases, are those individual reasoning processes to justify their ways of acting.

Argyris (1999, p. 68), thus, highlights the importance of "*how individuals and groups solve problems and make choices*", underlining the difference between the ways a person reasons when discovering a problem and designing, accordingly, a solution, when, in addition, it has to put it into practice and generate results. Hence, an organization must promote that it is not only important to discover problems and invent solutions, but that it is necessary to act, carry them out, and thus generate learning and be able to be more effective." When it comes to the social performance of companies, stakeholder theory suggests that the firm should not only manage its operations and decisions based on financial results; but also to be receptive of

divergent interests of all of its stakeholders to whom it has a responsibility (shareholders, customers, employees, pressure groups, etc.) (Backhaus, Stone and Heiner, 2002).

Hence, NGOs strategies have taken a turn looking for people values and the role they play in creating a culture based on learning, without confusing individual learning with an organizational one. The main responsibility falls on the organizations, which are the ones that must make available to people the tools and the context to favor said learning and transmit it to the organization itself, to ensure organizational learning. Profitability or the matters of individual interests aren't as important to stakeholders as the quality of services given and the values that organizations bestow on civil society.

3.3. NGO accountability directions

The literature on NGOs can be roughly divided into two parts. An area-specific approach examines NGOs primarily with regard to their function in development aid and development policy, while a policy-specific approach is interested in an analysis of NGOs as new actors in different, usually international, policy fields. This distinction is reflected in two ideal types of NGOs. A distinction can be made between technical NGOs that provide assistance and service, and political NGOs that aim to influence political will and decision-making through public relations work, campaigns or lobbying. However, in both ways, NGOs should consolidate their organizational accountability.

Despite that discussions of accountability within NGOs are tricky (Dixon, Ritchie and Siwale, 2006), NGOs are eligible to practice many types of accountability because of its multidimensional nature and its complexity of definition (Masdar, 2015). Similarly, it has been argued that "*multiple accountabilities*" issue exists in the non-profit sector in terms of their representativeness and legitimacy (Edwards and Hulme, 1995). At their turn, Najam (1996) discloses three categories of NGO accountability that state how NGOs interact with donors, with volunteers' and with their internal organizational development. Consequently, one can distinguish between external and internal accountabilities.

According to Najam (1996), NGO's accountability towards the civil community includes both NGOs members and donors. Because of their reliance on financial donations, NGO

responsibility is shifted upwards (Zaidi, 1999), and comes as a result of donors wanting to protect their interests (AbouAssi and Trent, 2016), as well as the resources they have provided the NGO with. Whereas, according to Najam (1996), NGO accountability includes projects that benefit from aid and is referred to “*downward accountability*”.

As a result, it is often assumed that a successful NGO can accomplish “*upward*” accountability while still seeking “*downward*” accountability and maintaining its social objective of improving the lives of the beneficiaries. On the other side, NGOs’ internal accountability refers to their goals, beliefs, aspirations, mission, and staff performance (Amagoh, 2015). An NGO practices both formal and informal accountability because of the benevolent character, and thus indulges in “*upward*” accountability. These two streams coexist in a complementary manner with the goal of effectively delivering information to external parties and establishing interactions with donors in a range of situations. Donors are the focus of NGOs’ activities, this is translated into writing and presenting activities in formal annual reports (Masdar, 2015).

This is because donors are continually requesting documented proofs and information disclosure related to funds management in order to make sure that the appropriate beneficiaries are receiving the mobilized funds. It is used to build trust among actors and establish behavioral norms (Dixon, Ritchie and Siwale, 2006). Furthermore, it demonstrates donors’ trust in NGOs’ ability and willingness to donate based on the veracity of observed acts.

However, it is thought that the sort of a chosen accountability is based on an NGO’s convictions as well as on the offered performance by “*upward*” accountability to maintain an organizational sustainability (Dixon, Ritchie and Siwale, 2006). As a result, NGOs are responsible for developing a high-visibility profile that includes their performance as well as their ability to control resources in order to demonstrate accountability and transparency. When it comes to donors funding allocation, both efficiency and transparency affect NGOs’ long-term viability and organizational ramifications (Mweta and Musa, 2018). Because of the large amount of private and unshared information and acts that exist in the interaction between NGOs, funders, and recipients, transparency is a critical component in

the non-lucrative sector. Burger and Owens (2010) found that a high number of NGOs under investigation and claiming to be transparent failed to provide correct information.

This reported aversion for sharing information stems from apprehension about the hazards and risks that are connected with transparency. In other words, if NGOs ignore demands for accountability from stakeholders such as financial donors, or if they are unwilling to be accountable for the efficient use of resources provided to them, funders may withdraw or suspend their assistance (Brown and Moore, 2001). This is especially plausible when these donors are unable to detect hidden issues and have difficulty successfully reading reports and accounts provided by NGOs, leaving them unable to appropriately assess NGOs' performance or hold decision-makers accountable for fraud and inefficiency.

As a result, some of the most basic consequences of deteriorating trust between NGOs and donors are challenges in soliciting funds and the loss of board members' reputation and accountability (Amagoh, 2015). Donors require NGOs to be accountable for their integrity and efficiency, as well as the impact of their initiatives (Brown and Moore, 2001). The donors need immediate results and transparent resource use. They put pressure on NGOs to become more professional, to leverage funds wisely, and to improve management and employee expertise. The financial transparency is also required, it is seen as a way of demonstrating openness to excellent reliable management methods.

To summarize, the accountability towards stakeholders is essential for NGOs to operate effectively and achieve their goals. By being accountable through regular reporting, feedback mechanisms, compliance with laws and regulations, stakeholder engagement, and building trust, NGOs can enhance their performance and impact on the community. A solid symbiosis between accountability and stakeholders is critical to the success of NGOs in achieving their objectives and impacting positively the community they serve.

4. Internal control optimization and financial resources allocations

Controlling activities consist of standards and procedures application that help ensuring the implementation of guidelines from management. They are represented by actions and judgments that individuals carry out directly in order to control the risks likely to affect the achievement of organization objectives.

4.1. Internal and risk management control

There are many different definitions used for the term risk, however, the most accurate is that a risk is something that could have negative consequences for achieving the mission, goals, objectives and strategies of an NGO. Risks can generate negative impact at different levels: throughout the organization, in its programs, projects, processes, products, services and stakeholders' perceptions. Managing risks reverts to executive or the board directors' responsibilities that will normally have the responsibility of determining the strategic approach and establishing the necessary structures to implement, likewise the project managers must manage the risks within their areas of interventions.

Responsibility and, ultimately, individual employees must understand the purpose of risk management and implement it in the organization through reporting, monitoring and applying respective controls. An overview of the literature review illustrates the presence of three types of risks that NGOs regularly face. Those three types of risks are related to financial, human and economic risk.

4.2. Internal control and donors trust

NGO characteristics management practices are largely determined by the source of their financial resources. The organizational constraints weighing on NGOs can vary greatly depending on individual donations contribution and public subsidies in their funding cycle. Some appreciate the NGO management control systems formalization, which would allow

them to strengthen their efficiency, increase their legitimacy, and thus facilitate funding by demonstrating their capacity to act (Chenhall, Hall and Smith, 2010). Even large NGOs, where tangible delivery is frequently secondary, run the risk of having their strategies influenced by their fundraising practices (Welch Jr., 2001). NGOs activities, their organization, decision-making and funding methods, steering system, in short, their management control and performance steering system - appears to be, increasingly, influenced by practices allegedly used in private companies (Chenhall, Hall and Smith, 2010). New modalities are introduced, processes are formalized, and strategies are implemented: management by objectives, monitoring of indicators, or delegation associated with functional specialization, and accountability for results obtained replace previous practices, which were more informal and generalist (Chenhall, Hall and Smith, 2010). This private practices dissemination is causing a shift in NGOs performance model.

To increase donor trust, NGOs should strive for establishing a standard of good governance, financial management, and efficiency. Some argue that these practices should be more normalized and standardized. It is no longer a question of informing donors and evaluating NGOs' financial practices, but of encouraging their comparison on a local or international scene. The goal is no longer so much to build trust as it is to place NGOs in a position of competition with one another for gaining funds, and thus to measure their performance as if the donation corresponded to an investment. Ultimately, the evolution of the financing of the action of NGOs leads for a growing connection between operational control, internal control and financial communication (Cazenave, Garbe and Morales, 2020).

For the same authors, an NGO performance depends largely on its organizational skills. It is also this organization that creates the reputation of the NGO and contributes to increasing trust, the source of the public generosity.

5. Governance practices and internal control improvement

NGOs are systematized to provide improved communication and, as a result, a better image, which is a critical means for obtaining funds and ensuring the system's long-term viability. As a result, the concept of legitimacy is critical for NGOs to maintain a consistent desire to meet stakeholders' expectations. However, an NGO's governance evolution goes hand in hand with a constant systemization of such processes by improving the synchronization of corporate governance principles and internal control standards of good conduct and ethics.

5.1. NGO governance and efficiency

There is no one-of-a-kind governance theory since the conceptual framework of governance refers for various theoretical constructs. The major theoretical evolutions of governance are all part of the same paradigm, although they provide distinct explanations for organizational effectiveness and existence. Internal audit is considered to be one of the most effective governance techniques. Improving corporate governance based on internal audit is becoming a need. When it becomes evident that stakeholders are in an informational asymmetry position, such a scheme becomes necessary. When faced with such asymmetry of information, a source of conflict of interest might arise, with stakeholders, directors, funders, and staff.

For agency theorists (Fama and Jensen, 1983; Jensen and Meckling, 1976), the role of the board of directors is to control the main managers. The board of directors, according to these authors, is the pinnacle of the company's internal control structure, with responsibility for executive recruitment, dismissal, and compensation. It ratifies and controls significant decisions made by management at a strategic level. Shareholders have the right to control the company in theory. In practice, however, the board of directors,

which consists of both internal and external directors, is in charge of this responsibility. This disciplinary responsibility ascribed to the board of directors is only valid in managerial businesses with diffuse shareholding and no individual shareholder with meaningful incentives to monitor management behavior.

Contractual theories, on the other hand, raise questions about their application in non-profit organizations because they invoke manager opportunism, which is meant to be absent in these companies. Labie (2005) verifies and justifies this question in a positive way, citing the existence of a separation between property and management in these organizations throughout the completion of the objectives to which they are assigned. Other authors, on the other hand, qualify its application by evoking the associated difficulties: the first is related to the motivation for the lack of interest in the financial benefits of the various actors; the second is related to the motivation for the lack of interest in the financial benefits of the various actors; and the third is related to the motivation for the lack of interest in the financial benefits of the various actors (Labie, 2005).

The second issue is the difficulty in evaluating results with a precise measure of performance since complex objectives inside multidimensional missions are difficult to define (Caers et al. 2006; Van Puyvelde et al. 2012). Finally, because there are no shareholders, it is difficult to identify a single principal in these organizations because they have multiple stakeholders (Cornforth, 2004) and each stakeholder is considered a principal (Van Puyvelde et al. 2012). The major source of this conflict of interest is information asymmetry, or adverse selection, on which actors' opportunism is based (Williamson, 1993). Considering that financial donors or NGOs stakeholders don't have complete information on transactional procedures adds to the ambiguity about probable opportunistic behavior on the part of the agents involved in the contracting operations.

Even if a donor who supports an NGO seeks information from former partners who have some experience with it, the risk of selecting the wrong organization is always present and difficult to estimate, as is the risk of unfavorable selection (Fafchamps and Owens, 2009). When the agent acts while the principle is absent during the contract's execution, this is known as post-contractual opportunism. The latter can neither see nor control the effort

that the agent puts into his task, and even if there is slippage, it cannot stop the action from being carried out (Caers et al. 2006).

All of this is due, first and foremost, to contract incompleteness effects, which result in moral hazard situations. When seeking for funding, there are two types of moral hazard: the first is project presentation that does not reflect the realities and requirements of the beneficiary population, and the second is agent behavior in the use of awarded funds (Fafchamps and Owens, 2009). Given the difficulties of judging NGO performance, the moral hazard problem is exacerbated at the level of donors funding non-profit organizations. According to Werker and Ahmed (2008), NGOs are similar to all other types of organizations and can be compared as “*contractual nodes*” between different operators. Contractual nodes are described as an interdependence framework in an organizational plan used as a basis to guarantee a balance between personal interests and private aids in the setting of a nongovernmental organization.

In order to retain private donations, NGOs have their own methods of cooperation, coordination, and solidarity acts. Compromise, negotiation, and control are used to reduce transaction costs in order to ensure an efficient and successful governance structure. According to these critics, agency theory presents a simplistic view of an organization by reducing it to two participants: shareholders and managers (Eisenhardt, 1989), without considering that there are other stakeholders who expect good trust and enhance a certain level of cooperation through honesty and selfless actions (Van Puyvelde et al. 2012). The opportunism concept ignores social relationships’ communal features. This theory also failed to account for various social and institutional settings in explaining the governing modalities of the organizations on which the principal-agent contract is based. Other governance theories have arisen as a result of these criticisms to fill up the gaps and to estimate their usefulness in the non-profit sector.

5.2. Control on financials and projects resources allocation

A strategic management scope for a non-profit organization should comprise several things. The mission and vision establish the direction in which the organization will go. It will then determine its portfolio of activities based on the market, and then seek for the best resource and action combinations to get a competitive advantage. It must also take into account the expectations of its stakeholders and adjust to environmental changes. Its strategic capability and controlling operations are made up of its means of action, resources, and skills. However, when the business and its surroundings change, these many parts must be evaluated as part of a complicated and ongoing strategy creation process.

The context in which NGOs operate is unpredictable, resulting in frequent organizational chart modifications that must be anticipated. The strategy should enable such a sort of organization to gain reactivity and adaptability through a trial and error process of purposeful actions in developing conditions, keeping the intentionality inherent in the strategy concept.

5.3. NGO governance and stakeholders partnership

NGOs differ from managerial companies by their constitutive values, their social purposes (Fowler, 1996), and their stakeholders management (Freys, 2004). An effective governance structure and a strong and active committed governing structure are crucial for organization reliability and will enable it to successfully carry out its mission and objectives. An NGO's governance plan should reflect the core values, mission, and cultural levels of the organization. Democratic principles should be applicable and used appropriately. NGOs governing system will retain ultimate responsibility for all its activities and the organization's resources.

This includes setting the direction of the organization, beginning with its mission statement and ensuring that its mission statement is relevant and appropriate over time. The governing system also determines the activities of the organization and monitors its adherence to the mission. The governing system exercises its responsibility in terms of

obtaining and appropriate use of human and financial resources to carry out the mission of the organization and its support, as well as legal requirements and fiduciary issues abroad.

However, and considering stakeholders multiplicity, the most widely identified ones can be categorized into two distinct categories: a first that can be considered to be unidimensional and a second multidimensional (Beach, 2009). Goodpaster (1991) typology stems from numerous analytical works advocating the consideration of ethical values in management decision-making processes. To interpret it through another way, Goodpaster's (1991) typology aids in the comprehension of ethical management decisions and choices. To accomplish so, he first separates two stages.

A "*stakeholder analysis*" and a "*stakeholder synthesis*" are two of them. It helps this author avoid the blunder of incorporating stakeholder analysis into decision-making. Indeed, according to Goodpaster (1991), stakeholder analysis is merely a pre-requisite to the essential application of moral principles and values. This is the stage at which an NGO starts to identify its stakeholders and their positive and negative effects on the organization, as well as recognizing reactions to concerns about information management and analysis from a stakeholders perspective. In the same stream, it is upon that stage that ethical ideals must be integrated into an organization's decision-making processes (Goodpaster, 1991).

Then, when it comes to explaining the integration of ethical values into decision-making processes, a strategic approach has its limitations (Goodpaster, 1991). Indeed, the same author asserts in a strategic approach that stakeholder analysis is often motivated by concerns about potential obstacles to achieving goals rather than ethical concerns. Social and ethical values integration is a continuous process that affects stakeholders' expectations. While taking stakeholder expectations into account, the NGO organization aims to shape its strategic, organizational learning and operational levels in order to improve legitimacy in its environments as a result of perceived accountability by civic communities.

Labie (2005) emphasizes that, on the one hand, the board must represent the interests of the stakeholders while also playing a political role by negotiating and reaching compromises in order to implement a global strategy that takes their interests into account.

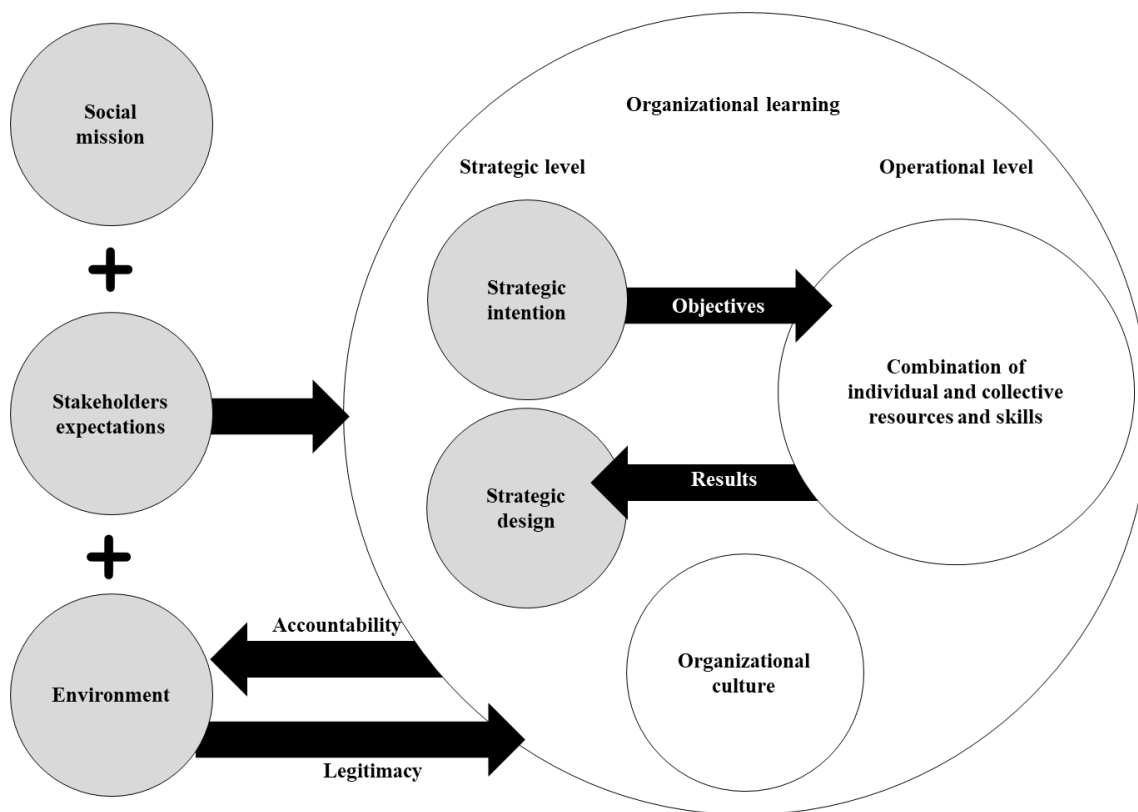


Figure 4: NGO strategic management

Source: adapted from Couprie (2012)

Stakeholders with little or no direct involvement in the organization may be overlooked during the so-called synthesis phase. Furthermore, in the multi-fiduciary approach, all stakeholders' interests are important and thus require joint maximization. In the case of NGOs, such a situation may lead managers to prioritize the economic benefits provided by financial donations and to align corporate values with stakeholders concerns. In this regard, Goodpaster (1991) proposed a stakeholder classification system in order to incorporate

moral responsibility in management. In other words, unlike the strategic approach used by managerial companies, this moral responsibility, according to Goodpaster (1991), must allow for consideration of the ethical relationships between management and stakeholders.

In conclusion, and based on Figure 4, NGO strategic management can be viewed as a recursive process that begins with these three factors⁷, the combination of which influences the formulation of a strategic vision. This vision is translated into goals to facilitate its implementation through strategic intention and design. At an operational level, resources and skills are optimally organized to achieve defined goals. The results obtained thus serve two purposes. On the one hand, they facilitate reporting to stakeholders as part of the accountability process and aid in the development of legitimacy.

On the other hand, results analysis and evaluation allow NGO responsiveness to be fed, which is defined as the capacity to elaborate its practices, reconfigure its resources and skills, and thus improve its results, all while going through an organizational learning process. The organizational culture, that is, the set of beliefs and convictions shared by NGO members, including collective learning, and which is reflected in thought patterns groups, paradigms, and organizational routines, also influences the strategy.

Finally, an NGO's resources, whether financial or human, determine its responsiveness as well as the quality of provided assistance. As a result, new resource combinations envisioned by its managers generate new value-creating strategies and organizational performance sources. Quality and reporting requirements, as well as growing needs inherent to an instable social, political and economic contexts in which they operate, oblige NGOs to develop their capacity to respond to crises and improve their organizational performance (Cordery and Sinclair, 2013). To accomplish this, NGOs must be reflective in a way to question, regularly, their practices and to develop, accordingly, new skills.

This process contributes to the improvement of their results, which they present to their stakeholders, as well as to the strengthening of their legitimacy, which ensures their capacity for action as a necessary condition for the renewal of their adaptive resources.

⁷ Social mission, stakeholders' expectations and environment.

As a result, their legitimacy contributes not only to their operational sustainability, but also to their organizational one. Thus, the strategic management of these organizations can be viewed as a quest for legitimacy aimed at reconciling, at the same time, their social and economic performance dimensions.

5.4. NGO transparency and legitimacy

NGOs research activities focused on a major impediment that is related to limited financial resources for management. As a result of perceiving a lack of material resources to carry out their work development, this is one of the critical factors that cause relevant problems for this type of institution, and as a result, demotivation of human talent is generated. Indeed, their professionalization, competition, the growth of certain organizations that provide examples of managerial “*success stories*”, and the fact that they are held accountable lead several scholars to mobilize organizations concepts and theories through scientific research. However, this field’s development is hampered by the fact that NGOs’ governance does not fit within the frameworks of the dominant theories of governance, whether they are the agency, stewardship, or stakeholders’ theories, all of which are focused on economic and corporate value assessment.

An NGO’s governance, with public utility status, does not anticipate profit generation, but rather a mission achievement. Thus, “*profit-driven*” governance theories used in the corporate world are unsuitable for these organizations in many ways. In the case of the current research study, it was necessary to mobilize a governance theory in a broader conception of value creation and in a renewed relationship with the value creation strategy.

Analyzing the relationships between NGO governance and strategy entails distinguishing multiple strategic dimensions that underpin the organization’s development. NGOs pose specific strategic problems that they have set for themselves, without ignoring the organization’s own management to ensure its long-term viability and development. The relationship with the funders is not based on a shareholding arrangement. Nonetheless, they are supported by outside funders, donors, or sponsorship. Members’ profiles aid in understanding their ability to play roles in various strategic practices.

An NGO can be defined as a network of various groups with an interest in the organization's activities, whose governance consists of a mode of organizing cooperation between different parties in order to increase transparency among communities. Indeed, financial partners and donors are increasingly demanding and scrutinizing the allocation of NGOs' resources. They demand greater transparency in management at all levels of the organization. This is the reason for which NGOs strive for maintaining donors' trust. As a result, NGOs' internal control should define actions carried out by the management with the participation of staff and under the supervision of the board of directors, in order to meet operational transparency and to reduce the risks of goals failure.

Generally, funding attractiveness depends from NGOs achievements. That value is reflected through social goals achievement (Moore, 2000). The organization's performance in this value creation is not always inextricably related to its ability to attract necessary funds to finance its operating costs, i.e. its financial performance and/or survival. Because humanitarian activity fields are becoming more competitive, a non-profit mission must develop appropriate strategies by mobilizing its skills to ensure professional, specialized, and efficient actions, which provides it with a certain legitimacy and longevity to carry out the mission for which it was founded. According to Freyss (2004), an NGO's internal development consists of a combination of values, common objectives, and operating methods that define their organizational entities.

Moore (2000) adds that legitimacy and support imbued by citizen convictions will drive the latter to adhere to NGOs values and help financing goals achievement, allowing its actions to be legitimized. Indeed, the acceleration of the economy and social changes adds new challenges to the management of NGOs (Rhodes and Keogan, 2005). The debate over management methods and the role of NGOs has heated up in recent years. The legitimacy of their participation in aid action, and in the reflection of public authorities on social assistance, is increasingly being questioned (Thrandardottir, 2015).

Scholars define legitimacy as members of a group's consent to grant authority based on ethical or moral considerations. The analysis of NGOs in their internal and external management methods can be divided into two categories: image and legitimacy (Shah,

2011). NGOs place a high value on their legitimacy in carrying out aid work, not only through negotiations with authorities, but also in order for their image to spread. The image they want to project is deeply rooted in this desire to correct flaws in the state system and assert relevant values. They must persuade the authorities and the civic community that they are the best for the job and that they have the legal authority to do so.

An adaptation to internal and external constraints is modulated by NGO characteristics and is based on the criterion of legitimacy to act and claim. NGOs success is determined by the mission they have set for themselves. However, this performance is not only assessed throughout beneficiaries satisfaction regarding a given mission, but also by that of their donors, who provide them with legitimacy, allowing them to accumulate financial resources that ensure their institutional continuity (Kaldor, 2003).

When managing cooperation and competition with other organizations and public authorities, this operating mode is considered. NGOs organize themselves to better communicate in order to promote their image, which is a necessary tool for obtaining funds that will allow their structure and missions to be sustained (Aldashev, Marini and Verdier, 2020). NGOs have become more professional since the 1990s, as they have operated in a more competitive environment. The increasing “*contractualization*” of relationships with stakeholders causes them to rely on professional management, to adopt strategic and business management tools, and to be similar to managerial companies’ development, if not in their purpose, then all along their operational scope (Quéinnec, 2003).

The institutional character of NGOs is closely related to their operational performance, or their ability to meet the needs of relevant actors in their environment. NGOs fill a need for multilevel governance, coherent and effective communication, the formation of long-term collaborative relationships, and/or the development of their organization. Internal and external actors’ involvement, in the construction of organizational different activities, necessitates governance that is tailored to each level of action and demand.

As a result, legitimacy concept is imposed on NGOs in an unwavering desire to meet external actors’ expectations. Thus, multilevel legitimacy becomes the goal of the multilevel

governance put in place by NGOs. It is also a tool for creating advocacy or cooperation reports with authorities. It is considered also as a tool for implementing an image that promotes access to both public and private funding (Pleines and Bušková, 2007).

All of the legitimacy definitions presented above emphasize the importance of an NGO's values coping with its environment. The three primary types of legitimacy are pragmatic, moral, and cognitive (Suchman, 1995).

- Based on personal interest, pragmatic legitimacy is given to an NGO. The pragmatic legitimacy is derived from stakeholders' self-interested assessments. Donors, stakeholders, and society perceive an NGO as legitimate as long as they benefit from what is provided. Several factors can improve the pragmatic dimension of NGO legitimacy: the support obtained, the connections developed, and the skills and competencies extracted from that dimension.
- Moral legitimacy, like the pragmatic one, is assigned on the basis of NGO activities. In contrast to pragmatic legitimacy, moral legitimacy is based on what is right rather than what is beneficial. The moral dimension of an NGO's legitimacy stems from its adherence to laws and the moral rights of its social mission (Slim, 2002).
- Cognitive legitimacy differs from pragmatic and moral legitimacy. The cognitive legitimacy is derived from the adequacy of the plan and the activities of the NGO. The cognitive dimension of its legitimacy can be increased by revealing the actual and certain impact of its activities on the targeted community, especially if it demonstrates reasonable ways that respect shared values (Slim, 2002)

The below figure summarizes Suchman (1995) research on legitimacy.

Legitimacy Type	Pragmatic	Moral	Cognitive
Underlying behavioral dynamic	Stakeholders' self-interest	Stakeholders' appraisal of the NGO and its actions	Cognitive consistency when a mutual framework of reference is applied by stakeholders and approved by all the staff in the organization
Based on	The ability to come to conclusions whether the stakeholders are benefit from the NGO	The ability to come to conclusions whether the NGO is doing the right thing to do	Taken for granted as whether the organization is needful or unavoidable
Approach	Strategic approach	Institutional approach	

Figure 5: Legitimacy types table

Source: Fraser and Bunduchi (2016)

A NGO can also increase its legitimacy by communicating with its stakeholders using appropriate communication strategies. When communicating with stakeholders, donors, and society, the organization must use the correct terminology to gain more pragmatic, moral, or cognitive legitimacy. NGOs can achieve the efficiency, transparency, and accountability criteria imposed by their stakeholders and donors by implementing an internal control system, which has enabled them to enhance organizational legitimacy and provides them with the power for sustainability.

The present chapter has looked over the role of internal coordination and the impact on internal control development, which sheds the light, along with the role of internal audit, on the effective accountability and risk management of NGOs in the short and mid run. Such scheme is important to NGOs which are willing to attest about their credibility and trust towards their stakeholders' interests. Moreover, the intersection between an internal control optimization and a better financial allocations of received donations can increase the capital of trust between the organization and respective stakeholders. Such an organizational

development leads to an efficient governance. In fact, a better governance system depends on a well structured internal control. This is a first directional way; the downward one, which is the relationship between the governance, internal audit and internal control, and in a last sequence the coordination on the staff level.

Chapter 2: NGO accountability and financial transparency

Introduction

As a part of the “third sector” (Amagoh, 2015), The role of NGOs in promoting social change and development has been on the rise as argued by (Fafchamps and Owens, 2009) and more recently by (Lewis and Sobhan, 1999). They are important actors at both the

national and international levels (Brown and Moore, 2001). This is primarily due to dissatisfaction with government-provided public services (Fafchamps and Owens, 2009). Hence, NGOs are considered organizations that correspond to donors' motivation for undertaking on their behalf supportive actions to the said community. NGOs are internationally recognized as non-profit organizations that are concerned with mitigating the distress of unfortunate communities, developing them, and providing them with the basic services (Ebenezer, Musah and Ahmed, 2020).

However, NGOs are able to carry out their work and meet the pressing needs of their community, only if they create a substantial and active donor base so they can raise resources in cash and in kind from their different types of donors whether they are bilateral⁸, multilateral⁹ or International NGOs. The former type of resources considers donations, membership fees and financial grants, whereas the latter however has to do with volunteer and physical work. Indeed, with the purpose of encouraging a *"New Policy Agenda"* that highlights repetitively on the work of NGOs considering the holistic social welfare and the mitigation of poverty, both bilateral and multilateral donors aim to work towards financing NGOs and thus achieving a healthier economy (Edwards and Hulme, 1996). In this regard, fundraising is regarded as crucial in ensuring the survival and success of any organization (Norton, 2009).

However, it does not merely involve generating resources for survival or planned growth, but also revolves around the formation of a sustainable and robust organization capable of sustaining itself in the future (Norton, 2009). Donors, without a doubt, consider how to finance projects and initiatives of a sustainable nature, as well as how to support local communities by providing them with a better quality of life.

Nonetheless, a worldwide concern has been linked to the financial sustainability of NGOs, primarily in the aftermath of the global financial crisis, which has resulted in diminishing

⁸ Bilateral aid describes funds and assistance given directly from one government agency or organization to another for development purposes.

⁹ Multilateral aid comes in form of assistance provided by numerous different governments and organizations and is usually arranged by an international organization such as the World Bank, the UN, and the IMF in the aim to reduce poverty in developing nations.

donor funds from developed countries (Ebenezer, Musah & Ahmed, 2020) and left most NGOs without adequate financial assets. Indeed, the massive development roles played by NGOs necessitate the availability of secure and stable funding as well as effective and efficient resource deployment.

This is also in light of a voluntary sector's damaged reputation, which stems from a lack of transparency and accountability (Burger and Owens, 2010), which is the result of improper activities by some member organizations (Amagoh, 2015). As a result, it appears critical to understand what actually holds NGOs accountable for the funds they receive, as well as what donors expect in a competitive funding market. This is especially important given that donors are a key driver of growth and the most powerful and influential actor with which NGOs must deal (AbouAssi & Trent, 2016).

1. Determinants of accountability towards stakeholders

In recent years, there has been an upsurge in the interest towards developing effective strategies to attract donors for NGOs. Consequently, there has been a surge in scientific research that specifically focuses on studying donor profiles (AbouAssi, 2013) and explores their attitudes, motives, and perceptions (Nunnenkamp and Öhler, 2011). However, with the increase in the number of NGOs and the competition among them, it has become crucial to comprehend the underlying factors that influence individuals' decision to make donations (MacQuillin and Sargeant, 2019). To ensure a satisfying volunteer experience and secure funding from NGOs, tactics such as donor fragmentation, which involves identifying variables like preferences, motivations, and values, must be employed.

1.1. Financial donors values and perceptions

Improving the quality of life of people requires tackling the issues of poverty and inequality. To this end, the World Bank advocates for implementing economies that prioritize the growth and development of countries' populations (World Bank, 2016). In addition, numerous NGOs have been established to address public welfare issues, and institutional as well as individual donors play a crucial role in enabling these organizations to carry out their initiatives and provide aid.

Despite multiple studies on charitable giving, most of them are oriented to various topics, such as trust (Keating and Thrandardottir, 2017), fundraising (Aldashev, Marini and Verdier, 2020) and relationship marketing (AbouAssi, 2013). Despite the progress of understanding this issue, in practice non-profit organizations lack a defined market (Todd, and Lawson, 1999). Based on Todd and Lawson (1999) research development, it would be preferable to understand why financial donors prefer to contribute financially to a sector of activity operated by respective NGOs. In many cases, the act of donating to one association rather than to another reveals the existence of communications created around a common cause through emotional mediation between donors and NGOs.

Segmentation of NGOs is a crucial first step in developing a successful marketing strategy. This process enables the discovery of specific groups of donors' perceptions and values, which can then be used to tailor products or services to satisfy their needs. Segmentation can also add value to social programs by ensuring that the right message reaches the right people (Dedman, Jones, Tocque and Bellis, 2006) and aligns with citizens' perceptions (Dietrich, Rundle-Thiele and Kubacki, 2017). Donor segmentation variables include desired benefits, attitudes, motivation, and donation frequency. Motivations for donation can vary and may include a personal fulfillment need, the desire to help others, social connections, and the satisfaction of fulfilling a duty. Values are acquired through personal experiences and serve as guiding principles of a person's actions (Schwartz, 1994). In the case of donors, the usefulness they find in an organization can vary depending on the degree of relationship it has with their values (Rempel and Burris, 2015). Finding the values that allow donors to close the gap between what they feel and what they morally would like

to be, increases the possibility that their support will be maintained and a relationship will be generated that lasts over time (Sargeant, 2014).

1.2. Financial donors concerns and commitment

A report on global trends in donations (Global Trends in Giving Report, 2018) highlights that the majority of donors are inspired from social networks (32%), a high number of donors (45%) give through monthly subscription, (33%) use it as a gift, they prefer to donate to crowdfunding initiatives (41%), (31%) donate outside their country of residence, and (41%) in response to natural disasters. In return for their charitable acts, most donors require the information pertaining to their funds usage. Coherence within NGOs is crucial, and the reports describing the positive impact resulted from the donations become an obligation (Sargeant and Jay, 2014).

If an entity is not trustworthy enough, donors will not believe in it and will not make their contribution. As Cordery and Baskerville (2011) stipulate, financial sustainability is also an issue when charities' funds and reputations are placed at risk by scandals. To these differences must be added the donors' role that have a very specific expectation of positive evaluation and economic impact of the action, which is *a priori* contradictory with the non-profit work of NGOs. When the NGO sector is compared to the private one, it is perceived that NGOs have less developed procedures and a less professionalized structure. This eventually sets a challenge for the NGO in terms of integrating volunteers into the organizational structure and making effective use of their personnel skills and abilities. Effective human capital development and training do, in fact, lead to organizational innovation and flourishing performance (Benevene and Cortini, 2010).

In reality, NGOs are responding more and more to wills and economic and evaluation criteria, which are not publicly acknowledged. The expectation expressed by such organizations and their donors are therefore contradictory, which can harm the organization image of consistency and transparency. Network and coordination are frequently established with external partners in humanitarian services, which allow a more effective missionary work and provide the needed information and communication of their

empirical experiences. Other issues arise, particularly in identifying and involving the donor in various funded projects.

Many platforms allow the NGOs community to interact collectively with project leaders in order to create a participatory dynamic not only in the funding process but also in the project's implementation. As a result, the donor's position may be renewed. Some NGOs appoint donors to their boards in order to better integrate and design development strategies and future directive plans.

This practice aims to unlock the potential of donors by investing in their capabilities and empowerment, as well as expressing their thoughts on issues and challenges they have encountered. This is true whether it is about sharing their experiences, strengthening their capacities, or engaging in long-term initiatives that help beneficiaries even after projects and donors have left them. Furthermore, the importance of NGOs, in contemporary societies and communities development, is based on the efficiency and effectiveness of their program delivery, as well as the extent to which they successfully meet the most vulnerable needs. As a result, NGOs are most legitimate and credible when they provide social services in ways that keep them committed to their mission and values. Despite the fact that NGOs' credibility is measured by meeting deliverables and decreasing poverty conditions, Edwards and Hulme (1995) argue that measuring true NGO effectiveness is not always easy due to its inability to control all challenges and factors that affect the outcome of its program and working plan. As a result, there are a number of factors that have an impact on NGOs effectiveness and efficiency (Amagoh, 2015). Indeed, most NGOs aim to assess the impact of their projects based on the concerns of their beneficiaries.

However, another step toward estimating the true program impact is the NGO's ability to gather necessary knowledge about whether these beneficiaries could benefit from the implemented program or not. What actually happens is that after the project has been identified, and just before it is submitted to donors as a project proposal, project experts write a concept that serves as the project framework (Tsigas, Hofisi and Mago, 2016). Experts seeking to implement a project typically involve beneficiaries and/or financial

donors in the decision-making process, taking into account their opinions and evaluations on how the project should be executed and the direction it should take.

Thus, the flow develops only when beneficiaries provide positive feedback and the concept paper presented to them is perceived and judged to illustrate precisely what they want and need to accomplish.

1.3. Financial donors concerns and participation

The financial involvement in the development of NGOs is rooted in the principles of democratic representation, flexibility, and participation. This type of participation can be mutually beneficial for both the NGO managers and the donors. In this way, both parties can achieve their respective objectives and contribute to the mission of the organization. By promoting participation, this approach aims to address issues related to asymmetric information and misperceptions that may arise due to NGOs and their specific interests. Through participatory partnerships, relationships can be fostered based on interdependence and cooperation for the common good, thus reducing any feelings of insecurity and uncertainty that may arise when the internal organization of NGOs lacks control or feels powerless.

In the first part of the chapter, the accountability revolved around an important consideration for the internal control development and its reflection on effective governance system. If the NGO is held accountable throughout the progress of operational activities, such view can be seen on external level as well. In fact internal and external accountability seem to evolve jointly in a way to meet stakeholders and financial donors' expectation and to reinforce their sense of commitment towards a positive social change.

2. Financial donors commitment and NGO transparency

Several researches emphasize the importance of financial information, to properly reflect the performance of an NGO. Transparency and reliability are key elements to win donors commitment.

2.1. Financial donors monitoring and suspicion

Donors are placing more emphasis on efficiency and sustainability. As a result, NGOs are currently under pressure to undertake increased monitoring and evaluation and present measurable indicators of output, impact and capacity (AbouAssi and Trent, 2016). However, the community involvement into the NGOs development is still an underestimated practice. Participation within NGOs is commonly understood as a one-time event where the inputs of beneficiaries are sought, rather than an ongoing process that spans the entire project cycle.

Similarly, Burger and Owens (2010), found that in 38% and 39% of the cases studied, there were discrepancies between what NGOs claimed they did regarding community involvement prior to project initiation and what community members reported on the same subject. Tsiga et al. (2016) have revealed in their findings that community participation has been applied in its narrow sense among NGOs. Considering “*downward*” accountability, for Tsiga et al. (2016), community participation has been acknowledged as a mandatory strategic component among NGOs for more than four decades. Although key personnel in NGOs have a comprehensive understanding of the importance of local participation in community development, such participation still tends to be lacking in critical project stages such as design, implementation, monitoring and evaluation. This lack of participation can have negative repercussions on the community’s development.

While NGOs strengthen the continuity of a missionary tradition, other critics note the role of NGOs as resource brokers rather than agents of change (McGregor, 2004); as producing too much overlap of vested interests among donors; as not producing long-term effectiveness of projects (Aboramadan, 2018); financial corruption and derives from the initial mission of NGOs (Sartor and Beamish, 2020).

NGOs are unique from other types of organizations in terms of their structure, intervention locations, fundamental values, social purpose (Mustaghis-ur-Rahman, 2007), and the management of their stakeholders. Lewis (2003) studied the management of NGO development and suggested that these organizations can learn from management practices in various fields that have been widely studied. Additionally, he emphasized the need for NGOs to improvise and adapt management practices to their specificities in order to create their own management model. The criteria for measuring performance are what sets NGOs apart from other organizations. As a result, more attention has been devoted to the management challenges that NGOs face.

2.2. Stakeholder theory and social capital

For several researches NGOs function of intermediation is crucial, and it occurs at all levels, from international arenas to local communities. Furthermore, NGOs are intermediation networks rather than solitary or autonomous mediations. As a result, a non-governmental organization's management of relational networks, both "*upwards*" U and "*downwards*" B, becomes crucial. An NGO's social capital is a valuable intangible resource. Social capital can explain the level of influence of funding sources and the relationships that exist between organizations and other network actors as well as the relationships that explain the level of influence of stakeholders' funding sources. More precisely, Chenhall, Hall and Smith (2010) stipulated that, in the case of NGOs, social capital focuses on the mechanisms that can strengthen the integration of agents to coordinate actions, and examined how social capital can create consensus and sustain the stable development of such organizations.

A stakeholder is primarily defined by their interests that differ from those of other stakeholders. Donaldson and Preston (1995) define stakeholders as having a legitimate interest in the organization. NGOs have a responsibility towards their stakeholders, which entails ensuring transparency and rigor in their decision-making processes, as well as the allocation and use of their social mission resources. It also involves establishing tangible mechanisms to empower those responsible for implementing the initiatives and implementing assessment processes to be overseen by supervisory authorities (Edwards & Hulme, 1996).

The stakeholder theory is within the perspective of contractual theories like agency theory (Labie, 2005). There are two approaches to define stakeholders. Steirner (1990), defines them as actors without whom the organization cannot survive, while Freeman and Reed (1983) broaden and specify that they are any group or individuals who can affect or be affected by the achievement of an organization's objectives. Huybrechts and Nicholls (2013) defined stakeholders as "*non-investor owners pursuing social objectives through their economic activity*". Unlike stakeholders in other organizations, stakeholders in NGOs are characterized by a diversity of actors, each with a stake in pursuing one or more of the organization's missions (Defourny & Nyssens, 2006). Additionally, NGOs give a place to other actors in their governance structure by involving beneficiaries, funders, and other partners (Campi et al. 2006).

Labie (2005) emphasizes that, on the one hand, the board of directors must represent the interests of stakeholders and, on the other hand, must assume its political role by negotiating to find compromises to establish a global strategy that takes into account their interests. This theory resonates with current themes addressed by some social enterprises such as sustainable environmental and social behavior, but also because these organizations attract many stakeholders who become internal actors participating in the NGO life (Campi et al., 2006).

According to the stakeholder theory, stakeholders hold power within organizations as long as they play an essential role in ensuring the organization's survival by reducing uncertainty, managing important environmental dependencies, and mobilizing resources

for the organization's benefit (Lapie, 2005). This theory is particularly relevant for non-profit organizations, as they do not have shareholders. This makes the agency theory less relevant, as it assumes a shareholder who controls a manager, whereas in non-profit organizations, stakeholders represent the interests defended by the organization. This broadens the analytical framework and highlights the importance of considering the diverse interests and perspectives of stakeholders in non-profit organizations.

The stakeholder theory emphasizes the tension between "proximity - distance" in terms of stakeholder interests and their relative proximity to the organization. For NGOs, stakeholders may include beneficiaries, donors, volunteers, employees, and local communities (Yuesti et al., 2016), each with diverse and often competing interests. As such, NGOs must identify, prioritize and engage with their stakeholders to ensure their needs and interests are met. Failure to do so can result in negative impacts on stakeholders and undermine the organization's mission.

This theory suggests that the organization should consider the interests of all its stakeholders. The accountability process for NGOs must involve all stakeholders and go beyond financial reporting. It should encompass responsibility for the social mission, objectives, methods employed, and the impact of actions taken. A broader approach to accountability is necessary to ensure transparency and to address the concerns of all stakeholders (Slim, 2002). The accountability process is driven by the achievement of defined strategic objectives, quality, and operational and organizational efficiency. These factors enable NGOs to demonstrate their organizational performance in terms of operational, economic, social, and societal dimensions if they are successfully achieved (Couprie, 2012).

For NGOs, it is essential to achieve their objectives and demonstrate their professionalism in providing services to stakeholders and civil society. This process is crucial for the legitimacy of the NGO, as it shows the relevance of its actions. NGOs could adopt the stakeholder theory to prioritize and engage with diverse stakeholder groups, considering their unique needs and interests.

For instance, it could engage with beneficiaries to understand their specific education needs and develop programs that align with their requirements. The NGO could also communicate transparently with donors and provide regular updates on the program's progress to ensure that their investment is used effectively. It could also offer training opportunities and recognition to volunteers to maintain their motivation and commitment to the program.

The stakeholder theory in an NGO context emphasizes the importance of engaging with and considering the interests of all stakeholders in the decision-making process to ensure the organization's long-term sustainability and positive impact.

Jointly, the social capital approach, for its part, underlines the importance of internal and specific factors of the organization in understanding its performance, as NGOs are required to develop their management to improve their efficiency. The stakeholders' theory allows understanding the interactions between NGOs and their many stakeholders, who have a significant influence on their orientations due to their specific expectations and influence on organizational legitimacy and sustainability (Jordan, 2005).

Merely being transparent is insufficient to ensure that public policies are more accountable and responsible. To achieve this, it is necessary to involve users in all stages of decision-making, implementation, and monitoring. Public participation, which empowers affected communities to take part in the policymaking process, can aid in improving accountability. An NGO's mission serves as a long-term goal, which becomes its reason for existence. It acts as a unifying factor, contributing to the establishment of a trusting environment that fosters everyone's participation, creativity, and innovation.

2.3. Reciprocity and the gift giving theory

Numerous studies have shown that the humanitarian environment in which NGOs operate is not limited to physical and geographical locations but is also influenced by economic, political, social, and institutional factors. These organizations typically work in areas that are affected by crises such as conflicts, climate-related disasters, political and economic instability, and social upheaval. Given their mission to provide aid and support to

populations affected by such crises, NGOs must often operate in highly unstable contexts, where infrastructures are destroyed, supply chains are disrupted, and there are political, ethnic, or religious tensions.

The challenges faced by NGOs in unstable contexts include limitations in qualified human resources, appropriate technical and material resources, and the availability of financial resources. Obtaining necessary financial resources for project sustainability is particularly difficult for NGOs in such contexts. As NGOs are seen as a point of connection between various actors, they are accountable in multiple ways (Edwards and Hulme, 1995).

Relations between NGOs and their stakeholders are expressed, in particular, through the “*accountability*” process, a means by which individuals and organizations report to a recognized authority, and are held accountable for their actions (Cordery and Baskerville, 2011). In return, the stakeholders provide donations in light with NGOs projects impact on the civic community. The donation can be defined anthropologically as a transfer which is not payable and which does not imply any consideration. The gift-exchange theory follows on from the pioneering works development of Marcel Mauss (1924).

The gift-giving theory, also known as the reciprocity theory of gift-giving, suggests that people are more likely to reciprocate acts of kindness or generosity, whether through gift-giving or other means. This theory asserts that giving gifts creates a social obligation for the recipient to return the favor in some way, whether through another gift, an act of service, or some other form of reciprocity. Additionally, the theory posits that the size or value of the gift is not necessarily as important as the act of giving itself, as the act of giving often creates a sense of indebtedness in the recipient that can lead to future acts of reciprocity.

The concept of the gift is viewed as an institutional framework that is constructed by the shared values of stakeholders. (Stirrat and Henkel, 1997) suggest that the theory of gift-giving can be applied to explore the unique bond between volunteers and donors with their respective NGOs. The gift-giving theory is also relevant to NGOs as they heavily rely on donations and financial assistance from individuals or other organizations to execute their

operations. This reliance may lead to donors feeling obligated or indebted to the NGO and more likely to continue supporting the organization in the future.

Secondly, NGOs may also engage in gift-giving as a means of building relationships with beneficiaries or local communities. For example, providing food, clothing, or other resources to those in need can create a sense of gratitude and reciprocity, potentially leading to increased trust and cooperation in future endeavors. Finally, the gift-giving theory can also be relevant to the way NGOs communicate with their stakeholders. By providing valuable information or resources to the public, NGOs can establish themselves as trustworthy sources of information or expertise, potentially leading to increased support or collaboration in the future.

Therefore, it will be necessary, on the one hand, to be interested in the nature of NGOs project which govern the framework of the donation and which determine the way in which individuals will be engage into it.

The most important element of the gift-exchange, beyond the thing given, is therefore the creation of a social relationship and recognition. NGOs, of general interest, whose performance is related to the mission they have set for themselves. However, their performance is not measured by the satisfaction of the beneficiaries of this mission, but by that of their donors, which gives them legitimacy allowing them to collect resources and thus ensure their survival and institutional prosperity. In such the recognition degree of stakeholders can question the challenges of “participatory donation”.

The gift-exchange can finally be part of a bipartite relationship. NGOs rely on various stakeholders for support, including donors, volunteers, beneficiaries, and partner organizations. Each stakeholder group can be seen as participating in a gift-giving with the NGO, according to Marcel Mauss’ gift-giving theory. By recognizing the contribution of each stakeholder group, NGOs foster a culture of reciprocity, trust, and collaboration that enhances their effectiveness and sustainability. Therefore, NGOs play an important role in promoting positive social change by engaging in gift-giving actions with their stakeholders.

3. Financial donors commitment and NGO funding

Unlike managerial companies, the financial health of an NGO does not depend directly on its activities in the field which are for it the ultimate goal, but on the various financing that it can obtain through the three mentioned sources: private donations, institutional subsidies and corporate sponsorship. As such, financial dependence on each of its sources depends not only on the defended cause but also on the internal politics of the organization. However, regardless of how an NGO chooses to fund itself, each of such contributions is directly exposed to the risk of underfunding. Whether it is institutional subsidies, sponsorship or private donations, the generosity of the public authorities, the business world or the general public remains strongly impacted by the economic situation in which they operate. As such, none of these sources can be qualified as fully reliable since they are still subject for budgetary restrictions that are related to a less favorable economic context.

In the case of Amnesty International, 85% of the operating budget comes from donations and membership fees, which logically makes it very dependent on the generosity of the general public. This extreme dependence can be very risky in times of crisis and which positions a NGO in an unstable context.

Moreover, the NGO also differs from a managerial company by its difficulty in forecasting activities volume in which it will have to engage. The risk of underfunding is therefore regularly amplified by the fact that the NGO is forced to intervene in unforeseen situations which it cannot however ignore. These unplanned and often costly interventions further complicate a balanced budget (Cazenave and Morales, 2021).

3.1. International NGOs legitimacy and donations

According to the United Nations (UN), a NGO is any group of voluntary non-profit citizens that arises at the local, national or international level, of an altruistic nature and

directed by people with a common interest. For this reason, the first type is called Social NGOs working in sectors of immigration and refugees, disabled, etc.

The second type refers to Non-Governmental Human Rights Organizations that work to denounce the violation of human rights in the world.

The third type describes NGO environment, whose mission consists on protecting, promoting and preserving the environment. The last type includes Non-Governmental Development Organizations; their mission is fundamentally focused on being promoters of development. Such associations are created to complement and contribute to the programs and plans of developing countries, which due to their limited budgetary resources cannot solve great socio-economic problems. According to Martinez and Cooper (2017), NGOs should proceed with the adoption of quantified indicators and pay close attention to an NGO's achievement of financial results (Duval, Gendron and Roux-Dufort, 2015).

Ebrahim (2003, 2009), for example, identifies and categorizes several mechanisms of imposed accountability: financial reports on expenditure progress, ex-post evaluations of NGOs' achievements, and audits evaluation results. Several researchers, including Roberts et al. (2005) and Martinez and Cooper (2017), state that the logical framework is one of the most commonly used tools for configuring the accountability relationship between the donor and the NGO. According to O'Dwyer and Boomsma (2015), international NGOs now adhere to international accountability charters promoted by donors (Schmitz, 2012).

NGOs seeking funding from institutional donors are encouraged to improve their focus on "numbers and quantification" (McKernan and MacLulich, 2004). The shortcomings and limitations of accounting language for organizational performance, on the other hand, have been widely identified in the internal control literature (Gray, Bebbington and Collison, 2006). This type of justification favors situational quantification and provides a quasi-unidimensional view of organizational development and professionalization. Thus, if NGOs frequently communicate narrative performance assessments to their donors (Ebrahim, 2002), such narrative assessments appear to be designed only to reassure financial donors by giving them an *"impression of precision"* (O'Dwyer and Unerman, 2008).

As a result, these narrative assessments are only supplements to quantified supports and do not appear to be a viable alternative for a financial accountability. A type of hierarchical accountability reflects the fact that the organization reports to a higher authority with control over performance standards or regulations. When external auditors come to check on an organization's compliance with contractual obligations or a legal mandate through financial reporting and permanent audits, the legal form takes shape.

3.2. International NGOs legitimacy and donations

NGOs frequently request financial assistance in order to complete tasks and objectives that would propel society forward. Plans and activities' placement must be carried out in order to approach and achieve certain goals. Generally, such plans are established by a variety of stakeholders and should be carried out, and they are based on NGO's vision and objective. Since private donors and state donations have become too limited, financial financing for humanitarian missions is now subject to competition among NGOs. As a result, increased competitiveness within the service community necessitates the development of considerable management skills.

Furthermore, a society has a variety of unanticipated requests, which the nonprofit organization is expected to address even if there is no available fundraising. In such, NGO's are on the lookout for a particular liquidities to meet unforeseen demands. When appropriate, another scheme opposes the one of NGOs competing; the latter may seek collaboration from other civil organizations, government or intergovernmental agencies, and for-profit enterprises that may benefit from advancing their mission-related aims. Such common-good coordination can reduce duplication of services and eliminate the exploitation of resources for competing reasons rather than helping the civil society.

Collaboration can bring together forces and resources to address pressing issues more effectively. However, an NGO can only engage in this form of partnership if it is in line with its objective. Government, private contributors, businesses, other institutions, etc. are all sources of funding for nongovernmental groups. There is a significant difference between an organization that gets all of its funding from a single source and one that has a diverse

number of sources contributing to its entire demands and needs. NGOs should respond to stakeholder expectations that affect what NGOs can or should do. Nongovernmental groups implemented a plan based on grantor requirements.

Frequently, these circumstances are incompatible with the development strategy that must truly achieve societal well-being. It's time for NGOs to think outside the box when it comes for collecting funds from contributors. It is thought that NGOs should become more inventive in order to overcome financial resource constraints and ensure the long-term viability and efficacy of their methods for societal betterment. A high reliance on a single source provides a stakeholder, or financial donor, a lot of power in dictating the way a NGO should operate and where it should go. If the funding are reduced or withdrawn, it may result in failure, and the NGO will be unable to continue.

Many NGOs seek to create their funding sources around similar themes. Many of the analyzed activity sectors are lagging behind the rising trend in donations. Donor incentives are frequently multifaceted and inconsistent. Some donors have a strong emotional attachment to the cause they support, as well as a strong belief in the organization's mission and goals. The major purpose of an NGO is to assist low-income communities (Beal and Griffin, 2012). This is the first key distinction between corporations and non-profits organizations. The second distinction is that NGOs do not rely on product sales for funding; instead, they rely on funds and donations. NGOs must also promote overall well-being.

As donors' motivations for giving become more complex, NGOs must better understand how to make strong commitments to fundraisers. Donors are motivated by a variety of motives (Townsend and Townsend, 2004). The more professional abilities and traits an NGO has, such as endurance and the ability to profit from its missionary activities, the more likely fundraising opportunities will be available. Some non-profits find it useful to organize activities using the "fundraising cycle". Following the "fundraising cycle", five steps might help developing a NGOs relationship with financial donors. A successful fundraising function entails gaining a strategic understanding of the fundraising process.

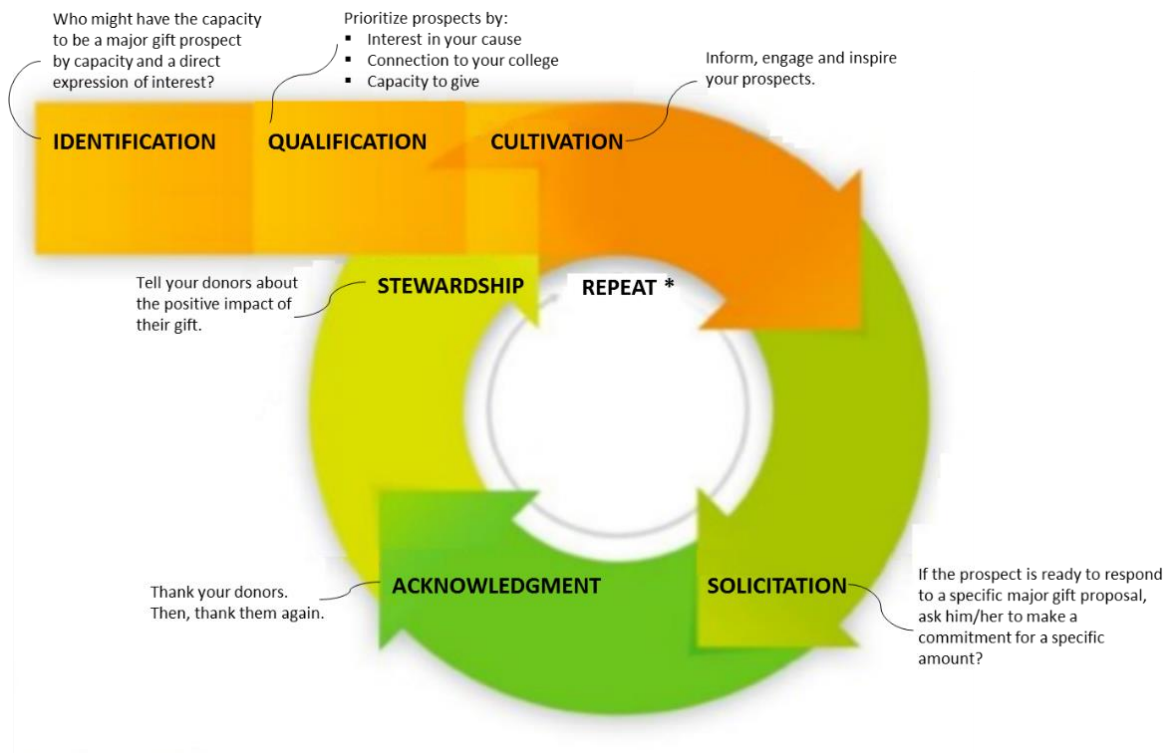


Figure 6: Donor cultivation cycle

Source: Harrow et al. (2011)

Based on the previous diagram, the latter depicts the fundraising cycle five dimensions:

1. **Identification:** Normally, a donor cultivation cycle begins with the identification of all potential donors. The goal of this phase is to identify potential givers who are well-suited to non-profit organizations. This phase entails examining the current donor database to confirm his loyalty and the ability to count on him for ongoing support.
2. **Qualification** entails extensive study for determining the donor identity, his apprehensions for his community, the amount he is able to donate, and the probable social field that might interests him the most. NGOs should determine whether the donors' interests align with their causes and whether they have the financial means to contribute during this time.
3. **Cultivation** is the lobbying phase, during which NGO members can entertain donors by hosting a meal, inviting them to various arranged events, and getting to know

them to learn about their motivation for donating. The cultivation phase entails forging strong bonds with donors and attracting them closer to the NGO in order to keep them on board and ensure their future financing.

4. Solicitation: During the qualification phase, the NGO determines whether the candidate has the potential to be a financial donor; and during the cultivation phase, the NGO ensures that donors trust the NGO's mission because they are well-informed about its vision. Once these processes have been completed, the NGO may seek a donation. As any fund collector knows, there are numerous steps that must be made in order to solicit donations. The fourth part of the fundraising cycle is requesting grants and contributions, which should be approached with caution. The request can come in the form of a verbal request or a written proposal. Solicitation is the process through which an NGO makes a request based on the financial donor's competences and abilities, as well as the NGO's needs and wants.
5. Stewardship: Effective stewardship will ensure that financial donors are aware that their contributions are valued both for the benefit of the civic community and for the NGO development. At this point, it's critical to include funders in a way that makes them more aware of and connected to the mission of NGOs. NGOs strive to keep loyal contributors by establishing a long-term relationship at this point.

In sum, NGO legitimacy refers to the perceived credibility of an NGO in the eyes of its stakeholders, including donors, volunteers, beneficiaries, and partner organizations. The relationship between NGO legitimacy and stakeholders is crucial. The stakeholder support is essential for the sustainability and effectiveness of NGO's activities. Stakeholders play a significant role in shaping an NGO's legitimacy by providing feedback, monitoring its activities, and holding it accountable for its actions. NGOs that have strong relationships with the stakeholders are more likely to be perceived as legitimate for being transparent and responsible. For example, an NGO that involves beneficiaries in the planning and implementation of its programs is more likely to be perceived as legitimate, because it shows a commitment to participatory and inclusive decision-making.

Similarly, an NGO that provides timely hence accurate information about financials and operations is more likely to be perceived as legitimate, because it demonstrates a commitment to transparency and accountability. On the other hand, NGOs that fail to engage with their stakeholders or address their concerns may be seen as illegitimate, because they are perceived as unresponsive or unaccountable. This can lead to a loss of stakeholder support which undermines the effectiveness and sustainability. In summary, the relationship between NGO legitimacy and stakeholders is symbiotic, as stakeholder support is essential for an NGO's legitimacy, while an NGO's legitimacy is essential for maintaining stakeholder support. By engaging with their stakeholders and addressing their concerns, NGOs can enhance their legitimacy and contribute to positive social change.

First Part Conclusion

During the last two decades, NGOs have grown significantly in the Lebanese society, with the emergence of a large number of organizations of this type and characteristics, as part of the solidarity mission within local communities. Organizations dedicated to international cooperation and development have also established themselves as part of the civil society, with significant weight and social recognition. The growth of social participation in such a type of organizations has been increasing, and, from year to year the annual budget and the resources they manage have accordingly increased (Nagel & Staeheli, 2015).

Although it is usual that in the first stage of the development of organizations, management focuses on the search for resources rather than on planning and coordination, as it evolves, the development of a management culture becomes more important and based on effectiveness and efficiency to be able to survive and adapt to challenges of a society in constant movement (VanSant, 2003). However, and through an NGO's development, it has been possible to observe in the different studies carried out (Alymkulova and Seipulnik, 2005; Nunnenkamp Weingarth and Weisser, 2009), that

appropriate management instruments were adopted by NGOs in order to improve development aid. Thus, more reliable management systems and instruments can guarantee NGOs development aids which comply also with their mission and values.

In addition, actual debates revolve around the professionalism of NGO's. In fact, it reverts to the nature of cooperative relationships that members of such type of organization are able to cope with needs for innovation and change. From a one hand, NGO need to professionalize their internal organization while relying on specific resources and competencies. On the other hand, such professionalism should entail values that convey with the expectations of stakeholders. It is known that few financial resources are allocated to NGOs since donors will support financially, the most authentic ones and the most legitimate organizations. That is the reason for which NGOs should strive for implementing, regularly, new management systems.

Their organizational structures continue to suffer from elements of control and improvement in the provision of their services. Practices such as impact evaluations, learning and knowledge management mechanisms, or quality control systems in the field, are not being used by such organizations. Even if that require additional resources, such practices could be assumed as part of NGOs mission and as part of their commitment towards the civic society and its social development.

On a related note, the constantly changing socioeconomic and political environment necessitates that NGOs diversify their funding sources. These sources are sometimes untrustworthy and unstable, which has an impact on their direct performance and the long-term viability of their projects. This is related to the application of NGOs' strategies, which should be oriented toward exploring funding substitutes and ensuring long-term survival. As a result, generating income through business-owning operations serves as an alternative to over-reliance on external bodies to serve local communities, as well as a fundamental strategic practice to become more self-sufficient.

Despite their pivotal role and undeniably strong presence in the non-profit sector, financial donors have a tendency to favor specific programs and causes to which they have

a personal commitment or in which they believe, while ignoring other projects of the same organization. This may result in funds being spent on short-term and immediate outcomes of operational activities related to these causes, while ignoring the longer-term project with delayed intangible payoffs. As a result, these cases occur in order to transform an NGO into a system that attracts funding while diminishing the reflection of the image they have on representing civil communities.

In all cases, the NGO-donor relationship will require constant management, meaningful communication, and accountability revision at all levels. As a result, NGOs must be able to assess factors that prevent them from receiving adequate funding and improve their capacity levels. Aside from income diversification and self-sufficiency, an NGO must improve its financial transparency and thus apply financial management practices in order to survive and maintain a good reputation in the long run. This goes hand in hand with its “*upward*” accountability and operational efficiency. Furthermore, an NGO must respect its “*downward*” accountability and consider how to incorporate beneficiaries’ active participation in all stages of project implementation decision-making. Finally, a non-profit organization must rely on internal accountability. As a result, it must hire vibrant employees, assess the effectiveness of its deliverables and the impact of its programs on beneficiaries, and maintain proper commitment to its mission and values.

Second Part: Research methodology and findings discussion

Chapter 3: Research methodology

Introduction

Following the definition of the theoretical concepts upon which the current research work is based, the main goal of this chapter is to identify the appropriate methodological framework capable of adapting to the particularities of the research design and allowing for the resolution of the questions raised by the main research statement. This framework does, in fact, refer to the standards used in management science research. Furthermore, it is clear that, within the same methodological framework, the research subject is related to the main research statement of this thesis, conditioning the path of knowledge as well as the research design that is architecture of the adopted methodology and procedures. However, this studied phenomenon can only be addressed through the use of an appropriate methodology that guides the researcher in the conduct of his research and, in particular, assists him in better articulating theoretical concepts and empirical observations in order to achieve convincing study findings.

The researcher is invited to interrogate the nature and purpose of the research that he is willing to undertake within the framework of this methodological chapter. The methodological approach must be chosen based on well-defined criteria and objectives. Furthermore, the methodology used must “accommodate” the research specificities and main statement characteristics. But the most important aspect of selecting a methodology is being able to persuade informed readers of the choice’s relevance and scope in relation to the objectives pursued, as well as its added value at the scientific and academic level.

The determinants of an abductive research approach and an epistemological interpretivist positioning will be illustrated in the first section of this chapter to contextualize the research subject-researcher relationship. This section also explains our abductive methodological approach, which makes use of the case method as a research tool.

The second section demonstrates how the epistemological paradigm and methodology used affect data collection. The field approach, as well as the various stages for data collection and processing, is then outlined. To achieve convincing results, two types of complementary analysis are used. The first consists of a thematic content analysis and its implementation. The second refers to knowledge validity, which will also be demonstrated. To conclude this chapter, the sample and research limitations are also stated.

1. Lebanese economic, political, social contexts and NGOs legal framework

NGOs are notorious actors, particularly in the field of cooperation, but they are also the center of lively debates. The Lebanese Official Journal registers an average of 250 new associations per year (Karam, 2006), and for the Arab Organization in 2020, 529 NGO's exist in Lebanon from which 190 are operating in the cultural field, 100 in the research one, 179 in social activities, 10 in the sports field and 50 into sustainability. The landscape of NGOs in Lebanon is diverse, with many associations being directly or indirectly affiliated with political parties and/or religious communities.

The key functions that NGOs played throughout the 1975–1990 civil wars carried out what are typically governmental authorities duties should provide for the community. A strong space for the operation of nonprofit groups exists in Lebanon despite its deficient democratic system. Since the start of the Syrian conflict in 2011, Lebanon has hosted more than one and a half million refugees. To this challenge has been added since September 2019 a major economic, political and social crisis which plunges many Lebanese into poverty. The UN and the EU launched various programs in the present to help the Lebanese society respond to the Syrian problems in 2011.

For the 1.5 million Syrian refugees, but also for the 200,000 Palestinian refugees and the growing number of Lebanese living below the poverty line, access to basic services in water, sanitation, shelter and food is more difficult every day. Limited infrastructure and public services make these populations dependent on costly private services while their livelihoods and savings are depleted every day.

In Lebanon, there is a notable disengagement from the state; for example, private organizations control 70% of the health systems and the majority of the education institutions. Additionally, the National Social Security Fund does not provide coverage to nearly half of the private sector workforce. The poorest groups are severely weakened as a result of this circumstance and must turn to the community, family, and other basic forms of solidarity in order to survive (Catusse & Karam, 2008). Voices from civil society and the intellectual world have been raised to denounce the excesses of the “*NGOization*” of Lebanese society, in a context of total resignation from the public authorities. In a column published in *L’Orient-le Jour* on December 14, 2020, sociologist Mona Fawaz and urban planner Mona Harb, both professors at the American University of Beirut rightly assert that Lebanon “*must not become a Republic of NGOs*” (Fawaz & Harb, 2020). With 5,000 structures for more than 6 million inhabitants, Lebanon has become a “NGOs republic”. Such omnipresence raises many questions such as the disempowerment of the state or the opaque use of public funds.

However, through their participation in social acts, NGOs seem to play a particularly important role in this. When Lebanese NGOs played a major role in assisting civilians amid the Beirut port blast in August 2020, it was clear that progress had been made. Additionally, obtaining financing is a crucial step in carrying out NGO activities, and in light of the fierce competition that exists in the market for donations, it is crucial to set oneself apart from the competition. The discussion of management methods and NGOs’ roles has grown in recent years. The governance of NGOs is modulated by their unique qualities and is established on the basis of their legal capacity to operate. It is adjusted to both internal and external constraints. In such a situation, local and national NGOs play a key role. The first of the advantages is that “traditionally, local NGOs mobilize much more quickly in a response to a

crisis. Therefore, having access to financing is essential if humanitarian NGOs are to fulfill their tasks. But research indicates that NGOs that receive funding from institutional donors are persuaded to support accountability (Jordan, 2005). Finally, local NGOs generally continue to target both the Lebanese and Syrian populations in the development and implementation of their projects.

2. Epistemological paradigm

The research's epistemological position is not solely determined by the method employed but also by the manner and purpose for which it is utilized, which must align with the overall coherence of the research project. To meet the criteria for research validity and legitimacy, the chosen epistemological positioning is integrated into the research design. Meanwhile, the methodology chosen must determine how to analyze, uncover, and interpret a phenomenon (Rispaal, 2002). Since the conception of reality can influence the choices for the research architecture, it is presented in this study. A qualitative approach was employed, and both an abductive methodology and the case method were utilized, with their implications for the conduct of research discussed.

2.1. An interpretative positioning choice

The validity criteria include both the idiographic nature of the research and the empathy skills that the researcher develops through his research (Dadds, 2008). To develop an understanding of social realities, the researcher must incorporate the language, terminologies, and perceptions of the met actors. The context determines a phenomenon understanding: the knowledge produced must include a detailed description of the phenomenon studied, including its historical and contextual aspects. The value of a research will then be determined by the empathic dimension that the researcher feels

throughout the interviewees' discourses and their translation through contextual and theoretical interpretation. As a result, an interpretivist viewpoint can reveal the complexity of the process under investigation and provide different explanations for identified dimensions of the main research statement. According to Comeau (1994), the qualitative researchers are tasked with observing, describing, understanding, and interpreting, whereas the quantitative ones seek to measure and explain causally. This is the thick description principle developed by Geertz (1973), which implies a detailed description of the phenomenon studied based on the circumstances in which it is used, the characteristics of the individuals involved, and the nature of the community in which they are located. This category includes any approach aimed at proposing a new theoretical object or generating a new conceptual response from the empirical domain.

Thus, Glaser and Strauss (1967) propose "a grounded theory" or "rooted theory", as do all the methods in a qualitative inductive approach that aims to extract a theory (at various levels) from empirical data (observable facts). In general, the process consists of collecting data through open coding to reveal the categories and their properties, followed by selective coding to identify a central category around which the classification of an emerging theory will be organized. Once the properties and categories are saturated, the theory can truly progress: it is simply a matter of sorting and interpreting the empirical findings. The goal of this dialectic is to understand how NGOs professionalize their governance systems and improve internal control in order to optimize their assets, internal management and transparency. The research questions are expressed through the reasons and intentions of NGOs managers to professionalize their internal control and governance practices in order to ensure their legitimacy towards financial donors.

Researchers are questioning aspects, determinants or even factors for this shift in corporate governance and management systems. These questions raise concerns about the management methods used in NGOs. According to this approach, the carried out analysis is necessarily marked by the subjectivity of the actors encountered, as well as that of the researcher who constructs the research on the basis of a field-theory interaction. In management, ethnographic methods allow researchers to investigate poorly understood

phenomena without first deploying a rigid conceptual framework, allowing the researcher to discover new relationships or alternative explanations (by immersion in the context). More specifically, the interpretative approach may direct the researcher to investigate reality in an “external” mode, that is, by contributing to a project to develop a descriptive and explanatory model of the phenomena on which the research axes will be based. Before delving into the phases of data collection and treatment, it is necessary to explain the methodology and method used in accordance with the research epistemological philosophy.

2.2. The abductive reasoning

While the theoretical literature allows for the identification of relevant and constitutive dimensions of the scattered pieces of this puzzle, thus conceiving the foundations of an appropriate theoretical framework, these dimensions, which are always insufficient and ambiguous, do not provide a broad consensus to define NGOs governance practices. According to Wirtz (1999), the theoretical framework is very general and must be contextualized. As a result, the uniqueness of NGO internal development in line with external peers’ perceptions is ignored. The studied phenomenon simply refers to a “superficial” representation, implying the need to invest in the field and aid in the identification of a set of explanatory factors required for the estimation of governance practices and internal control development in NGOs management.

In this context, the researcher’s interpretation of NGOs managers’ perceptions and the selection of potential solutions by the main actors is “subjective” (Wirtz, 1999). As Koenig (1993) points out, the knowledge generated is subjective and contextual, which has implications in management sciences. To understand a phenomenon, one must pay attention to all of its manifestations, meanings, and values (...) The elements are interconnected, and it is necessary to consider phenomena as wholes that are not reducible to simple causalities (Wacheux, 1996). Some authors mention a conversation between the researcher and his cases (De Meur, Rihoux & Yamasaki, 2002). The design development stage then focuses on the problem definition and data collection (Coutelle, 2005). If induction allows the establishment of rules and deduction allows a generalization of consequences, abduction generates a corpus of hypotheses (Hallée & Garneau, 2019).

The abductive approach initiates an iterative process between the justified theoretical axis and the empirical data, with the latter being adjusted as the interviewees' answers to the studied phenomenon emerge. The iterative approach is a more exploratory, qualitative inductive approach; unlike the classic approach, the domain of generalization of the results is defined at the end of the process rather than at the beginning (Glaser & Strauss, 1967). As a result, such considerations are thought to justify the following arguments:

First, no scientific study has produced a theoretical conceptual framework that is sufficiently developed to be tested immediately. Few are the publications on the relationship between NGOs internal control, governance, legitimacy and transparency towards financial donors, at the moment. These studies do not provide intrinsic characteristics such as all of the reasons, personal intentions behind the improvement of a better internal control and governance. As a result, in order to provide answers for the main research statement, it is necessary to identify relevant information on the field. The relevant information will then be analyzed to generate more general proposals. An abstraction must thus be plausible based on the qualitative data collected. Abduction is the approach chosen as a result of inductive logic.

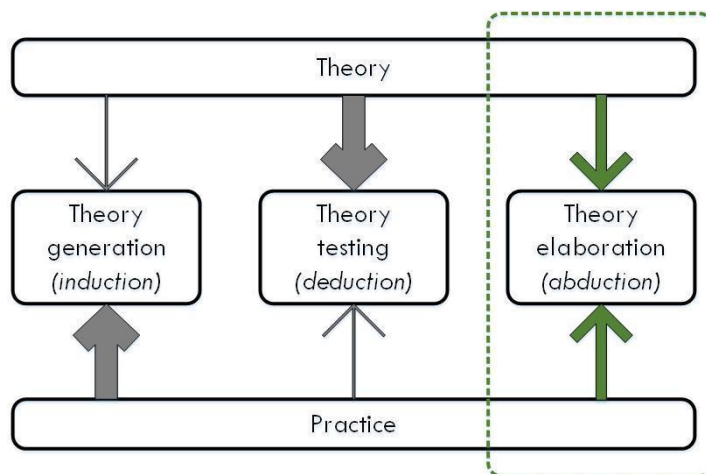


Figure 7: Inductive, deductive and abductive research, and selected approach

Source: Aliyu et al. (2015)

Second, the extraction of information meaning can only be done in part through direct collection from the actors, because this information concerns their experience, in this cases the formal and informal interactions they maintain, and their meaning, specifically the strategic intentions they formulate in order to maintain effective internal control and governance practices.

Third, the interaction between internal managers and financial donors is approached as a complex social system that requires special attention. Human facts are wholes that cannot be studied by separating each component; thus, the approach is holistic. Because many actors come into play with their own logics and maintain interpersonal relationships that will guide their behavior to maintain NGOs missionary identity as well as donors' financial resources, the study of such interactions and the formal establishment of managerial practices must consider all of the normative, cognitive, affective, conflicting, and cooperative dimensions. They are neither detectable nor perceptible until they are investigated throughout the field exploration.

These interpretations emerge from interactions between actors, as in the current study's context, where the situations face a common triple challenge: bringing the three circles together, enhancing a better internal control, ensuring NGOs governance efficiency, and maintaining financial donor's transparency. Interactions between NGOs managers allow for the development of an inter-subjectively shared meaning as well as a source of a social construction of reality with peers. According to Rispoli (2002), the use of qualitative approaches is justified by the complexity of the problems to be studied. For Glaser and Strauss (1967), the "Grounded Theory" is a research practice that aims for building, or more modestly enriching a theory from empirical data. According to the same authors, this theory-based practice creates a strong dichotomy between theory and the field.

The Grounded Theory is based on two assumptions: the use of detailed observations close to the observer's natural world, and the desire to avoid any a priori theoretical model engagement. The Grounded Theory approach proposes a method of rooting the analysis throughout the data that emerges from the field of study in order to encourage innovation and scientific contribution. The constant return to a comparison between the empirical

outcomes and data analysis is reflected through the data analysis principle. The analysis process doesn't just start with the initial data collection phase, but also involves an ongoing validation process that requires revisiting previously collected data and incorporating new data as they become available.

The methodological choice is abduction, a modified form of "Grounded Theory", because inference, solely, is insufficient to identify the key players and necessary observations. This methodological approach must not deviate completely from the theoretical axes that were initially mobilized, nor should it blindly permeate it during the field investigation. The most important thing, however, is to approach the field with the goal of eliminating any *"theoretical consideration and any hypothesis test"* (Eisenhardt, 1989).

The primary benefit of employing an abductive approach is that it enables the researcher to continuously refine the research problem based on their observations and findings in the field. This hybrid approach involves switching back and forth between newly generated knowledge and established one through the literature review. It then prevents excessive distortions between theoretical constructs and observed reality. Hybrid exploration is a method of expanding or deepening prior knowledge. From this vantage point, it would be necessary to return to theory, whether to decide on the results of an existing theory's test or to develop new theoretical propositions (De Meur, Rihoux & Yamasaki, 2002). The term abduction then refers to a type of reasoning that allows a researcher explaining a phenomenon or observation using specific facts (Catellin, 2004). In sum, abduction is the only form of reasoning that can generate new ideas, the only one that is, in this sense, synthetic. Its sole justification is that it is the only way to arrive at rational explanations. Although neither induction nor deduction is opposed in this approach, they are related in a process of knowledge construction.

First, a preliminary conceptual framework is established through a review of the literature. This deductive approach influenced methodological decisions. In accordance with the aforementioned objectives, data collection by case study enables, above all, a detailed and in-depth description of the subject studied with the a literature review analysis (↓1). In a subsequent step, the data collection process enriched and fed the

concepts mobilized through induction (↗2). The back and forth between conceptualization and observations incorporates induction and deduction and comes to specify and redirect the constructs. This abductive approach serves as a foundation for case analysis (↓3).

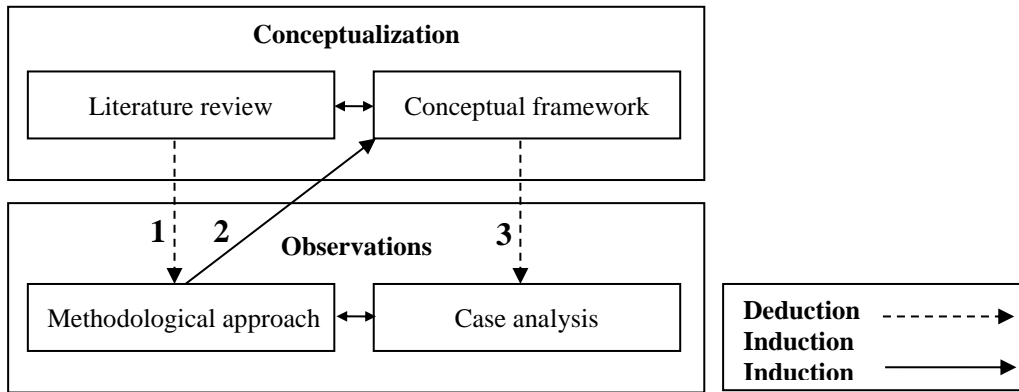


Figure 8: Research approach

Source: Author's analysis

2.3. Case study method and research specificities

In accordance with the adopted methodology, it is necessary to explain the selection of a case method in accordance with the research particularities, as well as the implications of this choice on case selection. Indeed, it is widely accepted that using a qualitative approach is more prudent when the goal of the research is to lift the veil on a new theme whose concepts must be explored and verified. As per Wacheux (1996), a research method selection should not only be guided by the objectives but also by the research questions at hand. A case study is a study of a specific situation (Yin 1992, 1994).

Few studies in management sciences have been conducted on the theme of NGOs governance practices in general. As a result, our research will take us to Lebanon for the first time in order to invest and detect, through the discourses of selected interviewees and observations, the need for establishing a governance system that positively impacts the management development of such institutions as well as the external perceptions about their commitment and transparency. Several insights allow for such an approach. The

distance between intention and realization, as well as representation and reality, is the first measure of complexity.

In other words, a situation's complexity is proportional to the number of elements involved and the number of interactions that can be described in it.

Given the field's role in both conceptual framework validation and theoretical emergence, the case study is appropriate in new situations where the phenomenon studied is little known by research and where theoretical developments already established are unsatisfactory (Eisenhardt, 1989). Consequently, the case study was deemed suitable for accessing reality, enabling the application of retained abductive logic from an interpretative epistemological stance. The case study is advantageous in that it situates theoretical constructs in contexts different from their original mobilization. Qualitative methods employed in management sciences, utilizing case studies, seek to comprehend phenomena or behaviors and foster close proximity between the researcher and the subject of study.

This method allows for the study of a phenomenon that is difficult to quantify based on a small number of cases. It is specifically tailored to the informal aspects mechanisms. Furthermore, studying one or more cases may be preferable because it allows for the generation of more relevant information for the measurement of specific concepts than statistical sampling does. As a result of the fact that quantitative data, both objective and "a-contextual", can attenuate the specificity of qualitative outcomes, the approach refers to the case method and departs from the questionnaire system.

A qualitative study, in a field that is still understudied, provides richer knowledge and allows for a better understanding of the complexities of a phenomenon than a quantitative study. The goal of this selection is to provide an explanatory framework based on research questions centered on the processes underlying the phenomenon under study. This case study strategy has been favored insofar as it allows, among other things, to explore a given situation, all while integrating the various subsystems thought to be inseparable in understanding the phenomenon of interest (Yin, 1994). For Yin (1992): *"a case study is an empirical research that studies a contemporary phenomenon in a real context, when the*

borders between the phenomenon and the context are not clearly evident, and in which we mobilize multiple empirical sources". A qualitative research must be conducted "from the inside" in order to "grasp the point of view of the actors, on the situations they live in, grasp their perceptions and interpretations of the facts, better understand their value system, concerns, and the logic followed" (Hlady-Rispal, 2015).

To understand any phenomenon, it is necessary to reconstruct individuals' motivations affected by the phenomenon in question and to understand it as the result of individual behaviors dictated by such intentions. The qualitative inspiration allows one to grasp the case complexity through previous experiences in each field's *"case and oriented history"*. A research problem formulation, centered on inter-individual interaction and socialization concepts, invites the examination of a group of interacting individuals identified with a social entity known as NGOs and their internal development. Only by having access to NGO managers' experiences that we can understand mechanisms that promote NGO's transparency and legitimacy. This method provides access to actors' direct representations through their professional experiences, stories, relational interactions and discourses.

The case study has had real heuristic potential since the works of Yin (1994). The case study, as a methodology, seeks interpretations through a progressive process of defining significant subjects, collecting data, interpreting, validating, and writing the case, which aids in communicating an understandable and well-structured vision of it. Qualitative research necessitates careful planning, which is dependent on the previously mentioned research questions. Rather than demonstrating statistical representativeness, the case study aims to increase researchers' trust in the acceptance of proposals involving complex relationships. In fact, the research technique for treating each NGO as a distinct case to be examined, taking into account its unique mode of control.

Each NGO considers specific management practices and governance system. The case study is a technique that depends on the object to be studied rather than a methodological choice. When a question of "how" or "why" arises on a set of contemporary events over which the researcher has little or no control, and when the focus is on a phenomenon that

operates within a real social context, the case study is justified (Yin, 1994). As a result, the case method is consistent with the chosen epistemological interpretivist positioning.

3. Criteria's for selecting Lebanese NGOs

Criteria must be followed in order for the case method to be an effective search strategy. In other words, working on the case method identifies several critical stages for which criteria must be established to ensure the method's scientific validity. Hlady Rispal (2002) identifies the criteria of adequacy of the research objective, theoretical representativeness, variety and potential for case discovery, and balance that the cases choice must obey in order to meet the requirement of representativeness of the research object.

3.1. Pursued objectives adequacy criterion

In order to derive conclusive propositions from interviewee discourses, these same people validate a descriptive synthesis of concepts to be studied after analyzing the first interviews. As a result, the researcher reformulates the ideas developed by the opinion maker during the second interview and provides a synthesis. Back-and-forth operations are performed between the interpretation of empirical data and existing theoretical constructs in order to enrich understanding and explanations of the phenomenon observed, thereby strengthening the validity of the results to a higher conceptual level.

3.2. Theoretical representativeness criterion

The ultimate goal of this research is to help lay the groundwork for a theoretical framework that will consider a conceptualization for corporate governance practices in Lebanese and international NGOs. The representativeness of the cases and their number are factors to consider when generalizing the research findings. The choice of these entities holds significant importance as it defines the scope of validity and applicability of the newly generated knowledge. After defining the main research statement and sub-research questions, the determination of a population of homogeneous entities (case of literal

replication) enabled the approach to the complexity of NGOs management and governance. In fact, research into homogeneous populations of NGOs is critical for progress in the field. Appropriate cases selection is a crucial aspect of a research project that aims to assess findings replicability and generalizability (Eisenhardt, 1989).

Theoretical representativeness refers to NGOs accountability and legitimacy. The cases must evolve in similar contexts and form a “family” of cases with enough “common traits” to allow the research findings to be generalized. Eisenhardt (1989) distinguishes three possible objectives based on a synthesis of the case method: the case study can be a description, a test of theory, or the production of a theory. Because theoretical elements are considered as criteria for case selection, the research will strengthen not only its external validity, but also its internal validity. The only goal is theoretical representativeness. This is why the results are not generalized to samples but rather to theories.

3.3. Variety and potential for cases discovery

This subsection’s development will take place in two stages. The first is about the selection criteria. The second is reserved for the possibility of discovery and the variety of cases. Criteria for case variety: if the common traits are related to belonging to the same population, a heterogeneous distribution is expressed in each case through different points of view belonging to the same NGO. Considering those two criteria encourages a greater understanding of the modes/practices of governance used to respond to issues unique to each organization. Diversity allows for theoretical breakthroughs and the development of new concepts. Each case is unique, and it will be observed for its own sake because it adds to our understanding of the phenomenon as a whole.

Choosing extreme cases, for example, is one strategy for increasing the visibility of these relationships (Eisenhardt, 1989). Choosing a “critical” case is a good way to put a theoretical grid to the test (Yin, 1994). This work is carried out within the framework of a synchronic approach, which involves “*comparing different perspectives in several sites relating to the same phenomenon*” (Rispoli, 2002) to identify regularities and specificities concerning the studied subject. However, theoretical saturation occurs when an additional

case does not introduce new concepts in comparison to previous ones. This saturation occurs as a result of the *“moment when incremental learning is minimal and researchers’ observations become repetitive”* (Rispaal, 2002).

As a result, this saturation guides the number of cases in the sample and manifests the condition of discontinuing empirical data collection. Requirements for discovery potential: available data richness and the potential for data collection and analysis are referred to by the potential of discovery criterion. Cases must have significant discovery potential, which means the data must be rich and the interviewees must be open to an in-depth approach (Rispaal, 2002). Interviewed managers served as well as “contacts”: in order to gain access to other NGOs during the early stages of the empirical investigation. Furthermore, the interviewees provided pertinent information on cases involving other managers, which were also included in the study’s sample.

3.4. Balance among selected case criterion

According to Rispaal (2002), achieving a perfect balance is not a pivotal factor during the case selection process, even though it is essential to strike a reasonable one. The balance criterion emphasizes the need to include a wide range of situations in the sample, taking into account their continuous and diverse nature.

4. Collection and qualitative data treatment

Data collection and analysis occurred concurrently but over two distinct time periods. Data from April 2022 to March 2023 were collected during the collection phase. The subject of study is NGOs in Lebanon. We begin an analysis by contacting the first data, which we then compare with new data collected from the field to feed our research questions and enrich the study’s main research statement. The qualitative approach is, thus, based on the use of various interviews conducted to assess the relevance of its empirical application.

First, it will be our responsibility to establish the criteria that will lead to making wise decisions in order to better conduct our investigation on the field. The principles of data collection are reflected in the data sources used, the theoretical representativeness of the cases studied, and, finally, the number of cases chosen. The data in this research work concern the reasons why NGOs want to preserve their image and reputation. Second, the relevance of the choices in terms of research approach, mode of access to data, data type collected, processing, and analysis using the thematic analysis approach is detailed.

Third, it is critical to revisit research validity, transferability, and reliability criteria to ensure that conceptual frameworks and methodology are rigorously applied. There are three types of validity, according to Rispoli (2002): construct, internal, and external. Even if these criteria have already been addressed throughout the methodological approach and research method, they are revisited to demonstrate the rigor with which they were met. Condensing collected data in the field into categories is then required in order to reproduce the most plausible explanation for internal control and its optimization for transparent and accountable management system in NGOs, and so in several selected cases.

Furthermore, the limits of the sample, the research, and the presentation of the results are stated at the end of this chapter. The sample background and presentation serve as the foundation for mobilizing various data sources, such as semi-structured interviews and non-participating observation, to make the case method implementation fruitful.

4.1. Sample background and presentation

NGOs structures emerge specifically as a result of a specific socioeconomic context that conditions their development and sustainability. However, the selection of cases in the sample is determined not only by the problem, but also by the availability of data and the researcher's objectivity (Coutelle, 2005). Cases are not chosen at random, but rather should be representative of the research topic. As a result, representativeness refers to the sample, whereas generalization refers to the research findings (Ayerbe & Missonier, 2007). The selection of three cases appears to be insignificant. However, their generalizability is unquestionable because *"the universal is not reserved for large numbers; it is also to be*

discovered in particular cases” (Bertaux-Wiame, 1988). The interviewees chosen are managers, who work as executives and financial directors, as well as internal auditors’. The choice for those persons is guided by the fact that they are involved thought the mechanisms of the internal control development as its repercussion on NGOs governance system efficiency. The positions within the organizational entity that belongs to respective NGOs are depicted in the below tables.

Criteria for selecting International NGOs	Activity sector	Size (in terms of headcount)	Seniority	Scope of operations
NGO 1	Health relief	Large	General Manager (1)	International
			Internal Audit Manager (2)	
			Financial Manager (3)	
NGO 2	Humanitarian	Large	General Manager (4)	International
			Financial Manager (5)	
			Internal Audit Manager (6)	
NGO 3	Humanitarian	Large	Executive Director (7)	International
			Finance Director (8)	
NGO 4	Humanitarian	Large	General Manager (9)	International
			Financial Director (10)	

Figure 9: Criteria for International NGO selection table

Criteria for selecting Lebanese NGOs	Activity sector	Size (in terms of headcount)	Seniority	Scope of operations
NGO 5	Heath and social relief	Medium	General Manager (11)	Local
			Financial Manager (12)	
NGO 6	Employment and social relief	Medium	General Manager (13)	Local
			Financial Director (14)	
			General Manager (15)	
NGO 7	Violence and exploitation	Medium	President (16)	Local
			Financial Manager (17)	
			Chief Accountant (18)	
NGO 8	Gender equality	Medium	Head of operations (19)	Local
			Financial Director (20)	

Figure 10: Criteria for local NGO selection table

Interviewees’ profiles are coded to maintain anonymity and refer with respective codes when it comes for consolidating theoretical interpretations with respective advancements.

4.2. The semi-guided interview technique

A review of the scientific literature has contributed for the development of theoretical axes upon which internal control and its optimization for transparent and accountable management system are based. This phase prior to conducting the interviews was beneficial in the sense that it was necessary to deepen in the area of the study in order to refocus the interviewee's speeches in the event of "*slippage*" through his answers. The goal is to keep the interview focused on the research themes on a regular basis (Coutelle, 2005). On the other hand, a first draft of the interview guide was created in order to gain an overview of the NGOs management's key players. In response to our concerns, the semi-structured individual interview technique was chosen as an investigative tool.

"The research-interview is semi-structured, and it is not a free conversation or a highly structured questionnaire" (Kvale, 1983). It goes through an interview guide that, rather than a set number of questions, focuses on specific themes. It provides benchmarks and thematic direction for the data collection process that touches on topics to be discussed during the interview. The semi-structured interview is critical for the case study because it provides direct information on the phenomenon studied and allows the examination of the actors' experiences and interpretations of a given phenomenon (Wacheux, 1996).

As a result, the information gathered is qualitative. Interviews with twenty NGOs managers were the primary source of information. Based on their professional and relational experiences, it was necessary to expose the similarities in their speeches and contextualize all of the information gathered in order to give it a theoretical meaning. Qualitative interview research should be treated with a goal view for bringing together descriptions of the interviewee's life reality while maintaining respect for the interpretation of meaning and the described phenomenon (Kvale, 1983). Interviews are critical in the context of a management situational analysis (Rispol, 2002).

The quantitative method, by relying on a survey, cannot reveal the reasons and intentions that aim to understand the means for establishing an efficient internal control system which helps ensuring transparent and accountable management system. In other

words, the interviewee's physical presence, in Lebanon, was especially important because of the significance of his testimonies, which place a high value internal and external dynamism in ensuring, internally, a managerial professionalization, and, externally, a transparency and legitimacy that meet financial donors' expectancy. Strategic actors' discourses provide a rich source of information for comprehending conveyed representations for the said research statement.

Because the research topic is sensitive and always relates to NGOs interactional questions, the information gathered in the field must come solely from interviews conducted by them. They must hold operational positions in organizational structure and to be well informed about their organization's role and activities. Hence, interviews were carried out with cases associated with both Lebanese and international NGOs.

The empirical inquiry was conducted in three distinct phases, focusing on several research themes and two initial research questions that were continuously refined and clarified throughout the data collection phase. The approach involved comparing the collected facts with the studied concepts to ensure a comprehensive data collection from multiple perspectives and diverse sources of evidence. The semi-guided interview comprises 12 questions sectioned into three parts, namely introduction, deepening and conclusion. Noting that for each question, corresponding thematic impregnated from scientific articles. Such view sheds the light on the fact that the related questions were not shaped without any relation with a previous literature review analysis.

Below is the interview guide that has been created to retrace a set of axes around which the meeting will be structured.

Introduction	
1- According to your experience, do you consider your internal control is efficient enough to lead to a complete NGO accountability?	O'Dwyer, B., & Boomsma, R., 2015.
2- Following your discernments, what are the main pillars that an NGO strives for in order to maintain its sustainability?	O'Dwyer, B., & Unerman, J., 2008); (Kreutzer, K., & Jäger, U., 2011.
Deepening	
3- How do you define an efficient internal control system?	Chenhall, R. H., Hall, M., & Smith, D., 2010
4- To which extent do organizing, coordinating and risk management enhance internal control development?	Rae, K., & Subramaniam, N., 2008); (Sarens, G., & Christopher, J., 2010; (Kraus, K., Kennergren, C., & von Unge, A., 2017; Rae, K., Sands, J., & Subramaniam, N., 2017.
5- Do you consider that internal and/or external audit is crucial for internal control and governance system? And how?	Soh, D. S., & Martinov-Bennie, N., 2011.
6- What are the obstacles faced by your NGO which prevent the proper maintenance of sustainability?	Quéinnec, E., 2003; Aldashev, G., Marini, M., & Verdier, T., 2020
7- To which extent does your governance system promote financial transparency, to the donors of funds, regarding the financial resources allocation?	Behn, B. K., DeVries, D. D., & Lin, J., 2010; Cazenave, B., & Morales, J. , 2021.
8- Do you consider the communication of financial statements to stakeholders is advisable?	Burger, R., & Owens, T., 2010; Aldashev, G., Marini, M., & Verdier, T., 2020.
9- How do you conceive your stakeholders' perception and contribution to your NGO development?	Rodríguez, M. D. M. G., Pérez, M. D. C. C., & Godoy, M. L., 2012.
10-Do you consider that your NGO should enjoy a certain legitimacy to preserve its continuity? And how?	Zhang, M., Cañizares Espada, M., Pérez Estébanez, R., & Urquía Grande, E., 2020.
Conclusion	
11- What are your advices for an NGO that is willing to maintain its sustainability?	Interviewee points of view
12-Do you think that all Lebanese NGOs operate for the purpose of humanitarian actions?	

Figure 11: Semi-structured interview guide table

The first stage of the interviews with NGOs managers was conducted between the months of April 2022 to July 2022. As a result, the researcher enters the field with all of the results of previous research that are potentially relevant to the cases being studied in mind, despite the fact that this relevance is not entirely determined *ex ante* (David, 2004).

The second stage, which took place between September 2022 and November 2022, included a second interview with the same managers. To that end, the issue, at stake, in the second interview consists of refocusing on questions aimed at clarifying data collected previously with the same interviewees. On the one hand, interviewed managers were also given the opportunity to mention any major oversights. To increase the qualitative data validity, we had to ask for explanations when an observed behavior was not discussed in depth during the first interview meetings.

Various perceptions towards the research statement were multiplied through the speeches of questioned managers in order to understand the multifaceted dimensions of the studied subject. This strategy aims to address the interrelationship experience between different managers operating within the same NGO.

As a result, the testimonies are multi-angled. They move within managers experiences to change perspectives, cross stories, and understand issues through an internal control and transparency lens. Each NGO will find a solution that works with its particular organizational development. These testimonies also allow access to the representations and reconstructions that surround these paths, revealing NGOs managers' dynamics and capabilities. Furthermore, the meetings of each manager strengthen the credibility and transferability of qualitative research (Huberman, 1981).

Thus, the interview analysis tactics guide us to go beyond first impressions in order to increase the likelihood of accurate and reliable results. According to Eisenhardt (1989), this collection logic allows for the requirement of construct validity. According to Rispoli (2002), interviewees from a qualitative stream strongly recommend a collection of diverse data because it helps strengthen the internal validity of the research. The same author emphasizes that for any data to be considered, it must be supported by at least one other

source of information. In addition, if two pieces of information from different sources do not agree, a third source should be used to solve the problem. The third source confirms the information that was previously withheld.

An interview allows the researcher to comprehend what occurred over multiple interviewees' views and to visualize why and how it occurred. As a result, the mode of internal control and governance cannot be viewed as a state of adjustment mechanisms, but rather as a process. This recurring strategy called for questioning our interviewees on any questions that would be useful for data analysis during a second interview. So, after creating all of the diagrams, we concentrated on identifying the central concepts using two principles: generality and recurrence.

The generality principle assumes that the concepts were discovered in the comments of the majority of people encountered. The recurrence principle implies that concepts apply to a large number of levels of participation or substantive categories. The average length of two interviews with the same interviewee is between an hour and an hour and a half. The only speeches and transcriptions of the actors' representations constitute the study's original qualitative data. The field interviews occurred concurrently with the continuation of the literature review. Because the analysis of the results was presented in part by a return to the literature following the interpretation of the case, the articulation of this communication follows the abductive approach.

As a result, the various data gathering approaches answer the original set of research questions and increase the convergence of the multiple observations prior to formulating any plausible research propositions. The logic investigation is reserved for a mode of operational knowledge generation that allows key variables analysis for understanding interrelationship between internal control and corporate governance practices. Such scheme leads for observing the importance of the interviewees' relationships during the interviews. The level of trust established with the interviewees determines the quality and veracity of the underlined comments.

If the first words exchanged at the beginning of the interview were sometimes withheld, the conclusion was much more assured. Despite our insistence on presenting their cases anonymously, some cases remained reluctant and unwilling to engage so intensely in the details of their experience. Despite their rephrasing, many of our questions have remained unanswered or genuinely unanswered. In terms of further explanations, they have proven ineffective. Lessons learned from the interviews served as the foundation for the development of an empirical study. They were and transcribed verbatim before being subjected to qualitative content analysis. The interviews were transcribed word for word. The written version, as well as the recordings, serves as the foundation for future interpretations (Kvale, 1983).

Following our request for specific point's clarification, managers provided analysis elements that were incorporated into results discussion. This data can be used to verify and to confirm interpretations that are based on respective personal experiences. This interactive process reinforces findings discussion.

4.3. Non participative observation

The interviews were conducted in the workplace, as recommended by Rispal (2002). In general, the term observation refers to one of the qualities that the researcher must employ during the data collection process. In the sense that the researcher can analyze factual data whose occurrences are certain, rather than verbal data whose factual inference is questionable, observation is an alternative method of interview data collection.

4.4. Secondary data collection

External secondary data is used to guide the collection of internal and qualitative data in order to become familiar with the selected cases and to enhance the scientific aspect of our research.

4.4.1. External secondary data

The case study is the most common example of a desire to diversify qualitative data because the interviews, archives, and documents all contributed in a complementary way to informing researchers about the selected cases. The first step in preparing for entry into the

field was to gather public information on the chosen NGOs in order to identify respective executives and meet with them during our interview. The economic press, specialist journals, directory guides, research articles, theses, and biographical works were also used to gather information. According to Coutelle (2005), the methods of investigation for a case study can be very diverse. Their value stems from the fact that these external data provide general knowledge of the NGO, such as identifying the main “players” and their backgrounds, as well as their external financial donations resources.

4.4.2. Internal secondary data

NGO managers have delivered few documents to us. It has been observed that these organizations produce some documents about themselves or related to their history, which is interesting for our analysis. The said documents are not always destined for public communication. The secondary data was not gathered to meet specific needs, but it can be considered as valuable sources of information for those who consult it (Baumard, Ibert & Xuereb, 2003). We asked those interviewed for local newspaper articles and press reviews that might be relevant for the data analysis at the end of the meetings. This data, however, is limited to surface-level information. The interviews became the primary source of information for developing the cases from then on.

4.5. Qualitative data treatment

The data analysis process entails reducing the verbatim information to which the researcher had access in order to categorize and relate it. Two steps are required to complete this work: content analysis and analysis process treatment.

4.5.1. The content analysis purpose

With its use of multiple data collection methods and analytical techniques, the case study method allows researchers to triangulate data to strengthen research findings and conclusions. As the primary method of data processing, content analysis was chosen. This method entails dissecting empirical data and determining existence and frequency of identified themes. “Thematization” is defined as *“the transformation of a given corpus into a specific number of themes representative of the content analyzed, in relation to the research*

direction” (Coutelle, 2005). The researcher examines raw data using various interpretations for discovering relationships between the studied object and the research questions. Figure 12 illustrates qualitative data analysis key points and results interpretation.

Qualitative data analysis	Results interpretation
Field data	Main research statement
Content Analysis	Interpretative Method
Description of collected material Study of data significance	Development of conclusions and lessons to be drawn Perspectives and solutions assessment

Figure 12: Qualitative data analysis table

Source : Andréani et Conchon (2005)

Thematic analysis, on the other hand, is the first phase of a qualitative analysis; it entails data reduction processes (Coutelle, 2005), creating an analysis grid, coding, and processing the information gathered. This structure is intended to impose consistency on information while also facilitating understanding the interviews outcomes (Allard-Poesi, Drucker-Godard & Ehlinger, 2003). The thematic tree is used to organize themes and identify related sub-themes. The theme’s weight, or indicator, is determined by the frequency with which it appears in the interviewees’ speech. The goal is then to analyze the data gathered through observations, interviews, and symbolic information that is “not said” but implies underlying ideas (Andréani & Conchon, 2005). All types of qualitative analysis result in the connection of conceptual entities (Coutelle, 2005).

This is a first theoretical perspective that necessitates a thorough understanding of gathered data. Content analysis was used to ensure data exploitation, with the goal of achieving thematic consistency between qualitative data. This method begins by defining the coding unit, followed by the support for the analysis: the theme dictionary.

4.5.2. Data coding and analysis

Qualitative data codification enabled the development of central themes for interpreting the results. The first phase of data analysis occurs during the empirical study, and the second phase occurs after the final collection of qualitative data. Coding is established

through two activities: dividing the corpus into recording units and enumeration, or the selection of counting rules. The first step is to code first interviews that were transcribed verbatim. The transcript organizes the survey material in a format that is easily analyzed. According to Van de Ven and Poole (2017), the volume of collected qualitative data, in a case study, outnumbers the processing capacities of researchers. They propose data encoding as a solution for reducing data complexity (c.f. figure 13).

The coding unit, known as the recording one, is the element through which the researcher will break down his data and extract units that are classified into chosen categories (Allard-Poesi, 2003).

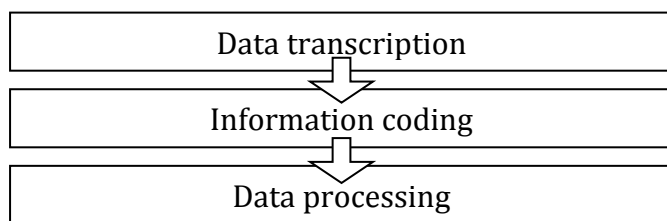


Figure 13: Stages of qualitative data analysis

Source: Andréani & Conchon (2005)

Empirical data coding is carried out by reading works proposing a grid of theoretical analysis and reading relevant documentation from the literature review as an analysis modality allowing a synthetic and systematic presentation of collected data. When collected data becomes saturated, that is, when the comparison of empirical information for each conceptual category no longer allows for the establishment of new relationships, the analysis process comes to an end. Saturation occurs when there is insufficient data for the researcher to develop a new category. The researcher becomes more confident that a category is saturated as the repetitions become more frequent. The second step is to reduce the qualitative data that has been collected. It is carried out using a coding technique based on the creation of a theme dictionary.

Thematic analysis use a portion of a sentence, a whole sentence, or a group of sentences relating to the frequency of the themes identified and taking up the dimensions of the research analysis framework as the unit of analysis. The findings of various cases are

intertwined and analyzed to show the similarities and differences between selected cases. Inference enables the analyst to develop a theoretical interpretation of the phenomena under investigation. Collected material was subjected to a thematic analysis using NVivo 12 software. This software generates semantic categories that contribute for an empirical results analysis. The use and development of empirical investigation tools should then allow the codified data to be organized in order to facilitate the identification of theoretical inferences from empirical modalities.

4.5.3. Dictionary analysis structure

In qualitative methodology, a dictionary analysis structure is used to identify and analyze the recurring themes or concepts present in a large volume of textual data. The purpose of using a dictionary in qualitative analysis is to create a list of relevant keywords, concepts, or categories that represent the researcher's prior knowledge and expectations of the data. This allows the researcher to systematically analyze the text by identifying and coding the occurrences of these predefined concepts or categories.

By using a dictionary analysis structure, the researcher can ensure that the analysis is consistent and objective, and can efficiently analyze large volumes of textual data. The dictionary analysis structure was, progressively, elaborated as far as subsequent interviews were analyzed all along the literature review analysis.

With the first two interviews, data coding was begun to determine similarities and discrepancies between participant responses. The files that have been imported or created and which correspond to the primary information sources, integrating the research study corpus, will be treated in NVIVO software. In order to evaluate the emergence of the qualitative data themes and their theoretical interpretations, a return to the literature review was formed after each question's responses. That is the purpose of a qualitative and abductive reasoning approach.

Throughout this preliminary phase for data analysis, the researcher is prompted by the coding of specific discourse components to make an initial attempt at data organization before returning to the data to evaluate their applicability, that is, to see how this re-

presentation is supported, altered, or refuted. The researcher resumes his codification during this return to qualitative data analysis, and the iterative process continues until a plausible and coherent organization, ensuring the discourse's understandability, enables the researcher to draw the conclusion that the various codified meanings are saturated.

In terms of practice, classifications pertaining to internal control and governance were found. The ability to spot overlaps between emerging themes and sub-themes was the key obstacle. The internal control and governance categories serve as developing theme. The following figures illustrate how each interviewee contributed to the creation of themes and sub-themes, which enables the identification of relevant information. The following figure illustrates the two main categories that comprise each respective theme.

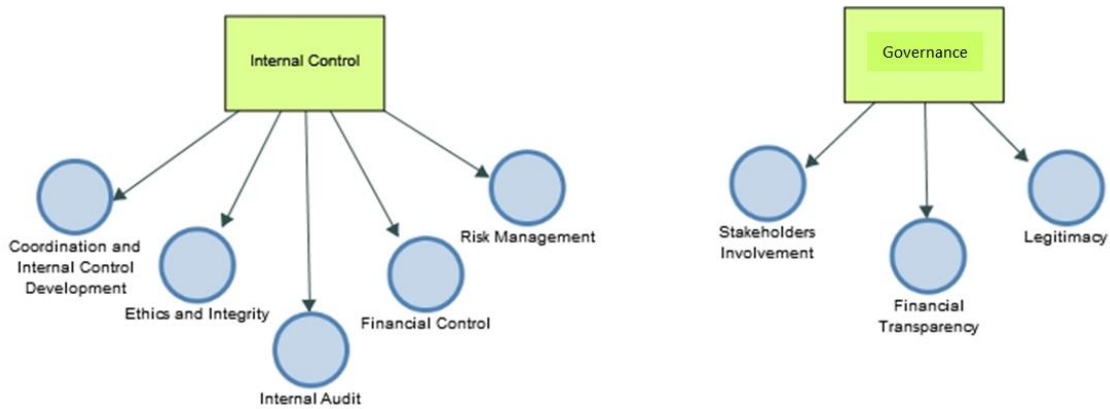


Figure 14: Main categories

The importance of internal audit and its impact on internal control was highlighted, as well, in the second category, the governance one. Somehow, the role of external auditors, in enhancing greater objectivity for accounting and financials was substituted, for the importance of internal audit as far as few stated its involvement into internal control development. Following the two main categories, semantics were broken down into theme, where internal control is reflected throughout ethics and integrity, coordination and internal control development, financial control, internal and audit and risk management. As for the governance category, it is reflected through financial transparency, legitimacy and stakeholders' participation. Two figures illustrate the composition of each category.

Themes have found their redundancy all along the interviewees' speeches (Figures 15 and 16).

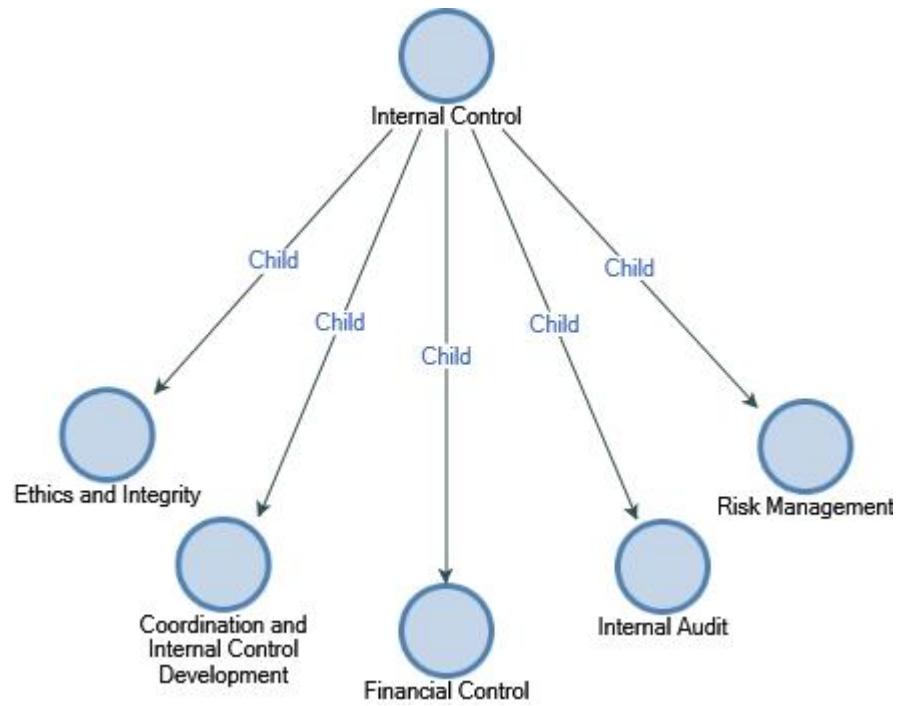


Figure 15: Project Map - Internal control

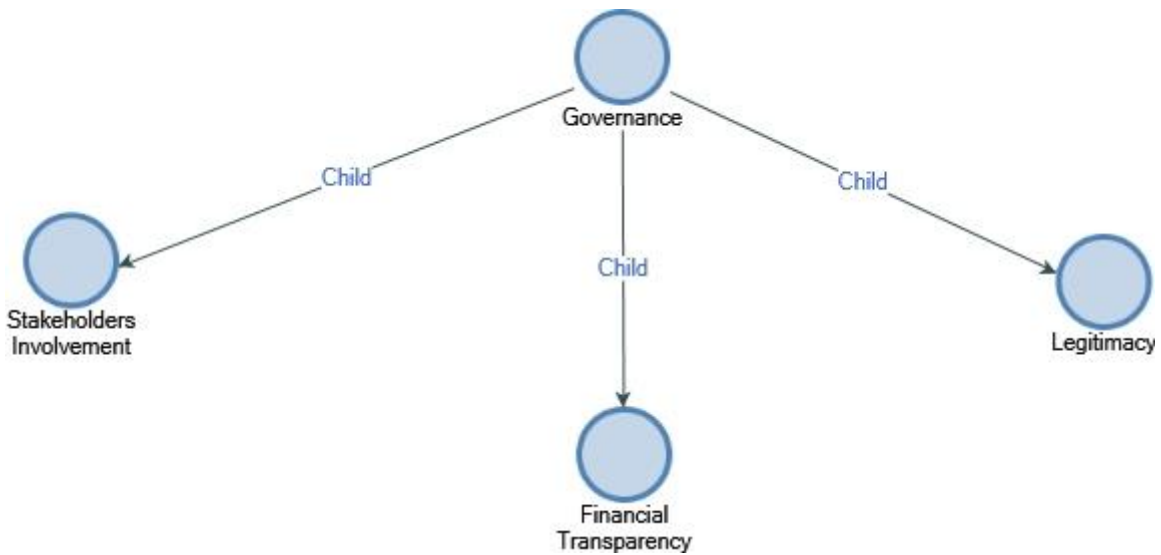


Figure 16: Project Map – Internal control and Governance

The thematic dictionary is the thematic grid that was used to conduct the interview analysis. It should enable data coding and analysis in order to answer the research questions that were initially posed (Mbengue et Vandangeon-Derumez, 1999). Its construction is an important step in data processing because it crystallizes the internal consistency of research between the established theoretical framework and qualitative data processing. A first approach to transcribing the interviews did not appear to be sufficient to build the theme dictionary. We had to feed the theoretical framework to build the dictionary thematic analysis structure. During the said analysis, the dictionary's enrichment was constantly rearranged. The structure was then developed by combining the initial literature review with the data derived from the first interviews. The development of this dictionary follows the approach of our thesis, that is, an inductive and deductive approach (Mbengue et Vandangeon-Derumez, 1999).

The definitive theme dictionary, which is used for coding, is made up of codes from the literature analysis as well as codes discovered in the field. As they are investigated, the phenomena no longer appear significant in isolation, but rather in relation to one another (Coutelle, 2005). It is important to note that this work is not merely mechanical in the sense that the coding already corresponds to a work on meaning. We were able to empirically validate the proposed conceptual themes through careful examination of the interviews. Formal categorization promotes understanding and explanation through the use of scientific concepts. This is only possible with the help of theoretical levers, whether used to confirm existing categories or discover new ones (Coutelle, 2005).

The output of the Nvivo 12 program enables a comparison of the respondents' contributions to the creation of the thematic map. Each interview input for the category, themes, and subthemes constitution is shown in the figures below. In fact, Figures from 17 to 23, show the affluence of respective interviewees to the identified themes.

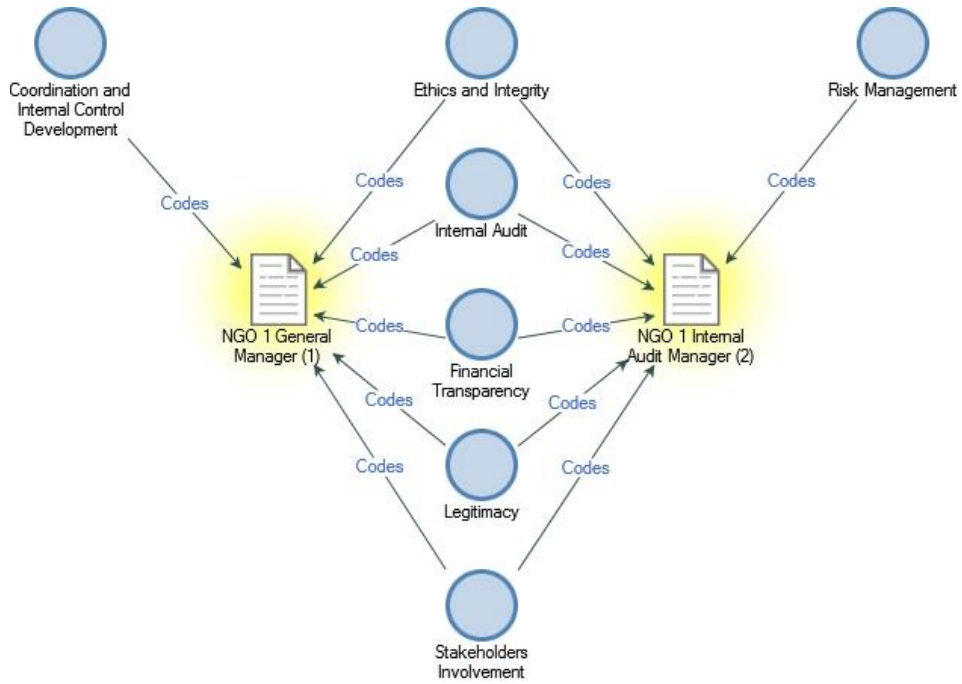


Figure 17: Comparison Diagram NGO 1 (1) and (2)

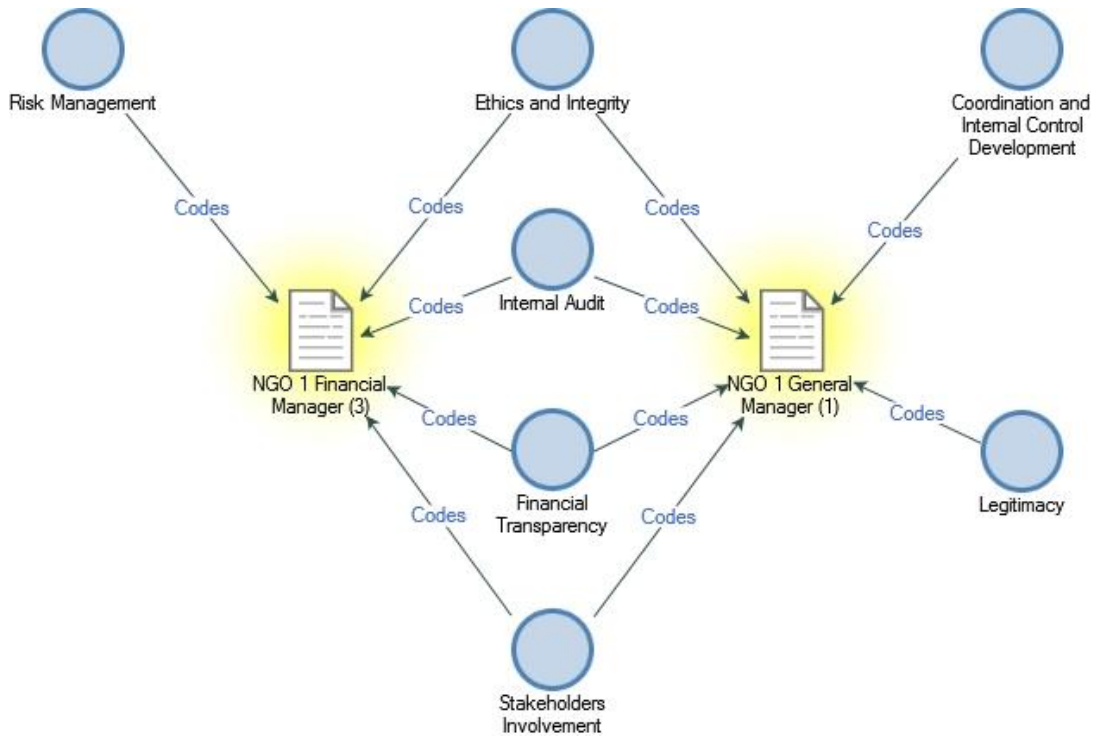


Figure 18: Comparison Diagram NGO 1 (1) and (3)

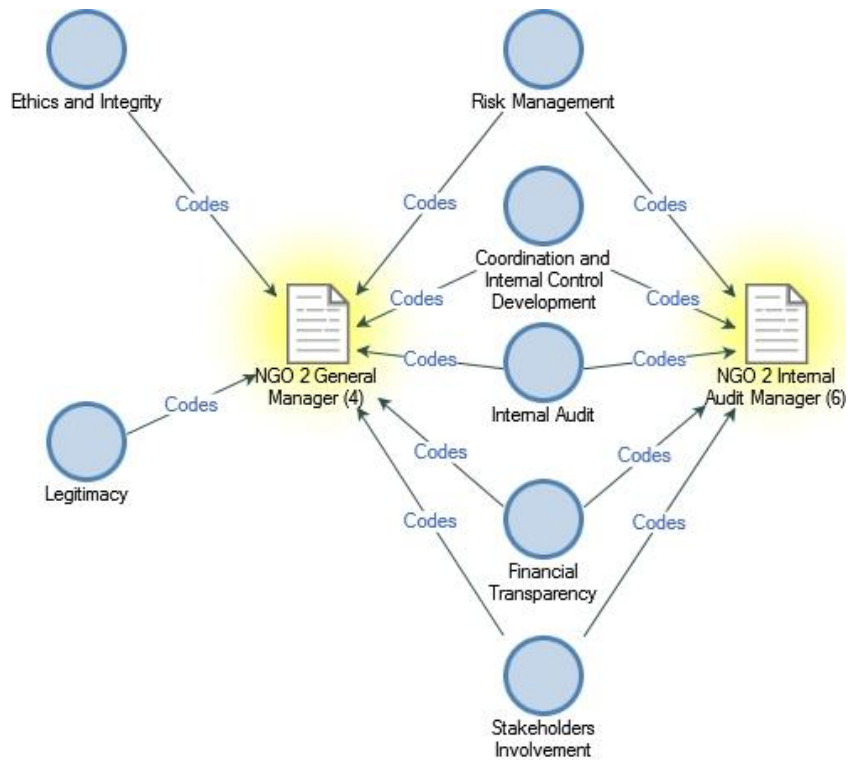


Figure 19: Comparison Diagram NGO 2 (4) and (6)

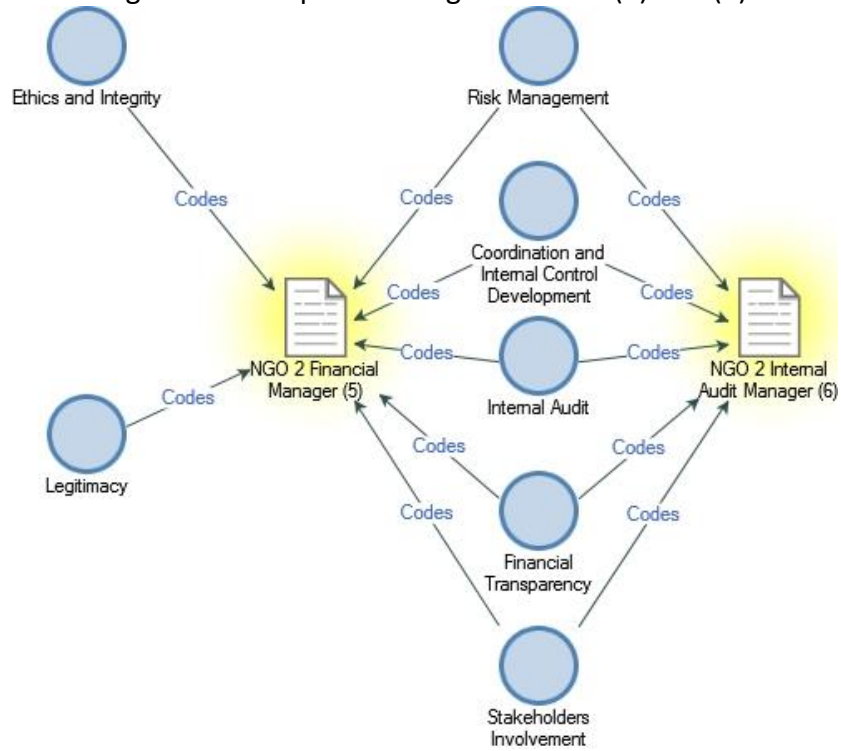


Figure 20: Comparison Diagram NGO 2 (5) and (6)

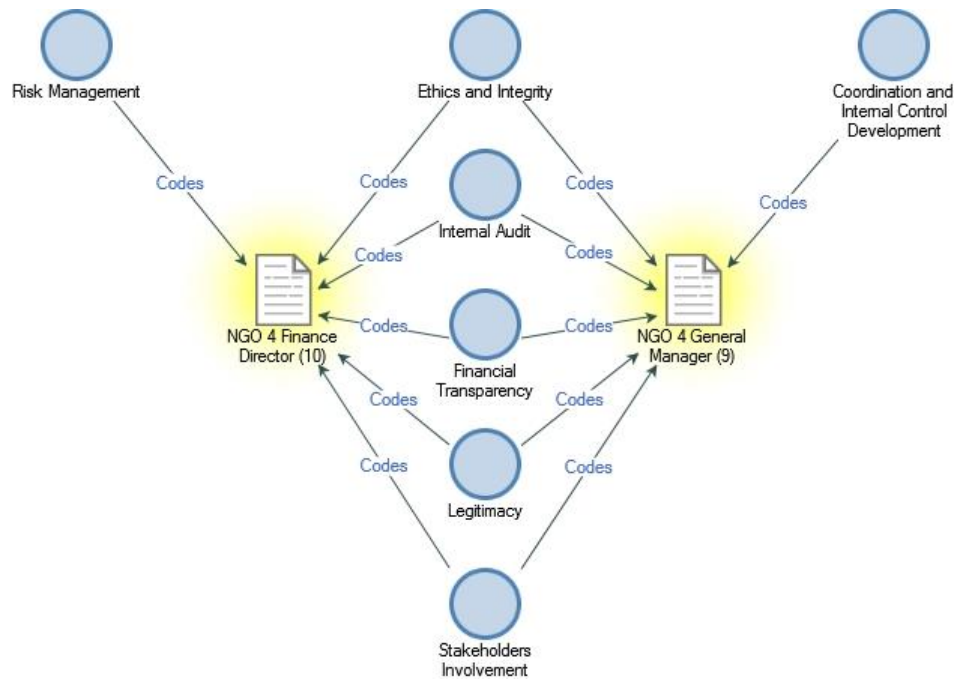


Figure 21: Comparison Diagram NGO 4 (1) and (9)

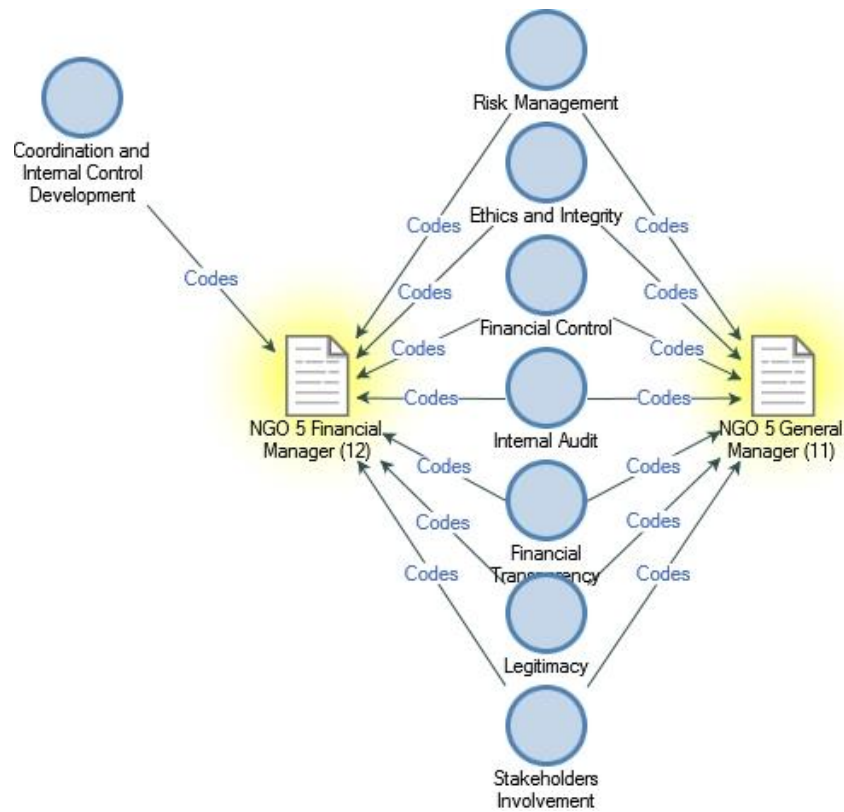


Figure 22: Comparison Diagram NGO 5 (11) and (12)

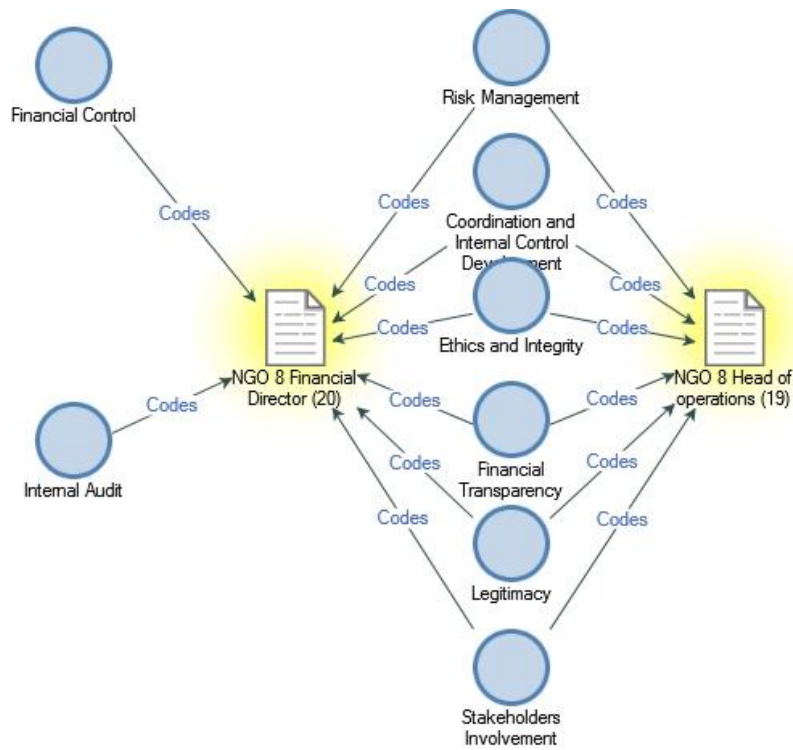


Figure 23: Comparison Diagram NGO 8 (19) and (20)

The dictionary is organized around two conceptual frameworks that classify data into eight recurring themes and respective subthemes.

The structure of the theme dictionary is replicated in the table below.

Conceptual framework structure	Themes	Sub-theme operational definition
Internal control	Risk management	The foundational components of an internal risk management and assessment are related to an effective coordination and organization. Risk management addresses patterns and occurrences that may be detrimental to an organization’s mission, objectives, and ambitions. When NGO members have this skill, they can recognize organizational hazards, and decide how to handle them. Assurance of its accountability and transparency through the creation of trust will make it possible to

		optimize the allocation of financial resources. Therefore, comprehensive risk management can be defined as the capacity to identify risks that may have an impact on the organization's work and develop strategies that anticipate them, turning them into opportunities for the future. Risk management enables anticipation of and assurance of the organization's defined objectives and goals, which fosters accountability and trust and, as a result, ensures its sustainability and transparency.
	Coordination and internal control development	Jobs and responsibilities distribution across a NGOs workforce has an impact on organization and coordination. The complementary nature of the tasks given might help achieve the goals effectively while preserving a positive environment and a field for an internal control development. In this scenario, communication reduces asymmetry, and negotiations and perception exchanges lessen disputes and tensions. Such interactions among staff members can strengthen internal control and pave the way for the development of a trust.
	Ethics and integrity	An NGO's reputation in relation to its environment is a pillar of its survival. As a result, an NGO works to improve internal controls that support monitoring operations and planning for recommendations that aim to meet the NGO's objectives as well as stakeholders' expectations. A code of conduct for employees establishes moral guidelines that reinforce the alignment of their perceptions and intentions with the organization shared values and beliefs. Following that, a commitment for undertaking social mission, ethically, reflects also the emergence of trust among members and with their external environment.
	Financial control	The examination and analysis of an NGO's actual performance through time and from various angles in relation to its short-, medium, and long-term goals, strategies, and programs is known as financial control. In the context of

		<p>an NGO, it serves to proceed with the corrective measures made for enhancing ongoing objectives while dealing with discrepancies with planned ones might emerge all along the activities implementation. That phase is vital since it sheds the accuracy and the accountability of an NGO for maximizing its financial resources allocation. In other words, it acts as a mean of assuring donors' funds and the integrity adopted for accomplishing humanitarian operations. An incongruity in an NGO's financial situation might imperil its sustainability, lose competitive advantages, and threaten its overall goals.</p>
	Internal audit	<p>Internal audit is reflected by the implementation of policies and procedures to assure the accuracy of information, the safety of NGO assets, in compliance with regulations, such as plans and policies of superior management. Internal audit is crucial to the governance of NGOs. Internal audit offers assurance and opinions on the efficacy and efficiency of governance, internal control, and risk management systems in an objective manner. In sum, internal audit operates as function for assessing continuously the internal control design of NGOs organizations.</p>
Governance	Financial transparency	<p>Any NGO must practice internal control development. It is a crucial tool for successful governance. Internal control is a long-term method that the NGO uses to monitor all of the actions taken by the organization to accomplish its goals. The essential components for improving the trust of private funders and NGOs' sustainability are their budget and financial transparency.</p>
	Legitimacy	<p>NGO's legitimacy and performance can enhance or degrade one another. As the NGO's adherence to the expectations of the civil community and those of financial donors should address concerns of ethics and the creation of value for the community.</p>

	Stakeholders' involvement	Democracy always has a tendency to assume that governance is credible. Involving stakeholders' through the communication of Financial statements, Business plans or even invite them to board meetings is crucial for the NGO success.
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Figure 24: Thematic dictionary table

4.5.4. Secondary data treatment

Secondary data was collected from six NGOs' online reports and documents delivered to us by the interviewees. The below table illustrates the respective reports of the selected NGOs. The secondary data tackles information related to internal control development all along coordinative modes among managers, employees, and volunteers. The reports also show the risk management concept in line with the internal control concerns and the involvement of an independent audit. Moreover, the NGO governance role in relation with stakeholders and fundraising campaigns is reflected in a continuous manner.

Criteria for selecting International NGOs	Activity sector	Size (in terms of headcount)	Seniority	Reports
NGO 1	Health relief	Large	General Manager (1)	-
			Internal Audit Manager (2)	
			Financial Manager (3)	
NGO 2	Humanitarian	Large	General Manager (4)	Annual report (68 pages)
			Financial Manager (5)	
			Internal Audit Manager (6)	
NGO 3	Humanitarian	Large	Executive Director (7)	Annual report (17 pages)
			Finance Director (8)	
NGO 4	Humanitarian	Large	General Manager (9)	-
			Financial Director (10)	

Figure 25: Reports for International NGO

Criteria for selecting Lebanese NGOs	Activity sector	Size (in terms of headcount)	Seniority	Reports
NGO 5	Health and social relief	Medium	General Manager (11)	Impact report (20 pages)
			Financial Manager (12)	
NGO 6	Employment and social relief	Medium	General Manager (13)	Internal Governance report (144 pages)
			Financial Director (14)	
			General Manager (15)	
NGO 7	Violence and exploitation	Medium	President (16)	Annual report (26 pages)
			Financial Manager (17)	
			Chief Accountant (18)	
NGO 8	Gender equality	Medium	Head of operations (19)	Internal Governance report (50 pages)
			Financial Director (20)	

Figure 26: Reports for local NGO

Texts have been copied and transposed into a .txt file for Iramuteq software treatment. Iramuteq is used for textual data analysis, such as textual content of interviews, open-ended survey responses, or other written documents. Its main function is to perform quantitative analysis of textual data, including text segmentation, classification, and various statistical analyses such as correspondence, hierarchical cluster, and a multiple correspondence analysis. The output of the IRAMUTEQ lexical analysis typically includes a series of tables, graphs, and maps that provide insights into the structure and content of the text.

It is important to note at that level that while both interview analysis and lexical secondary data analysis involve analyzing textual data, there are some key differences between the two methods. Interview analysis involves analyzing data collected through interviews, which are typically conducted to gain insights into a specific research question or topic. An interview analysis purpose consists of understanding the experiences, perspectives, and attitudes of individuals who were interviewed, and to identify patterns and themes in their responses.

In a corpus with thematic, all text paragraphs must belong to a thematic. The following construction is, therefore, not possible. The dictionary analysis structure, all along with

NVIVO outcomes, exhibits two main categories, namely internal control and governance. Following each category specific themes define each of them. Defined themes are those of risk management, coordination, ethics and integrity, financial control, and internal audit.

As for the governance one, themes are related for financial transparency, legitimacy and stakeholders' involvement. It is understandable to condense secondary data under one variable since the information in the collected documents, sometimes, is dispersed from the aimed theme.

Lexical secondary data analysis involves analyzing existing textual data that was not specifically collected for the purpose of answering a particular research question. This type of analysis typically involves identifying patterns of language use and communication in the text, such as recurring themes, topics, or patterns of language.

In other words, the analysis of lexical secondary data helped gaining insights and knowledge from existing textual materials that have already been collected through reports. By analyzing this type of data, researchers can gain a deeper understanding of how NGOs managers express their thoughts, attitudes, and beliefs, and how these expressions are shaped by social contexts. As such, the secondary data has helped triangulating the sources of empirical data and facilitated the consolidation of the research findings.

As part of the identification of themes and sub-themes represented in the dictionary analysis structure, it is possible to analyze the secondary data by following the example of a corpus with thematic. In this, the coding will be carried out as follows.

```

**** *var1_1 *var2_2
-*thematique1
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte
-*thematique2
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte
**** *var1_2 *var2_3
-*thematique1
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte
-*thematique2
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte texte texte texte texte texte texte texte
texte texte texte texte texte

```

Figure 27: Example of a corpus with thematic

```

**** *var1_1 *var2_2
-*theme1

```

In our case, the coding will appear as follows:

```

**** *coordination_internal control *ethics_internal control *financial control_internal
control *audit_internal control *risk management_internal control *accountability_internal
control
-*internal control_1

```

```

**** *transparency_governance *legitimacy_governance *stakeholders_governance
*involvement_governance *participation_governance
-*governance_2

```

Hierarchical Descendant Classification (HDC) is a clustering method used in data analysis to group similar items together based on their characteristics. In the context of text analysis, HDC is used to group words or terms together based on their frequency and co-

occurrence in a corpus of texts. Iramuteq treatment for the research secondary data elaborated four clusters.

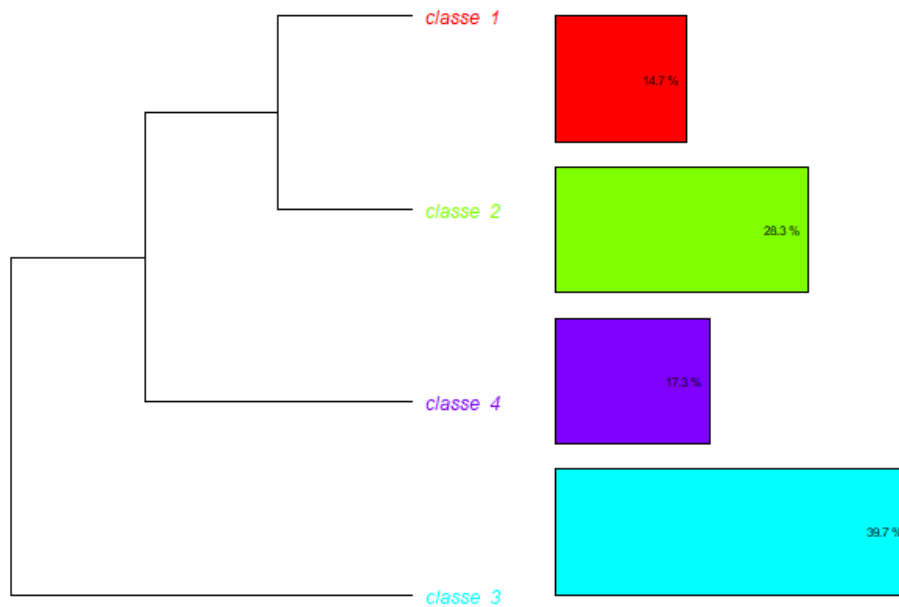


Figure 28: Iramuteq clusters

Following Reinert classification method, the first cluster, 14.7% classified text segments (classe 1), is related for board of directors (governance) preoccupations. The second one 28.3% (classe 2) covers NGOs missionary participation for serving the civic community. The third one 39.7% (classe 3) aligns with transparency concept and with stakeholders and donors expectations and involvement. The fourth one 17.3% (classe 4) covers the internal control accountability and internal audit for an efficient allocation of received financial donations as well as for establishing mechanisms for delimiting act of frauds.

Figure 28 illustrates the components of each cluster, as well as for Figure 29 the main recurrent work for each cluster.

The first one is characterized into 17 active forms, namely: administrative; board; assembly; plan; meeting; strategic; member; hold; periodic; general; committee; agenda; prepare; future; executive; item; entrust and task.

The second one is characterized 13 into active forms, namely: society; principle; civil; NGOs; concept work; local; service; sector; developmental; social group; international development; private and national.

The third class is characterized into 17 active forms, namely: control; internal; risk; system; audit procedure; auditor management; fraud; manager; implement; operational; organization; effective; weakness; prevent; monitor; operation and identify.

The fourth one is characterized into 15 active forms, namely: trust; stakeholder; financial statement; build support; increase; donor; missionary; transparent; responsible; lead; provide; positive; transparency; perception and publish.

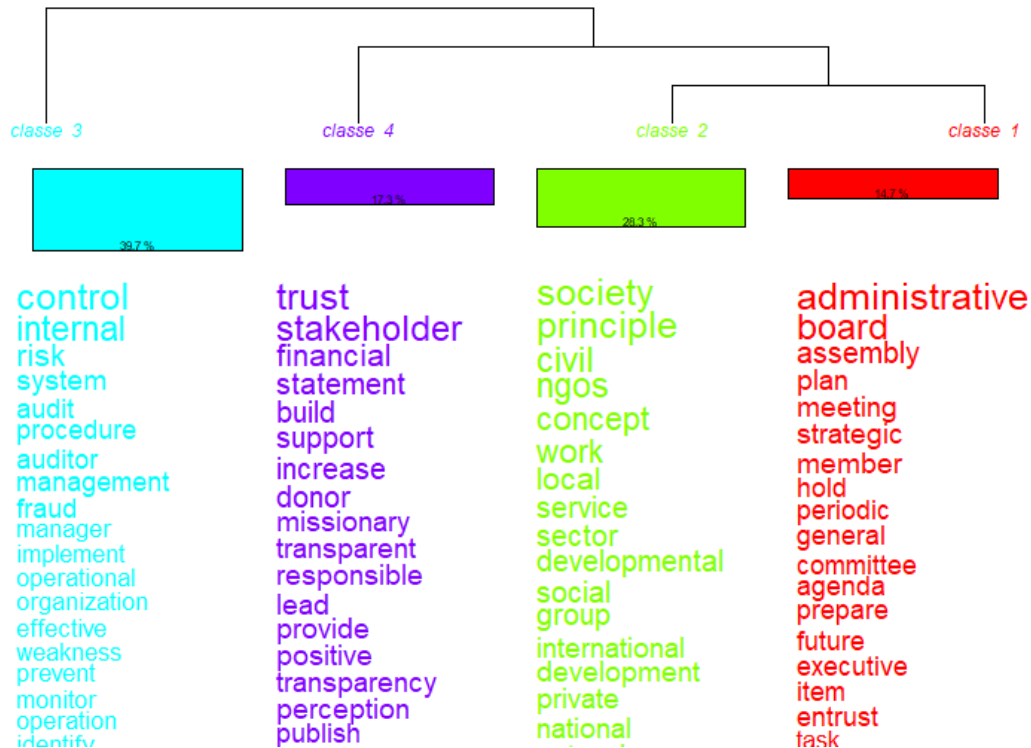


Figure 29: Iramuteq active forms

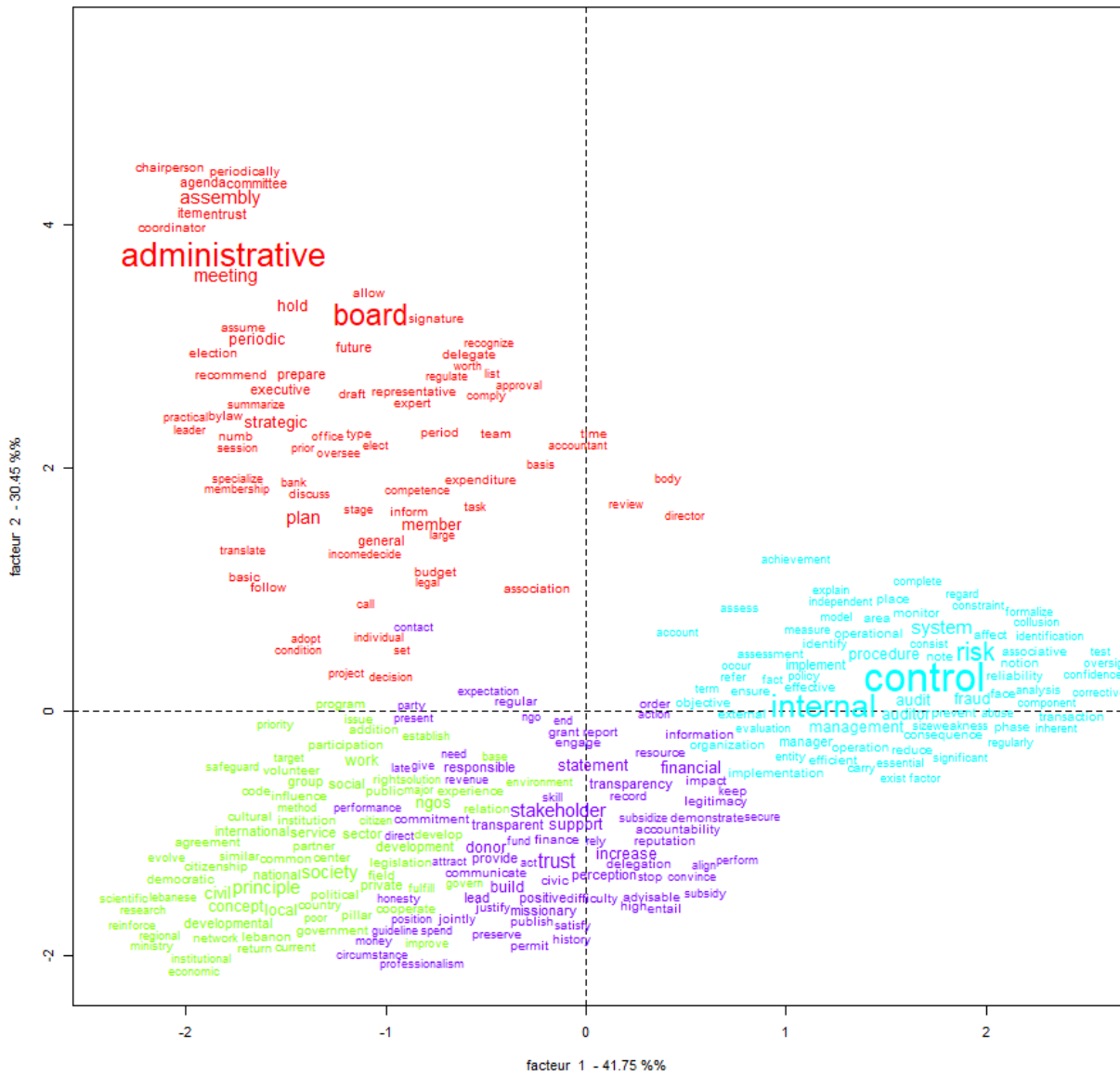


Figure 30: Factorial Correspondence Analysis

The first class (red), clearly, separates from classes 2 (green), 3 (blue) and 4 (purple). The central place of the purple (accountability and transparency towards stakeholders) class emphasizes its intermediate praxeological position between the blue (internal control) and the green one (NGO operational development). In a simple representation, through the following figure, a lexical community is at the root of the tree, formed around the form "internal control". Governance, association, process, plan, objective, donor account,

research study attempt to meet the concept studied requirements via construct validity, internal and external validity, and research reliability.

4.6.1. The construct validity

Construct validity refers to the consistency between the research questions and the results produced, as well as transparency in the description of the research process. To demonstrate reliability, research and analysis of specific cases, triangulation, and saturation can be used (Comeau, 1994). The diversification of evidence sources enables data enrichment, questioning, control, and verification.

4.6.2. Internal and external validity

Internal validity questions should arise during the research design process and be followed throughout the study. The detailed case study emphasizes the common properties that influence the question under consideration. Internal validity is defined as “*ensuring the relevance and internal consistency of the research study’s results*” (Drucker-Godard, Ehlinger & Grenier, 1999). The subsequent replication of the results in other cases increases confidence in the theory’s validity (Wirtz, 1999). The representativeness of the number and selection of cases, which must present common characteristics while presenting specific contexts, leads to this generalization. According to Meijer, Verloop and Beijaard (2002), the main internal validity criteria are data triangulation, the researcher’s long presence in the field, data saturation, and respondent validation of interpretations.

As a result, the researcher will “*infer*” that a particular event is the result of previous events based on interviews and documentary analyses (Ayerbe & Missonier, 2007). Internal validity refers to the validation of the explanations proposed by the research participants. This criterion allows data collection to be halted following final validation (Wacheux, 1996). As a result, the internal validity of a qualitative study assumes, on the one hand, “correct”, “authentic” and “plausible” results in relation to the fields of study, and, on the other, results related to an earlier theory or emerging ones (Ayerbe & Missonier, 2007). Internal validity was achieved after several feedbacks from the concerned interviewees, as the discourses were confirmed by the latter.

The final propositions were developed through a synchronic approach that involved “*comparing different perspectives at several sites relating to the same phenomenon*” (Rispoli, 2002). This aspect refers to scientific validity, which allows for the generalization of observed results and the establishment of laws for the observed phenomenon.

Quantitative approaches are, typically, considered to have greater external validity compared to qualitative approaches due to the limitations of the latter in terms of generalization. Qualitative data is better suited for understanding meanings and discovering processes, while quantitative methods are useful for determining the relative significance of these processes in a larger population (Comeau, 1994).

Upon an empirical investigation, it was essential to compare the novel knowledge generated with the existing literature. Eisenhardt (1989) points out that “*it is necessary to root explanatory constructs in the data and to properly relate them to the literature in order to strengthen their credibility and external validity*”. Multiple case studies require between three and ten cases to consolidate or disprove a theory, depending on the researcher’s objectives. External validity reinforcement is inextricably linked to replication logic (Yin, 1994). Providing a comprehensive account of cases at multiple theoretical levels is, thus, crucial for achieving external validity in research (David, 2004).

Eisenhardt (1989) illustrates this logic by that of the replication method. He states that: “*cases confirm emerging relationships and increase trust once validating such relationships. Cases that disprove relationships often provide an opportunity to refine and to expand a theory*”. “*Techniques such as the examination of “cross-case” cases and the examination of “within-case” intra-cases*”, an approach advocated by Yin (1994) to ensure external validity. This study is not about statistical generalizations, but about contextualized theoretical generalizations. Therefore, it is important to note that only the results obtained from a representative sample can be generalized to the larger population, as previously mentioned. Replication logic is one method for increasing confidence in the acceptability of the theoretical grid under consideration (Wirtz, 1999).

In other words, the literature review aids in the identification of additional empirical research that can be used for data triangulation.

4.6.3. The research reliability

In qualitative research, reliability is estimated by comparing results generated by different interviewees on the one hand, and work raw data encoding on the other. The assessment of research reliability thus consists in establishing and verifying that different research operations can be repeated with the same outcome by different researchers (Drucker-Godard, Ehlinger & Grenier, 1999).

This technique entails the construction of a tree structure of themes, sub-themes, sub-sub-themes, and key ideas, which allows the researcher to not only retain the essence of each data by decontextualizing it, but also to impute it in this tree structure in a very precise manner. In fact, the reliability criterion is an adaptation of the reproducibility of studies and results: under the same conditions, the results will be the same or have the potential to be the same; or, conversely, under similar conditions, the results will be similar (Corbin & Strauss, 1990).

4.7. Findings presentation

Empirical analysis is predicated on a thorough understanding of qualitative data processing and interpretation. Such comprehension is translated via an iterative approach that organizes a back-and-forth between the information gathered and the results analysis (Andréani & Conchon, 2005). The field gives meaning to the literature in the context of the study, and the literature enriches the presence in the field through the interpretation it provides and the questions it raises, until a homogeneous and coherent conceptual framework is built to be interpreted and, finally, the research propositions are formulated. To support the empirical findings, the presentation of sentences from interviewee discourses, taken verbatim, is representative of all responses to the research questions. In this regard, the use of verbatim allows the reader to gain access to raw data by providing him with elements to build his own understanding of the cases.

However, theoretical articulations emerge when empirical data is examined. There is a clash between the emergence of new knowledge and that which has already been established. This analysis allows for the gradual emergence of strong points of contention with the concepts as they are presented in the literature. Management science seeks to create operational knowledge that practitioners can use, rather than simply testing theories. To do so, it is necessary to connect themes from the literature review to create conceptual diagrams, which implies an interpretation of the data gathered by the researcher. Furthermore, if obtained results corroborate by other existing publications, this undoubtedly contributes to reinforcing the researcher's credibility and confidence in estimating while interpreting the empirical findings. As such, the theory serves as a framework for reading the organization as data is collected and then *a posteriori*, when the empirical representation of the phenomenon is rebuilt. Three theoretical levels lay the groundwork for interpreting our empirical findings: the first is based on an intermediate theory, i.e. a first-level theory, which is *a priori* valid only in the context of the observations upon which it is based. In other words, there is a first level of explanation (David, 1999). When another theory "decontextualizes" general ones, the second level of generality is reached. This level, according to David (1999), derives from a general theory that can result from induction. The third level refers to a supporting theory that provides sustenance for the operationalization or non-operationalization of general theories.

This study, based on a qualitative approach, is part of an interpretivist paradigm and favors an abductive method. The recursive abduction / deduction / induction loop, in fact, integrates the various approaches into a single conceptual scheme (David, 1999). As our sensitivity and understanding of the context improves, the research object will truly emerge. If "contextualization" is undeniably the case study's strength, a methodology based on multiple case studies allows for the multiplicity of approaches in the attempt to grasp, to a convincing degree, the studied research main statement.

To give similar concepts more plausibility, factors must be brought closer to the results emerging from the field. Our research, which focuses on a complex interaction between multiple factors, leads us to favor the case method, which Wirtz (1999) describes as a

methodological tool particularly suited for examining the plausibility of a theoretical grid that assumes the existence of complementarity within a complex and dynamic system.

For greater clarity, our analysis was organized around various stages of a research process: approach, data collection, processing, and restitution. Meeting the validity and reliability criteria is possible if these steps are followed. However, theoretical sampling has been subjected to consistency, allowing for inter-case comparison. While generalization is possible, it only applies to a theory and not to an entire population. The principle of saturation guided our choices in this dialectic: the number of case studies was not predetermined in advance, but rather gradually according to the principle of saturation. Then, as opposed to a statistical generalization, an “analytical” generalization can be expressed in this regard. That is, the case’s scope extends beyond its immediate context by relating the findings to a larger theoretical debate, the explanatory schemes of which can potentially be replicated in future cases (Yin, 1994).

Chapter 4: Results discussion

Introduction

The aim of this chapter is to interpret the empirical results, which are based, jointly, on the interviewees' statements and secondary data information treatment. Following the dictionary analysis that has emerged from NVIVO qualitative data treatment, the research findings will be interpreted all along its structure. Moreover, it is important to note that theoretical representations will be interpreted and discussed while consolidated with the interviewees' discourses and the secondary data outcomes. Empirical investigation has revealed underlying and subsequent theoretical concepts that provide illustrations of the contribution of internal audit and internal control to governance efficiency and, therefore, NGOs' legitimacy. It appears that the internal control, internal audit, governance, transparency and legitimacy are interrelated and one cannot be extruded solely as their collective repercussions can impact positively or negatively stakeholders' expectations.

1. Risk management, NGOs ethics and integrity

The interviewee discourses treatment as well as Iramuteq outcomes (Classe 3, 39.7%, Figure 29) have shown the redundancy of internal control, risk management, effective organization, prevention and weaknesses as key elements¹⁰ for improving an NGO development. NGOs are typically mission-driven organizations that operate independently

¹⁰ Other elements figure also in the same class, however, they are discussed in subsequent section.

from government and are often involved in social, humanitarian, and environmental issues. As such, they must adhere to ethical and integrity standards to ensure that they operate in a manner consistent with their mission and values. NGOs are often subject to scrutiny from various stakeholders, including donors, government agencies, and the public, and therefore must maintain high ethical and integrity standards. This includes maintaining transparency in their operations, ensuring that their activities align with their mission and values, and adhering to legal and regulatory requirements. Effective risk management is essential for NGOs to maintain their ethical and integrity standards, as it allows them to identify potential risks and take appropriate actions to mitigate those risks (Sihombing, Soewarno & Agustia, 2022). This can include implementing policies and procedures to prevent fraud, ensuring that funds are used for their intended purpose, and conducting regular audits to monitor compliance with ethical and legal standards.

1.1. Integrity and internal control assessment

In the context of NGO activities, focusing on humanitarian work may prioritize a mindset of risk mitigation rather than promoting business and taking risks for value creation. In this regard, NGO3_7 stated that: *“the staff is the central element of internal control. Organizations must surround themselves with competent and trustworthy people in order to be able to ensure effective control.”* In the same stream NGO6_13 follows with: *“competent people are needed for the success of the internal control process, as such all functions must be integrated in the process of internal control. Probably the internal audit is the main function to deal with the efficiency on the NGO internal control. Leave alone the avoidance of politics and conflict of interests of the employees.”*

O’rourke (2006) highlights codes of conduct as one of the accountability mechanisms used by NGOs, which are voluntary processes consisting of a set of values for effective internal and external management of the organization. These codes of conduct help in achieving the NGO’s mission and facilitate stakeholder engagement. NGO1_1 emphasized on ethics and integrity conduct importance. He highlighted that: *“fraud is an inherent risk in any association. Any association is likely to have to face it one day or another. It can occur following the collusion of several staff members; hence the importance of ensuring the*

integrity of staff. It can also occur because control measures to prevent this risk are not in place or are not effective.”

“So an NGO, which does not have a code of good conduct, integrated into the collective project of the association a chapter relating to ethics and integrity. This collective project was previously prepared and discussed with all the staff of the association, including with the board of directors. This project has obtained the support of all the staff.” (NGO1_3).

As per the report of NGO5: “Fraud is an inherent risk in any association. Any association is likely to have to face it one day or another. It can occur following the collusion of several staff members; hence the importance of ensuring the integrity of staff. It can also occur because control measures to prevent this risk are not in place or are not effective.”

Insofar, integrity and ethics are essential components of an NGO’s internal control system. NGO6_13 reflected his NGOs ideology: *“our internal control is in a straight line with one of our core values: “transparency”, this value assures the continuity of our organization facing, community and environment, noting that it is meaningful regarding our donors of funds.”* Integrity refers to the quality of being honest, ethical, and having strong moral principles, while ethics are principles that guide behavior and decision-making. In an NGO, maintaining high levels of integrity and ethics is critical to achieving its mission and building trust with stakeholders. Internal control in an NGO refers to the policies and procedures put in place to ensure that the organization’s operations are effective, efficient, and comply with laws and regulations.

These controls are designed to prevent errors, detect fraud, and safeguard the organization’s assets. Integrity and ethics play a crucial role in the design and implementation of an NGO’s internal control system. For NGO5_11: *“staff in particular managers should keep a high level of professionalism and integrity and get the needed trainings for their skills development. A good history for an NGO is an important asset for its development and sustainability.”*

NGOs that prioritize integrity and ethics in their operations are more likely to have effective internal controls. This is because the staff and management are more likely to act

in accordance with the organization's values, comply with laws and regulations, and report any irregularities or concerns. When everyone in the organization is committed to ethical behavior, it becomes easier to identify and address weaknesses in the internal control system. Following NGO3_8 advancement, integrity and ethics are key components for internal control accountability and transparency. In this regard, he states: *"indeed, it is reflected in the existence of codes of conduct, ethical rules and aims to maintain the internal control system. It is the role of management to set an example, whether in terms of speech or behavior towards members inside and outside the organization. Take the case of a circumvention of controls by managers linked to a breach of standards of moral behavior. It therefore appears obvious that this situation favors the realization of risks and therefore undermines the control of operations. That is why associations that put the content of their code into practice gain a reputation for honesty, integrity and principled professional behavior. The code of ethics must promote the culture of the association by drawing attention to the responsibility of each person taking into account the principles of the association. To ensure its application, it must be promoted by the entire team."*

In summary, the relationship between integrity, ethics, and NGOs' internal control is that integrity and ethics are essential components of effective internal controls. By prioritizing integrity and ethics, NGOs can establish a culture of ethical behavior that supports the design and implementation of robust internal controls.

In the same vein, NGO1_2 stressed on: *"the need for an ethics code is a crucial factor. We put it into practice and instructed each firm director and employee. We also have a unique code just for staff. The code of ethics is a crucial component of sound corporate governance, and we have made sure that each of our staff is aware of it and follows its rules. Your vision of internal control and the expectations you have in regard to it must be shared with all staff members as a member of the board of directors or management of an organization. That necessitates that you define this vision and these expectations and express them by establishing moral standards, laws governing honesty, code of conduct, and workplace policies. They will be created in accordance with the NGO's mission and objectives."*

Internal assessments can identify areas that require changes such as restructuring, training or improving employee skills, stress management, and more. Such assessments can serve as a basis for analyzing possible needs and making necessary improvements. Without integrity and a capital of trust, for NGO3_7: *“NGOs play an essential role in social cohesion. In an NGO environment, we find ethical values such as sharing, solidarity, mutual aid which condition the very existence of the association. This component related to the control environment is decisive since it influences the degree of the presence of internal control.”*

In the same extension, NGO1_3 adds that: *“the personal and professional integrity and ethical values of managers and staff determine their priorities and value judgments. This translates into a code of conduct. These qualities must materialize through an attitude of adherence to internal control, at all times and throughout the organization. Everyone active in the organization, both managers and staff, must prove their personal and professional integrity, and their respect for ethics. In other words, legitimacy is on reflected throughout an internal transparency and commitment to the NGO values without promoting self-interest intentions.”*

Such an idea is detailed with NGO1_1 perception:

“NGOs’ employees will pay close attention to the ethical conduct of their manager as well as the example he may set for the entire team of employees and volunteers who make up the association. In large associations, it is recommended to put in place formal documents (code of good conduct, integrity, work, rules of procedure, etc.) and to send them to all staff and volunteers. It may be useful for staff to read them as soon as they start their service and accept them before working for the NGO. As the environment changes, as associations evolve, these codes and regulations must be updated to take these changes into account. As far as, ethical conduct can influence individual behavior, commitment can be translated into NGO accountability.”

In the same stream, for NGO1_2, it is up to the formalization of procedures that an internal control can be monitored and assessed:

“Technically, the organization, documentation, and traceability requirements form the foundation of any risk management or internal control system. These three requirements must be integrated by any organization, procedure, or operation taking part in the implementation of a public policy. Individual and group tasks need to be planned, recorded, and tracked in order to reduce risks related to achieving objectives. To achieve this, a continuous process that integrates all processes and activities must serve as the foundation for the construction of an internal control system. In order to empower staff and prevent internal sources of conflict, these regulations particular to our organization also include a summary table of the responsibilities assigned to management and the board of directors.”

NGO1_1 and NGO2_5 emphasize that effective communication within the organization requires constant improvement and attention, which is particularly challenging for larger NGOs. The interviewees, similarly, suggest that NGOs should implement mechanisms to facilitate communication with donors, taking inspiration from models used by corporate companies.

For NGO1_1: *“to secure their support for this vision and these goals, it is also necessary to inform and even discuss this mission and objectives with all employees and volunteers. The rights and obligations of the employees and volunteers working for the NGO are governed by the code of good conduct and/or integrity. These regulations must, among other things, address conflict of interest issues [...] to encourage their staff to perform in accordance with the entity’s values, the manager and directors of the entity must model excellence in all that they do. The entity’s operations are governed by codes of ethics and integrity. An efficient internal control system can emerge in this setting, which is unique to each entity and brought to the top hierarchical level.”*

For NGO2_5: *“managers should set up lines of reporting. That is, they must put in place a structure to communicate information in a timely manner and to the right person. This communication structure must allow communication both from the staff to the managers, from the managers to the staff, and between the different sections/units that make up the association. Leaders must also ensure communication with the board of directors in order to*

comply with legal requirements but also to inform them of any major event that could have an impact on the activities of the organization” [...]

“Small NGOs do not require a heavy communication structure. Due to their size, communication is often informal and everyone knows everything. Nevertheless, having a written record of the meetings and discussions relating to the decisions taken by its members can be useful in order to communicate externally, to have a history of the decisions and their justification, and to retain knowledge within from their missionary entity.”

Aligning with the communication channel, other interviewees stipulate that an NGO internal structure cannot be effectively developed without first establishing a code of ethics or code of conduct.

For NGO2_5: *“yet, it is well known that NGOs adhere to a code of conduct that primarily reflects their convictions and the significance of the ideals they uphold.”* In the same vein, NGO1_2 emphasized that: *“to guarantee a solid financial management, an NGO’s and its employees’ integrity, which is to say honesty and seriousness must be unquestioned. To achieve this, there must be no ambiguities regarding the use of funds, accounting records must accurately reflect reality, and proper procedures must be established and adhered to by all the employees.” [...]*

“When supplemented with more conventional measures of accountability like monitoring, control, and surveillance, which can challenge and potentially discipline incorrect behavior, transparency and participation techniques are more likely to be successful. All of these initiatives rest on fundamental tenets of transparency, involvement, and accountability, which is integrity. Integrity can be promoted by the effective application of integrity promises or rules of conduct.”

Following NGO1_3 advancement: *“managers and staff must ensure that they maintain a level of competence that allows them to understand the importance of developing, implementing and maintaining good internal control and performing their duties in order to achieve the general objectives of internal control and the mission of the organization.*

Everyone within an organization participates in internal control at their level and within their responsibilities limits.”

In the same streamline, NGO2_4 sheds the light on the fact that: *“there are, however, many factors that affect the integrity of NGO’s managers and their subordinates. Therefore, staff should be reminded at regular intervals of their obligations in this area and of the obligations set out in the code of conduct. Advising and evaluating performance also have their role to play. Thus, the assessments must be based on the appreciation of several key factors, including the role of the personnel in the realization of the internal control.”*

That seems plausible with the view of NGO2_4 who states: *“the commitment, involvement and support of the board of directors of an NGO promote a positive attitude and are decisive for maintaining a constructive attitude and adherence to internal control. [...] Therefore, it is extremely important that management demonstrates and insists on ethical conduct if it is to achieve internal control objectives. In the exercise of its function, management must set an example through its own actions and its conduct must be the model of what is good to do rather than the image of what is only acceptable or simply convenient.”*

Therefore, the first research proposition is stated as the following:

Proposition 1 suggests that establishing a code of ethics or code of conduct within an NGO is essential for assessing and continually implementing an effective internal control system.



Figure 32: First research proposition

1.2. Integrity and risk management

Risk management is the process of identifying, assessing, and prioritizing potential risks, and then taking actions to mitigate or manage those risks. This process is typically undertaken to minimize potential negative impacts on an organization's objectives, including financial, reputational, legal, and operational risks.

Failing to do so: *"the underfunding of a humanitarian activity can occur following poor planning, budgeting of activities caused by a lack of knowledge of the sector, of the costs of an activity, the definition of unrealistic objectives in relation to the available resources, late subsidies which lead to unforeseen financial charges, and which have an impact on the financial balance of the NGO and may lead to a questioning of its activities. Such scheme calls for an integrity of an NGO organization and reflects stakeholders' commitment and trust"* (NGO1_1). Interviewees believe that the organizational structure should be assessed to accommodate new challenges faced by the organization. Otherwise, negative repercussions can impact negatively NGO's development and its external image.

Therefore, NGO6_15 indicates that: *"all of the NGO's members are concerned about internal controls, but the management's stance serves as an example. In fact, the latter's goal is to create and institutionalize an internal control culture, which seems crucial, especially in the accounting and financial sectors. In order to ensure ethics and integrity, it is crucial for management to pay close attention to the actors' actions. As far as internal ethics and integrity are concerned, as long as they are reflected in a perceptual legitimacy from the perspective of stakeholders."*

Following that, NGO1_2 recommendation is that: *"internal control within an organization actually comes down to the same thing. It refers to all actions that an organization takes to accomplish a certain goal while abiding by all applicable laws and regulations. Control is not an automatic process; it necessitates the execution of certain tasks, including the creation of a control environment, risk management, control activities, communication and information management, and internal control management."*

Additionally, evaluating managers and employees' performance can improve internal control efficiency and positively impact activities deliveries.

NGO1_3 indicates that: *“internal control in itself cannot guarantee the achievement of the NGO's objectives. If implemented effectively, internal control can reduce the risk of not achieving the objectives set but cannot eliminate this risk with certainty. In addition, there is also the notion of the cost/benefit ratio of controls; organizations are subject to financial constraints which do not authorize them to set up controls at any cost. There must be proportionality between the cost of implementing a control activity and the benefits that may result from it. Organizations are also constrained by their internal and external environment. The controls put in place in a large NGO generally cannot be established in the same way in a small association. Moreover, as internal control relies on the human factor, it can be subject to errors of judgment, misinterpretations, even malicious maneuvers such as collusion, fraud, etc. and these cannot always be avoided. The internal control system must be proportionate to the objectives, the risks and the internal and external environment in order to provide reasonable assurance.”* For NGO3_8: *“the obstacle that can be represented is a lack of adaptation of the NGO to its environment.”*

Following the research findings analysis, ethics and integrity are essential components of risk management for NGOs. These principles help to ensure that NGOs operate with a high level of transparency and accountability, and that they are committed to upholding the values and principles that guide their work.

Accordingly, the second research proposition is stated as the following:

Proposition 2 posits that maintaining integrity is crucial for NGOs to effectively manage risks. The organization should evaluate both internal and external limitations, and take action to provide reasonable assurance for both internal and external stakeholders.

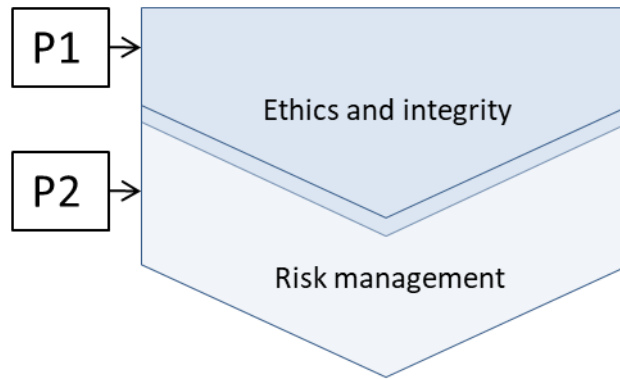


Figure 33: Second research proposition

2. Risk management and internal control

The focus of this research is to identify, also, the risks that NGOs face and evaluate the procedures in place to manage them, given the unstable context and professionalization of the sector. The question was discussed with several interviewees. Findings suggest that the risk assessment process within an internal control system involves identifying risks that could potentially hinder the NGO from achieving its objectives, analyzing these risks, and monitoring their management. Iramuteq outcomes (Classe 3, 39.7%, Figure 29) reveals risk management theme which was identified, as well, throughout the interviews treatment with NVIVO. The secondary data show the frequency of the word prevent. For the Report of NGO8: *“It is better to promote measures that prevent risks – which reduce their probability of occurrence and/or their impact -, because they are generally less costly and more effective than measures that intervene after the risk has occurred and whose consequences must be managed.”* In fact, general or strategic risks can serve as a common factor to facilitate the identification of operational risks within the internal control frameworks. However, the interrelationship between risk management and internal control development takes all its sense when considering the outcomes of an efficient coordination among NGOs team members.

At that level of analysis, coordination and cooperation are essential factors for achieving efficient internal control in an NGO. An NGO success depends on the ability to coordinate and cooperate effectively with various stakeholders, including staff, donors, volunteers, and partners. Coordination refers to the process of bringing different parts of an organization together to achieve a common goal. In an NGO, coordination is crucial in ensuring that all departments work together seamlessly to achieve the organization's mission. Effective coordination can help ensuring that all portions of the organization are working towards a shared goal, and that activities are well-organized and streamlined.

Cooperation refers to the process of working together towards a common goal. Effective cooperation can help ensure that all stakeholders are working towards the same goals and that they are aligned in their activities. An NGO efficient internal control system requires coordination and cooperation among staff, volunteers, and partners. Effective coordination and cooperation can help ensure that internal controls are followed consistently, that risks are identified and addressed, and that resources are used effectively and efficiently. For example, effective coordination and cooperation can ensure that financial controls are followed consistently, that procurement processes are transparent, and that program activities are aligned with the organization's mission and goals. Furthermore, effective coordination and cooperation can help ensure that staff, volunteers, and partners are trained and equipped to implement internal controls effectively.

In summary, coordination and cooperation are critical to achieving an efficient internal control system in an NGO. NGOs that prioritize these factors are more likely to achieve their mission and deliver value to their stakeholders.

2.1. Coordination and internal control improvement

Cooperation and coordination between team members and management are essential for effective internal control. Coordination refers to the mechanisms that allow individuals to perform tasks requiring varying degrees of participation. For NGO7_16: *“NGOs managers have the responsibility and the role of organizing internal control. To do this, they must first have a solid knowledge of the activities carried out in order to implement an internal control*

system efficiently.” While internal control can be spread over different individuals within a department, separation of duties is necessary for optimal results. NGO5_12 made it clear: “key elements of an efficient internal control system in an NGO include the segregation of duties to prevent fraud or errors, the responsibility for key financial and operational tasks should be separated among different staff members. Also the financial reporting, where the organization should have a clear and accurate financial reporting system, provides timely and relevant information to decision-makers.”

NGO6 report shows it clearly: *“Managers, having identified the risks that could prevent the achievement of the objectives / activities of the NGO and the responses, are ready to implement solutions to deal with them. One way to manage these risks is to implement controlling activities that reduce these risks.”*

The same point is shared with NGO6_13: *“for internal control effectiveness, many departments must cooperate and interact with each other by focusing on maintaining a goal to face, in which any issue that might come in relation to risk. For that it could become as a threat or opportunity. However, the effective internal control officer has to facilitate these issues and create a strategy that helps in solving the problems. In addition, there is a need in gathering all the parties that are involved in such a scenario such as suppliers, beneficiaries and employees to participate and share their idea about the issues that might arise versus the solutions that can be taken to avoid the lack of transparency and have a clear vision.”*

NGO3_8 statement indicates that: *“one of the foundations of internal control is the rule of the separation of functions which may be poorly respected, in particular when the structure is small, the staff reduced and it is not possible to separate the functions of decision-making, authorization and accounting record” [...]*

“Management plays a central role in raising awareness of internal control among its members, which is reflected in the standards of good conduct. We define them as being a way of acting, of behaving in relation to rules, principles that apply within a group. As such, we can cite a few practices that can be established within an NGO: for example, it may be a matter of establishing a code of ethics, where the management has a role in transmitting messages to its

members in order to anchor the place occupied by internal control in people's minds. The management can also inform through a document sent to the members what is authorized and what is not within the NGO."

For instance, NGOs should define objectives beforehand and evaluate performance based on these objectives. NGO2_6 made it clear with his following statement: *"within an NGO, each person has a share of responsibility in the implementation of internal control. It should be noted, however, that the implementation of internal control procedures is primarily the responsibility of NGOs managers."* Following the perception of NGO2_6, NGO4_10 adds: *"assessing the risks of anomalies in the accounts requires above all an assessment of the quality of internal control."* The same goes for NGO5_12: *"I believe that organizing, coordinating, and risk management play important roles in enhancing the development of internal control in NGOs. For instance having a well-organized internal control system helps to ensure that all activities and processes within the NGO are carried out in an orderly and efficient manner. This includes having clear roles and responsibilities, effective communication and coordination among staff, and proper documentation and record-keeping practices. On the other hand, the coordination between different departments and staff members is essential for an effective internal control system. This helps to ensure that all activities are carried out in a consistent manner and that there is no duplication of effort or conflicting activities."*

In NGOs, internal control is critical as it provides reasonable assurance to managers, especially when roles are clearly defined. NGO2_4 emphasizes on the following fact: *"if the management is convinced of the importance of internal control, the members of the NGO will be made aware of it and will react by respecting the established controls. If, on the other hand, NGO staff feel that control is not a major management concern and are supported in a formal rather than a real way, it is almost certain that the control objectives of the organization association cannot actually be achieved."*

This approach facilitates mutual and operational support among staff members. For NGO2_6: *"after evaluating the design of the internal control, it is now a question of checking the statements of the manager by ensuring that the statements made correspond to effective measures. For example, he can check that there are adequate, up-to-date procedures and that*

they are applied or that the separation of functions is well respected. To do this, it uses path tests (or control tests) which consist in following the path of a procedure or process.”

Moreover, information also plays a vital role, as informed employees are better able to perform their duties effectively and efficiently, ultimately contributing towards achieving organizational objectives. Organization, coordination, and cooperation lead to greater transparency between team members, resulting in a smooth flow of communication that mitigates asymmetric information, conflict, and possible tensions.

For NGO2_4: *“managers and their staff should maintain and demonstrate a level of competence that enables them to assess risks and work effectively and efficiently, and demonstrate an understanding of internal controls sufficient to effectively discharge their responsibilities. Through training actions, for example, it is possible to increase staff awareness of the objectives of internal control [...]*

“It can be noted, however, that many NGOs are concerned about training to achieve their objectives, their activities and also take care to train to prevent certain risks or in order to comply with certain legal obligations” [...]

“Each employee is aware of his or her mission, objectives, etc. based on that chart. The organization of such procedures enables the specification of the obligations and rights of each actor inside the entity.” Such statement is consolidated with the perception of NGO2_5:

“The multitudes of actors play a key role and participate in its proper functioning. Each actor has a different level of involvement and contribution, whether it is the governance bodies of the association or internal/external stakeholders. The notion of involvement consists of being committed to a cause and bearing the associated risks. As for the notion of contribution, this suggests the fact of participating and helping to carry out the associative project through the resources provided by the concerned persons.”

Through coordination and internal control development findings interpretation, it is perceived that it is up to internal managers and employees to ensure that integrity into accomplishing activities effectively helps improving an NGO internal control. The

stewardship theory suggests, in this regard, that NGO managers are motivated by a sense of stewardship towards the organization, and therefore act in the best interests of the civic community rather than their own self-interest. The theory proposes that a positive relationship between managers and stakeholders can be fostered by aligning their interests, values, and goals. As far as this symbiosis is accentuated, as far as NGO risk activities are managed and their negative repercussions are rationalized.

The stewardship theory, based on a human relations perspective, has its roots in the sociology and psychology disciplines (Donaldson & Davis, 1991). With this theory, the actors, involved in the development of an organization, are motivated by the need for achievement and recognition, altruism, trust, autonomy, and responsibility (Van Puyvelde et al. 2012). In this partnership model, the board of directors has no longer the task to ensure managers' compliance with the interests of shareholders/members, but rather to improve their performance through advisory and service functions (Donaldson & Davis, 1991) since there are no more conflicts of interest between the principal and the agent. For this reason, board members are supposed to be chosen based on their expertise and skills rather than their independence from the organization's managers (Cook & Burrell, 2013).

This shows that the theoretical perspective challenges the basic assumption of agency theory, that of opportunism of actors, and becomes its alternative by opposing it (Donaldson & Davis, 1991). Other authors contradict this assumption. As a matter of fact Caers et al. (2006) highlighted that these two theoretical frameworks are on the same continuum instead of being opposed. They defined the stewardship theory as a principal-agent relationship but without agency conflicts. For Davis, Schoorman and Donaldson (1997), the two theoretical frameworks are complementary. Donaldson and Davis (1991) emphasize that everything depends on the choice of the agent, a choice that is based on psychological motivations and perception of the situation.

According to the said theory, the control and incentive mechanisms of the agency relationship give rise to partnership and cooperation between the actors (Labie, 2005). This theoretical approach aligns with the missions of social enterprises. It has been widely used

in the governance of associations, such as the joint model observed in association boards (Labie, 2005).

2.2. Coordination, risk assessment and management

Effective internal control is essential to support an NGO's risk management effort. When an NGO has strong internal controls, it can better identify potential risks and take steps to mitigate them. Such scheme is relevant when responsibilities are clearly defined. For NGO7_17: *"as the manager of an NGO, you must analyze your objectives and identify what could jeopardize their achievement. These risks can be both internal (lack of skills, resources, etc.) and external (bankruptcy of a supplier, change in legislation, etc.). These risks must be assessed not only with regard to the operational objectives (NGO activities), but also in relation to the objectives (or obligations) of financial justification towards the subsidizing authorities and the board of directors and in relation to the compliance with applicable laws and regulations."* Following Report 2: *"strategic planning requires the coordination and cooperation of several parties. For this reason, each NGO must carefully select every individual concerned with its planning and identify their roles and functions."*

In the same streamline, risks assessment requires a construction for mapping processes which facilitates risks identification, and therefore their evaluation and management. For NGO5_12: *"in our NGO we have an effective risk management that helps to ensure that potential risks to the organization's operations and finances are identified, assessed, and managed in a proactive manner. This helps to reduce the likelihood of fraud, errors, or other problems occurring, and provides greater confidence in the accuracy of financial and operational information."*

NGO2_4 advancements entail a precise view while indicating the procedural analysis for risk. According to him, the interrelationship between coordination, risk assessment and management is reflected by: *"the required phase in the analysis process for the implementation of an internal control of responsibility of the entity is the construction of a mapping of the processes (management, and piloting) and the modeling of each of them. To carry it out, the NGO needs a clear understanding of the scope of its intervention and detailed*

knowledge of the procedures, tasks, and duties that permit the execution of its overall strategy. The internal control system's coverage range will be determined by the organization's strategy, goals and risk assessment" [...]

"The identification and assessment of risks can only be done according to the mission and objectives of the NGO. In the extreme case where an NGO does not have an objective, it is unlikely that it will be able to achieve it since it does not exist and therefore has no reason to be." A well designed internal control system helps an NGO to identify and assess risks that could affect the achievement of its objectives. For NGO7_17:

"The effectiveness of regulating actions affects the quality of objectives identification. Each level of the entity is able to apply controls for the achievement of the objectives when it operates in a quality control environment, when its objectives are established, and when the scope covered by the internal control system is precisely determined. Because of this, the design and implementation of controlling activities go through the following phases: identification of general and specific objectives for each process and activity, identification and assessment of risks associated with each of its objectives, and design and formalization of adequate controls to manage these risks. Moreover, to ensure the effectiveness of the internal control system, the manager can carry out a system self-assessment. That is to say, for each of the layers of internal control, he assesses the measures in place and checks whether they exist, whether they are relevant and adequate for his organization according to the defined objectives and risks. The manager can also have the effectiveness of his internal control system assessed by experts outside the organization."

Moreover, risk management entails mitigating risks. Once risks have been identified and assessed, an NGO can take steps to mitigate or manage them effectively. As per NGO2_4 statement: *"a risk analysis can be done with the staff and the board of directors. In any case, the board of directors should be informed of the risks that the NGO runs and should give its opinion as to whether or not to accept these risks. In order to correctly assess the risks that an NGO runs, it is necessary to take into account the activities put in place to reduce them (internal measure such as the separation of functions or external), transfer them or avoid them" [...]* *"Based on this identification of risks and the assessment of their impact and*

probability, NGO managers are able to prioritize them: which risks are the most important? This prioritization is often subjective and depends on the perception that managers have of these risks and of their risk aversion. Each NGO may perceive a risk differently.”

Strong internal controls provide a framework for implementing risk management strategies and ensuring that they are properly executed. Following the identification and mitigation of risks, monitoring them through effective internal control enables an NGO to respond quickly to any changes in risk levels.

NGO1_3 consolidates such statements by underlying that:

“One way to manage these risks is to implement controlling activities that reduce these risks. It is better to promote measures that prevent risks – which reduce their probability of occurrence and/or their impact -, because they are generally less costly and more effective than measures that intervene after the risk has occurred and whose consequences must be managed. In this sense, it is possible to evoke the relationship between internal control and efficiency and NGO accountability” [...]

“Managers should, therefore, put policies and procedures in place to manage risk and communicate them to association staff. These control policies and procedures must be proportionate to the risks involved. That is to say, they must be the subject of an evaluation of the costs of their implementation in relation to the benefits they will bring: reduction of inherent risks.”

Overall, effective internal control and risk management are essential for NGOs to operate efficiently and effectively while achieving their mission. Furthermore, NGO managers seek to broaden their perspective on risk management by defining risk as *“the effect of uncertainty on goals”* rather than focusing solely on specific events. Therefore, effective risk management involves making decisions in a context of uncertainty and requires an understanding of the past, present, and future possibilities. NGO managers recognize the importance of identifying uncertainty and treating the associated opportunities and risks that could impact their organization’s objectives. By implementing strong internal controls, an NGO can better manage risks and protect its assets, reputation, and stakeholder trust.

For NGO6_15: *“in order to contribute effectively to the organization, internal control requires continuous adaptation linked to any changes made in the organization. By its design and operation, this system must make it possible to anticipate risks. As a result, internal control does not only concern the head of the NGO but, on the contrary, it is everyone’s business. In the associative landscape, the trust founding the very identity should not prevent the implementation of internal procedures in order to avoid abuse.”*

NGO1_1 stipulates that:

“With the help of our internal manual, it is made possible for each NGO member to be aware of their roles and responsibilities, the relationships between their actions and those of others, and the ways in which their efforts support the organization’s overall goals. If it is agreed to delegate authority, it is vital to assess the degree of responsibility and competency of the chosen person, and the management must take appropriate supervisory measures to the delegated activity and its outcomes. Every organization must have an organization and functions manual to go along with its organizational chart, which specifies roles, responsibilities, and job duties as well as the various hierarchical and functional linkages between them [...] In other words, to prevent duality and wandering responsibility, the staff’s degrees of authority and area of responsibility must be specified in the pertinent documents.”

The process of risk assessment involves identifying and evaluating relevant risks that may impact an organization’s objectives and determine the appropriate response to mitigate those risks. Part of administrative management, the budgeting process involves coordination to allocate resources to achieve an organization’s goals.

For NGO1_1: *“working to increase budget transparency can be crucial to raising accountability. It entails making it easier for citizens to participate in budgetary processes and oversight, as demonstrated by the actions of our non-profit intentions [...] consequently, the openness of our NGO and the availability of official information to the general public is essential components in transmitting the demands of citizens for good governance and anti-corruption measures.”* Thus, an incorrect budget preparation by an NGO can lead to poor financial execution, resulting in liquidity problems, and in the worst-case scenario, non-

compliance with objectives. Once strategic planning has been defined, the elaboration of an NGO's budget becomes a critical tool for management.

After conducting interviews, the research identifies two types of risks that NGOs face: financial risks and human risks. Although NGOs are similar to commercial businesses in their need for financing to continue operating, there is a fundamental difference in that NGOs seek funding to carry out their activities, rather than for financial gain. NGOs rely on three main sources of funding: private donations, institutional subsidies, and corporate sponsorship. However, each of these sources is vulnerable to the risk of underfunding due to economic circumstances. This risk of underfunding is a concern for NGOs, who emphasize the importance of convincing donors of the worthiness of their cause through communication, and awareness campaigns.

NGO3_7 highlights the increased competition among NGOs for funding and emphasized on the fact that: *“as NGOS have few financial resources, the cost/benefit ratio must be considered. Such ratio measures the proportionality that exists between the cost of implementing a controlled activity and the relative benefits that may derive from these controls.”*

An NGO faces unique challenges in terms of financial forecasting due to the unpredictable nature of the activities it may have to engage in. This uncertainty can exacerbate the risk of underfunding, particularly as NGOs are often called upon to respond to unforeseen situations that cannot be ignored, and which can be costly to address. Additionally, there is a risk of misuse, despite the fact that NGOs are typically staffed by volunteers who are committed to the organization's cause. This risk of corruption or financial abuse raises concerns about human risks, which can impact an NGO's reputation and the trust it has built with shareholders who support its mission. While financial and human risks are both present in the non-profit sector, the latter can be particularly damaging given the importance of trust and goodwill in securing funding.

The interviews revealed that NGOs face several financial risks, including underfunding due to difficulty in forecasting activities, and the risk of misuse. As such, the research

proposition is that NGOs face both financial and human risks that can negatively impact their operations and image. These risks can have significant impacts on the image and reputation of the organization, which rely heavily on the trust of shareholders.

In sum, effective coordination is crucial for developing a strong internal control system within an organization. Internal control refers to the policies, procedures, and processes put in place to safeguard NGO's assets, ensure accurate financial reporting, and promote compliance with laws and regulations.

Coordination can enhance internal control development in several ways. The first way is about clarification of roles and responsibilities. In fact, effective coordination ensures that everyone within the organization understands their roles and responsibilities regarding internal controls. This helps to prevent confusion and ensure that controls are implemented consistently across the organization.

The second reverts for standardization. In such regard, coordination can help standardizing internal control practices across different departments or units. Such second way promotes consistency and ensures that controls are applied uniformly throughout the organization. The third one is about communication. In the light of that third way, coordination ensures that there is effective communication between different departments or units regarding internal control practices. This facilitates the sharing of best practices and ensures that everyone is aware of any changes or updates to internal control policies and procedures.

Following the first three ways, the fourth one is reflected through risk assessment. In such scheme, effective coordination helps ensuring that internal control policies and procedures are designed to address the most significant risks facing the NGO organization. This requires input from different units to identify potential risks and develop appropriate controls. Covering all stated ways, the last one consists of monitoring. In the scope of the monitoring process, coordination can help to ensure that internal controls are examined effectively to detect any weaknesses or deficiencies. This requires input from different units to ensure that controls are reviewed regularly and updated as needed.

In summary, effective coordination is critical for developing a strong internal control system within an NGO. It ensures clear roles and responsibilities, standardizes internal control practices, promotes effective communication, facilitates risk assessment, and enables effective monitoring of internal controls.

Following the statements of the interviewees and the literature review analysis, the third proposition is stated as:

Proposition 3 posits that cooperation is crucial to strengthen internal controls, manage risks, and increase financial transparency. It provides greater visibility into operational activities to attract financial support from donors and the wider community.

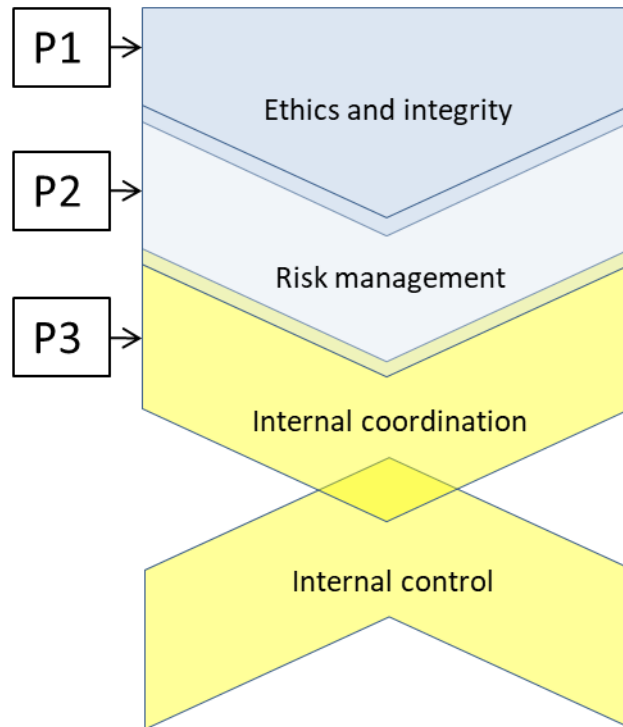


Figure 34: Third research proposition

3. Internal audit and internal control synchronization

Iramuteq outcomes (Classe 3, 39.7%, Figure 29) reveals audit procedure theme which was identified, as well, throughout the interviews treatment with NVIVO. Report 7 made it clear while stating that: *“in actuality, the internal auditor’s job is to make sure that the NGO organization’s procedures and systems secure the community, notably in the areas of finances, the fight against fraud, or legal compliance. Employees at our NGO are required to execute some tasks as part of the internal control system, however to varying degrees and with varying responsibilities. The control system is, ultimately, under senior management responsibility. Honesty and ethics must be qualities that inspire other employees. The managers, who are in charge of their various areas, must be guided by the internal audit.”*

In the accounting and audit domains, internal control refers to a set of procedures that consider an organization’s system, staff, and information management structures. The audit purpose is to aid NGOs in achieving specific objectives by overseeing and measuring the use of the organization’s finances. It can identify areas where controls are lacking, ineffective, or not being followed properly. NGO5_11 noted that: *“I believe that internal audit is more effective than external audit when it comes to internal control and governance. The SOP help us a lot to keep a high level of governance.”* As for NGO3_7: *“the existence and effectiveness of internal control remain crucial insofar as it guides the work of the auditor through his risk assessment. The application of these laws following the financial scandals has made managers aware of the importance of having internal control to secure the operations of the entity. This is also the case for the external auditors who pay particular attention to compliance with and application of the internal control system within the entity.”*

In addition NGO6_13 stipulates that: *“I highly lean towards the internal audit as more effective part of the internal control and governance as there are many efficient strategies*

that could be implemented towards any segment of internal control department, those strategies help us in guiding us with the evaluation and assessment of internal controls along with revealing problems in the monitoring structure. Internal audit focuses on risk management, strategies. On the other hand, external audit's main goal is to find discrepancies in a specific period in financials [...]

The internal audit is the core function that promotes the internal control of a company. Our organization follows a set of policies and procedures designed by the internal audit and implemented throughout the functions.”

In line with NGO5_11, NGO3_7, NGO6_13 NGO5_12 stated that: “internal and/or external audit is crucial for the internal control and governance system of a NGO. Auditing provides independent assurance that the organization’s financial and operational activities are carried out in an effective, efficient, and accountable manner. An internal audit function provides a systematic and independent assessment of the organization’s internal control system. This helps to identify areas for improvement, ensure compliance with policies and procedures, and provide recommendations for better internal controls.

An external audit provides an independent assessment of the organization’s financial statements and operations. This helps to provide assurance to stakeholders that the financial information is accurate and reliable, and that the organization’s operations are carried out in a manner that is consistent with laws, regulations, and ethical standards [...]

By having an internal and/or external audit in place, the NGO can have greater confidence in the accuracy and reliability of its financial and operational information, and can better ensure that its resources are used for their intended purposes.”

Effective implementation of risk management policies is crucial for proper development of an NGO. Each collaborator should take responsibility for identifying and mitigating risks. For NGO2_6: “an NGO can call on experts to ensure that it complies with legal requirements. It may, for example, be interesting for an NGO to call on an independent accountant or chartered accountant for the drafting of the accounts and/or the verification of its accounts. First, the auditor identifies the essential cycles of the NGO to identify the possible risks of material

misstatement. This phase is conducted in the form of a semi-structured interview with the head of the NGO where the auditor is led to ask questions” [...]

“After evaluating the design of the internal control, it is now a question of checking the statements of the manager by ensuring that the statements made correspond to effective measures. For example, he can check that there are adequate, up-to-date procedures and that they are applied or that the separation of functions is well respected. To do this, it uses path tests (or control tests) which consist in following the path of a procedure or process.”

Agyemang, O’Dwyer and Unerman (2019) argued that better future accountability can prevent damage to vital operations undertaken by NGOs.

NGO7_18 stated, in this regard: *“financial transparency is an essential step implemented by the auditor vis-à-vis management. The dialogue makes it possible to inform the management of the deficiencies identified during the work carried out by the auditor when he considers them to be significant. The involvement of management helps to find areas for improvement that can be made to the internal control system.”* Project management involves identifying and evaluating risks using a matrix to estimate their severity.

A matrix is a tool used for organizational design and management. A matrix structure typically combines functional or departmental teams with the project or program ones to create a hybrid organizational structure that can be more flexible to changing needs. In a matrix structure, individuals are assigned to both a functional team (e.g., finance, HR, marketing) and a project or program team. This allows more collaboration and coordination across teams and can ensure that projects or programs are aligned with the organization’s overall strategy and goals.

In an NGO, a matrix structure is useful for managing complex programs or projects that require collaboration from various departments or functions. For example, an NGO that is implementing a health program may have a project team responsible for the program’s implementation, but may also involve members from finance to manage the budget and the funding, members from HR to manage staffing and training, and members from communications to manage public relations and outreach. A matrix structure helps ensure

that projects or programs are managed efficiently, and allows effective communication and collaboration across departments. However, it can also be challenging to implement such an effective communication and coordination, because they require clear roles and responsibilities, and a shared understanding of the organization's overall goals.

For NGO2_5: *"a regular audit's assistance is also valuable. Both alone or in combination have the potential to increase donor visibility and improve governance transparency."* Following NGO2_5, NGO5_12 stated that: *"the internal audit function should be established as well to regularly review the organization's financial and operational processes, identify areas for improvement, and provide recommendations for better internal controls. On the other hand the policies and procedures set within a NGO are crucial to guide its activities and operations and help to ensure that its internal control system is implemented consistently."*

In risk control, recurrence of risks is identified, and evaluation levels are developed to establish necessary recommendations and mitigate consequences.

NGO2_4 stipulates that: *"above all, unlike private and public organizations, NGOs often do not have the support of an internal auditor – or equivalent – that carries out such an independent and objective assessment. This assessment must be made by the manager on an ad hoc and continuous basis, either by sampling tests on transactions, or by reviewing the procedures in place and how they are implemented through interviews with the staff members concerned, or from surveys sent to a representative sample of staff members. At a level of accounts approval, the NGO subject to the control of an auditor can rely on his opinion as to the reliability of accounts. However, this opinion only comes into play at the end of the accounting period, after the accounts and activities have been closed, and only concerns the financial aspects and control activities relating to financial transactions" [...] "Having an independent accountant or chartered accountant who, during the drafting of the accounts, their control, also checks the procedures for encoding, approval of expenditure, orders, etc. can be an effective support for managers and outside directors (board) to have a sufficient trust in the reliability of the accounts."*

Internal auditors ensure that business processes and associated controls are working as intended and offer a wider range of proactive services.

NGO2_6 provided a process for estimating the interrelationship between internal audit and internal control. For him: *“to facilitate communication and internal control procedures understanding, auditors use the flowchart technique. This tool is a graphical representation of a process or procedure, materialized using symbols. The flowchart is a valuable element in the sense that it provides a schematic view of the procedure; it adopts a common language between the auditors and summarizes the essential information. To support its audit work, an internal control questionnaire must be formalized. Furthermore, it should be noted that internal control is a risk assessment tool that seeks to reduce diversifiable risk. We can define it as the risk that can be eliminated by implementing measures. This risk is opposed to the residual risk which is inherent to the activity of the organization and which cannot be eliminated. For NGOs, special attention must be paid to cash flow / purchases.”*

Proper staffing and the internal audit department management are essential to its functioning, and it is a critical part of the operational dimension. Auditors can promote objectivity and professionalism while transmitting knowledge that improves the skills of those responsible for internal control, in relation to the three axes. Thus, the auditor can make recommendations for improving an NGO's internal control system. For NGO8_20: *“the internal control system is essential for the reliability of financial information. This reliability is made official by the certification of the accounts recognized by the auditor who certifies the quality of the information and ensures its continuity of operation. Certification provides trust and credibility to the organization's stakeholders who have engaged with the audited entity.”*

These recommendations may include changes to policies and procedures and strengthening of controls. As such, an audit can enhance an NGO's transparency by providing an objective and independent assessment of its operations. This can help to build stakeholder trust in the NGO.

In addition, it is important to note that an audit can help an NGO to detect fraud and errors in its financial statements and operations. This can help the NGO to take corrective

action and prevent future occurrences. NGO2_6 illustrates such statement by underlying that: *“NGOs with a significant budget are sensitive to operational risks related to the movement of funds and various cash transactions. The latter do not have internal control measures, which gives rise to fraud. This is why the auditor must ensure that the financial operation is formalized in the procedures and is respected by the members. For example, the separation of functions between the accountant and the authorizing officer is a basic rule where the one who decides on the expenditure is not the one who settles it.*

Moreover, it is obvious that the controls must be proportional to the height of the risks incurred. The final objective is to issue recommendations on the weaknesses of internal control having an impact on the accounts. The auditor must report all the weaknesses noted on the internal control related to the accounting and financial information to the management. Finally, it is important to point out that the internal control system must be reviewed each year as part of the auditor’s legal mission. Indeed, changes in the organization’s environment can make the internal control system obsolete, thus increasing the risk of fraud.”

Overall, auditing can provide valuable insights and recommendations to help NGOs improving their internal control system. *“Audit planning and the preliminary phase are the two essential phases that ensure the reliability of financial statements. Planning the audit consists of getting to know the activity, identifying the entity’s key processes and the associated risks. In comparison to N-1, it is a question of analyzing the changes made as well as the evolution of the internal control environment and its organization. The objective of this phase is to succeed in identifying the risks and the processes considered to be significant. Regarding the preliminary phase (or interim phase), the auditor assesses the risks related to the internal control system by seeking to minimize the risk of non-detection of errors. As we have already pointed out, the objective seeks to assess the significant cycles that feed the accounts and, therefore, likely to be affected by fraud. Subsequently, the auditor is required to size his audit work on the accounts according to the impact of internal control. For example, if the internal control proves to be weak, then the detailed tests will be more extensive, such as the physical control of purchase invoices.”* (NGO2_6).

By implementing these recommendations, an NGO can strengthen its internal controls and improve its overall governance, and the organizational accountability.

NGO 3_1 noted, in this regard, that: *“when internal audit is free from undue influence, its capacity to perform this service is increased. Internal audit can conduct its evaluations fairly and offer management and the board a thorough and objective overview of risk management, financial and internal control procedures by upholding its independence. The internal audit function has been stressed as a corporate governance tool that aims to address informational imbalance from a faithful reporting for the board of directors. That will help members of the board to shape new directions in an efficient way.”*

NGO1_2 defined areas that an internal auditor should focus. For him: *“the internal auditor’s job is to make sure that the NGO organization’s procedures and systems secure the community, notably in the areas of finances, the fight against fraud, or legal compliance. Employees at our NGO are required to execute some tasks as part of the internal control system, however to varying degrees and with varying responsibilities. The control system is, ultimately, under senior management responsibility.”* Internal control dimensions are the internal rules that an organization follows. These rules, often referred to as internal regulatory practices, aim to establish a clear understanding of the financial and operational functioning of the NGO. As a result, internal audits play a crucial role in providing conclusive results. The internal audit department oversees activities and provides insight into how related expenses have been utilized.

For NGO3_8: *“the audit has a normative character that is to say that it makes judgments and principles in order to guide behaviors or uses. This is why his intervention is essential for the organization. Internal control is the first phase of evaluation which makes it possible to guide the mission of the auditor for the rest of his financial audit. Through the internal control analysis, the auditor is able to identify the areas of strength and weakness of the processes and systems that are put in place by the managers. When an internal control is reliable, it makes it possible to affirm that the financial system of the organization is reliable. For the auditor, this means limiting controls on the accounts.”*

Consequently, internal auditing is an essential element in managing the activities of the organization. The synchronization between the internal audit and the internal control involves managing and supervising the funds of the organization in a structured way.

For NG08_19: *“to ensure the reliability of the accounts, the manager or the auditor or the accountant may carry out tests on the transactions carried out on a sampling basis. To do this, he can randomly select expenses incurred and verify their reality by comparing them to invoices, purchase orders and receipt slips when there are any. He must also check whether they have been approved by the persons who had the authority to do so, if the invoice is subsequent to the order. When it comes to an investment purchase, he must check whether it has been made or not.”*

Cunningham (2004) asserts that internal control systems originate as internal procedures with the positive goal of aiding an organization in achieving its predetermined objectives. Similarly, Spitzer (2005) defines internal control as a framework of methods and approaches established for safeguarding an organization’s resources and to deliver, accordingly, financial reports for ensuring financial transparency.

NG07_18 provided accurate process for delimitating possible frauds and enhancing better financial and transactional visibility: *“beyond his work, the auditor may be constrained by maneuvers practiced by the organization. As such, we can cite a circumvention of the internal control system carried out by the manager either to derive personal benefit or to conceal a non-compliance of the activity. Another obstacle that we can highlight is based on collusion. This situation is very difficult to detect even if there is a separation of functions within the organization. Indeed, whatever their place in the hierarchy of the association, the two individuals can act together to defraud or conceal an action. Take the example of forging signatures for the payment of purchase invoices. As a result, this maneuver can have significant consequences on financial information and jeopardize the association. Thus, the human and organizational environment weighs heavily in the origin of fraud and that we no longer fight against natural hazards or non-voluntary errors but against human intelligence.”*

The aim is to provide continuous assurance for involved parties.

NGO1_3 highlighted that: *“when internal audit is free from undue influence, its capacity to perform this service is increased. Internal audit can conduct its evaluations fairly and offer management and the board a thorough and objective overview of risk management, financial and internal control procedures by upholding its independence. The internal audit function has been stressed as a corporate governance tool that aims to address informational imbalance from a faithful reporting for the board of directors. That will help members of the board to shape new directions in an efficient way” [...] “the objective of internal control is to obtain reasonable assurance, i.e. to have a sufficient level of confidence for a certain level of costs, benefits and risks. Reasonable assurance reflects the idea that no one can predict the future with certainty. The achievement of objectives can be compromised by external factors independent of the organization, the occurrence of failures, errors, and the circumvention of certain controls by the collusion of certain members of the organization, etc. In addition, controls have a cost, so a compromise must be found between the risk, the benefits that controls bring and the cost of their implementation.”*

NGOs argue for good governance since they consider accountability as a crucial factor to consider when striving for maintaining their relationship with the civic community and financial donors. Internal control plays a vital role in preventing and detecting fraud, as well as safeguarding the tangible and intangible assets of an organization. It is a process that involves the organization’s system, task and control, individuals, and information management structures, and is designed to help the NGO to achieve specific targets. The objectives of internal control include ensuring the accuracy of financial reports, providing timely information on the achievement of objectives, and ensuring compliance with regulations and guidelines.

While all NGO members have some responsibility developing an internal control system, it is primarily up to the executive management responsibility to ensure its efficiency and compliance with the board of directors’ directives. The administration also sets the tone for the controls carried out. The internal audit unit plays a vital role in evaluating the effectiveness of the control system. For NGO1_1: *“internal audit is required to exercise oversight on controlling systems effectiveness and endurance. Employees generally have the*

duty to engage in the effort to implement internal control, the specificities of which must be included in the job description, and it must have a sufficient hierarchical location.”

Internal control plays a vital role in preventing and detecting fraud, as well as safeguarding the tangible and intangible assets of an organization. It is a process that involves the organization's system; moreover it is designed to help the NGO achieve specific targets. It should be noted that internal control measures can be compromised by various factors beyond the control of the NGO. For instance, a manager may intentionally bypass these systems to serve his personal interests.

In the agency relationship where the principal (the shareholder) entrusts the management and direction of their affairs to the agent (the manager), the latter may sometimes adopt a discretionary or opportunistic behavior tending to divert the wealth of the company for their sole benefit and/or incur expenses (agency costs) without any real interest for the company, which only the shareholders would bear. Therefore, auditing was created first for economic reasons, i.e., to prevent the manager from diverting all the wealth for their sole benefit (Jensen and Meckling, 1976) and to reassure shareholders. The control of contracts entered into between the principal and the agent and the protection of shareholders against possible fraud were the first roles assigned to auditors.

In an NGO context, stakeholders experience individual interest as they are concerned by the association activities. However the NGO can build trust among them and ensure that the programs are making a positive impact as long as they commit to the transparency requirements as well as the continuous improvement.

In such case, the internal audit is not limited to reducing agency costs. An internal audit mission has also an impact as it causes positive changes within an organization. As such, internal control objectives ensure financial reports accuracy, provide timely information on objectives achievement, and ensure compliance with regulations and guidelines. While all members of an NGO have limited responsibility of the internal control system, it is primarily up to the administration to ensure a system's efficiency and compliance with the

directives of the board of directors. The administration also sets the tone for carried out controls. Evaluating the effectiveness of internal control is crucial, especially for NGOs.

In some cases, senior managers rely on the exhaustive list compiled by the internal auditor to establish their controls. This ensures that the internal audit functions conform to the stakeholders' expectations, providing assurance to both internal and external users of accounting and financial statements. Effective internal control is crucial to achieving an NGO's objectives and adds value to its internal and external environment.

To develop an effective internal control system, management needs to consider the inherent limits of the system and work towards minimizing them. Therefore, internal audit assessments play a vital role in ensuring that the NGO's control processes are effective and aligned with its mission.

The internal audit function evaluates and reports on financial matters to enhance the effectiveness of the governance and risk management of NGOs. This helps achieving the organization's strategic and financial goals. To ensure optimal assurance, the internal audit function should align its resources with the organization's strategy. Internal audit professionals, operating independently within the organization, make recommendations for process improvements based on their findings and monitor the implementation of these changes. They are highly knowledgeable about business systems and processes and are driven by the desire to contribute to the success of their organization. They understand the critical role of effective governance and prioritize its efficient implementation.

As a result, the role of internal auditing is not only intended to assist internal control in implementing corrective measures to undertake more efficient operations but also to detect financial resource waste, errors, or even fraud.

According to Spira & Page (2004), the reinvention of internal control consists of explicitly aligning internal control with risk management. For these authors, this represents a change in the relationship between risk and responsibility: recent developments in auditing have appropriated risk management as a responsibility process. Conversely, the absence of effective internal auditors leads to a faulty accountability mechanism that will

certainly not lead to the long-term sustainability of NGO activities. In sum, internal audit plays a crucial role in providing insights and acts as a catalyst for management to gain a deeper understanding of the governance structures and processes of the organization. By enhancing trust among financial donors, it enables informed decision-making.

Overall, internal audit serves as a valuable resource for promoting transparency and strengthening the organization's credibility. In such regard, an audit is important for NGOs for several reasons:

- **Compliance:** NGOs are required to comply with legal and regulatory requirements, including financial reporting requirements. An audit ensures that the organization is following these requirements and provides a level of assurance to stakeholders that the organization is being run in accordance with established standards.
- **Transparency and Accountability:** NGOs are accountable to their stakeholders, including donors, grantors, and the public. An audit provides an independent assessment of the organization's financial statements and operations, which helps to build trust and confidence in the organization.
- **Risk Management:** An audit can identify weaknesses in an NGO's internal controls and processes, which can help the organization of managing risks and preventing fraud and errors.
- **Performance Evaluation:** An audit can provide insights into an NGO's financial performance and operations. This information can be used to evaluate the organization's effectiveness and identify areas for improvement.
- **Fundraising:** Many donors require audited financial statements as a condition for providing funding. Having an audit can help an NGO to attract funding from donors who are looking for organizations that are transparent and accountable.

Overall, an audit provides an independent and objective assessment of an NGO's financial statements and operations, which is important for ensuring compliance, transparency, accountability, risk management, performance evaluation, and fundraising. Based on the

interviewees' remarks, it can be inferred that a reliable internal audit can offer an organization forward-thinking insight and draw attention to potential issues before they escalate into critical problems. Therefore, it can be concluded that an effective internal audit has the potential to provide a proactive perspective to an organization.

Following the interviewees' analysis and the theoretical contribution, proposition 4 is stated as:

Proposition 4 proposes that the internal control and internal audit systems within an organization are interdependent and can collaborate to improve financial transparency, accuracy, and visibility in accordance with the organization's strategic vision.

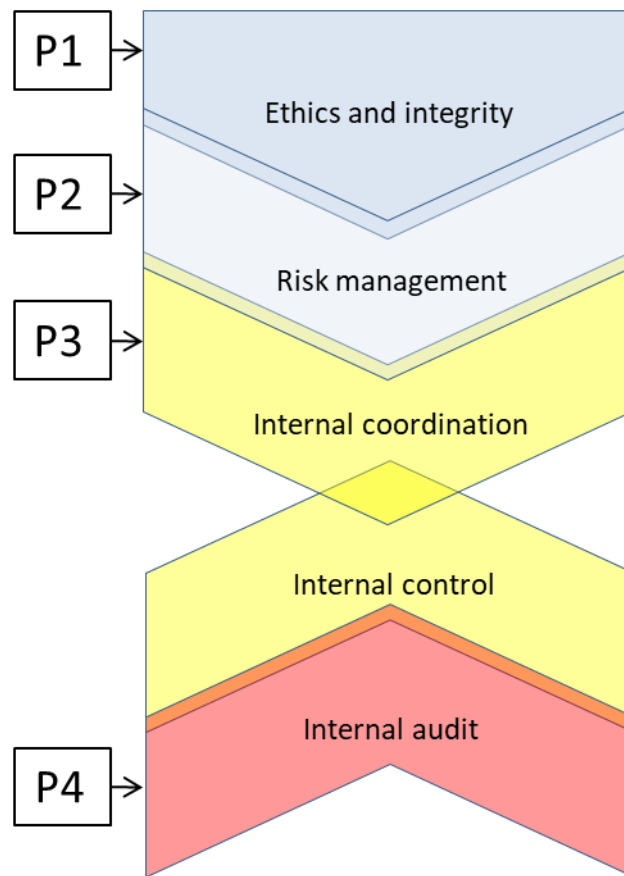


Figure 35: Fourth research proposition

4. Financial control and internal control interrelation

Iramuteq outcomes (Classe 4, 17.3%, Figure 29) reveals financial control theme which was identified, as well, throughout the interviews treatment with NVIVO. NGOs understand the importance of establishing an internal financial control system that provides transparency for financial donors by demonstrating how funds have been allocated through accounting and financial statements. This involves controlling day-to-day operations such as cash, purchasing, payroll, and asset management.

NGO5's report states that: *"the fact is that a financial control is regularly conducted alongside the budget to compare the anticipated goals with those actually attained. The administration should investigate the causes of any anomalies or significant gaps and take appropriate corrective action. Such a thing is crucial for two reasons: first, it is necessary for internal organizational and task redefinition, and second, it is crucial for the justifications provided to any financial donors who request further financial information."*

The assumption to which employees in Lebanese and international NGOs systematically control their internal management indicates that different people are involved in different internal controls. For NGO5_12: *"I understand here by sustainability to gain legitimacy and to have a reliable source of funding to support the NGO's activities and programs. This may include diversifying the funding sources, implementing effective financial management practices, and ensuring that the organization's budget is balanced."* NGOs rely on budgeting and a comparative approach to assess the reliability of their budget and establish corrective measures if discrepancies exist. These controls provide assurance for financial donors by creating a trace of expenses for estimating costs of projects maintained.

For Boomsma and O'Dwyer (2019), as far as accountability emerges as key objective for NGOs, as far as it serves as a key for obtaining funds from financial donors. . Such view is shared with NGO5_11: *"We operate in a highly competitive environment especially after the Lebanese financial crisis and the explosion of port Beirut, so we are facing many challenges such as attracting qualified employees, maintaining a high level of communication and transparency so we remain able to get sufficient funds for our projects. We compete with many well-known organizations which are more senior than us and have history in dealing with governments, and semi-government donors, that's why the internal control and good reputation are important to maintain our legitimacy and sustainability."*

The implementation of an internal financial control helps NGOs tracking progress towards financial objectives and make strategic decisions. However, in some cases, managers or CEOs may have too much latitude to make financial decisions without the assistance of a board of directors or control service. Such scheme can be controversial for collective engagement and can, possibly, entail opportunistic behaviors.

NGO2_5 adds, in this regard, that: *“controls for included objectives must be designed and placed in accordance with expected effect on identified risk. This may entail stopping the risk from happening, discovering when it does, or minimizing the effects by taking corrective measures. Each control activity is governed by a documented procedure that details the controls to be implemented, their implementation methods, and their monitoring. The process also includes steps for tracking controls and verifying that they have been followed. The risk management function of NGO managers needs to become more important and not just be limited to financial risk management due to the complexity and uncertainty of actual environments.”*

From an accounting and controlling perspective, NGO2_6 follows with: *“the manager must take care to make regular accounting closures in order to ensure the concordance between his bank balances, cash and accounting records. This allows him to have a view on the financial health of his NGO, financial possibilities for the rest of the year, to investigate any deviation between the achievements and the forecasts and to correct the activities. This also influences the reliability of the accounts. Also an effective control can be to impose the double signature for any transaction. This activity would require the signature of the financial director and the NGO’s manager or other and would ensure that all expenditure is controlled by two people” [...]*

“This makes it possible to identify unauthorized expenses, suspicious transactions, and therefore to be able to investigate and make corrections or take corrective action. In this, the manager must regularly ensure that the expenses and activities of the association comply with the subsidy decree¹¹. Similarly, maintaining regular contact with the subsidizing authority greatly facilitates the work and allows doubts to be removed before the accounts and supporting documents are sent to it, before it is too late.”

In a certain way, the interrelation between internal control and financial controls is acknowledged to impact NGOs accountability.

¹¹ A subsidy decree is a legal document issued by a government agency that provides financial assistance or funding to an NGO for a specific purpose or project. Subsidy decrees are common mechanisms used by governments to support NGOs and their programs and services, and NGOs are required to comply with the terms and conditions outlined in the document.

NGO1_2 stated: *“the fact is that a financial control is regularly conducted alongside the budget to compare the anticipated goals with those actually attained. In other words, the administration should investigate the causes of any anomalies or significant gaps and take appropriate corrective action. Such a thing is crucial for two reasons: first, it is necessary for internal organizational and task redefinition, and second, it is crucial for the justifications provided to any financial donors who request further financial information. To answer your question, yes it is advisable to be transparent with your stakeholders. It is important to involve them with the NGO’s development processes as far as you provide them an assurance by communicating with them the financial statements and where you can highlight the encountered deficiencies. Therefore with explications regarding those deficiencies, arguments, once plausible, are convincing and financial donors can understand some situations to certain limits.”* NGO1_2 perception seems plausible with Bonbright (2007) advancements, for which proper internal control measures facilitate the efficient use of resources, which in turn fosters community trust, accountability, and provide value for NGOs.

By implementing internal control procedures, an organization can ensure adherence to established norms and guidelines. NGO3_7 follows by stating that: *“a financial risk specific to NGOs concerns the area of subsidies. Indeed, when an NGO does not fulfill its obligations, such as the non-fulfilment of its object or the target audience does not correspond to the target, the funder has the possibility of claiming the subsidy paid. As a result, the NGO is faced with a funding shortfall. Finally, a financial risk may arise from the unreliability of the accounts, which is the consequence of a failure in internal control.”*

In addition, implementing internal control procedures enhance an organization’s accountability performance. Such procedures require NGOs to communicate the expected outcomes of their actions to all stakeholders and members of the organization. NGO8_19 stressed on that point once he indicated that: *“in order to reassure and support the donor in his position, financial transparency attempts to disclose how the NGO uses funds. Yet, some government representatives have reservations about employing these techniques.”*

The term financial control refers to a state where an organization’s financial resources are utilized effectively and efficiently. For NGO2_4: *“the board of directors must also play a*

role at this stage by obtaining information on the procedures in place and on the reality and the realization of the activities before approving the accounts and activity reports.”

NGO1_1 statement emphasizes the interdependence of risk and financial management as both disciplines are closely linked. NGO1_1 believes that improving financial control and internal control measures are crucial to enhance the board of directors’ visibility and provide them with better insight into the organization’s future strategic direction and stakeholders’ expectations. This can be achieved by ensuring effective financial and internal controls, enabling board members to make informed decisions and promote greater transparency. Subsequently, for NGO1_1: *“there are established guidelines for management and decision-making in a responsible organization. This seeks to stop actions that can hurt the organization or its stakeholders. The principles of good governance, which were originally designed for NGOs, now apply to all organizations that are concerned with being transparent with society or with concerned civic communities”*; and for NGO1_2: *“the board must actively participate in understanding the actions being taken. It must make sure that there are open communication lines with top management, the financial team, and the internal audit one.”*

Therefore, enhancing internal control measures can lead to improved organizational performance. One of the primary objectives of an internal control system is to increase efficiency. Improving financial control and internal control measures are crucial to enhance the board of directors’ visibility. It provides them with better insight into the organization’s future strategic direction and donors expectations. This can be achieved by ensuring effective financial and internal controls, enabling board members to make informed decisions and promote greater transparency. Such view is shared with the perception of NGO1_2, as: *“financial statements will be as trustworthy as internal control, increasing trust in financial donors and the general public.”* The above statement aligns with the research findings of Abdulkadir (2014) and Cazenave & Morales (2021). Based on the insights of the interviewees and the analysis of the literature review, it can be proposed that strengthening internal control measures contributes to enhanced organizational performance.

This is supported by research studies in the field. Proposition 5 is stated as follows:

Proposition 5 suggests that financial control is a vital element of the internal control system, as it improves visibility and efficiency in carrying out operational activities and evaluating the allocation of financial resources.

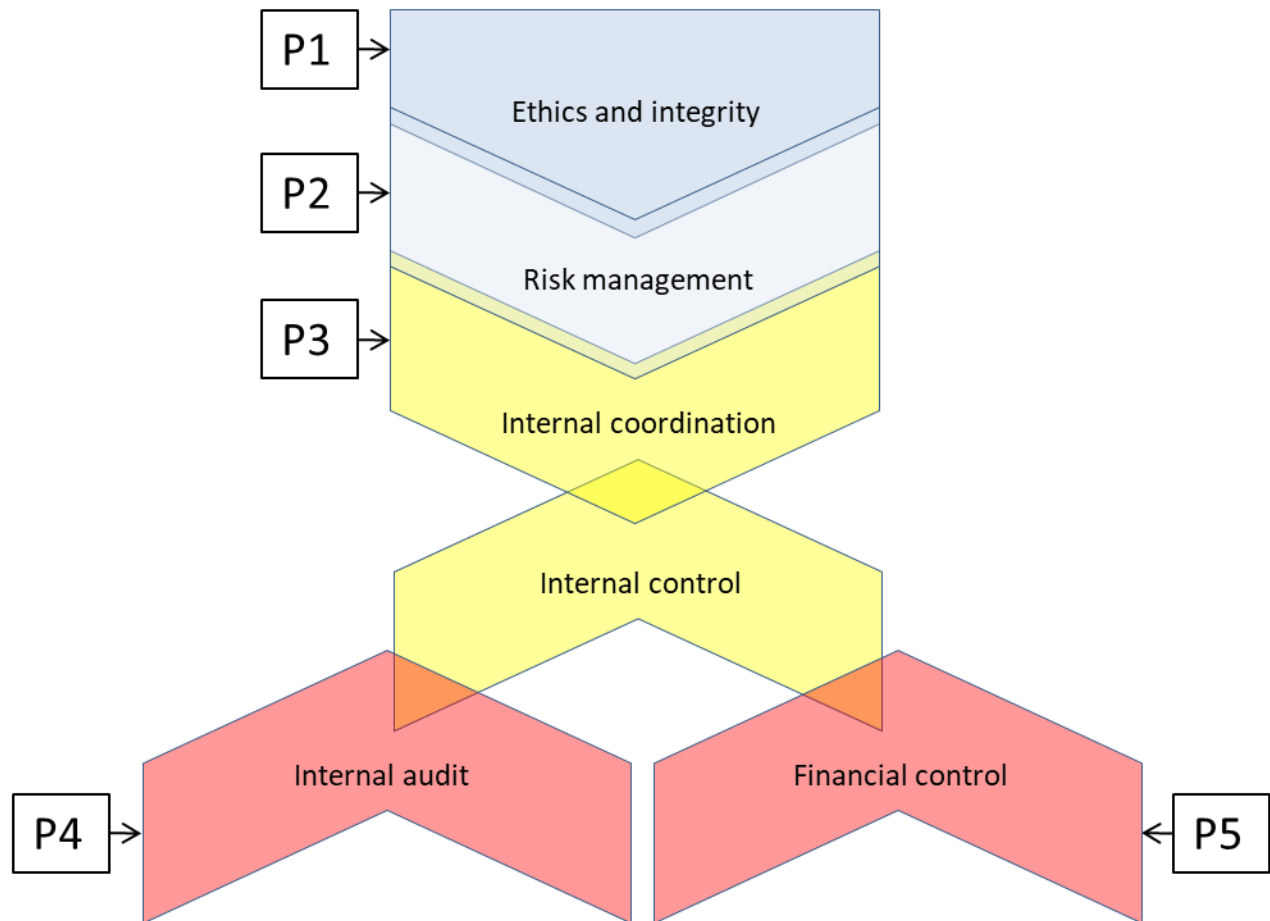


Figure 36: Fifth research proposition

5. Internal control and governance efficiency

Iramuteq outcomes (Classe 1, 14.7%, Figure 29) reveal the board efficiency which was identified, as well, throughout the interviews treatment with NVIVO. Efficient governance is essential for NGOs to establish and maintain legitimacy, accountability, and transparency. NGO6_13 reverts by stating that: *“by implementing policies and procedures, managing risks, conducting internal audits, managing finances, monitoring and evaluating performance, ensuring compliance, and communicating with stakeholders, an NGO can increase the efficiency of its internal control system and promote accountability and transparency. Monitoring and evaluating, risk management, policies and procedures and internal audit are key elements for an efficient internal control system in a NGO.”* Good governance practices include clear mission and vision statements, a strong board of directors, accurate financial management, ethical decision-making processes, and effective communication with stakeholders.

Governance practices in NGOs are a set of policies and procedures that ensure effective management of the organization. These practices include the creation of a board of directors, the adoption of codes of conduct, the implementation of a strong financial and risk management, and the engagement of stakeholders. Specific governance practices adopted by an NGO will depend on its mission, size, and context. Efficient governance practices, then, enable NGOs to measure and report on their impact, as well as to ensure that resources are used efficiently and effectively.

NGO2_5 was clear with his advancement: *“internal control is the cornerstone of an effective governance system because all financial, operational, and risk management outcomes enhance its sustainability and credibility and let the board see more clearly in order to carry out its strategic objectives. Without an existing, trustworthy organizational structure*

that might generate benefits for the whole NGO, it is inconceivable that a governance system would be effective.” In addition to that statement, NGO4_9 highlights that: *“within the framework of NGO governance, the implementation of internal control is a collective project. Its design occupies a growing place within NGOs due to the constraints of transparency.”*

The interviewed NGOs are implementing measures to mitigate potential risks. The management of NGOs is marked by a distinct functional separation between the nature of their aid operations and the factors that enable their sustainability as an organization (Quéinnec, 2003). NGOs are required to maintain their professionalism and expertise while adhering to their ethical standards, ensuring transparency, efficiency, quality, and delivering expected results as expected by their funders.

Every NGO possesses its own ways for working and its own governance practices for conducting its strategic projection. As per NGO2_5 statement: *“it is interesting to note that the involvement of governance systems is not uniform, which may first explain the absence of internal control. Regarding the terms that make the most reference to internal control, the most cited are: transparency, management and procedures, which correspond to the definition given to qualify internal control.”*

However, despite the fact of an independent governance system existence, the latter cannot be effective if it relies on a deficient internal control system. NGO4_9 underlines that: *“despite the presence of governance bodies, internal weaknesses may exist and are associated with risks. In NGOs, the main weakness concerns the implementation of internal control.”* NGOs must strike a balance between independent decision-making and actions, while also satisfying donor requirements and meeting their operational needs based on their beliefs and convictions.

Based on the analysis of the statements made by the interviewees and the review of relevant literature, the sixth research proposition can be formulated as follows:

Proposition 6 proposes that there is an interdependence between internal control and governance systems, as the board’s strategic vision is heavily influenced by operational outcomes and financial reporting.

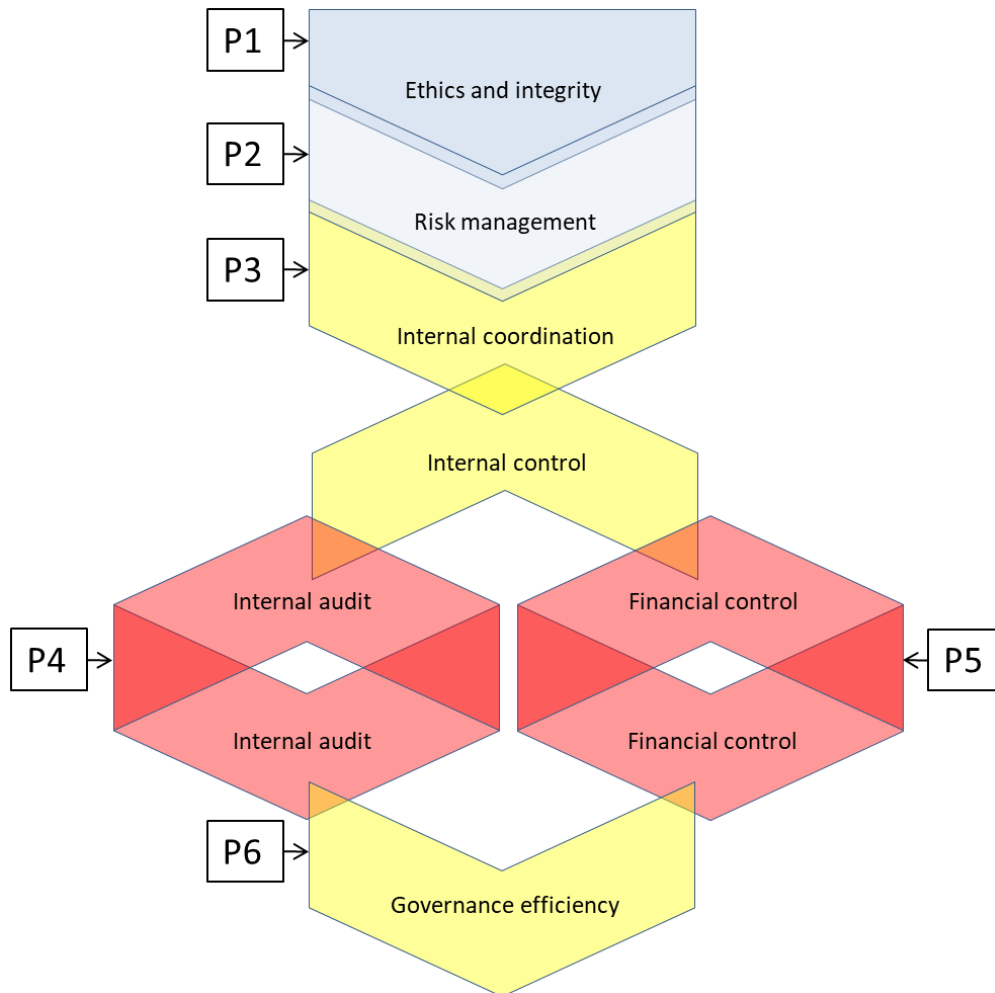


Figure 37: Sixth research proposition

6. Governance and financial transparency

Iramuteq outcomes (Classe 4, 17.7%, Figure 29) reveal the NGO’s relation with its stakeholders’ efficiency. Words related to trust, financial statement, build, support,

increase, donor, transparent, responsible, provide, transparency are the main elements that describe the responsibilities of NGO governance. NGOs have a responsibility to engage with stakeholders in meaningful ways, such as by soliciting their input and feedback, providing regular updates on organizational activities, and addressing their concerns and grievances. This helps to build trust, credibility, and legitimacy with stakeholders, which can in turn enhance the organization's reputation and support. Such scheme is reflected through the discourse of NGO3_7: *"the specificities of NGO governance are reflected through the management of internal control. The management of internal control depends above all on good governance. NGOs governance designates a set of good behaviors allowing the managers of non-profit organizations to rely on efficient and legible organizations to exercise their function serenely."*

For Hermanson & Rittenberg (2003), governance makes the board of directors an essential mechanism for monitoring agent behavior. The board must define and enforce chains of responsibility, as well as ensure the integrity of the organization's main information systems. Internal audit plays a vital role in helping the board achieve these objectives. Specifically, a competent internal audit function should meet the demand for managing agency conflicts, which aims to minimize contractual costs and maintain a balanced governance system.

According to Caers et al. (2006), this is justified by the fact that funders are often not users or beneficiaries. They are not even present all the time on site. However, Bilodeau and Slivinski (1997) point out that this thesis cannot be substantiated because competition in this sector encourages leaders of NGOs to be efficient. Despite this situation, Ostrower & Stone (2006) concluded that strong leadership within the organization can hinder the board of directors' control function.

NGO governance also involves ensuring that the organization's decision-making processes are inclusive and equitable, with the participation of stakeholders as appropriate.

For NGO5_12: *"for us, a well-designed governance system can help to ensure that financial resources are used in a responsible, accountable, and transparent manner, which is important*

in building trust with donors. We have a robust financial reporting system that can provide donors with clear, accurate, and timely information about how our NGO is using its financial resources.” This means that stakeholders have a voice in key decisions affecting the organization, such as strategic planning, resource allocation, and policy development.

Good governance practices also require NGOs to prioritize the interests of their primary stakeholders, such as beneficiaries and the communities they serve, over the interests of other stakeholders, such as donors or board members. This helps ensuring that the organization’s activities are aligned with its mission and values, and that it remains accountable to its intended beneficiaries. In sum, the relationship between NGO governance and stakeholders is critical for the effective functioning of NGOs.

Effective governance involves engaging with stakeholders in meaningful ways, ensuring inclusive and equitable decision-making processes, and prioritizing the interests of primary stakeholders. For report 5: *“effective governance is crucial for an NGO's sustainability. This includes having clear policies, procedures, and decision-making processes in place, as well as ensuring accountability, transparency, and integrity in all operations. On the other hand, developing programs and activities, that are effective, relevant, and sustainable over time, is crucial. This requires ongoing monitoring, evaluation, and adaptation of programs to ensure that they continue to meet the needs of the communities they serve. Having a committed and skilled team is also crucial for an NGO's sustainability.”*

By doing so, NGOs can build trust and credibility with stakeholders, enhances their support, and ultimately achieves their goals and objectives. NGO1_2 states that: *“good governance increases NGOs’ transparency and inspires trust among donors. Our organization must ensure that our NGO is open, that it upholds their interests, and that it has sound operating governance guidelines in place if we want people to be able to trust it. So, effective governance ultimately aids in luring in more funders.”*

From an upstream to downstream perspective, NGO’s donors include both public and private funders who play a crucial role in ensuring the organization’s sustainability in carrying out its mission. When speaking about NGO’s funds allocation, donors require rigor

and transparency as highlighted by Ebrahim (2002). The management is responsible for overseeing an organizational-wide approach implementation that embeds risk awareness into the NGO's corporate culture. This entails that specific risks are effectively managed by the appropriate teams. In a downstream perspective, the beneficiaries of aid are the population in a state of vulnerability who receive assistance directly. Their interests revolve around the relevance of the aid provided. It is crucial to consider, within this stream, the significant role that stakeholders play in funding NGOs.

Based on statements analysis made by the interviewees and the review of relevant literature, the seventh research proposition can be formulated as follows:

Proposition 7 asserts that the integrity and accountability of internal controls, as well as the faithfulness of donors' fund allocations, are reflected in governance outcomes and financial transparency.

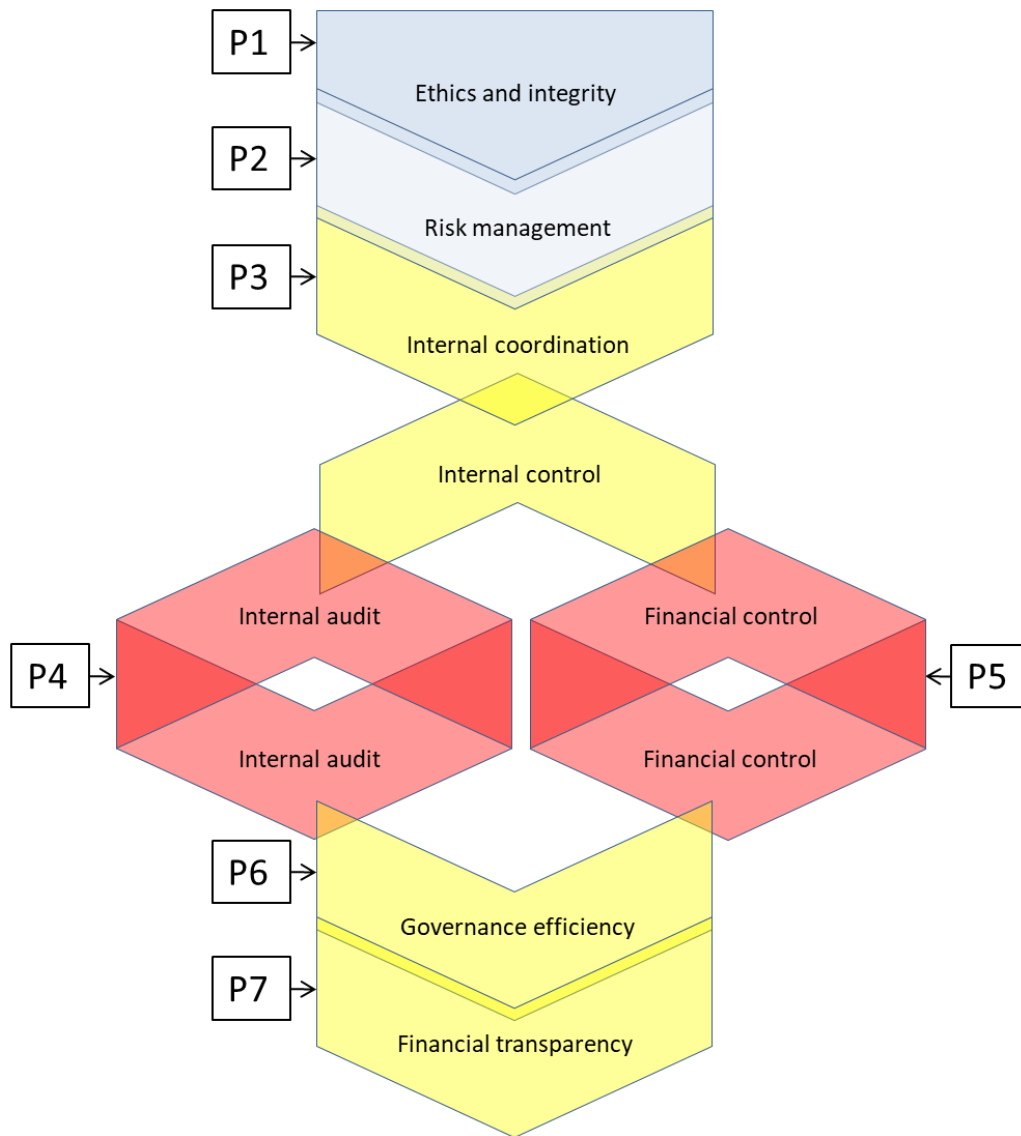


Figure 38: Seventh research proposition

7. Stakeholders' participation

Iramuteq outcomes show the weight of Classe 2 (28.3%) that illustrates the NGO with its external environment. In fact, stakeholder participation and donations are crucial for NGOs sustainability. NGOs depend on the support of their stakeholders, including donors,

volunteers, partners, and beneficiaries, to carry out their mission and achieve their goals. Reasons that were approached by the interviewees for stakeholders' importance into NGOs objectives accomplishments are related to stakeholders' financial support, engagement, and resources mobilization. Regarding the financial support, NGOs rely on donations from individuals, corporations, and other organizations to fund their programs and operations. Without financial support, NGOs may not be able to sustain their operations and achieve their mission. As for their engagement, stakeholders play an important role in creating awareness and support for an NGO's mission.

By engaging with stakeholders and encouraging them to participate, NGOs can build a strong community of supporters who are invested in their success. And for the last reason, NGOs often require resources, such as human resources, equipment, and infrastructure, to carry out their programs. Through stakeholder participation, NGOs can tap into a wider pool of resources and leverage the skills, knowledge, and expertise of their supporters.

7.1. Stakeholders' involvement

NGOs structures emerge specifically as a result of a socioeconomic context that conditions their development and sustainability. NGOs are often viewed as a central link in a chain of actors and are accountable in various ways, as highlighted by Davis (2007). These relationships between NGOs and their stakeholders are expressed through an accountability process. The interviewees, as part for NGO1_1: *"it is essential to combine citizen engagement and empowerment with a heightened awareness of the state's inability to fulfill the needs and demands of its people. This impression demonstrates that donor programs are too frequently either focused on participation, giving citizens the chance to express themselves and participate in choices, or on the obligation of the NGO to increase its willingness and capacity to meet citizens' expectations."*

For NGO6_13: *"donors are often interested in knowing how the NGO is using the funds they provide, and financial statements can help to provide this information. By this way a NGO can demonstrate its transparency and accountability, build trust and support, and help to ensure that its resources are being used in a responsible and effective manner [...]"*

By engaging stakeholders, seeking feedback, promoting transparency, and collaborating, the NGO can build relationships, increase support, and ensure that it is aligned with the needs and expectations of its stakeholders.”

Following that, and for the same NGO, NGO1_2 approaches refractoriness of NGOs' accountability by donors' trust and involvement. For him: *“donor's trust serves as capital in this implicit agreement, making even the smallest communication error costly. The NGO is consequently susceptible to scandals, just like for-profit companies. They can take many different shapes, but they are all connected to how private donations are put to use.”*

For report 3: *“the principles of good governance, which were originally designed for NGOs, now apply to all organizations that are concerned with being transparent with society or with concerned civic communities. Working to increase budget transparency can be crucial to raising accountability. It entails making it easier for citizens to participate in budgetary processes and oversight, as demonstrated by the actions of our non-profit intentions.”*

In the case NGO1, NGO1_2, financial transparency is crucial, as emphasized by the same interviewee. For him: *“my advice goes with building an internal system with the objective of meeting the expectations of donors and the served community as well as being complete by ensuring transparency, participation, responsibility, and integrity which are closely associated.”* As for NGO1_3: *“it is important to provide stakeholders with a document that presents our NGO. What are its objectives, its activities/projects, successes and skills? It is necessary to provide information so that everyone understands the role it plays. In addition to that, it is useful to integrate them with financial knowledge by sharing with them statements and budgeted ones in order to reassure them about the state of their financial contribution. In such, they feel confident about the honesty of the NGO in which they are investing in for resolving humanitarian issues and problems.”*

NGO7 report illustrates the junction point governance and stakeholders as: *“our credibility is the foundation of our governance system. Let us agree that the stakeholders are the donors, for that, my response will be yes. Usually providing the financial statements to the stakeholder*

(in that case) is very essential to secure their trust along with confirming our credibility toward them; even if it is not requested.”

Otherwise for NGO2_5: *“you can add also the stakeholders’ participation on your board, to make this clear and more relevant to their expectations.”* NGO3_7 follows with: *“this raises questions about the good ways that an NGO adopts to organize itself and thus carry out its project while taking stakeholders into account in decision-making. In terms of decision-making, the organization of power is based on the statutes which organize the internal mode of operation of the NGO. They thus make it possible to distribute powers between the various bodies existing within the organization [...]*

Unlike the governance of capitalist companies, NGO’s one is marked by the involvement of all actors. Indeed, an NGO must cooperate with all of its members (employees, volunteers) as well as with external organizations (financial partners) participating in NGO projects.”

In fact, several advantages are perceived for involving stakeholders in NGOs governance. Such view is important for NGO3_7. For him: *“in the case of NGOs, they are more oriented towards so-called partnership governance. The aim here is to integrate all of the organization’s stakeholders in the value creation and distribution process. The idea is that all the actors bring resources and thus contribute to the proper functioning and its sustainability. In NGOs, the presence of stakeholders remains essential due to the resources they provide. By focusing on the characteristics specific to associations and more specifically to governance, we can qualify it as being atypical and different from that found in the classic governance model.”* For the same interviewee (NGO3_7): *“it is crucial to involve permanently stakeholders into the development of the NGO, its budgeting and strategic processes. We can deduce that this gained legitimacy increases as far as the valorization of skills and knowledge in the field of finance/management as well as in levels of study for concerned actors is perceived” [...]*

“The presence of these mechanisms is decisive in ensuring that the funds allocated are intended for social purposes and not for private purposes. In addition, the implementation of internal control is all the more important with regard to stakeholders, and more particularly towards providers of financial resources.”

NGOs are generally required to communicate their financial statements to stakeholders, as they receive funding from various sources. This could be through annual reports, donor reports, public disclosure, and audits. By communicating financial statements, NGOs demonstrate accountability, ensure transparency in their financial management, and build trust with their stakeholders. A recommendation was made by NGO5_12 by stating that: *“yes, certainly it is advisable for to communicate financial statements to the stakeholders because financial statements provide stakeholders with valuable information about the organization’s financial performance, position, and use of resources, which can help to build trust and support. Donors are often interested in knowing how we are using the funds they provide, and financial statements can help to provide this information.”*

On the other hand, the management is responsible for overseeing the NGO’s operations and finances, and financial statements can help to provide the information they need to make informed decisions. By communicating our financial statements to stakeholders, we can demonstrate our transparency and accountability, build trust and support, and help to ensure that our resources are being used in a responsible and effective manner.

Perceived advantages are stated as the following. The first one is conceived around an enhanced decision-making. Stakeholder involvement provides diverse perspectives and expertise that can enhance the decision-making process. This can lead to more informed decisions and better outcomes. Stakeholders of NGOs take the form of beneficiaries, donors, partners, volunteers, community members, or staff. Involving stakeholders in program design, implementation, and evaluation ensures that the programs and services are in line with the stakeholder interests. This act builds trust, fosters collaboration, and improves the effectiveness of the organization. In addition, stakeholders’ involvement includes the participation in the NGO governance board as board members, or advisory council members.

The second one reverts for an increased accountability. Stakeholder involvement can increase transparency and accountability of the NGO. When stakeholders are involved in the governance process, they have greater insight into the organization’s activities and can hold the NGO accountable for its actions. The third one underlines an improved credibility.

Stakeholder involvement can improve NGO's credibility and legitimacy in the eyes of the community it serves. When stakeholders are involved in the governance process, it can help build trust and support for the organization.

Somehow and for NGO4_10: *“even if donors do not require such information, we find ourselves obliged to keep them in the loop of our financial position. We have many common donors with other NGOs, and I know that they receive their financial statements, at the end we are operating in a competitive environment. On top of that our control system requires the reporting of some financial statements to our main donors.”* NGO3_7 highlights such view while underlying that: *“indeed, NGOs have the particularity of being highly dependent on various donors who constitute their main resource. This strong involvement on the part of donors is explained by the social mission pursued by the associations through the realization of their actions. It should also be noted that in this environment, members derive their legitimacy through adherence to common values, namely ethics, trust and integrity.”*

The fourth one reflects an NGO for a will to an enhanced sustainability: stakeholder involvement can lead to the development of more sustainable strategies and practices. When stakeholders are involved in the governance process, they can help NGOs identifying potential risks and opportunities, and develop more effective and sustainable solutions. The fifth one is described for an increased innovation and creativity in undertaking missions and initiatives. Stakeholder involvement can encourage innovation and creativity in the NGO's activities. When stakeholders are involved in the governance process, they can bring new ideas and perspectives that can help the NGO to develop new programs and initiatives. Overall, involving stakeholders in the governance of an NGO can lead to more effective and sustainable strategies and practices, increased accountability, and improved credibility and support from the community.

Based on the interviewees' statements analysis and the review of relevant literature, the eighth research proposition can be formulated as follows:

Proposition 8 suggests that involving stakeholders in NGOs' budgeting activities, such as through their participation on the board, can actively improve visibility into the allocation of financial resources and the organization's strategic vision.

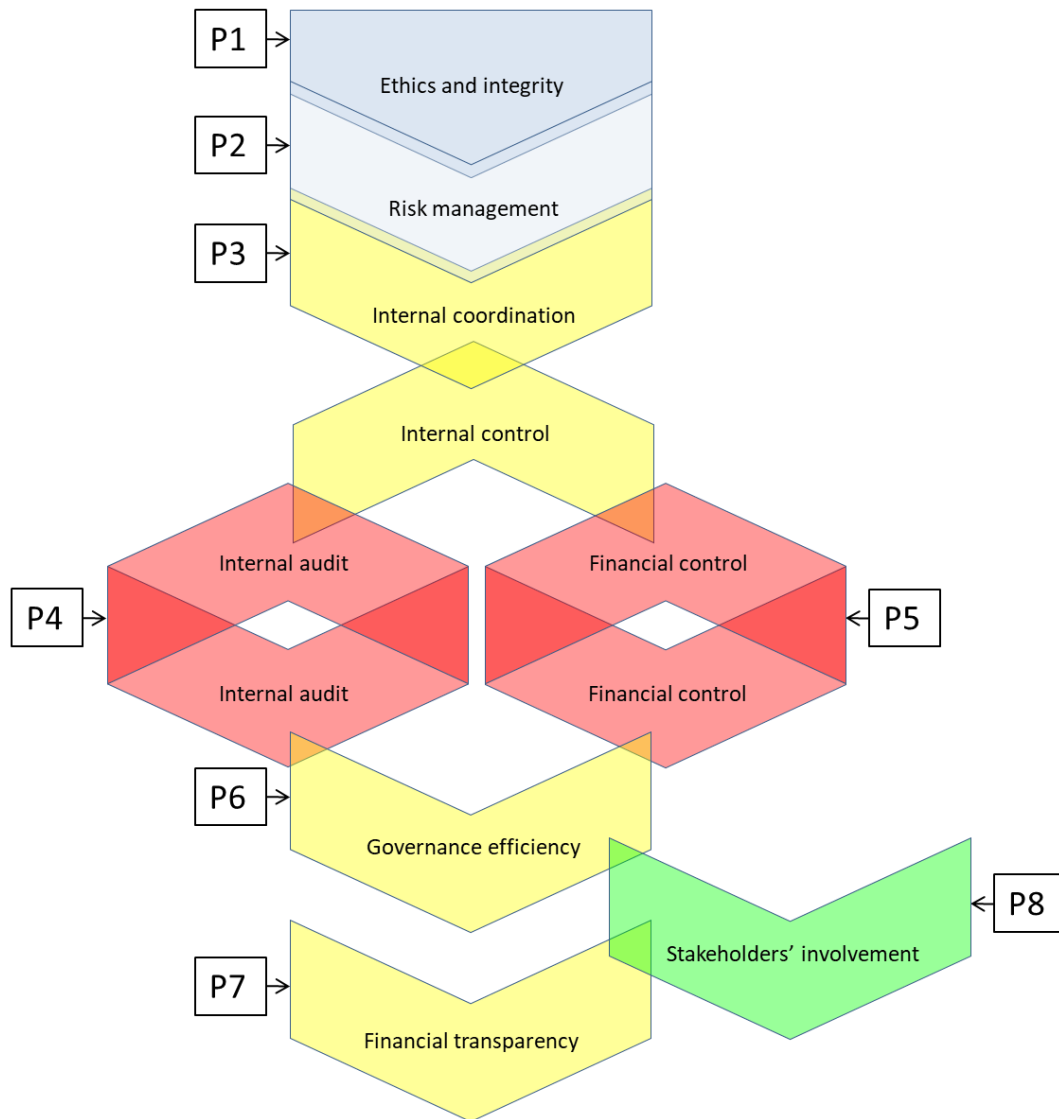


Figure 39: Eighth research proposition

7.2. Stakeholders' commitment and donations

Stakeholders' commitment and donations are crucial for NGO sustainability. On the first hand, NGOs rely on donations and contributions from stakeholders to fund their operations and programs. Without adequate funding, an NGO cannot carry out its mission effectively, provide support to its beneficiaries, or make a positive impact on the community. NGO8_20 developed the idea by stating: *“sure, the contribution of financial resources provided by the parties present conditions the very existence of the NGO: there is therefore an interaction between the organization and its stakeholders where the latter contribute to the operations and NGO needs.”*

On the other hand, stakeholders, who are committed to an NGO, can help increase its visibility and public awareness. For NGO5_12: *“stakeholders' perception of the NGO is important because it can impact the level of support and resources that the organization receives. A positive perception can lead to increased donations, volunteerism, and other forms of support, while a negative perception can reduce support and harm the organization's reputation [...] Engaging stakeholders in the development of the NGO can help to build relationships, increase support, and ensure that the organization is aligned with the needs and expectations of its stakeholders.”* This can lead to more partnerships, support, and funding opportunities from other donors, as well as increased legitimacy and trust in the community. Report 6 indicates: *“this was a blessing for NGOs like ours which adopted a proper system guided by transparency as a result many donors came to us to work together.”*

In addition to those two folds, NGOs need to sustain their operations and programs over time, which requires ongoing financial support.

Stakeholders who are committed to an NGO can provide a stable source of funding, can ensure that the organization can continue its work and make a lasting impact about their concerns for undergoing NGOs operational activities. From the three stated reasons, a stakeholders' commitment can be perceived accordingly, NGO5_12 follows by underlying that: *“the engagement with the civil community by building strong relationships with the communities served by an NGO is crucial for its sustainability. This involves involving*

communities in decision-making processes, ensuring that programs are responsive to their needs, and promoting transparency and accountability in all operations.”

NGOs have a responsibility to be transparent and accountable to their stakeholders, including donors. Stakeholders who are committed to an NGO can help hold the organization accountable for its actions and ensure that its resources are being used effectively to achieve its mission.

The literature review analysis conveys with the statement of the interviewees. NGO2_5 underlines that: *“as you are aware, the NGO cannot continue its operating activities without donations. We are not a business that sells products, deducts costs and expenses at the end, and then calculates its profit or loss. The commitment and trust of our financial donors as well as the happiness of the civic community serve as our metrics.”*

In fact, NGOs rely on fundraising campaigns, private and continuous donors, and individual financial donors. The panoply of revenues seems convenient as financial donations from a specific party cannot provide an NGO financial stability. NGO2_5 stipulates in this regard: *“as grants are not a reliable source of revenue, we will be dependent on individual donations, thus we need to be able to keep them up and draw in the public’s interest, to convince people that the work we perform is worthwhile and deserves to be supported. The biggest danger we have is that the subsidies will decide to stop providing funds for us. Another risk is if people decide not to give us money anymore.”*

NGO2_4: *“an NGO development depends critically on the involvement of its stakeholders. As far as you want to involve stakeholders, or more precisely financial funders, it is advisable to communicate with them, on a regular manner, the financial statements with them. Somehow, and where applicable some of the financial donors can siege on the board of directors. That is part of making stakeholders more comfortable to the missionary investment they are making” [...] “Internal control concerns all the members of the NGO but the attitude of the management constitutes a model. Indeed, the latter’s mission is to develop and establish a culture of internal control which appears essential, particularly in the accounting and financial fields. Therefore, it is important for the management to pay particular attention to the behavior of the actors by*

ensuring ethics and integrity. Ethics and integrity are important internal factors within an organization, and their presence is reflected externally through the perceived legitimacy from the stakeholders' perspective".

In line with the previously stated findings, the ninth research proposition can be formulated as follows:

Proposition 9 asserts that effective governance practices result in improved financial transparency, which strengthens the trust and commitment of financial donors.

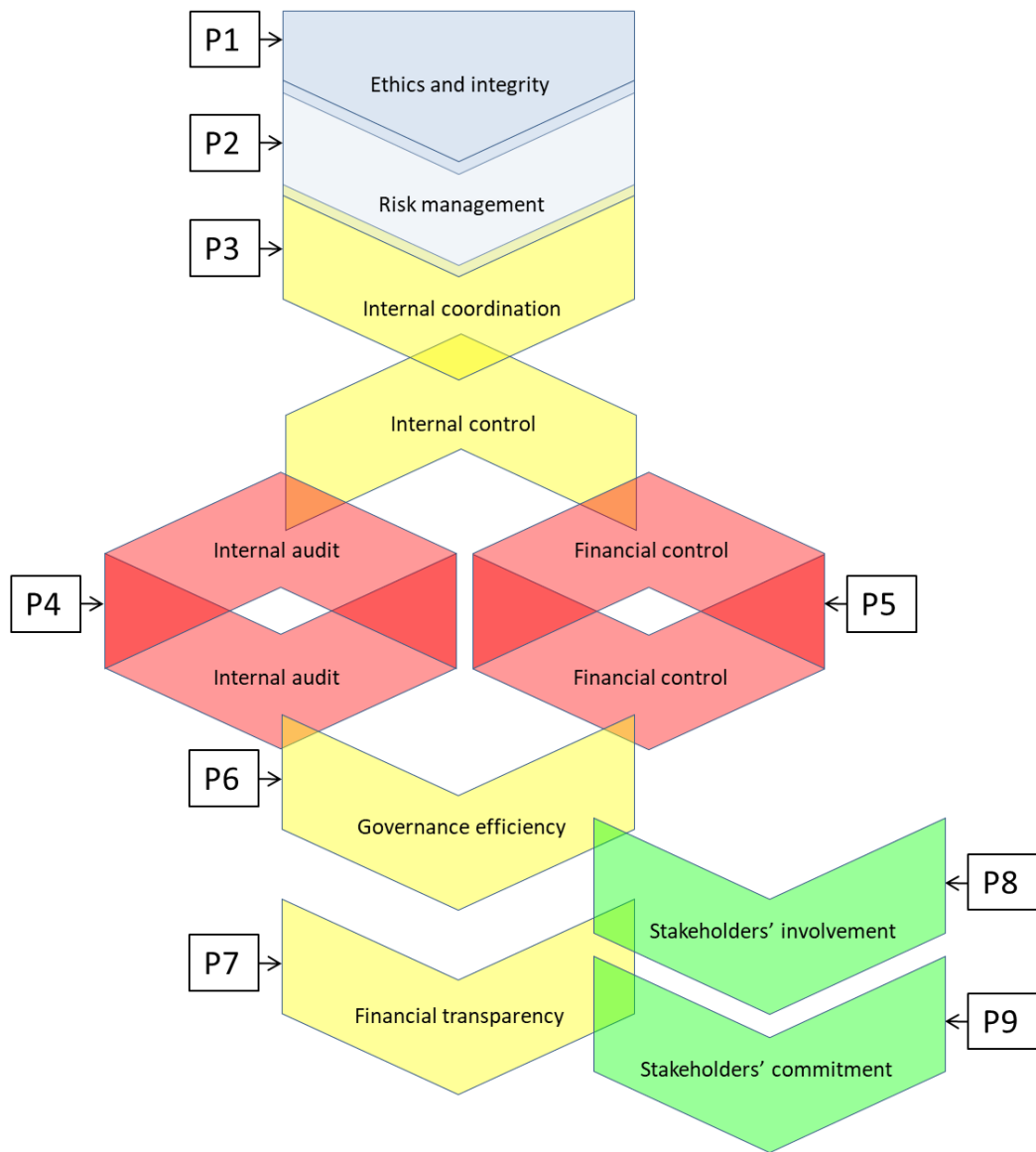


Figure 40: Ninth research proposition

8. Financial transparency and NGOs legitimacy

In Lebanon, there is a growing need among NGOs to enhance legitimacy due to the misuse of funds. For NGO5_11: *“NGO’s transparency and the public’s access to official information are crucial elements in conveying the demands of citizens for good governance and anti-corruption measures.”* To ensure the continuity of essential funds, NGOs are increasingly aware of the importance of transparency and efficiency.

NGO6_13 underlines that: *“we found ourselves a bit concerned about the reputation of NGOs after the blast resulting from the said NGOs which harmed the reputation of their peers. The feedbacks of beneficiaries are very important to keep a good image of an NGO in order to preserve its sustainability.”* NGOs collect stakeholder feedback in various ways, such as surveys, focus groups, complaints and suggestion boxes, social media, and feedback forms. Once collected, NGOs use this feedback to identify areas for improvement in their programs and services. Sharing feedback with the board of directors and staff can help ensure that they are aware of stakeholder perspectives and concerns. By listening to and responding to stakeholder feedback, NGOs can build trust, foster collaboration, and ultimately make a greater impact in their communities.

From an academic point of view, legitimacy is crucial for an NGO because it enhances credibility and public trust. Legitimacy refers to the perception that an NGO is operating in a socially responsible and ethical manner and is working towards the achievement of the stated objectives. Academic research has shown that legitimacy influences positively an NGO's ability to attract resources, such as funding, partnerships, and volunteers. A legitimate NGO is seen as a reliable and trustworthy organization which helps to secure partnerships and funding from donors and governments.

When an NGO is perceived as legitimate, its interventions are more likely to be accepted and supported by the public, which can lead to increased engagement and participation in its activities (Conway, O'Keefe & Hrasky, 2015). Academic scholars have also argued that legitimacy is crucial for an NGO's long-term sustainability (Ceesay, 2020). Considered legitimate, an NGO gains a credible reputation which can help to weather challenges and crises that may arise.

NGOs leverage the legitimacy concept to establish communication and transactions with donors. According to Vaccaro and Madsen (2009), transparency is the extent to which information is shared with stakeholders about the activities of an organization, and it also involves promoting ethical behavior for effective governance of the organization.

For NGO3_7: *“the communication with stakeholders’ and financial donors is a key of success for NGO’s legitimacy and trust of financial donors’ commitment for providing necessary funds.”* To maintain a close relationship with stakeholders, NGOs must deliver overlapping elements to gain legitimacy. NGO2_5 note, in this regard, that: *“in fact as far as you notice a certain embracement between the internal controls, the internal audit and the governance as far as the NGO can gain degrees in its legitimacy.”* In other words, NGOs legitimacy is closely tied to their governance practices. NGO6_3 showed that: *“legitimacy is a must for every NGO in order to encourage donors to donate to their programs and preserve its place as a reliable organization in the society. In fact, donors rely on the legitimacy of an NGO, in specific government’s related ones, to fund any of their programs. Some donors presented this matter throughout our first mutual program, when they deeply looked into our credibility and reputation by checking our offices and our history in the humanitarian field.”*

When NGOs operate with good governance practices, they can earn the trust and support of their stakeholders, which in turn enhances their legitimacy. On the other hand, poor governance practices can damage an NGO’s reputation and credibility, leading to a loss of legitimacy. For NGO4_10: *“I don’t have enough evidence to judge other NGOs but as far as I know there are lots of newly created NGOS in Lebanon and I am not sure they are all managed by professional people or focusing on humanitarian actions. At the end, sustainability and legitimacy are gained throughout the promotion of transparency and governance.”*

In the light of the stakeholders' theory, the role of the board of directors consists of decreasing the informational asymmetry, which is a significant source of moral hazard, and to counteract the possibility of a manager's inadequate management. In fact, for NGO6_13: *"as mentioned before and alongside the transparency the right information (related to accounting, financial information, etc.) should be communicated accurately to the donors and the related parties, stating that the rightful way of communicating the information will always put us in a position of trust in front of the stakeholders."*

The concepts of legitimacy, authority, and trust are essential for an NGO manager who must not only master them but also make them accepted by all stakeholders. In other word, the synchronization between the executive management and the role of the board consists of ensuring a financial transparency that is interpreted throughout the reduction of financial costs that are supported by financial donors.

An NGO governance regime must incorporate the idea of recognizing stakeholders' interests, protecting the value of their missionary participative convictions, as well as their financial contribution for the association.

NGO2_5 made it clear: *"the challenging financial environment and the proliferation of donor controls, such as audits, frequent manager changes, etc. have caused a certain number of control methods to evolve within NGOs. Such controls techniques have led to better display a professional work when it comes for communicating financial statements with stakeholders and to enhance, therefore, their commitment to our NGO."*

In addition, there is increasing pressure on NGOs to demonstrate the impact of their work and to be accountable for the resources they receive. For NGO3_8: *"in order to improve accountability, efforts to increase budget transparency can be essential. As evidenced by our non-profit aims, it comprises making it simpler for citizens to engage in budgetary processes and scrutiny."* Overall, NGO legitimacy and governance relationship is symbiotic - good governance practices are essential for NGOs to establish and maintain legitimacy, while a strong sense of legitimacy is necessary for NGOs to operate effectively and achieve their mission. Participatory techniques are useful to involve stakeholders to consolidate their

commitment. Such initiatives enhance financial transparency, when it comes to the donations allocation. Participative techniques can be presented as:

- Community meetings: NGOs hold community meetings to discuss specific issues with stakeholders and gather their feedback;
- Participatory budgeting: Involving stakeholders in the budgeting process to ensure that resources are allocated in a way to meets their needs;
- Participatory mapping: This technique involves engaging stakeholders in mapping exercises to identify key resources, needs, and challenges in a particular area;
- Deliberative polling: This involves bringing together a diverse group of stakeholders to discuss a particular issue, hear from experts, and deliberate on potential solutions.

NGO1_3 indicates that: *“initiatives in favor of transparency typically focus on encouraging the release of information and access to information regarding a sizable range of organizational decisions, from the creation and implementation of budgets to the management of financing. Beneficiaries are intended to be included in all phases of the decision-making, the implementation, and the monitoring processes through the use of participatory techniques. This is accomplished by promoting horizontal forms of accountability through the use of instruments such as citizen appraisals of NGO activity, internal audits, and participatory budgeting processes.”* A more detailed approach for NGO legitimacy is stated by NGO5_12: *“for me, it is important for a NGO to have legitimacy in order to preserve its continuity and I believe our NGO did that by:*

- *Following laws and regulations related to NGOs, such as registration, reporting, that can help to demonstrate the organization’s commitment to compliance and accountability, and increase its legitimacy.*
- *Providing high-quality services that meet the needs and expectations of the organization’s stakeholders can help to increase the perception of the NGO as a legitimate and effective organization, and build trust and support.*

- *Providing transparent information about the organization's finances, activities, and performance, and being accountable to its stakeholders, can help to build trust and demonstrate the NGO's commitment to responsible use of resources.*
- *And engaging stakeholders into operations development."*

That seems more preeminent with the statement of NGO2_5: *"without legitimacy, the NGO won't be able to sustain because it won't be able to meet its long-term needs. As I previously stated, the interrelation and consequences of governance, internal control, and audit serve as prerequisites for achieving legitimacy. To make this apparent and more pertinent to their expectations, you can also include the participation of the stakeholders on your board."* NGOs depend, heavily, on legitimacy to operate effectively. That seems plausible with the statement of NGO4_9: *"we have what so called encumbrance in our budgetary system, it means we reserve an amount from our budget before we undertake any project, however out of budget projects are always approved by the management and later on shared with our donors and sometimes shared prior to the project acceptance. We built with our main donors a certain trust on which we can capitalize; this gave us a freedom margin without losing our transparency. Our credibility is the basis of our governance system."*

NGO5_11 followed with: *"I can understand by the outcomes of accountability, the ability of our organization to maintain a certain level of integrity and legitimacy and the willingness of providing corrective actions and implement them. In such a way, we remain transparent and effective in regards to our stakeholders. Our efficient internal control based on segregation of duties, cross check and reference, as well as the adoption of clear procedures is the main factor behind our effective accountability."* As for NGO4_9: *"transparency is the key for the sustainability of an NGO, for that it is crucial to have the right information and the way of communication. For example, an effective accounting and control systems give rise to reliable financial information. It is not sufficient to get the right data, the importance remains in the way of communicating it to the donors, the management and any other concerned parties" [...]*

“I consider the lack of transparency exposes us to many risks vis-a-vis the donors, employees, suppliers and the beneficiaries. We make sure to strengthen the control between all the concerned functions in the organization.”

Legitimacy refers to the perceived or actual alignment of an organization’s goals, values, and actions with the expectations and norms of its stakeholders, including donors, beneficiaries, governments, and the public at large. NGOs rely on legitimacy to gain the trust and support of their stakeholders, who in turn enables them to mobilize resources, influence policy, and achieve their goals. Following that, NGO3_7 states that: *“all the stakeholders are taken into consideration by the resources they provide, thus contributing to the proper functioning of the organization”*, and for NGO8_19: *“this is explained by the legitimacy held by the stakeholder in question according to the risk to which it is exposed. When a stakeholder bears a high risk through the resources it brings, this occupies an important place in the governance of an NGO, thus going hand in hand with the weight of the legitimate rights which are granted to him.”*

In other words, without legitimacy, NGOs may struggle to attract funding, partnerships, and volunteers, and may face opposition or skepticism from their stakeholders. For NGO4_10: *“legitimacy is essential for any NGO otherwise it will not be conceived properly by the donors and hence it might lose its legitimacy as a reliable social player in the market. Donors of funds, in particular governments’ are related on NGO legitimacy before mobilizing any support program. We experienced this issue with some donors during mutual programs, when they did their investigation related to our credibility and reputation.”*

Legitimacy is particularly important for NGOs since they operate in a complex and diverse environment that involves multiple stakeholders with different interests and perspectives. NGOs often work in sensitive and challenging contexts, such as conflict zones, areas affected by natural disasters, or regions with limited access to basic services. In these contexts, legitimacy can help NGOs navigating through political and social dynamics, building relationships with local communities, and mitigate potential risks. To maintain legitimacy, NGOs need to be transparent, accountable, and responsive to stakeholders’ needs and expectations. They must also demonstrate their effectiveness and impact, and

adhere to ethical standards and best practices. NGOs that fail to uphold these principles may face reputational damage, legal or regulatory action, or even loss of funding and support. NGOs aim for mission reporting as evidence of financial transparency and effectiveness of their actions. By publishing results and testimonials, they strive to position themselves as crucial actors in the field. NGO1_2 underlines that: *“there must be a balance between the cost of installing controls and any potential advantages because not all hazards can be completely controlled. But, in order to prevent the organization’s legitimacy from being questioned, this internal control must consistently exhibit a particular level of rigor.”*

Transparency is, therefore, the evidence of an organization’s and members’ integrity and also a mean for its promotion. Transparency is a mean for NGOs to demonstrate their legitimacy to act, yet at the same time, it is perceived as an external desire to disrupt the proper functioning of organizations by challenging the notion of democracy and legitimacy. Such view is shared by NGO1_1, and for whom: *“we understand that an NGO publishes an activity report once or twice a year as a way of informing the public about how the money is spent. Although these records rarely receive donor scrutiny, according to one of our informants, they give a positive impression of the organization’s honesty. Hence, keeping this in mind, we issue an annual report outlining our goals, costs, and revenue. Efforts have been made, some jointly, to try and justify the action with the general community in particular.”*

As such, the primary role of most NGOs is to meet the expectations of specific individuals and attract as many people as possible to collect funds. NGOs must believe in the notion of social inclusion to assert their support and reveal their legitimacy. NGOs rely, heavily, on fundraising from various sources, including the nonprofit sector, and have gained the public’s trust. However, this has also brought attention to them for legitimating their tasks. Communication with donors is a significant source for reducing contingent risks, and the interviews state that NGOs seek transparency as a risk management attenuation mechanism. NGO1_2 stated that: *“in recent years, the domain of anti-corruption has given significant emphasis to budget transparency. Financial contributors find it challenging to track budget allocations and their implementation due to opaque budget processes, off-budget activities, poorly managed expenditure systems, and a lack of control.”*

In another way, NGO1_1 stated that: *“the notion of fraud and corruption can hinder a NGOs credibility and sustainability. This may lead to the cessation of subsidies granted by the subsidizing persons, but will above all lead to financial difficulties, and will have a direct impact on the reputation and viability of the NGO. The consequence of fraud or unreliability of accounts may be the loss of subsidies.”* Furthermore, and in the same stream, NGO6_14 carried on by stating: *“it is important to find techniques and tools for monitoring frauds as well as focusing on the promotion of a financial transparency. Those two elements, jointly, can enhance better legitimacy for the NGO you are managing as well as increase the trust in your missionary action. Such view reverts to the fact that your entity’s legitimacy is highly dependent from stakeholders’ trust and perceptions of your actions.”*

Transparency is crucial to maintain the public’s trust and ensure continued funding. NGOs implement various mechanisms to demonstrate their transparency and reassure donors and other funders. According to the interviewees, both internal and external communications are essential for NGOs. Internally, employees and volunteers use various means of communication such as email or exchanging ideas during meetings. Additionally, all the NGOs interviewed have established internal regulations that outline general obligations and rules of conduct within the organization. Such scheme appears through the discourse of NGO2_12: *“an NGO should preserve transparency, compliance, governance in order to attract funding and skilled staff and to retain their employees, win new projects and of course gain the donor’s trust. Staff, in particular managers, should keep a high level of professionalism and integrity and get the needed trainings for their skills development. An illustrious history of an NGO is an important asset for its development and sustainability.”* Based on these findings, the following research proposition is stated as:

Proposition 10: NGOs can achieve legitimacy by effectively coordinating their governance and internal control mechanisms, which results in improved transparency. This increased transparency fosters trust among financial donors, who are more likely to fund organizations that they perceive as trustworthy.

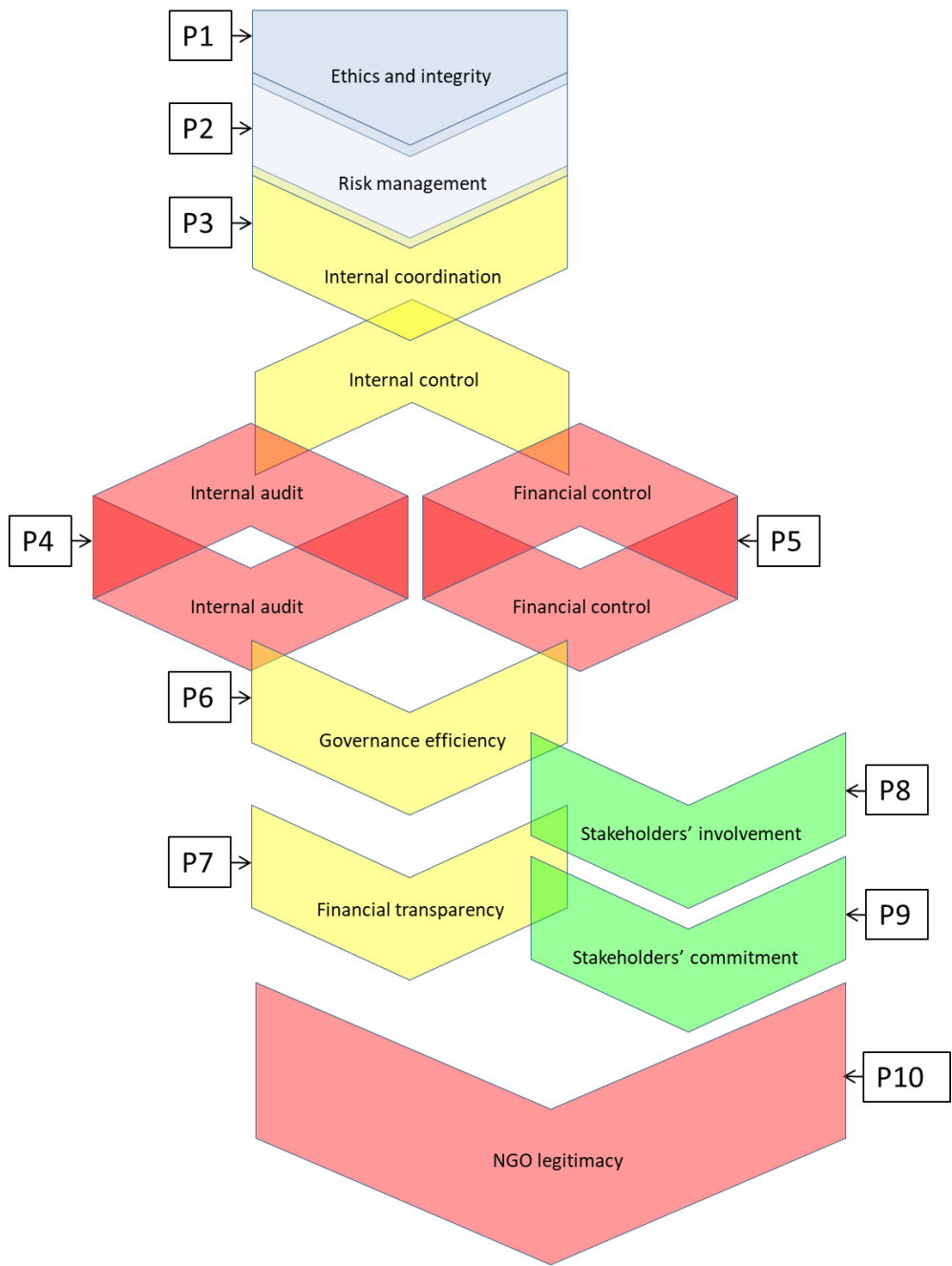


Figure 41: Tenth research proposition

Second Part Conclusion

The abductive approach supported by the case study method allowed us to grasp the very meaning of the internal audit and internal control contribution for Lebanese and International NGOs governance and to elucidate the schematics and modalities through which they can maintain their legitimacy towards respective stakeholders. The contrast between the agency and the stewardship theory elucidated the importance of the outcomes of ethics and integrity code of conduct through modes of coordination, and throughout risk assessment. At a level of coordination and cooperation within the NGO, it is conceivable to understand their reflection on internal control development.

Moreover, the agency theory can be refractory at the level of an internal audit contribution and an internal control improvement. The aim is to promote a financial transparency regarding the allocated financial resources for NGOs operational activities. In the same vein, financial and internal controls serve as the foundation for a more effective governance decision-making process, by providing greater visibility and ensuring accuracy in financial information. Dissemination of financial information is not only necessary for decision-making, but it is essential to respond to the main interest groups or stakeholders of NGOs information needs. By considering the expectations of stakeholders and keeping them informed, NGOs can strengthen their commitment and increase donations.

Conclusion

1. Main findings

Stakeholders play a vital role in providing intangible resources to NGOs through their public opinions and trust. This trust is essential for NGOs to carry out successful actions. Therefore, it is crucial for NGOs to maintain a high level of trust to ensure a steady flow of financial resources from private and institutional donors. Conversely, if NGOs fail to maintain transparency and effective management, it can lead to a lack of trust among stakeholders and negatively affect their ability to attract donors, especially when compared to other organizations. An effective risk management system, which can be seen as an internal control system, involves three organizational levels. Implementing a comprehensive internal control system helps to mitigate various risks and achieve set objectives. NGOs, operating in an unstable socio-economic environment, have a vested interest in adopting the principles of COSO internal control.

The internal control system, also known as a risk management system, comprises three levels of organizational interventions. The first level of control operates under the governing system and involves individuals who implement public policies and manage the associated risks. The second level of control includes those who functionally support, complete and coordinate control actions and ensure that the operational actions are carried out properly. The third level of control is independent and involves individuals who provide assurance on the correct functioning of the system, also known as internal audit.

The implementation of an internal control system, which involves all the important internal stakeholders, can help clarifying roles and responsibilities, understand and manage

the processes involved in achieving objectives, and facilitate the flow of information among internal users. As a result, decision-making is better informed, more reliable, and secure, thus contributing to good governance. Internal control is crucial as a managerial mechanism for ensuring integrity, transparency, and accountability. NGOs transparency is related to the degree of information and the attitude in which accountability is faced (Zhang et al. 2020). An efficient internal control system plays a significant role in improving governance efficiency. While governance systems typically monitor operational activities, in cases where NGO managers may have corrupt intentions, they may not only focus on providing strategic vision for the expansion of the NGO, but also on detecting fraudulent actions. A transparent accounting and financial statement, guided by internal control, consolidates the governance system's focus on meeting stakeholders' expectations.

To operate humanitarian projects, most NGOs rely on external funding sources such as foundations, corporations, and individual donors. However, the transfer of funds is not a one-way transaction, as it carries with it values and obligations towards the donors. NGOs must demonstrate transparency and accountability as recipients of these funds, using them responsibly and in line with the donor's intentions. This requires providing clear project information to individual donors and organizations, and ensuring that fundraising activities align with the NGO's mission. The double circulation of values and obligations makes it imperative for NGOs to maintain open and honest communication with their donors.

The development of internal control and governance within NGOs adds value by optimizing operational and financial resource allocation and enhancing organizational accountability. This accountability is crucial for maintaining trustworthy relationships with stakeholders and financial donors. In essence, accountability refers to an NGO's responsibility to act on behalf of financial donors and to provide missionary and humanitarian projects for the community. The legitimacy of NGOs is based on their ability to maintain transparency with the external environment and uphold their accountability to stakeholders and financial donors.

Based on the analysis of the literature review and the qualitative data interpretation, this research has generated the following research propositions.

Proposition 1 suggests that establishing a code of ethics or code of conduct within an NGO is essential for assessing and continually implementing an effective internal control system.

Proposition 2 posits that maintaining integrity is crucial for NGOs to effectively manage risks. The organization should evaluate both internal and external limitations, and take action to provide reasonable assurance for both internal and external stakeholders.

Proposition 3 posits that cooperation is crucial to strengthen internal controls, manage risks, and increase financial transparency. It provides greater visibility into operational activities to attract financial support from donors and the wider community.

Proposition 4 proposes that the internal control and internal audit systems within an organization are interdependent and can collaborate to improve financial transparency, accuracy, and visibility in accordance with the organization's strategic vision.

Proposition 5 suggests that financial control is a vital element of the internal control system, as it improves visibility and efficiency in carrying out operational activities and evaluating the allocation of financial resources.

Proposition 6 proposes that there is an interdependence between internal control and governance systems, as the board's strategic vision is heavily influenced by operational outcomes and financial reporting.

Proposition 7 asserts that the integrity and accountability of internal controls, as well as the faithfulness of donors' fund allocations, are reflected in governance outcomes and financial transparency.

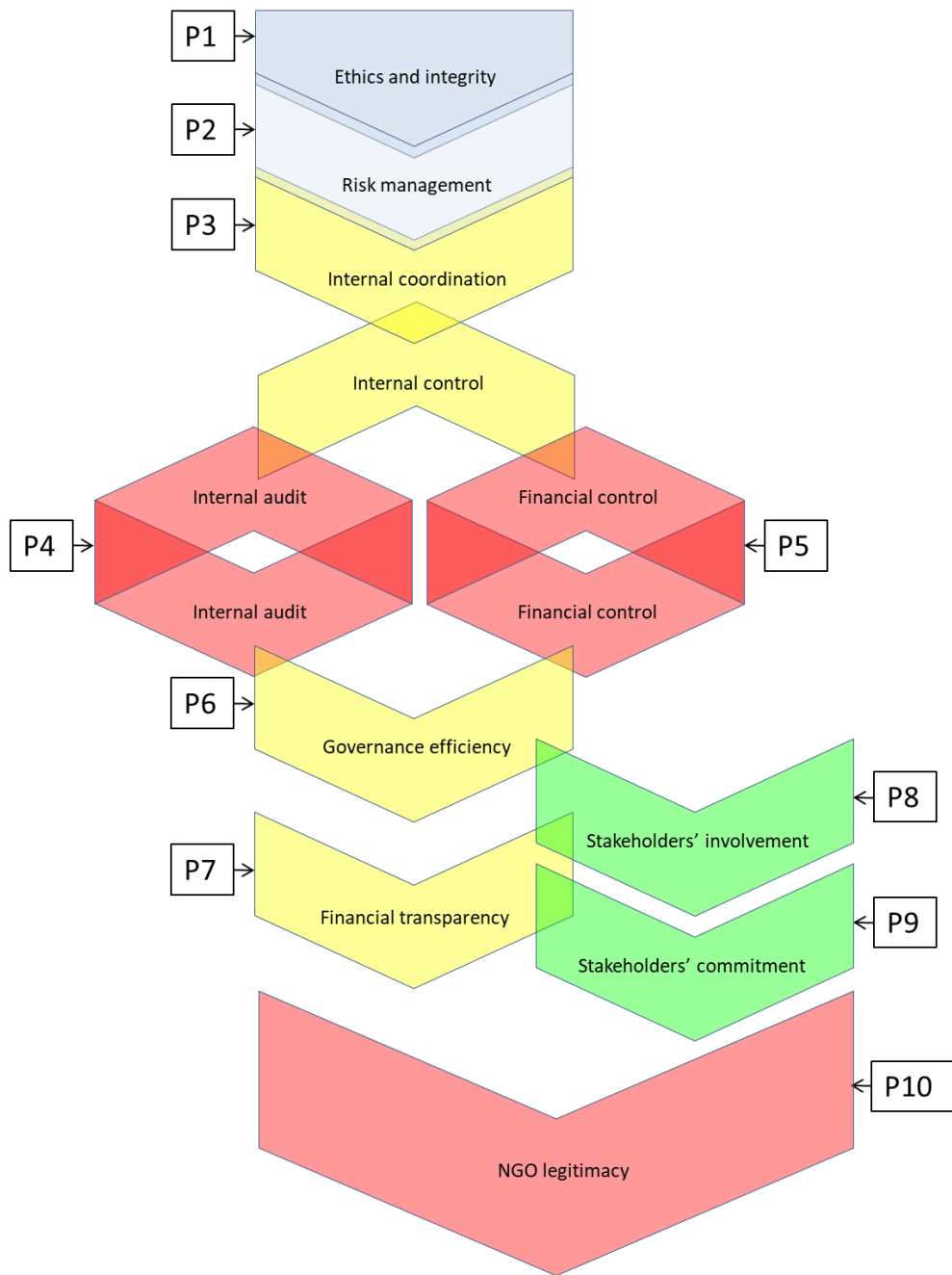
Proposition 8 suggests that involving stakeholders in NGOs' budgeting activities, such as through their participation on the board, can actively improve visibility into the allocation of financial resources and the organization's strategic vision.

Proposition 9 asserts that effective governance practices result in improved financial transparency, which strengthens the trust and commitment of financial donors.

Proposition 10: NGOs can achieve legitimacy by effectively coordinating their governance and internal control mechanisms, which results in improved transparency. This increased transparency fosters trust among financial donors, who are more likely to fund organizations that they perceive as trustworthy.

The following figure traces the interrelationship between categories and related themes as well as the research propositions sequences that align the findings interpretation and conductive wire to properly describe an NGO governance in a bidirectional way.

On the one hand, governance lays heavily on the outcomes between the synchronization of an internal control and internal audit as its authenticity relies on the transparency of financial statements. On the other hand, the communication with stakeholders' makes the board accountable in front of the civic community for an efficiency that depends from an organizational one. In other words, it reverts to the board to ensure NGOs accountability that makes the organization legitimate on behalf of the stakeholders.



2. Theoretical implications

To enhance the internal control system, an internal audit function must effectively review, evaluate, and ensure the adequacy of controls. This function must adopt an ongoing and systematic approach that includes risk assessment and promotes transparency in ongoing financial operations. The contribution of the internal audit function has been explained by various theoretical approaches. One of them is the theory of transaction costs, which posits that the internal audit function can help reduce transaction costs. Another theory, the agency theory suggests that the internal audit function can mitigate information asymmetry between the manager (the agent) and the stakeholders.

According to the agency theory, the internal audit function plays a crucial role in the corporate governance system. The theory can also be applied to the supply side of market auditing, where auditors must be independent, honest, and accountable. Corporate governance is concerned with establishing trust between managers and shareholders to protect the latter investment in large corporations.

In the case of NGOs, the relationship between managers and stakeholders becomes crucial, as stakeholders are financial donors and resource allocators, as well as members of the civil community. One may question the applicability of the agency theory to nonprofit organizations since it evokes the opportunism of actors that is supposed to be absent within these organizations. Labie, M. (2005) affirms positively this query and justifies it by the existence of a segregation between ownership and management during the fulfillment of missions.

However, the same author qualifies the application by mentioning related difficulties: The first difficulty pertains to the motivation of disinterest in financial benefits of different actors (Labie, 2005). The second difficulty relates to complex objectives with multidimensional missions that are difficult to define (Van Puyvelde, S. et al., 2012), which leads to the difficulty of evaluating results with a precise measure of performance provided

that these organizations transform funding into social values (Caers et al, 2006). Knowing that there is no owner in the sense of shareholders, the difficulty of identifying a single principal in the organizations arises since they have multiple stakeholders (Cornforth, 2003) and each stakeholder can be considered as a principal (Van Puyvelde et al., 2012).

Thus, building trust between NGO managers and stakeholders is essential for effective governance. The internal auditor plays a crucial role in providing the board of directors with an objective assessment of the effectiveness of risk management. This involves ensuring that material business risks are being properly managed and that internal controls are operating efficiently. Furthermore, the internal auditor can help to reduce information asymmetry between managers and stakeholders by providing assurance on the accuracy of financial accounts. By fulfilling this assurance function, the internal auditor helps to address concerns related to the veracity of accounts.

Enhancing transparency is closely linked to promoting citizens' involvement in decision-making, monitoring, and supervising public policies and programs. Participatory anti-corruption approaches are based on the idea that individuals who benefits from development programs are more likely to monitor and improve service delivery. Therefore, providing greater transparency should be accompanied by creating more opportunities for citizens to participate in the aforementioned activities.

In contrast to contractual theories that mainly emphasize cost savings and address issues related to the distribution of a created value and conflict resolution, relational and cognitive aspects concentrate on the value creation process within NGOs.

The new perspective brings a multileveled interpretation to the role of governance mechanisms. Rather than being solely focused on resolving conflicts, they are now seen as playing a proactive role in promoting the visibility of the NGO's actions to the community. From a stewardship theory interpretation, the board of directors is no longer responsible for monitoring managers to ensure they align with the interests of shareholders. Instead, the board's role is to enhance managers' performance by providing advice and support, as there are no conflicts of interest between the principal and the agent, like in the case of the

agency theory. As a result, cooperative modes entail transparency and efficiency in terms of budget resources allocation. Such internal mode of organization for NGOs convey with the stakeholders” theory as NGOs attract many stakeholders who become internal actors participating in the NGO life (Campi et al., 2006). In return, financial donors, part of NGOs stakeholders, give gifts to others with the expectation of receiving something in return, either in the form of another gift or in the form of gratitude, respect, or social recognition. In gift giving is the social exchange theory, which suggests that gift giving is a form of social interaction that involves reciprocity between an NGO and its stakeholders.

3. Practical implications

NGOs must monitor and display the progress of their activities to fulfill their social mission towards donors and the wider public. However, the use of appropriate tools becomes more critical as NGOs increase in size and organizational complexity.

NGOs have a significant responsibility to evaluate their activities and ensure financial accountability to their resource providers. Particularly in Lebanon, where the government has been unable to provide essential economic and social services to its citizens, NGOs play a vital role in addressing the challenges faced by the society. Therefore, it is important for NGOs to professionalize their structure and demonstrate performance in order to maintain their existence in the Lebanese social context, uphold their reputation, and fulfill their corporate social responsibility.

An insistent request for an audit involvement was highlighted by the interviewees. In fact, the contribution of internal/external auditors seems crucial as they constitute a junction point between the internal control development and the elaboration of an efficient governance system. In such, the practical implications are reflected through the positive outcomes for an NGO financial transparency and legitimacy.

4. Limitations and future perspectives for research

The research centers on a qualitative methodology. The research should have invested with a quantitative methodology by investing into survey dissemination to a largest population. Therefore, it is possible to rely on a mixed research methodology. As for the future perspectives for research, it is important to position the angle of the study from the lens of stakeholders and donors in order to cope with their expectations regarding their investment into missionary activities.

Another limit to note, it is about interviewing the selected NGOs stakeholders and/or respective financial donors as Interviewees were reluctant to share their names or contact details

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APPENDIX

Verbatim

Verbatim of thematic content analysis

1. Risk management, NGOs ethics and integrity

1.1. Integrity and internal control assessment

“The staff is the central element of internal control. Organizations must surround themselves with competent and trustworthy people in order to be able to ensure effective control.” **NGO3_7**

“Competent people are needed for the success of the internal control process, as such all functions must be integrated in the process of internal control. Probably the internal audit is the main function to deal with the efficiency on the NGO internal control. Leave alone the avoidance of politics and conflict of interests of the employees.” **NGO6_13**

“Fraud is an inherent risk in any association. Any association is likely to have to face it one day or another. It can occur following the collusion of several staff members; hence the importance of ensuring the integrity of staff. It can also occur because control measures to prevent this risk are not in place or are not effective.” **NGO1_1**

“So an NGO, which does not have a code of good conduct, integrated into the collective project of the association a chapter relating to ethics and integrity. This collective project was previously prepared and discussed with all the staff of the association, including with the board of directors. This project has obtained the support of all the staff.” **NGO1_3**

“Our internal control is in a straight line with one of our core values: “transparency”, this value assures the continuity of our organization facing, community and environment, noting that it is meaningful regarding our donors of funds.” **NGO6_13**

“Staff in particular managers should keep a high level of professionalism and integrity and get the needed trainings for their skills development. A good history for an NGO is an important asset for its development and sustainability.” **NGO5_11**

“Indeed, it is reflected in the existence of codes of conduct, ethical rules and aims to maintain the internal control system. It is the role of management to set an example, whether in terms of speech or behavior towards members inside and outside the organization. Take the case of a circumvention of controls by managers linked to a breach of standards of moral behavior. It therefore appears obvious that this situation favors the realization of risks and therefore undermines the control of operations. That is why associations that put the content of their code into practice gain a reputation for honesty, integrity and principled professional behavior. The code of ethics must promote the culture of the association by drawing attention to the responsibility of each person taking into account the principles of the association. To ensure its application, it must be promoted by the entire team.” **NGO3_8**

“The need for an ethics code is a crucial factor. We put it into practice and instructed each firm director and employee. We also have a unique code just for staff. The code of ethics is a crucial component of sound corporate governance, and we have made sure that each of our staff is aware of it and follows its rules. Your vision of internal control and the expectations you have in regard to it must be shared with all staff members as a member of the board of directors or management of an organization. That necessitates that you define this vision and these expectations and express them by establishing moral standards, laws governing honesty, code of conduct, and workplace policies. They will be created in accordance with the NGO’s mission and objectives.” **NGO1_2**

“NGOs play an essential role in social cohesion. In an NGO environment, we find ethical values such as sharing, solidarity, mutual aid which condition the very existence of the association. This component related to the control environment is decisive since it influences the degree of the presence of internal control.” **NGO3_7**

“The personal and professional integrity and ethical values of managers and staff determine their priorities and value judgments. This translates into a code of conduct. These

qualities must materialize through an attitude of adherence to internal control, at all times and throughout the organization. Everyone active in the organization, both managers and staff, must prove their personal and professional integrity, and their respect for ethics. In other words, legitimacy is on reflected throughout an internal transparency and commitment to the NGO values without promoting self-interest intentions.” **NGO1_3**

“NGOs’ employees will pay close attention to the ethical conduct of their manager as well as the example he may set for the entire team of employees and volunteers who make up the association. In large associations, it is recommended to put in place formal documents (code of good conduct, integrity, work, rules of procedure, etc.) and to send them to all staff and volunteers. It may be useful for staff to read them as soon as they start their service and accept them before working for the NGO. As the environment changes, as associations evolve, these codes and regulations must be updated to take these changes into account. As far as, ethical conduct can influence individual behavior, commitment can be translated into NGO accountability.” **NGO1_1**

“Technically, the organization, documentation, and traceability requirements form the foundation of any risk management or internal control system. These three requirements must be integrated by any organization, procedure, or operation taking part in the implementation of a public policy. Individual and group tasks need to be planned, recorded, and tracked in order to reduce risks related to achieving objectives. To achieve this, a continuous process that integrates all processes and activities must serve as the foundation for the construction of an internal control system. In order to empower staff and prevent internal sources of conflict, these regulations particular to our organization also include a summary table of the responsibilities assigned to management and the board of directors.” **NGO1_2**

“To secure their support for this vision and these goals, it is also necessary to inform and even discuss this mission and objectives with all employees and volunteers. The rights and obligations of the employees and volunteers working for the NGO are governed by the code of good conduct and/or integrity. These regulations must, among other things, address conflict of interest issues [...] to encourage their staff to perform in accordance with the entity’s values, the manager and directors of the entity must model excellence in all that they do. The entity’s

operations are governed by codes of ethics and integrity. An efficient internal control system can emerge in this setting, which is unique to each entity and brought to the top hierarchical level.” **NGO1_1**

“Managers should set up lines of reporting. That is, they must put in place a structure to communicate information in a timely manner and to the right person. This communication structure must allow communication both from the staff to the managers, from the managers to the staff, and between the different sections/units that make up the association. Leaders must also ensure communication with the board of directors in order to comply with legal requirements but also to inform them of any major event that could have an impact on the activities of the organization” [...]

“Small NGOs do not require a heavy communication structure. Due to their size, communication is often informal and everyone knows everything. Nevertheless, having a written record of the meetings and discussions relating to the decisions taken by its members can be useful in order to communicate externally, to have a history of the decisions and their justification, and to retain knowledge within from their missionary entity.” **NGO2_5**

“Yet, it is well known that NGOs adhere to a code of conduct that primarily reflects their convictions and the significance of the ideals they uphold.” **NGO2_5**

“To guarantee a solid financial management, an NGO’s and its employees’ integrity, which is to say honesty and seriousness must be unquestioned. To achieve this, there must be no ambiguities regarding the use of funds, accounting records must accurately reflect reality, and proper procedures must be established and adhered to by all the employees.” [...]

“When supplemented with more conventional measures of accountability like monitoring, control, and surveillance, which can challenge and potentially discipline incorrect behavior, transparency and participation techniques are more likely to be successful. All of these initiatives rest on fundamental tenets of transparency, involvement, and accountability, which is integrity. Integrity can be promoted by the effective application of integrity promises or rules of conduct.” **NGO1_2**

“Managers and staff must ensure that they maintain a level of competence that allows them to understand the importance of developing, implementing and maintaining good internal control and performing their duties in order to achieve the general objectives of internal control and the mission of the organization. Everyone within an organization participates in internal control at their level and within their responsibilities limits.” **NGO1_3**

“There are, however, many factors that affect the integrity of NGO’s managers and their subordinates. Therefore, staff should be reminded at regular intervals of their obligations in this area and of the obligations set out in the code of conduct. Advising and evaluating performance also have their role to play. Thus, the assessments must be based on the appreciation of several key factors, including the role of the personnel in the realization of the internal control.” **NGO2_4**

“The commitment, involvement and support of the board of directors of an NGO promote a positive attitude and are decisive for maintaining a constructive attitude and adherence to internal control. [...] Therefore, it is extremely important that management demonstrates and insists on ethical conduct if it is to achieve internal control objectives. In the exercise of its function, management must set an example through its own actions and its conduct must be the model of what is good to do rather than the image of what is only acceptable or simply convenient.” **NGO2_4**

1.2. Integrity and risk management

“The underfunding of a humanitarian activity can occur following poor planning, budgeting of activities caused by a lack of knowledge of the sector, of the costs of an activity, the definition of unrealistic objectives in relation to the available resources, late subsidies which lead to unforeseen financial charges, and which have an impact on the financial balance of the NGO and may lead to a questioning of its activities. Such scheme calls for an integrity of an NGO organization and reflects stakeholders’ commitment and trust” **NGO1_1**

“All of the NGO’s members are concerned about internal controls, but the management’s stance serves as an example. In fact, the latter’s goal is to create and institutionalize an internal control culture, which seems crucial, especially in the accounting and financial sectors. In order to ensure ethics and integrity, it is crucial for management to pay close

attention to the actors' actions. As far as internal ethics and integrity are concerned, as long as they are reflected in a perceptual legitimacy from the perspective of stakeholders.” **NGO6_15**

“Internal control within an organization actually comes down to the same thing. It refers to all actions that an organization takes to accomplish a certain goal while abiding by all applicable laws and regulations. Control is not an automatic process; it necessitates the execution of certain tasks, including the creation of a control environment, risk management, control activities, communication and information management, and internal control management.” **NGO1_2**

“Internal control in itself cannot guarantee the achievement of the NGO’s objectives. If implemented effectively, internal control can reduce the risk of not achieving the objectives set but cannot eliminate this risk with certainty. In addition, there is also the notion of the cost/benefit ratio of controls; organizations are subject to financial constraints which do not authorize them to set up controls at any cost. There must be proportionality between the cost of implementing a control activity and the benefits that may result from it. Organizations are also constrained by their internal and external environment. The controls put in place in a large NGO generally cannot be established in the same way in a small association. Moreover, as internal control relies on the human factor, it can be subject to errors of judgment, misinterpretations, even malicious maneuvers such as collusion, fraud, etc. and these cannot always be avoided. The internal control system must be proportionate to the objectives, the risks and the internal and external environment in order to provide reasonable assurance.” **NGO1_3**

“The obstacle that can be represented is a lack of adaptation of the NGO to its environment.” **NGO3_8**

2. Risk management, NGOs ethics and integrity

2.1. Coordination and internal control improvement

“NGOs managers have the responsibility and the role of organizing internal control. To do this, they must first have a solid knowledge of the activities carried out in order to implement an internal control system efficiently.” **NGO7_16**

“Key elements of an efficient internal control system in an NGO include the segregation of duties to prevent fraud or errors, the responsibility for key financial and operational tasks should be separated among different staff members. Also the financial reporting, where the organization should have a clear and accurate financial reporting system, provides timely and relevant information to decision-makers.” **NGO5_12**

“For internal control effectiveness, many departments must cooperate and interact with each other by focusing on maintaining a goal to face, in which any issue that might come in relation to risk. For that it could become as a threat or opportunity. However, the effective internal control officer has to facilitate these issues and create a strategy that helps in solving the problems. In addition, there is a need in gathering all the parties that are involved in such a scenario such as suppliers, beneficiaries and employees to participate and share their idea about the issues that might arise versus the solutions that can be taken to avoid the lack of transparency and have a clear vision.” **NGO6_13**

“One of the foundations of internal control is the rule of the separation of functions which may be poorly respected, in particular when the structure is small, the staff reduced and it is not possible to separate the functions of decision-making, authorization and accounting record” [...]

“Management plays a central role in raising awareness of internal control among its members, which is reflected in the standards of good conduct. We define them as being a way of acting, of behaving in relation to rules, principles that apply within a group. As such, we can cite a few practices that can be established within an NGO: for example, it may be a matter of establishing a code of ethics, where the management has a role in transmitting messages to its members in order to anchor the place occupied by internal control in people’s minds. The management can also inform through a document sent to the members what is authorized and what is not within the NGO.” **NGO3_8**

“Within an NGO, each person has a share of responsibility in the implementation of internal control. It should be noted, however, that the implementation of internal control procedures is primarily the responsibility of NGOs managers.” **NGO2_6**

“Assessing the risks of anomalies in the accounts requires above all an assessment of the quality of internal control.” **NGO4_10**

“I believe that organizing, coordinating, and risk management play important roles in enhancing the development of internal control in NGOs. For instance having a well-organized internal control system helps to ensure that all activities and processes within the NGO are carried out in an orderly and efficient manner. This includes having clear roles and responsibilities, effective communication and coordination among staff, and proper documentation and record-keeping practices. On the other hand, the coordination between different departments and staff members is essential for an effective internal control system. This helps to ensure that all activities are carried out in a consistent manner and that there is no duplication of effort or conflicting activities.” **NGO5_12**

“If the management is convinced of the importance of internal control, the members of the NGO will be made aware of it and will react by respecting the established controls. If, on the other hand, NGO staff feel that control is not a major management concern and are supported in a formal rather than a real way, it is almost certain that the control objectives of the organization association cannot actually be achieved.” **NGO2_4**

“After evaluating the design of the internal control, it is now a question of checking the statements of the manager by ensuring that the statements made correspond to effective measures. For example, he can check that there are adequate, up-to-date procedures and that they are applied or that the separation of functions is well respected. To do this, it uses path tests (or control tests) which consist in following the path of a procedure or process.” **NGO2_6**

“Managers and their staff should maintain and demonstrate a level of competence that enables them to assess risks and work effectively and efficiently, and demonstrate an understanding of internal controls sufficient to effectively discharge their responsibilities. Through training actions, for example, it is possible to increase staff awareness of the objectives of internal control [...]

“It can be noted, however, that many NGOs are concerned about training to achieve their objectives, their activities and also take care to train to prevent certain risks or in order to comply with certain legal obligations” [...]

“Each employee is aware of his or her mission, objectives, etc. based on that chart. The organization of such procedures enables the specification of the obligations and rights of each actor inside the entity.” **NGO2_4**

“The multitudes of actors play a key role and participate in its proper functioning. Each actor has a different level of involvement and contribution, whether it is the governance bodies of the association or internal/external stakeholders. The notion of involvement consists of being committed to a cause and bearing the associated risks. As for the notion of contribution, this suggests the fact of participating and helping to carry out the associative project through the resources provided by the concerned persons.” **NGO2_5**

2.2. Coordination, risk assessment and management

“As the manager of an NGO, you must analyze your objectives and identify what could jeopardize their achievement. These risks can be both internal (lack of skills, resources, etc.) and external (bankruptcy of a supplier, change in legislation, etc.). These risks must be assessed not only with regard to the operational objectives (NGO activities), but also in relation to the objectives (or obligations) of financial justification towards the subsidizing

authorities and the board of directors and in relation to the compliance with applicable laws and regulations.” **NGO7_17**

“In our NGO we have an effective risk management that helps to ensure that potential risks to the organization’s operations and finances are identified, assessed, and managed in a proactive manner. This helps to reduce the likelihood of fraud, errors, or other problems occurring, and provides greater confidence in the accuracy of financial and operational information.” **NGO5_12**

“The required phase in the analysis process for the implementation of an internal control of responsibility of the entity is the construction of a mapping of the processes (management, and piloting) and the modeling of each of them. To carry it out, the NGO needs a clear understanding of the scope of its intervention and detailed knowledge of the procedures, tasks, and duties that permit the execution of its overall strategy. The internal control system’s coverage range will be determined by the organization’s strategy, goals and risk assessment” [...]

“The identification and assessment of risks can only be done according to the mission and objectives of the NGO. In the extreme case where an NGO does not have an objective, it is unlikely that it will be able to achieve it since it does not exist and therefore has no reason to be.” **NGO2_4**

“The effectiveness of regulating actions affects the quality of objectives identification. Each level of the entity is able to apply controls for the achievement of the objectives when it operates in a quality control environment, when its objectives are established, and when the scope covered by the internal control system is precisely determined. Because of this, the design and implementation of controlling activities go through the following phases: identification of general and specific objectives for each process and activity, identification and assessment of risks associated with each of its objectives, and design and formalization of adequate controls to manage these risks. Moreover, to ensure the effectiveness of the internal control system, the manager can carry out a system self-assessment. That is to say, for each of the layers of internal control, he assesses the measures in place and checks whether they exist, whether they are relevant and adequate for his organization according to the defined objectives and risks. The manager can also have the effectiveness of his internal control system assessed by experts outside the organization.” **NGO7_17**

“A risk analysis can be done with the staff and the board of directors. In any case, the board of directors should be informed of the risks that the NGO runs and should give its opinion as to whether or not to accept these risks. In order to correctly assess the risks that an NGO runs, it is necessary to take into account the activities put in place to reduce them (internal measure such as the separation of functions or external), transfer them or avoid them” [...] “Based on

this identification of risks and the assessment of their impact and probability, NGO managers are able to prioritize them: which risks are the most important? This prioritization is often subjective and depends on the perception that managers have of these risks and of their risk aversion. Each NGO may perceive a risk differently.” **NGO2_4**

“One way to manage these risks is to implement controlling activities that reduce these risks. It is better to promote measures that prevent risks – which reduce their probability of occurrence and/or their impact -, because they are generally less costly and more effective than measures that intervene after the risk has occurred and whose consequences must be managed. In this sense, it is possible to evoke the relationship between internal control and efficiency and NGO accountability” [...]

“Managers should, therefore, put policies and procedures in place to manage risk and communicate them to association staff. These control policies and procedures must be proportionate to the risks involved. That is to say, they must be the subject of an evaluation of the costs of their implementation in relation to the benefits they will bring: reduction of inherent risks.” **NGO1_3**

“In order to contribute effectively to the organization, internal control requires continuous adaptation linked to any changes made in the organization. By its design and operation, this system must make it possible to anticipate risks. As a result, internal control does not only concern the head of the NGO but, on the contrary, it is everyone’s business. In the associative landscape, the trust founding the very identity should not prevent the implementation of internal procedures in order to avoid abuse.” **NGO6_15**

“With the help of our internal manual, it is made possible for each NGO member to be aware of their roles and responsibilities, the relationships between their actions and those of others, and the ways in which their efforts support the organization’s overall goals. If it is agreed to delegate authority, it is vital to assess the degree of responsibility and competency of the chosen person, and the management must take appropriate supervisory measures to the delegated activity and its outcomes. Every organization must have an organization and functions manual to go along with its organizational chart, which specifies roles, responsibilities, and job duties as well as the various hierarchical and functional linkages between them [...] In other words, to prevent duality and wandering responsibility, the staff’s degrees of authority and area of responsibility must be specified in the pertinent documents.” **NGO1_1**

“Working to increase budget transparency can be crucial to raising accountability. It entails making it easier for citizens to participate in budgetary processes and oversight, as demonstrated by the actions of our non-profit intentions [...] consequently, the openness of our NGO and the availability of official information to the general public is essential components

in transmitting the demands of citizens for good governance and anti-corruption measures.”
NGO1_1

“As NGOS have few financial resources, the cost/benefit ratio must be considered. Such ratio measures the proportionality that exists between the cost of implementing a controlled activity and the relative benefits that may derive from these controls.” **NGO3_7**

3. Internal audit and internal control synchronization

“I believe that internal audit is more effective than external audit when it comes to internal control and governance. The SOP help us a lot to keep a high level of governance.” **NGO5_11**

“The existence and effectiveness of internal control remain crucial insofar as it guides the work of the auditor through his risk assessment. The application of these laws following the financial scandals has made managers aware of the importance of having internal control to secure the operations of the entity. This is also the case for the external auditors who pay particular attention to compliance with and application of the internal control system within the entity.” **NGO3_7**

“I highly lean towards the internal audit as more effective part of the internal control and governance as there are many efficient strategies that could be implemented towards any segment of internal control department; those strategies help us in guiding us with the evaluation and assessment of internal controls along with revealing problems in the monitoring structure. Internal audit focuses on risk management, strategies. On the other hand, external audit’s main goal is to find discrepancies in a specific period in financials [...]

The internal audit is the core function that promotes the internal control of a company. Our organization follows a set of policies and procedures designed by the internal audit and implemented throughout the functions.” **NGO6_13**

“Internal and/or external audit is crucial for the internal control and governance system of a NGO. Auditing provides independent assurance that the organization’s financial and operational activities are carried out in an effective, efficient, and accountable manner. An internal audit function provides a systematic and independent assessment of the organization’s internal control system. This helps to identify areas for improvement, ensure compliance with policies and procedures, and provide recommendations for better internal controls.

An external audit provides an independent assessment of the organization’s financial statements and operations. This helps to provide assurance to stakeholders that the financial

information is accurate and reliable, and that the organization's operations are carried out in a manner that is consistent with laws, regulations, and ethical standards [...]

By having an internal and/or external audit in place, the NGO can have greater confidence in the accuracy and reliability of its financial and operational information, and can better ensure that its resources are used for their intended purposes.” **NGO5_12**

“An NGO can call on experts to ensure that it complies with legal requirements. It may, for example, be interesting for an NGO to call on an independent accountant or chartered accountant for the drafting of the accounts and/or the verification of its accounts. First, the auditor identifies the essential cycles of the NGO to identify the possible risks of material misstatement. This phase is conducted in the form of a semi-structured interview with the head of the NGO where the auditor is led to ask questions” [...]

“After evaluating the design of the internal control, it is now a question of checking the statements of the manager by ensuring that the statements made correspond to effective measures. For example, he can check that there are adequate, up-to-date procedures and that they are applied or that the separation of functions is well respected. To do this, it uses path tests (or control tests) which consist in following the path of a procedure or process.” **NGO2_6**

“Financial transparency is an essential step implemented by the auditor vis-à-vis management. The dialogue makes it possible to inform the management of the deficiencies identified during the work carried out by the auditor when he considers them to be significant. The involvement of management helps to find areas for improvement that can be made to the internal control system.” **NGO7_18**

“A regular audit's assistance is also valuable. Both alone or in combination have the potential to increase donor visibility and improve governance transparency.” **NGO2_5**

“The internal audit function should be established as well to regularly review the organization's financial and operational processes, identify areas for improvement, and provide recommendations for better internal controls. On the other hand the policies and procedures set within a NGO are crucial to guide its activities and operations and help to ensure that its internal control system is implemented consistently.” **NGO5_12**

“Above all, unlike private and public organizations, NGOs often do not have the support of an internal auditor – or equivalent – that carries out such an independent and objective assessment. This assessment must be made by the manager on an ad hoc and continuous basis, either by sampling tests on transactions, or by reviewing the procedures in place and how they are implemented through interviews with the staff members concerned, or from surveys sent to a representative sample of staff members. At a level of accounts approval, the NGO subject to the control of an auditor can rely on his opinion as to the reliability of accounts. However,

this opinion only comes into play at the end of the accounting period, after the accounts and activities have been closed, and only concerns the financial aspects and control activities relating to financial transactions” [...] “Having an independent accountant or chartered accountant who, during the drafting of the accounts, their control, also checks the procedures for encoding, approval of expenditure, orders, etc. can be an effective support for managers and outside directors (board) to have a sufficient trust in the reliability of the accounts.”
NGO2_4

“To facilitate communication and internal control procedures understanding, auditors use the flowchart technique. This tool is a graphical representation of a process or procedure, materialized using symbols. The flowchart is a valuable element in the sense that it provides a schematic view of the procedure; it adopts a common language between the auditors and summarizes the essential information. To support its audit work, an internal control questionnaire must be formalized. Furthermore, it should be noted that internal control is a risk assessment tool that seeks to reduce diversifiable risk. We can define it as the risk that can be eliminated by implementing measures. This risk is opposed to the residual risk which is inherent to the activity of the organization and which cannot be eliminated. For NGOs, special attention must be paid to cash flow / purchases.”
NGO2_6

“The internal control system is essential for the reliability of financial information. This reliability is made official by the certification of the accounts recognized by the auditor who certifies the quality of the information and ensures its continuity of operation. Certification provides trust and credibility to the organization’s stakeholders who have engaged with the audited entity.”
NGO8_20

“NGOs with a significant budget are sensitive to operational risks related to the movement of funds and various cash transactions. The latter do not have internal control measures, which gives rise to fraud. This is why the auditor must ensure that the financial operation is formalized in the procedures and is respected by the members. For example, the separation of functions between the accountant and the authorizing officer is a basic rule where the one who decides on the expenditure is not the one who settles it.

Moreover, it is obvious that the controls must be proportional to the height of the risks incurred. The final objective is to issue recommendations on the weaknesses of internal control having an impact on the accounts. The auditor must report all the weaknesses noted on the internal control related to the accounting and financial information to the management. Finally, it is important to point out that the internal control system must be reviewed each year as part of the auditor’s legal mission. Indeed, changes in the organization’s environment can make the internal control system obsolete, thus increasing the risk of fraud.”
NGO2_6

“Audit planning and the preliminary phase are the two essential phases that ensure the reliability of financial statements. Planning the audit consists of getting to know the activity, identifying the entity’s key processes and the associated risks. In comparison to N-1, it is a question of analyzing the changes made as well as the evolution of the internal control environment and its organization. The objective of this phase is to succeed in identifying the risks and the processes considered to be significant. Regarding the preliminary phase (or interim phase), the auditor assesses the risks related to the internal control system by seeking to minimize the risk of non-detection of errors. As we have already pointed out, the objective seeks to assess the significant cycles that feed the accounts and, therefore, likely to be affected by fraud. Subsequently, the auditor is required to size his audit work on the accounts according to the impact of internal control. For example, if the internal control proves to be weak, then the detailed tests will be more extensive, such as the physical control of purchase invoices.” **NGO2_6.**

“When internal audit is free from undue influence, its capacity to perform this service is increased. Internal audit can conduct its evaluations fairly and offer management and the board a thorough and objective overview of risk management, financial and internal control procedures by upholding its independence. The internal audit function has been stressed as a corporate governance tool that aims to address informational imbalance from a faithful reporting for the board of directors. That will help members of the board to shape new directions in an efficient way.” **NGO 3_1**

“The internal auditor’s job is to make sure that the NGO organization’s procedures and systems secure the community, notably in the areas of finances, the fight against fraud, or legal compliance. Employees at our NGO are required to execute some tasks as part of the internal control system, however to varying degrees and with varying responsibilities. The control system is, ultimately, under senior management responsibility.” **NGO1_2**

“The audit has a normative character that is to say that it makes judgments and principles in order to guide behaviors or uses. This is why his intervention is essential for the organization. Internal control is the first phase of evaluation which makes it possible to guide the mission of the auditor for the rest of his financial audit. Through the internal control analysis, the auditor is able to identify the areas of strength and weakness of the processes and systems that are put in place by the managers. When an internal control is reliable, it makes it possible to affirm that the financial system of the organization is reliable. For the auditor, this means limiting controls on the accounts.” **NGO3_8**

“To ensure the reliability of the accounts, the manager or the auditor or the accountant may carry out tests on the transactions carried out on a sampling basis. To do this, he can randomly select expenses incurred and verify their reality by comparing them to invoices, purchase orders and receipt slips when there are any. He must also check whether they have

been approved by the persons who had the authority to do so, if the invoice is subsequent to the order. When it comes to an investment purchase, he must check whether it has been made or not.” **NGO8_19**

“Beyond his work, the auditor may be constrained by maneuvers practiced by the organization. As such, we can cite a circumvention of the internal control system carried out by the manager either to derive personal benefit or to conceal a non-compliance of the activity. Another obstacle that we can highlight is based on collusion. This situation is very difficult to detect even if there is a separation of functions within the organization. Indeed, whatever their place in the hierarchy of the association, the two individuals can act together to defraud or conceal an action. Take the example of forging signatures for the payment of purchase invoices. As a result, this maneuver can have significant consequences on financial information and jeopardize the association. Thus, the human and organizational environment weighs heavily in the origin of fraud and that we no longer fight against natural hazards or non-voluntary errors but against human intelligence.” **NGO7_18**

“When internal audit is free from undue influence, its capacity to perform this service is increased. Internal audit can conduct its evaluations fairly and offer management and the board a thorough and objective overview of risk management, financial and internal control procedures by upholding its independence. The internal audit function has been stressed as a corporate governance tool that aims to address informational imbalance from a faithful reporting for the board of directors. That will help members of the board to shape new directions in an efficient way” [...]

“The objective of internal control is to obtain reasonable assurance, i.e. to have a sufficient level of confidence for a certain level of costs, benefits and risks. Reasonable assurance reflects the idea that no one can predict the future with certainty. The achievement of objectives can be compromised by external factors independent of the organization, the occurrence of failures, errors, and the circumvention of certain controls by the collusion of certain members of the organization, etc. In addition, controls have a cost, so a compromise must be found between the risk, the benefits that controls bring and the cost of their implementation.” **NGO1_3**

“Internal audit is required to exercise oversight on controlling systems effectiveness and endurance. Employees generally have the duty to engage in the effort to implement internal control, the specificities of which must be included in the job description, and it must have a sufficient hierarchical location.” **NGO1_1**

4. Financial control and internal control interrelation

“I understand here by sustainability to gain legitimacy and to have a reliable source of funding to support the NGO’s activities and programs. This may include diversifying the funding sources, implementing effective financial management practices, and ensuring that the organization’s budget is balanced.” **NGO5_12**

“We operate in a highly competitive environment especially after the Lebanese financial crisis and the explosion of port Beirut, so we are facing many challenges such as attracting qualified employees, maintaining a high level of communication and transparency so we remain able to get sufficient funds for our projects. We compete with many well-known organizations which are more senior than us and have history in dealing with governments, and semi-government donors, that’s why the internal control and good reputation are important to maintain our legitimacy and sustainability.” **NGO5_11**

“Controls for included objectives must be designed and placed in accordance with expected effect on identified risk. This may entail stopping the risk from happening, discovering when it does, or minimizing the effects by taking corrective measures. Each control activity is governed by a documented procedure that details the controls to be implemented, their implementation methods, and their monitoring. The process also includes steps for tracking controls and verifying that they have been followed. The risk management function of NGO managers needs to become more important and not just be limited to financial risk management due to the complexity and uncertainty of actual environments.” **NGO2_5**

“The manager must take care to make regular accounting closures in order to ensure the concordance between his bank balances, cash and accounting records. This allows him to have a view on the financial health of his NGO, financial possibilities for the rest of the year, to investigate any deviation between the achievements and the forecasts and to correct the activities. This also influences the reliability of the accounts. Also an effective control can be to impose the double signature for any transaction. This activity would require the signature of the financial director and the NGO’s manager or other and would ensure that all expenditure is controlled by two people” [...]

“This makes it possible to identify unauthorized expenses, suspicious transactions, and therefore to be able to investigate and make corrections or take corrective action. In this, the manager must regularly ensure that the expenses and activities of the association comply with the subsidy decree. Similarly, maintaining regular contact with the subsidizing authority greatly facilitates the work and allows doubts to be removed before the accounts and supporting documents are sent to it, before it is too late.” **NGO2_6**

“The fact is that a financial control is regularly conducted alongside the budget to compare the anticipated goals with those actually attained. In other words, the administration should

investigate the causes of any anomalies or significant gaps and take appropriate corrective action. Such a thing is crucial for two reasons: first, it is necessary for internal organizational and task redefinition, and second, it is crucial for the justifications provided to any financial donors who request further financial information. To answer your question, yes it is advisable to be transparent with your stakeholders. It is important to involve them with the NGO's development processes as far as you provide them an assurance by communicating with them the financial statements and where you can highlight the encountered deficiencies. Therefore with explications regarding those deficiencies, arguments, once plausible, are convincing and financial donors can understand some situations to certain limits." **NGO1_2**

"A financial risk specific to NGOs concerns the area of subsidies. Indeed, when an NGO does not fulfill its obligations, such as the non-fulfilment of its object or the target audience does not correspond to the target, the funder has the possibility of claiming the subsidy paid. As a result, the NGO is faced with a funding shortfall. Finally, a financial risk may arise from the unreliability of the accounts, which is the consequence of a failure in internal control." **NGO3_7**

"In order to reassure and support the donor in his position, financial transparency attempts to disclose how the NGO uses funds. Yet, some government representatives have reservations about employing these techniques." **NGO8_19**

"The board of directors must also play a role at this stage by obtaining information on the procedures in place and on the reality and the realization of the activities before approving the accounts and activity reports." **NGO2_4**

"There are established guidelines for management and decision-making in a responsible organization. This seeks to stop actions that can hurt the organization or its stakeholders. The principles of good governance, which were originally designed for NGOs, now apply to all organizations that are concerned with being transparent with society or with concerned civic communities" **NGO1_1**

"The board must actively participate in understanding the actions being taken. It must make sure that there are open communication lines with top management, the financial team, and the internal audit one." **NGO1_2**

"Financial statements will be as trustworthy as internal control, increasing trust in financial donors and the general public." **NGO1_2**

5. Internal control and governance efficiency

“By implementing policies and procedures, managing risks, conducting internal audits, managing finances, monitoring and evaluating performance, ensuring compliance, and communicating with stakeholders, an NGO can increase the efficiency of its internal control system and promote accountability and transparency. Monitoring and evaluating, risk management, policies and procedures and internal audit are key elements for an efficient internal control system in a NGO.” **NGO6_13**

“Internal control is the cornerstone of an effective governance system because all financial, operational, and risk management outcomes enhance its sustainability and credibility and let the board see more clearly in order to carry out its strategic objectives. Without an existing, trustworthy organizational structure that might generate benefits for the whole NGO, it is inconceivable that a governance system would be effective.” **NGO2_5**

“Within the framework of NGO governance, the implementation of internal control is a collective project. Its design occupies a growing place within NGOs due to the constraints of transparency.” **NGO4_9**

“It is interesting to note that the involvement of governance systems is not uniform, which may first explain the absence of internal control. Regarding the terms that make the most reference to internal control, the most cited are: transparency, management and procedures, which correspond to the definition given to qualify internal control.” **NGO2_5**

“Despite the presence of governance bodies, internal weaknesses may exist and are associated with risks. In NGOs, the main weakness concerns the implementation of internal control.” **NGO4_9**

6. Governance and financial transparency

“The specificities of NGO governance are reflected through the management of internal control. The management of internal control depends above all on good governance. NGOs governance designates a set of good behaviors allowing the managers of non-profit organizations to rely on efficient and legible organizations to exercise their function serenely.” **NGO3_7**

“For us, a well-designed governance system can help to ensure that financial resources are used in a responsible, accountable, and transparent manner, which is important in building trust with donors. We have a robust financial reporting system that can provide donors with clear, accurate, and timely information about how our NGO is using its financial resources.” **NGO5_12**

“Good governance increases NGOs’ transparency and inspires trust among donors. Our organization must ensure that our NGO is open, that it upholds their interests, and that it has sound operating governance guidelines in place if we want people to be able to trust it. So, effective governance ultimately aids in luring in more funders.” **NGO1_2**

7. Stakeholders’ participation

7.1. Stakeholders’ involvement

“It is essential to combine citizen engagement and empowerment with a heightened awareness of the state’s inability to fulfill the needs and demands of its people. This impression demonstrates that donor programs are too frequently either focused on participation, giving citizens the chance to express themselves and participate in choices, or on the obligation of the NGO to increase its willingness and capacity to meet citizens’ expectations.” **NGO1_1**

“Donors are often interested in knowing how the NGO is using the funds they provide, and financial statements can help to provide this information. By this way a NGO can demonstrate its transparency and accountability, build trust and support, and help to ensure that its resources are being used in a responsible and effective manner [...]

By engaging stakeholders, seeking feedback, promoting transparency, and collaborating, the NGO can build relationships, increase support, and ensure that it is aligned with the needs and expectations of its stakeholders.” **NGO6_13**

“Donor’s trust serves as capital in this implicit agreement, making even the smallest communication error costly. The NGO is consequently susceptible to scandals, just like for-profit companies. They can take many different shapes, but they are all connected to how private donations are put to use.” **NGO1_2**

“My advices go with building an internal system with the objective of meeting the expectations of donors and the served community as well as being complete by ensuring transparency, participation, responsibility, and integrity which are closely associated.” **NGO1_2**

“It is important to provide stakeholders with a document that presents our NGO. What are its objectives, its activities/projects, successes and skills? It is necessary to provide information so that everyone understands the role it plays. In addition to that, it is useful to integrate them with financial knowledge by sharing with them statements and budgeted ones in order to reassure them about the state of their financial contribution. In such, they feel confident about

the honesty of the NGO in which they are investing in for resolving humanitarian issues and problems.” **NGO1_3**

“You can add also the stakeholders’ participation on your board, to make this clear and more relevant to their expectations.” **NGO2_5**

“This raises questions about the good ways that an NGO adopts to organize itself and thus carry out its project while taking stakeholders into account in decision-making. In terms of decision-making, the organization of power is based on the statutes which organize the internal mode of operation of the NGO. They thus make it possible to distribute powers between the various bodies existing within the organization [...]

Unlike the governance of capitalist companies, NGO’s one is marked by the involvement of all actors. Indeed, an NGO must cooperate with all of its members (employees, volunteers) as well as with external organizations (financial partners) participating in NGO projects.” **NGO3_7**

“In the case of NGOs, they are more oriented towards so-called partnership governance. The aim here is to integrate all of the organization’s stakeholders in the value creation and distribution process. The idea is that all the actors bring resources and thus contribute to the proper functioning and its sustainability. In NGOs, the presence of stakeholders remains essential due to the resources they provide. By focusing on the characteristics specific to associations and more specifically to governance, we can qualify it as being atypical and different from that found in the classic governance model.” [...]

“It is crucial to involve permanently stakeholders into the development of the NGO, its budgeting and strategic processes. We can deduce that this gained legitimacy increases as far as the valorization of skills and knowledge in the field of finance/management as well as in levels of study for concerned actors is perceived” [...]

“The presence of these mechanisms is decisive in ensuring that the funds allocated are intended for social purposes and not for private purposes. In addition, the implementation of internal control is all the more important with regard to stakeholders, and more particularly towards providers of financial resources.” **NGO3_7**

“Yes, certainly it is advisable for to communicate financial statements to the stakeholders because financial statements provide stakeholders with valuable information about the organization’s financial performance, position, and use of resources, which can help to build trust and support. Donors are often interested in knowing how we are using the funds they provide, and financial statements can help to provide this information.” **NGO5_12**

“Even if donors do not require such information, we find ourselves obliged to keep them in the loop of our financial position. We have many common donors with other NGOs, and I know that they receive their financial statements, at the end we are operating in a competitive environment. On top of that our control system requires the reporting of some financial statements to our main donors.” **NGO4_10**

“Indeed, NGOs have the particularity of being highly dependent on various donors who constitute their main resource. This strong involvement on the part of donors is explained by the social mission pursued by the associations through the realization of their actions. It should also be noted that in this environment, members derive their legitimacy through adherence to common values, namely ethics, trust and integrity.” **NGO3_7**

7.2. Stakeholders’ commitment and donations

“Sure, the contribution of financial resources provided by the parties present conditions the very existence of the NGO: there is therefore an interaction between the organization and its stakeholders where the latter contribute to the operations and NGO needs.” **NGO8_20**

“Stakeholders’ perception of the NGO is important because it can impact the level of support and resources that the organization receives. A positive perception can lead to increased donations, volunteerism, and other forms of support, while a negative perception can reduce support and harm the organization’s reputation” [...]

Engaging stakeholders in the development of the NGO can help to build relationships, increase support, and ensure that the organization is aligned with the needs and expectations of its stakeholders” [...]

“The engagement with the civil community by building strong relationships with the communities served by an NGO is crucial for its sustainability. This involves involving communities in decision-making processes, ensuring that programs are responsive to their needs, and promoting transparency and accountability in all operations.” **NGO5_12**

“As you are aware, the NGO cannot continue its operating activities without donations. We are not a business that sells products, deducts costs and expenses at the end, and then calculates its profit or loss. The commitment and trust of our financial donors as well as the happiness of the civic community serve as our metrics” [...]

“As grants are not a reliable source of revenue, we will be dependent on individual donations, thus we need to be able to keep them up and draw in the public’s interest, to convince people that the work we perform is worthwhile and deserves to be supported. The

biggest danger we have is that the subsidies will decide to stop providing funds for us. Another risk is if people decide not to give us money anymore.” **NGO2_5**

“An NGO development depends critically on the involvement of its stakeholders. As far as you want to involve stakeholders, or more precisely financial funders, it is advisable to communicate with them, on a regular manner, the financial statements with them. Somehow, and where applicable some of the financial donors can siege on the board of directors. That is part of making stakeholders more comfortable to the missionary investment they are making” [...] “Internal control concerns all the members of the NGO but the attitude of the management constitutes a model. Indeed, the latter’s mission is to develop and establish a culture of internal control which appears essential, particularly in the accounting and financial fields. Therefore, it is important for the management to pay particular attention to the behavior of the actors by ensuring ethics and integrity. As far as ethics and integrity are found internally as far as they are reflected throughout a perceptual legitimacy from a stakeholder’s angle.” **NGO2_4**

8. Financial transparency and NGOs legitimacy

“NGO’s transparency and the public’s access to official information are crucial elements in conveying the demands of citizens for good governance and anti-corruption measures.” **NGO5_11**

“We found ourselves a bit concerned about the reputation of NGOs after the blast resulting from the said NGOs which harmed the reputation of their peers. The feedbacks of beneficiaries are very important to keep a good image of an NGO in order to preserve its sustainability.” **NGO6_13**

“The communication with stakeholders’ and financial donors is a key of success for NGO’s legitimacy and trust of financial donors’ commitment for providing necessary funds.” **NGO3_7**

“In fact as far as you notice a certain embracement between the internal controls, the internal audit and the governance as far as the NGO can gain degrees in its legitimacy.” **NGO2_5**

“Legitimacy is a must for every NGO in order to encourage donors to donate to their programs and preserve its place as a reliable organization in the society. In fact, donors rely on the legitimacy of an NGO, in specific government’s related ones, to fund any of their programs. Some donors presented this matter throughout our first mutual program, when they deeply looked into our credibility and reputation by checking our offices and our history in the humanitarian field.” **NGO6_3**

“I don’t have enough evidence to judge other NGOs but as far as I know there are lots of newly created NGOS in Lebanon and I am not sure they are all managed by professional people or focusing on humanitarian actions. At the end, sustainability and legitimacy are gained throughout the promotion of transparency and governance.” **NGO4_10**

“As mentioned before and alongside the transparency the right information (related to accounting, financial information, etc.) should be communicated accurately to the donors and the related parties, stating that the rightful way of communicating the information will always put us in a position of trust in front of the stakeholders.” **NGO6_13**

“The challenging financial environment and the proliferation of donor controls, such as audits, frequent manager changes, etc. have caused a certain number of control methods to evolve within NGOs. Such controls techniques have led to better display a professional work when it comes for communicating financial statements with stakeholders and to enhance, therefore, their commitment to our NGO.” **NGO2_5**

“In order to improve accountability, efforts to increase budget transparency can be essential. As evidenced by our non-profit aims, it comprises making it simpler for citizens to engage in budgetary processes and scrutiny.” **NGO3_8**

“Initiatives in favor of transparency typically focus on encouraging the release of information and access to information regarding a sizable range of organizational decisions, from the creation and implementation of budgets to the management of financing. Beneficiaries are intended to be included in all phases of the decision-making, the implementation, and the monitoring processes through the use of participatory techniques. This is accomplished by promoting horizontal forms of accountability through the use of instruments such as citizen appraisals of NGO activity, internal audits, and participatory budgeting processes.” **NGO1_3**

“For me, it is important for a NGO to have legitimacy in order to preserve its continuity and I believe our NGO did that by:

- *Following laws and regulations related to NGOs, such as registration, reporting, that can help to demonstrate the organization’s commitment to compliance and accountability, and increase its legitimacy.*
- *Providing high-quality services that meet the needs and expectations of the organization’s stakeholders can help to increase the perception of the NGO as a legitimate and effective organization, and build trust and support.*
- *Providing transparent information about the organization’s finances, activities, and performance, and being accountable to its stakeholders, can help to build trust and demonstrate the NGO’s commitment to responsible use of resources.*

- *And engaging stakeholders into operations development.”* **NGO5_12**

“Without legitimacy, the NGO won’t be able to sustain because it won’t be able to meet its long-term needs. As I previously stated, the interrelation and consequences of governance, internal control, and audit serve as prerequisites for achieving legitimacy. To make this apparent and more pertinent to their expectations, you can also include the participation of the stakeholders on your board.” **NGO2_5**

“We have what so called encumbrance in our budgetary system, it means we reserve an amount from our budget before we undertake any project, however out of budget projects are always approved by the management and later on shared with our donors and sometimes shared prior to the project acceptance. We built with our main donors a certain trust on which we can capitalize; this gave us a freedom margin without losing our transparency. Our credibility is the basis of our governance system.” **NGO4_9**

“I can understand by the outcomes of accountability, the ability of our organization to maintain a certain level of integrity and legitimacy and the willingness of providing corrective actions and implement them. In such a way, we remain transparent and effective in regards to our stakeholders. Our efficient internal control based on segregation of duties, cross check and reference, as well as the adoption of clear procedures is the main factor behind our effective accountability.” **NGO5_11**

“Transparency is the key for the sustainability of an NGO, for that it is crucial to have the right information and the way of communication. For example, an effective accounting and control systems give rise to reliable financial information. It is not sufficient to get the right data, the importance remains in the way of communicating it to the donors, the management and any other concerned parties” [...]

“I consider the lack of transparency exposes us to many risks vis-a-vis the donors, employees, suppliers and the beneficiaries. We make sure to strengthen the control between all the concerned functions in the organization.” **NGO4_9**

“All the stakeholders are taken into consideration by the resources they provide, thus contributing to the proper functioning of the organization” **NGO3_7**

“This is explained by the legitimacy held by the stakeholder in question according to the risk to which it is exposed. When a stakeholder bears a high risk through the resources it brings, this occupies an important place in the governance of an NGO, thus going hand in hand with the weight of the legitimate rights which are granted to him.” **NGO8_19**

“Legitimacy is essential for any NGO otherwise it will not be conceived properly by the donors and hence it might lose its legitimacy as a reliable social player in the market. Donors

of funds, in particular governments' are related on NGO legitimacy before mobilizing any support program. We experienced this issue with some donors during mutual programs, when they did their investigation related to our credibility and reputation." **NGO4_10**

"There must be a balance between the cost of installing controls and any potential advantages because not all hazards can be completely controlled. But, in order to prevent the organization's legitimacy from being questioned, this internal control must consistently exhibit a particular level of rigor." **NGO1_2**

"We understand that an NGO publishes an activity report once or twice a year as a way of informing the public about how the money is spent. Although these records rarely receive donor scrutiny, according to one of our informants, they give a positive impression of the organization's honesty. Hence, keeping this in mind, we issue an annual report outlining our goals, costs, and revenue. Efforts have been made, some jointly, to try and justify the action with the general community in particular." **NGO1_1**

"In recent years, the domain of anti-corruption has given significant emphasis to budget transparency. Financial contributors find it challenging to track budget allocations and their implementation due to opaque budget processes, off-budget activities, poorly managed expenditure systems, and a lack of control." **NGO1_2**

"The notion of fraud and corruption can hinder a NGOs credibility and sustainability. This may lead to the cessation of subsidies granted by the subsidizing persons, but will above all lead to financial difficulties, and will have a direct impact on the reputation and viability of the NGO. The consequence of fraud or unreliability of accounts may be the loss of subsidies." **NGO1_1**

"It is important to find techniques and tools for monitoring frauds as well as focusing on the promotion of a financial transparency. Those two elements, jointly, can enhance better legitimacy for the NGO you are managing as well as increase the trust in your missionary action. Such view reverts to the fact that your entity's legitimacy is highly dependent from stakeholders' trust and perceptions of your actions." **NGO6_14**

"An NGO should preserve transparency, compliance, governance in order to attract funding and skilled staff and to retain their employees, win new projects and of course gain the donor's trust. Staff, in particular managers, should keep a high level of professionalism and integrity and get the needed trainings for their skills development. A good history for an NGO is an important asset for its development and sustainability." **NGO2_12**

Intitulés des doctorats AMU

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- Sciences de Gestion