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Financial Malpractice and Risk of Financial Malpractice of NGOs in Ghana: Perspective of Donors

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Abstract *NGOs are the forefront of aid delivery and managing a large amount of aid funded projects. The impacts of these projects in developing countries like Ghana are very critical in alleviating poverty and improving the living condition of the vulnerable in society. The risks of financial malpractice in NGOs have been a concern to many stakeholders. The study examined the various forms of financial malpractices of NGOs, the impact of these malpractices in undermining the objectives of donor organizations and measures to reduce the risk of financial malpractice risk in NGOs. The study sampled 50 respondents form different donor and development organizations in Ghana through questionnaire and interviews. The results of the study show that those majority respondents have encountered financial practice by NGOs and as such it can be concluded that the risk of financial malpractice is real. Also, all the respondents answered in affirmative indicating that they are aware of the threat of financial malpractice by NGOs. The results also shows that billing for activities that did not take place and inflating prices on invoices, inflation of administrative and management fees, inflation of invoices for generated internally for activities performed by own staff, billing for own contributions, inflation of rental costs, submission of unacceptable receipts to cover expenditures, submission of curriculum vitae of very experienced professionals and using lower level staff to execute task but substituting invoices for experienced staffs are common forms of financial malpractice by NGOs. Responses from the donor agencies and development partners revealed that the major impact of NGO financial malpractice to them is the delay in executing the projects. The use of strict monitoring, regular audits, and participation in projects execution are the key measures adopted by donors to manage financial malpractice risk in NGOs.*

Key words Financial Malpractice, Risk, NGOs, Donors

JEL Codes: L30

1. Introduction

Donor agencies as well as development partners have realised that corruption as well as financial malpractices affect the impact of their activities in the beneficiary communities hence attempts have been made to develop a comprehensive risk assessment framework to reduce these occurrence (Hart, 2015). In the last few decades, development agencies and donor partners have recognised the need to address financial malpractices in the delivery of development assistance (Cale, 2015; Trivunovic *et al*., 2011). Several development assistance in recent times have been implemented through NGOs making it's the most significant proportion of development cooperation in recent times (Hart and Taxell, 2013). Executing development projects through NGOs have unique benefits to the host communities but also have some risk of financial malpractice which needs to be addressed (Johnson *et al*., 2013). The extent to which developing countries like Ghana rely on donor agencies and development partners' aid through NGOs for the provision of basic social and amenities cannot be overemphasised (Gyamfi, 2010; Osei, 2010; Adjei *et al*., 2012). The role NGOs play in the Ghanaian economy means those donor organizations must ensure that monies given to them are used for their intended purpose and not appropriated for other purposes.

It has been argued that corruption and financial misappropriation that occurs in development cooperation undermines the objectives of the programmes and other related programmes as funds are diverted from their intended purpose reducing the impact of the development assistance (Hart and Texel, 2013). Literature has already established that aid and development cooperation's projects are saddled with waste, delays, and other forms of problems that affect the effectiveness of aid but financial misappropriation pose additional risk to both the donor in terms of reputation which can also affect the support the country get from donors (Bennet, 2015). Furthermore, a donor organization or a development agency that is unable to effective address the risk of financial malpractice in their course of work and their programmes will lack the authority to negotiate and influence government and other stakeholders on anti-corruption and advocacy for transparency (Trivunovic *et al*., 2011). These factors means that donor agencies and development partners must take the risk of financial misappropriation and corruption seriously as its can affect their overall objective and moral right and authority to correct wrong in countries they operate (Smith, 2010).

The role donors and development agencies play in most countries is risk taking as they are usually not in charge of executing the projects they are financing (Trivunovic *et al.*, 2011). According to Williams *et al.* (2016), donor agencies and development agencies more risk in terms of financial malpractice as compared to government. Government and their agents and department were in charge of most development cooperation but the unnecessary bureaucracy compelled most donors to change that trend to use more NGOs in delivering projects (Bennet, 2015). According to Trivunovic *et al.* (2011) NGOs has been at the forefront of executing most aid and donor projects and programmes in developing countries in recent times. This means that the risk of corruption and financial malpractice in these NGOs need to be taken serious to avoid the same occurrence as with government agencies and departments (Trivunovic *et al*., 2011). The question arise as to whether these donor agencies and development partners have a comprehensive risk assessment strategy for NGOs in evaluating proposals and approving fund for these projects to avoid risk of financial malpractice. This could be attributed to the lack of literature in the area as risk on donor activities have focused on fragile environment neglecting the NGO at the centre of the implementation (Bennett, 2015; Williams *et al*., 2016). The switch from dealing more with government and their agencies to NGOs have been as a result of several factors and reasons. A vibrant NGO and civil society organizations are seen as an indispensable component of every democratic dispensation capable of holding government to check and contributing in terms of oversight of the public purse (Okorley and Nkrumah, 2012). Moreover, NGOs and civil society organization apart from being more credible are also key players and advocates in the fight against corruption in most countries (Trivunovic *et al*., 2011). In addition to the above, NGOs and civil society organization have gained the credibility of mobilizing communities to participate in the development process of their country and community (Smith, 2010). NGOs and civil society organizations have been mostly engaged by donor to help validate the results of key programmes and projects that they have financed (Okorley *et al*., 2012).

According to Trivunovic *et al.* (2011), important risk considerations for donors include the capacity of the NGO, the type of project being financed, specific internal factors of the NGOs, and the level of corruption in the country and whether the project is being implemented by the NGO themselves or sub-contracted. To be able to properly reduce financial misappropriation risk in NGOs, donors must conduct a comprehensive risk assessment of the NGO as well as the NGO's internal policy on corruption and financial misappropriation (Carle, 2015). It is also important to add that not all NGOs poses equal capacity to dealing with financial malpractice and misappropriation in their organization and as such donors must understand all these dimensions of the NGO before granting them funding (Trivunovic *et al*., 2011). Also, not all NGOs have the moral principles and motivation to dealing with financial malpractice in their operations (Okerley *et al*., 2012; Platteau and Gaspart, 20003). Previous studies have examined corruption risk in fragile and war prone countries with regards to donor funding (Williams *et al*., 2016; Martini, 2013). Studies on accountability of NGOs in Ghana have revealed some level of financial malpractices and less transparency in their operations leading to diversion of donor funds (Agyemang *et al*., 2009; Gyamfi, 2010; Okorley *et al*., 2012). Little or no study has examined risk assessment of NGOs in the area of financial malpractice in Ghana. The study in the light of these arguments and research gap examines risk assessment and financial malpractice risk of NGOs from the perspective of donor and development agencies in Ghana.

2. Literature review

The study makes significant contributions to literature, policy and practice.

In the area of literature, little studies have examined financial malpractice risk among NGOs from donor perspective and how to mitigate them. The extant literature on risk on donor has examined the subject matter in the context of humanitarian service in politically unstable and natural disaster environment (Williams et al. 2016; Martini, 2013). The study is also conducted within the context of developing economy where more donor activities are based yet little empirical studies have been done in that respect. The results also the study will serve as useful policy guide for international organizations like the World Bank, International Monetary Fund (IMF) and Organization for Cooperation and Development (OECD) and other donor agencies on evaluating proposals of NGOs and identify potential malfeasance in proposals of NGOs. The study will provides useful lessons to NGOs and other implementing agencies on the impact of their malpractice on achieving the goals and objectives of both the donor and the NGO. The lessons will be useful in preventing the risk of financial malpractice in NGOs internal organizational activities.

The roles played by donor and development agencies in funding projects and programmes is a risky undertaken and as such the understanding of risk management principles should be at the core of their operations (Hart andTaxell, 2013). An activity of even a project is considered risky if the outcome is uncertain or unknown (Trivunovic *et al*., 2011). The downsides of risk is what is of utmost importance to policy makers and donors even though there can be some positive aspects of risk (Williams *et al*., 2014). Risk management involves measures taken before the implementation of a decision or a project such that the outcome is in sync with the target objective (Johnson, 2014). Wiliams *et al*., (2014) argue that risk management in project implementation is very important and critical particularly for developing countries like Ghana where corruption is pervasive in all spheres of life. The accompanying key variables of NGO Financial malpractice risk are very critical for donors in their risk assessment:

*NGO Specific factors***:** Unlike accomplice governments, NGO are not subject to administrative standards that apply to state offices or similar oversight components (Trivunovic *et al*., 2011). They are private elements not subject to similar balanced governance. Responsibility is authorized basically through their interior guidelines and methodology, which in this way should be assessed for potential and exhibited adequacy in controlling potential defilement (Okorley *et al.*, 2012).

Contrasts in limits or capacities of NGOs: Not all NGOs have similarly solid institutional limits, yet defilement chance administration frameworks depend to an expansive degree on such limits (Trivunovic *et al*., 20110. Lower limits normally exhibit a more noteworthy weakness to defilement in NGO activities.

Partners of Partners: Whilst the greater part of givers' key accomplice NGOs will have incredible components set up to counteract debasement in ventures that they execute, it must be recalled that they, thus, regularly work with in-nation accomplices who don't have measure up to limits or similarly vigorous frameworks (Zam *et al*., 2012). Working through national accomplices can change the hazard figuring significantly; bury alia, by presenting separation and extra layers of basic leadership and organization that makes the implementation of guidelines and oversight more troublesome (Trivunovic *et al*., 2011).

Kind of task: Organizations going about as contributors will have unexpected dangers in comparison to associations that execute ventures (Hart, 2015). Also, extraordinary dangers are available with promotion associations rather than those giving helpful help or instructive administrations. Hazard administration measures should be custom-made by the kinds of tasks an association attempts.

Particular exercises: At the most minimal level, distinctive debasement dangers are intrinsic in various operational exercises, for example work force enlistment as against acquirement (Trivunovic *et al.*, 2011). Anticipation and moderation measures will contrast as needs be.

Operational setting: Programs in nations with foundational defilement are probably going to experience higher financial malpractice risk than those in nations where debasement is certifiably not a noteworthy issue (Williams *et al.*, 2016). Higher dangers have been found to apply with other ecological conditions, for example, post-struggle or compassionate crisis settings. Donors and Development agencies see risk in the context of the projects they fund as a very complex endeavour which needs a more comprehensive approach to dealing with it (Trivunovic *et al.*, 2011). This is particularly the case where the Donors or Development agencies operates in fragile or volatile areas or areas that are corruption ridden (Williams *et al.*, 2016). Countries that are classified as fragile countries exhibit the weakest form of development as they make the least progress in terms of achieving the Millennium development goals (Trivunovic *et al.*, 2011). Even though Ghana cannot be described as a fragile state, in terms of accountability of NGOs Ghana can be put in similar category.

2.1. Empirical review

Few studies have examined financial malpractices in NGOs and the risk assessment of financial malpractices in NGOs and how to manage them from the perspective of donors. As indicated earlier, most of these studies have examined the subject matter within the context of humanitarian services and fragile and volatile regions where corruption is very pervasive. For instance, William and Birke (2016) conducted a comparative study to donor approaches to risk management in fragile areas using Democratic Republic of Congo, Somalia, South Sudan and Nepal. The results showed that risk can be reduced through long engagement and experience with the country, risk sharing between the donor and the implementing agencies and NGOs, commitment from both parties to support each other in addressing risk of financial malpractice.

Platteau and Gaspart (2003) in their study examined the possibility of reducing misappropriation of finances through a system called a lender-Disciplining Mechanism (LDM) which relies on sequential disbursement methods and fraud detection mechanism. The results shows that the LDM is very effective at reducing risk if financial malpractice even though it may prove self-defeating as more resource is needed effect such system which reduces the amount of aid that will reach the target people. Martini (2013) examined emergence of new risk for development and donor programmes and how to management these risk. The results from their study revealed that new risk factors include contextual risks, pragmatic risks, and institutional risk. The study recommended that donors should strive to balance risk and opportunities by adapting realistic financial malpractice controls with NGOs and seek adequate transitional financing.

Trivunovic *et al.* (2011) examined corruption risk assessment framework from the perspective of donor using a review of related literature and report on the subject matter as well as personal experience in the industry. The results revealed those important risk factors that donor and development agencies must take into consideration include; the capacity of the NGO, the operational context of the NGO, the involvement of a third party in executing the projects among others. The study however cautioned donors with regards to the cost associated with instituting and effective risk assessment mechanism for NGOs.

The review of literature shows that donor risk assessment and management is very critical especially for developing countries and fragile countries with weak accountability mechanisms and regulations. Various reports have evaluated risk management from donor point of view on different projects across the world especially in the area of corruption risk and financial malpractice risk. These studies have rather focused on fragile and war-prone countries like Sudan, Afghanistan etc. Previous studies on NGO accountability in Ghana shows evidence of financial malpractices by these organizations. The question as to how donors are able to manage the risk of financial malpractices in these NGOs has not been examined in the Ghanaian setting hence the need for this study.

3. Methodology of research

The study is an exploratory study that surveyed Donor and Development organizations in Ghana on their views on financial practices of NGOs and system put in place to manage the risk of financial malpractice by NGOs. The population for this study include senior management of donor and development agencies in Ghana. The study adopted the purposive sampling technique which allowed the researcher to choose only respondents with the needed knowledge and expertise to respond to the questions. The study sampled respondents from 70 development agencies and donors out of which 50 responded representing 71.43% for the study. The study collected data mainly through primary data source but relied on some secondary data to compliment the primary data. The study collected primary data through administering questionnaires and some semi-structure interviews while the secondary data involved report from donors and development agencies on financial malpractices of NGOs and strategies they have adopted to deal with them.

The questionnaire was designed to help address the objectives of the study. The first section of the questionnaires examined respondents' background and their suitability to provide the needed information for the study. Issues about their educational background, their years of experience were among the critical bio-data collected for the study. The rest of the questionnaire focused on donors' awareness of risk of financial malpractice by NGOs, various firm of financial malpractice by NGOs that they have encountered, how these malpractices undermine their goals as donors and development agencies, measures to address risk of financial malpractice of NGOs based on literature and what is done in their respective organizations. The questionnaires were self-administered through the mail and physical delivery. Various follow ups were used to ensure that enough responses were returned to be used for the analysis.

4. Analysis and discussions

4.1. Educational background

The next section of respondent background examined the educational background of respondents to ensure that they have the needed knowledge to provide responses for the study. The figure below presents a summary of the educational background of respondents sampled for the study. The results showed that 80% of respondents had a post-graduate degree or qualification whiles only 20% had a first degree. None of the respondents had a diploma qualification. He results revealed that respondents the needed educational qualification to understand the issues being examined in the study. Moreover, 40% of the respondents in addition to their first degree and post-graduate qualifications had professional qualifications.

Also, the study examined the work experience of respondents in the industry with the view to determining their level of understanding of the risk of financial malpractices by NGOs and other partners they support financially. The result shows that the average years of experience by respondents in the sector are 13 years. The respondents with the least years of experience were 6 and the one with the highest number of years of experience was 20 years. In view of the above findings, it can be concluded that the respondent sampled for this study have enough experience and expertise to provide the needed responses for the study.

The study also examined the position of the various respondents to determine their ability to encounter financial malpractice or risk of financial malpractice by NGOs in the course of their work. As indicated in the literature review, risk of financial malpractice occurs in the various stages of NGO-donor relationship from the preparation and presentation of the proposals for funding to the execution of the projects and subsequent reporting of the spending of the NGOs is that regard. This means that personnel on the Donor agencies in charge of evaluating these proposals, monitoring the execution of projects by NGOs funded by their agencies and reviewing procurement and other reports from the NGOs were the primary targets. A summary of the background of the respondents is presented below in Figure 1.

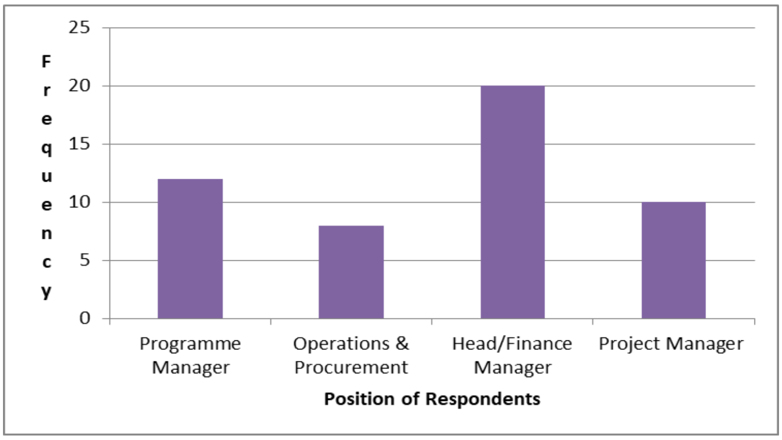

Figure 1. Position of Respondents

The results from Figure 1 shows that majority of respondents were Finance managers or Head of Finance in their agency (40%). This was followed by Programmes managers with 24%, projects managers 20% and operations and procurement managers (16%). The results shows that all the respondents were sectorial heads that plays key role in evaluating NGOs proposals and recommending for the release of funds or monitoring and evaluating reports from NGOs to ensure that they comply with set standards by the donor or development agency.

4.2. Risk of Financial Malpractice by NGOs

This section of the study first examined respondents views or their awareness of risk of financial malpractice by the NGOs they provide funding and technical support. The first question asked respondents about whether they have encountered any form of financial malpractice by NGOs. The results showed 58% answering Yes while 42% answered No. The results suggest that majority respondents have encountered financial practice by NGOs and as such it can be concluded that the risk of financial malpractice is real. On the question of whether their organizations or agencies are aware of the risk of financial malpractice by NGOs, all the respondents answered in affirmative indicating that they are aware of the threat of financial malpractice by NGOs. All the respondents agreed that their agencies have a system in place or a risk assessment framework for verifying claims before approving funds for intended projects. They also agreed that their agency have a comprehensive risk assessment strategy that helps to detect risk of financial malpractice by NGOs. What is interesting about the findings is the admission that risks of NGO financial malpractices exists and actually has occurred in some cases. These results are consistent with the views expressed by Hart (2015) and Trivunovic *et al*. (2011) whose study reported widespread evidence of risk of financial malpractice by NGOs. Hart and Taxell (2013) stated that the mode of operations of NGOs and their relationship and interactions between themselves and donor and development partners makes them susceptible to risk of financial malpractice especially in developing countries where corruption is pervasive. It is not enough to recognise that risk of financial malpractice exists and that there are measures to deal with them. What is more important is how comprehensive those measures are and if they are constantly being reviewed to ensure that they are in line with current risk assessment framework in the industry.

4.3. Forms of Financial Malpractices by NGOs

The study asked respondent to state the various form of financial malpractice that NGOs have engaged themselves which have come to their attention. The responses from the question showed similarities in the answers provided by respondents which were consistent with findings from previous studies. Among the various forms of financial malpractices by NGOs identified by respondents include; billing for activities that did not take place and inflating prices on invoices, inflation of administrative and management fees, inflation of invoices for generated internally for activities performed by own staff, billing for own contributions, inflation of rental costs, submission of unacceptable receipts to cover expenditures, submission of curriculum vitae of very experienced professionals and using lower level staff to execute task but substituting invoices for experienced staffs, among others. These were the major forms of financial malpractice identified by donor and development partners in Ghana in the course of their work. The results are consistent with the findings of Trivunovic *et al*. (2011) who found that inflation of invoices and contracts, fictitious NGOs, bribes and extortions, procurement irregularities etc were among the dominant financial malpractices engage in by NGOs. The result is also consistent with the findings of Zaum *et al.* (2012) in a similar study conducted for the CHR. Michelsen Institute. The study further asked respondents to rank the various forms of financial malpractice as identified in literature in a likert scale. The results of the study are presented in Table 1 below.

Table 1. Forms of NGOs financial Malpractice

Forms of Financial Malpractice	Mean	SD
Fictitious NGOs (Established solely to generate income for executives and board members)	3.60	0.345
Double-dipping (seeking or accepting funds from multiple donors for the same project)	4.60	0.2456
Financial irregularities such as inflated budget and fictional invoices	4.60	0.2765
Kickback arrangement in procurement of goods and services	3.60	0.754
Extortion or bribes from beneficiary of projects	2.60	1.563
Ghost employees	3.00	0.564
Ghost beneficiaries of projects	2.80	0.354

The results from the table shows that inflation of project costs and budget as well as double-dipping is the mostly highly rated form of financial malpractice by NGOs in Ghana with a mean score of 4.60. This was followed by the establishment of fictitious NGOs to generate income for their executives and kickback arrangements in procurement of goods and service which had a mean score of 3.60. The rest of the other forms of financial malpractice did not exists according to the respondents or have not been identified yet as the had a mean score of either 3.0 which means neutral or below that which means respondents disagreed that they had come across same. The result from this analysis is largely consistent with the qualitative analysis of the various forms of financial malpractice by NGOs which was largely dominated by inflation of costs and contracts. The result is largely consistent with the findings of Kitsing (2003) who reported that there is evidence of corruption in the form on budget padding among NGOs. Smith (2010) found similar evidence in a study of local NGOs in Nigeria.

4.4. How Financial Malpractice Undermine the goals of Donors

The second objective of the study examined how these financial malpractices of NGOs undermine the goals of the donor agencies and development partners. An interview with one of the International Development agencies from Germany revealed that they have been partnering government in various sectors in Ghana but realised that most of the funds were not reaching the intended group of people. This made them change their strategy thereby engaging more credible NGOs who have direct operations on the ground. One of the major obstacles to realization of donor goals is unnecessary bureaucracy in most NGOs and government agencies that does not allow the needed support to reach the intended target people or community. Responses from the donor agencies and development partners revealed that the major impact of NGO financial malpractice to them is the delay in executing the projects as their risk assessment system are able to detect these malpractice and the affected NGOs are compelled to do the right thing even though at a delayed period. One respondents stated "*For us the only way these financial malpractice undermine our goals is the delays in achieving our set objectives as we undertake series of verifications to ensure that all malpractice are identified and corrected failure of which will result in the blacklisting of such NGOs*". Another respondent stated "*Sometimes even the follow-up projects are delayed as well or not achieved at all*". This response suggest that even when the malpractice have been detected, the follow-ups to ensure that the right thing is done also sometimes delays which can results in the donor agency abandoning the projects entirely without achieving their objectives. In relation to the above subject some respondents argued that they had not experienced any such financial malpractices that have undermined their goals. A respondent in this regard argued "*We have not had any of our objectives undermined due to our strong internal controls as well as constant monitoring of sub-recipients*". Another respondent had this to say with regards to financial malpractice undermining their objectives; *not undermined per say but much man hours are used to ensure that NGOs apply funds judiciously*".

Overall, the results suggest that financial malpractice undermine the goals of NGOs if not properly checked. It undermines the goals of the donor by delaying their execution of the projects, increasing their work efforts in terms of monitoring and evaluation or denying them from achieving their objectives. NGOs who have not experienced such situation argued that they have a more robust system of checks and constant monitoring to ensure that NGOs comply with the rules. Also, the risk of financial malpractice by NGOs have increased work hours of donor agencies and development agencies in terms of monitoring, evaluation and verification of budgets and projects which comes at additional cost to the donor. The views of the respondents are consistent with the findings of Okorley *et al.* (2012) where it was revealed that NGOs in Ghana are unable to achieve the needed impact in society because of lack of transparency and accountability in their operations. Trivunovic *et al*. (2011) revealed that financial malpractice of NGOs reduces trust between various stakeholders which affect donor confidence in sponsoring projects and programs that will have lasting impact on society. Their study support the findings that financial malpractices by NGOs undermine the objectives of the donor and affect innocent people who are potential beneficiaries of these donor support initiatives. The contributions of NGOs in many parts of Ghana suggest that all forms of NGO financial malpractice must be eliminated to ensure that prosperity is delivered to all and sundry. The Northern parts of Ghana have the higher number of NGOs yet that part of the country is the poorest. This makes one wonder the real impact of these NGOs in those communities and whether they are not diverting funds means for the ordinary people into their private pockets. The various forms of financial malpractices identified by respondents must be addressed with all level or urgency to eliminate them from the system.

4.5. Measures to manage NGOs Financial Malpractice Risk

The last objective of the study examined the measure put in place by the donor agencies and development agencies to manage or reduce the risk of financial malpractice by NGOs. The study first asked respondents to state the various risk mitigation measures against financial malpractices of NGOs in Ghana before asking respondents to rate the various measures discussed in literature and how that applies to their organization. Respondents argue that there are aware of the risk of financial malpractice and as such have put in place strict measures to mitigate them. Some of key measures that donors have adopted to reduce risk of financial malpractice of NGOs include; constant monitoring of actual performance of NGOs, financial reviews and the use of external auditors recommended by donors, training of recipients NGOs of the management and accounting for funds received, participating in the execution of certain projects that is deemed to be of high risk of financial malpractice, reviewing budgets and ensuing compliance with accounting standards, crosschecking prices from suppliers used by NGOs, checking for the legal status of the NGO before signing contract or releasing funds to them, ensure that all over stepping of budgets are agreed and approved prior to execution, regular audits, evaluating the internal structure of NGOs to ensure that they have the accountability mechanism to support their operations. These measures are consistent suggestion made in risk assessment reports and other similar studies. Respondents also revealed that the internal mechanism for reducing and checking the risk of financial malpractice. It emerged from the responses that some NGOs sublet some of the task to third parties to execute which sometimes poses additional risk in terms of financial malpractice. NGOs must build their internal capacities and structure in line with good internal control practices that can detect financial malpractice by their staff and other authorised agents. This concerns have been raised in previous studies where some authors argue that the capacity of NGOs to respond to risk of financial malpractice differ from one NGO to the other and depends largely on their governance structures and systems (Okerley *et al.*, 2012; Platteau and Gaspart, 20003). This means that donors must take into consideration that capacity of NGOs and their governance and financial reporting system before evaluating them and making funds available to them for executing projects and programs. In this regards, the study asked respondents to indicate which factors play an important role in designing risk assessment for financial malpractice for NGOs. A Respondent argued that "Since *we detected the first case of financial malpractice by an NGO we funded to execute a project; we started taking a more comprehensive risk analysis of all new projects we funded, from their organizational and operational structures and systems to the competences and capabilities of the NGOs*". Respondents also agreed that different projects have different risk profiles where some require detailed monitoring others required NGOs to file reports and that could be enough. For a first time NGO, the risk assessment is very thorough but is less with NGOs who have worked with a particular donor for some time and established some credibility. One of the main risk management strategies adopted by majority of donors and development agencies in the use of sanctions and blacklisting NGOs to deter others from committing such unethical practices. The summary of the responses are presented in table 2 below.

Table 2. Factors that influence NGO Risk of Financial Malpractice

Factors that influence NGO Risk of Financial Malpractice	Mean	SD
NGO specific factors in terms of internal mechanism for accountability	4.33	0.0523
Capacity of NGO to deal with financial malpractices in their organization	4.5	0.1245
Type of the organization or the project that is to be financed	4.67	0.1456
NGOs in countries of high corruption undergo additional risk assessment	4.83	0.1345

The results from table 2 shows that respondents agree that all the factors raised in literature are relevant in NGOs risk assessment in Ghana. However, the variable that is of much significance in donor NGO risk assessment is the level of corruption in the country the NGO operates determines the level of risk assessment which had a means score of 4.83. The results suggest that respondents agree that NGOs that operates in high corrupt countries requires additional risk assessment to ensure that no form financial malpractice occurs. The second factor that is cost considered by donor agencies in Ghana is the type of project to be financed which had a mean score of 4.67 out a maximum of 5. On this issue, Trivunovic *et al*. (2011) argued that risk associated with humanitarian service NGOs is different from risk associated with advocacy NGOs and several other forms of NGOs. Respondents also agreed that the capacity of NGO to deal with financial malpractice also is important in risk assessment process. The capacity of NGOs is viewed from the perspective of their governance structures, their internal control mechanisms, competence of management of NGOs among several other considerations. The lower the level of the capacity of the NGO in these factors, the higher the level of vulnerability to risk of financial malpractice. The result is consistent with the findings of Trivunovic *et al.* (2011) and Smith (2010). The results suggest that donors must evaluate the capacity of NGOs in all aspect before releasing funds to them. The evaluation of the NGOs capacity must go beyond what have been presented in the proposal but donors must have a system to verify all claims made by NGOs in terms of their capacity as that was one of the forms of NGO financial malpractice indicated by respondents in the previous section. The results also support the assertion that NGO specific factors influence their risk to financial malpractice in Ghana. The NGO specific factors include the internal operations of the NGO, their work ethics, their legal structure among other that support accountability and transparency. This means that donors must evaluate these factors to ensure their effectiveness in determining the level of risk associated with the specific NGO. This view is supported by the findings of Merkelbach and Daudin (2011) and other similar studies. Trivunovic *et al.* (20110 in their study also support the view that the internal operational capacities and other NGO specific factors are very critical in NGO risk assessment for potential financial malpractice.

5. Conclusions

The results from the study show that there is evidence of NGOs financial malpractices and risk of financial malpractices. Even though donor agencies have risk assessment framework to assist in detecting possible financial malpractice, this comes at additional cost and responsibilities to the donor. The common form financial malpractice by NGOs includes inflating contracts, prices and invoices, kickbacks among others. Donor and development agencies use periodic audits, monitoring and evaluation, participation is highly risky projects and direct payment of goods and service to help detect risk of financial malpractice. The study are provide evidence that NGO specific factors, capacity of NGOs, the type of the NGO or the project to be executed and the level of corruption in the country or region are factors that influence the level of risk of financial malpractice by NGOs. Based on the findings of the study, it was clear that the risk of financial malpractice by NGOs is real and that it can sometime be more difficult to detect. On the basis of that the study recommends a closer collaboration between NGOs and donor in the design and implementation of risk strategy against financial malpractice. This collaboration must not necessarily interfere with the independence of the NGO. The study also recommends the transfer and sharing of responsibilities between NGOs and donor and development agencies with regards to execution of certain projects where risk of financial malpractice is deemed high. This will reduce suspicion and build trust between them.

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