

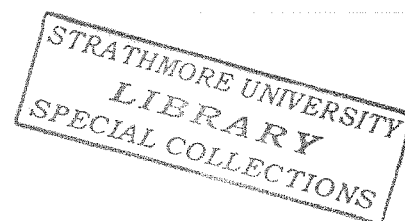
**AN ANALYSIS OF THE CHALLENGES THAT MULTI-FUNDED NGOs
IN KENYA FACE IN FINANCIAL REPORTING**

Strathmore University
HD2769.K4C45 2012
An analysis of the
challenges that

BY

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**A Thesis submitted to the School of Management and Commerce in partial
fulfillment of the requirements for the award of Master Degree of Commerce
at Strathmore University**



2012

DECLARATION

This is to declare that this research thesis is my original work and has not been presented for a degree award in any other university or institution of higher learning. Information from other sources has been duly acknowledged.

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ABSTRACT

Financial reporting generally involves the public issuance of financial statements and their related notes and disclosures as set forth in accounting standards and requirements. NGO financial statements provide insight into the sources of funding, the cost of service delivery, and an organization's ability to operate in the future. The purpose of this study was to analyze the challenges multi-funded NGOs face in financial reporting. The study adopted an explanatory research design on a sample of eighty six senior finance personnel in multi-funded NGOs. Primary data was collected using questionnaires and data analyzed using descriptive and inferential statistics (t-test and chi-square test). In relation to donor requirements, the entire respondents acknowledge that donor requirements are not similar and all of them expect the organization to meet their (donor) requirements. From the findings, most donors require an annual audit of the funds donated. The analysis shows that varying donor and regulatory requirements create challenges in financial reporting. Varying submission of financial reports time-lines also creates challenges in financial reporting. From the findings, qualification inadequacy of the accounting staff will result in financial reporting challenges. All the respondents strongly agreed that investing in a good accounting system ensures good financial reporting. The findings indicate that inferior financial accounting systems will affect financial reporting and varied transaction and reporting currencies create challenges in financial reporting. The findings illustrated the need to incorporate the Standard Operating Reporting Procedures in financial reporting in NGOs to reduce these challenges. Further studies are recommended in finding out more challenges that affect financial reporting in multi-funded NGOs in Kenya as well as studies that will ascertain the effectiveness of Standard Operating Reporting Procedures in Kenya.

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ABBREVIATIONS

ERP	Enterprise Resource Planning
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
KES	Kenya Shillings
NGO	Non-Governmental Organization
NPO	Not-for-Profit Organization
PFM	Public Financial Management
USAID	United States Agency for International Development
USD	United States Dollars

DEDICATION

This academic thesis is dedicated to my loving husband Dan Alaro, my son Dylan, daughter Elise, their nanny Josephine and my mum Elizabeth, whose support, sacrifice and understanding enabled me to complete this great work.

ACKNOWLEDGEMENTS

I am sincerely grateful first and foremost to the Almighty God for giving me the strength, the health and the required resources to be able to complete this course.

I would like to extend my special thanks to my husband, Dan Alaro who cheered me on to the finishing line, gave me emotional, financial and spiritual support since I began this program. I am forever grateful and indebted to my son and daughter who understood when ‘mummy’ had to read and my mother Elizabeth Opati who supported me throughout my academic journey. Thank you all and may God bless you abundantly.

Heartfelt gratitude to my supervisor, Nimalka Wijesooriya who believed in me, encouraged me to research on this topic and has supported me to take this research to great heights which will have an impact in the NGO sector. I would also like to thank the entire Regional Financial Management Services (RFMS) team in USAID for their support.

I am grateful to my supervisor Dr. Hilda Omae and Professor Ruth Kiraka for your guidance and insights throughout the study. Raphael, Mathuva, AnnRita and Dorcas, thank you very much for your support and may God bless you all.

CHAPTER ONE

INTRODUCTION

1.1 Background

While donors are willing to fund organizations that can create an impact in the society, they also expect accountability of the funds they give. The donors may expect the organizations to give them various types of reports for instance, program reports, monitoring and evaluation reports and financial reports.

Financial reports would give the donor information of how the funds they gave were utilized. Greuning (2004) believes that a financial report provides a method of systematically recording and evaluating business activities for the benefits of all stakeholders. He goes on to say that a financial report discloses useful information that ensures transparency and can be used for decision making. The Financial Accounting Standards Board (FASB) also agrees that financial reporting should provide information that is useful to present and future investors as well as other users in making rational investments and decisions. On the other hand, Borio and Tsatsaronis (2005) categorically state that financial reporting involves the public issuance of financial statements and their related notes and disclosures as set forth in accounting standards and requirements. Financial statements are therefore, a presentation of a firm's financial status and Keating and Frumkin (2001) posit that NGO financial statements provide insight into the sources of funding, the cost of service delivery, and an organization's ability to operate in the future.

The International Federation of Accountants (2007) notes that, financial statements issued for users that are unable to demand financial information to meet their specific information needs for example, citizens, are general purpose financial statements while special purpose financial statements are issued for users that demand the financial statements like the government agencies and donors.

This research focuses on financial reporting as defined by (Keating and Frumkin, 2001) and (Greuning, 2004) because financial reports to donors are expected to have systematically recorded information about the organization's financial performance, ensuring transparency and used in decision making by the donors. The NGO Sector Financial Performance Measurement

1.1.1 The NGO Sector Financial Performance Measurement

NGOs have four features that describe them: (1) they exist to fulfill a charitable purpose, (2) they function without the use of coercion; (3) they operate without distributing profits to shareholders; and (4) they exist without simple and clear lines of ownership and accountability.

Keating and Frumkin (2001) acknowledge that the three fundamental features of nonprofit organizations have profoundly influenced the ability of the sector to develop meaningful forms of performance measurement and with strong accountability systems. First, lack of owners with an equity stake in nonprofits demanding performance measurement makes it difficult to assess how well a nonprofit is performing. Second, there is no bottom line of profitability or easily quantifiable outcomes that can be used as a benchmark for financial performance measurement, only the far more ambiguous notion of mission accomplishment. Lastly they observe that the diffuse nature of ownership and stake holding in the nonprofit sector raises the additional problem of building an accountability system that is consistent and meaningful across the sector.

Currently, the International Accounting Standards Board (IASB) (an independent, private-sector body that develops and approves International Financial Reporting Standards) has not put emphasis on the quality of financial statements and increased accountability of Not-For-Profit Organizations. This has created a myriad of challenges for the NGOs since their reporting is not guided by standards but by the various stakeholder requirements. As a result, some countries have made efforts in harmonising accounting practices and presentation. Some of the countries are; Tanzania, USA, U.K, India, Bangladesh, Sri Lanka and Pakistan.

1.1.2 The NGO Sector in Kenya

The Report on the National validation survey of NGOs (2009) notes that Kenya's Non-Governmental Organizations (NGO) sector is very important. The NGO Co-ordination Board (2009/2010) describes the sectors' importance through the large number of NGOs registered, funding received and Kenyans employed. There were 6,752 organizations made up of National NGOs (61 per cent) and International NGOs (39 per cent) registered by the NGOs Co-ordination Board by June 2010. During the financial year 2009/2010 these NGOs received KES 103 billion from both external and internal sources. They employed 29,870 Kenyan nationals and another

12,496 were on internship programs. These NGOs are concerned with development areas such as HIV/Aids, other health aspects, education, relief, agriculture, gender, advocacy, human rights, environment, and participatory development (Sessional Paper No.1., 2006).

Section 2 of the Non-Governmental Organization's Coordination Act No. 19 of 1990 (the NGOs Act) defines an NGO as,

"a private, voluntary grouping of individuals or associations not operated for profit or for other commercial purposes but which have organized themselves nationally or internationally for the benefit of the public at large and for the promotion of self-welfare development, charity or research in the areas inclusive but not restricted to health relief, agricultural, education, industry and supply of amenities and services" (NGOs Act, 1990, section. 2).

The NGOs in Kenya have organized themselves through mandatory registration with the NGO Coordination Board as required by the Act. Kenya hosts international NGOs which have to be registered by the NGO Coordination Board as well as the national ones.

1.1.3 Funding for NGOs in Kenya

The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), (2012) shows that by February 13, 2012, Kenya had already received a total of USD 168,202,004 or an equivalent of KES 15.1 billion in humanitarian funding from various donors in the year 2012. In 2009/2010, NGOs received a total income of KES 103.9 billion up from KES 27 billion in 2004 through donations and self-generated income. Donations were secured from both public and private sources. The leading donors were foreign government agencies (23 %) and International Not-for-profit organizations (20%). Notably, of the remaining 57%, a relatively significant amount of money was raised from various government agencies through devolved funds (KES 1 billion) and income generation projects (KES 9 billion). Nevertheless, local communities and NGO members also contributed 2 per cent to the cause. It must, however, be noted that donations from members and communities were in kind in some instances and even where they were not, it was not possible to verify the amounts where (the specific) NGOs were not required to provide audited accounts (The NGO Co-ordination Board, 2009/2010). The Report on the National

validation survey of NGOs (2009) established that 1, 334 NGOs received KES 68 billion in 2005/2006.

1.1.4 Financial Reporting for NGOs In Kenya

In 1998, the council of the Institute of Certified Public Accountants of Kenya (ICPAK) set the International Financial Reporting Standards (IFRS) to be the accounting standard in Kenya (World Bank, 2001, P. 4). IFRS are the harmonized accounting standards that are intended to be used internationally. In 2005 ICPAK further confirmed that the requirement for adopting IFRS had been legalized for both listed and non-listed companies in the Companies Act in the latest amendment in 2002. However, due to limited resources and the lack of supervision in Kenya, there are gaps between applicable accounting standards and the actual accounting practices (Assessment of the Regulatory and Standard-Setting Framework, 2005, Section 4).

One of the mandates of The NGOs Co-ordination Board is to receive, analyze and evaluate the annual reports of the NGOs and in doing so, they have come up with audit guidelines for NGOs that state and describe the accounting framework and reporting requirements of the organizations. This guidance is not a legal document but an overall summary of the reporting and accounting framework for NGOs. It also details the deadline for submitting accounts and returns to them, and when independent examination or professional audit of NGO's accounts is required.

NGO's receive funding from donors and these donors require accountability reports. Davies (1996) highlights the importance of reports by stating that donors need information in order to make decisions about the allocation of funds between many fundable NGO projects. Donors also need information so they can be effective in their own institutional development in terms of verifying the NGO's responsiveness to the needs of its intended beneficiaries. The donors financial reporting requirements may be in their own country's requirements since they need to be accountable to their own donors for example tax payers and their own governments.

Donors from other governments request for flexibility from the countries they fund in terms of their reporting guidelines. The 4th High Level Forum on Aid Effectiveness (2011) in Bussan agreed that donors face a significant challenge balancing their home constituencies'

accountability requirements and the host countries accountability requirements in an effort to ensure that their funds are used for their intended purposes and not misappropriated.

As much as the regulator has set the financial reporting requirements, Davies (1996) points out that it is also very essential for organizations to produce information for donors. Furthermore, without it, or certain amounts of it, funding is likely to be in jeopardy, and this will limit the organizations survival. Incidentally in Kenya, the current practice is that NGOs prepare donor reports that conform to each donor's requirements.

1.2 Problem Statement

While research (Grobman, 2008 & Rahman, 2003) on NGOs has been conducted in countries such as India, Nepal, Pakistan, Sri Lanka, Bangladesh, Maldives and Bhutan, not much research has been conducted in Kenya in the NGO sector.

Currently in Kenya, the NGO Coordination Act, 1990 is unclear with regard to the financial reporting requirements for registered NGOs in Kenya. The NGO Coordination Act needs to be amended in order to include a section that explicitly states that minimum requirements that NGOs registered under this Act must meet in the preparation of the financial statements. There is an imposition of reporting guidelines from the conventional business accounting practice under The Companies Act Cap 486 of Kenya which explicitly states the minimum financial reports that must be developed and the broad guidelines on the contents of these reports. The problem of using financial reporting standards for business enterprises, as outlined in the Companies Act of Kenya to evaluate the performance of NGOs deserves closer attention given the significant differences in the objectives of business enterprises and NGOs. Moreover, the financial reporting standards for business enterprises are not adequate for the use as a basis of evaluating the performance of NGOs through financial audits of their financial statements. This inadequacy is highlighted by the tendency especially in financial audits to compare the features of efficiencies in completely different markets (Holtmann, 1989).

Further, research has been done in accounting and financial reporting to donors in some countries for instance, Goddard & Assad (2004) in Tanzania and Siddika, Rekabder, & Hossain (2006) in Bangladesh and they all acknowledge the detrimental effect of multiple donor

accounting demands in a line or two but do not analyze the specific challenges faced by the multifunded NGOs and especially in non- accounting areas.

This research therefore aims to bridge this gap by investigating the challenges faced by NGOs in financial reporting to multiple donors in Kenya.

1.3 Objectives of the Research

The main objective is to analyze the challenges multi-funded NGOs face in financial reporting.

Specifically,

1. To establish whether financial reporting requirements by donors of multi-funded NGOs in Kenya are similar.
2. To ascertain the key challenges of financial reporting in multi-funded NGOs in Kenya.
3. To establish whether Standard Operating Reporting Procedures for the NGO sector in Kenya would enhance financial reporting.

1.4 Research Questions

1. Are all donor financial reporting requirements similar in multi-funded NGOs in Kenya?
2. What are the key challenges faced by the multi-funded NGO's in Kenya in financial reporting to the donors?
3. Would standard operating reporting procedures or guidelines for the NGOs sector reduce financial reporting challenges in Kenya's NGO sector?

1.5 Significance of the Study

NGOs have become an important player in economic interventions and social development in the world. This is evidenced by the growth in the number of NGOs and the volume of funds that are channeled through them. For instance in 1999, NGOs in Africa received funding worth USD 3.5 billion compared to under USD 1billion in 1990 and were involved in 54 percent of all approved World Bank projects in 1998 (World Bank,1999). In Kenya, the NGO sector has been growing by over 400 organizations per year since 2001 and by the August 2009, there were 6,752 registered (National validation survey of NGOs, 2009). NGOs funding has also increased progressively rising from KES 27 billion in 2004/2005 to KES 103 billion in 2009/2010 (NGO

Co-ordination Board, 2009/2010). This is an increase of 74% funding. Growth in numbers signifies availability and increase of donor funding and an increase in external funding brings forth more accountability requirements which are translated through various types of reports including financial reporting.

Goddard & Assad (2004) reported that where multiple donors were present, financial reporting and auditing requirements were burdensome. As such, it would be important to find ways of addressing this challenge among others through various stakeholders joint input from the analysis that has been provided by this paper. ICPAK would be able to address the NGOs financial reporting challenges by coming up with appropriate standards and advising the government, the government can streamline the NGOs financial reporting regulations and frameworks which the donors have to conform to. The government would also be able to use the financial reports to evaluate the NGOs transparency. The NGOs would lobby for more consistent reporting frameworks; the development partners (donors) would also reduce on duplicative reporting burdens and the financial reports users would have consistent reports which they would use.

The study highlights the major challenges faced by NGOs in meeting the donor requirements in terms of financial reporting and recommends Standard Operating Reporting Procedures for NGOs that are non-existent at the moment. Finally, this study contributes to theoretical knowledge that will be used for learning and basis for further studies in financial reporting for NGOs.

1.6 Scope of the Study

This research focused multi-funded NGOs in Kenya. The NGO Coordination Board has registered almost 7,000 NGOs and because of the complexity in identifying which of these organizations are multi-funded, the researcher selected the NGOs funded by United States Agency for International Development (USAID). One ,because USAID is the United States arm of international development and gives the highest amount of funds in Kenya in comparison to its counterparts, Centre for Diseases Control (CDC), Department of Defense and Peace Corps. By March 2012, The NGO Coordination Board (2011) reports that, in the year 2010 United

States of America was the second largest donor country with funding of approximately KES 6.6 billion after the United Kingdom with KES 7.3 billion.

The magnitude of the funding by USAID is also explained by the number of organizations funded; a total of 711 organizations out of which 110 were prime partners (receiving the money on behalf of other organizations and mandated to manage them) and 598 sub partners (smaller organizations managed by prime partners and receive USAID funding through these primes).

Two, the fact that they are nationally distributed and represent diverse sectors namely; Health, Education, Youth, Agriculture Business and Economic programs, Democracy and Governance and Natural Resources Management (USAID Kenya's internal report, 2012).

The final reason for the scope selection of USAID NGOs is the probability of them having multiple donors is high due to the assessments they undergo in ensuring they meet certain high standards before being selected by USAID. The organizations with such high standards would attract multiple donors. Both the prime partners and sub partners that are NGOs are used as the scope of this research and they must all have USAID as one of the donors.

1.7 Structure of the Research Thesis

This thesis is composed of five chapters. The first chapter gives an introduction of the study, the funding received by the NGOs in Kenya and their financial reporting requirements. This then leads to the formulation of the objectives and research questions. The problem statement and significance of the study are also included in this chapter.

Chapter two entails a review of literature on financial reporting, accountings standards for NGOs and the donor financial reporting requirements. The NGOs regulators in Kenya are described, use of standard operating reporting procedures and finally the conceptual framework is introduced and its literature reviewed.

Chapter three covers the research methodology which entails the research design, population and sampling procedures, data collection methods and the statistical approach used for data analysis.

Chapter four entails presentation of research findings in form of tables, figures and charts with interpretations in frequencies, mean scores, standard deviations and inferential statistics. It also

presents discussions with a review of past studies backing the current study. Lastly, chapter five presents conclusions and recommendations based on the objectives of the study as well as limitations faced.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter sets out to review in detail the literature that has been published in this area with a specific focus on the objectives of the study. This chapter begins by highlighting theory on financial reports and financial reporting in section 2.2. The accounting standards for NGOs will then be discussed in section 2.3 followed by section 2.4 of donor financial reporting requirements, the NGO regulators in Kenya in section 2.5 , literature on Standard Operating Reporting Procedures, section 2.6 and finally, the conceptual framework of this study in section 2.7.

2.2 Financial Reporting

According to Greuning (2004), looks at a financial report in terms of full disclosure of the financial statements, ensuring transparency and provision of a fair presentation of useful information that can be used for decision making purposes. Greuning goes on to suggest that financial reports provide a method of systematically recording and evaluating business activities for the benefits of both internal and external users of these financial statements. Borio and Tsatsaronis (2005) also agree that financial reporting means issuance of financial statements and their related notes and disclosures but insist that they have to follow the accounting standards and requirements.

On the other hand, The Financial Accounting Standards Board (FASB, 1978) states that financial reporting should provide information that is useful to present and future investors and other users in making rational investments and decisions such as issuance of credit facilities.

2.3 Accounting Standards for NGOs

The International Accounting Standards Board (IASB) is an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRSs). The IASB was formed in 2001 to replace the International Accounting Standards Committee and it operates under the oversight of the IFRS Foundation. To ensure an international diversity, the IASB has twelve members who represent the various geographical regions to ensure a geographic balance.

From July 2012 there are four members from the Asia/Oceania region; four from Europe; four from North America; one each from Africa and South America; and two appointed from any area, subject to maintaining overall geographical balance (IASB 2012).

A Joint Discussion Paper was issued by the International Accounting Standards Board (IASB) and FASB on a common conceptual framework for financial reporting in the for-profit sector (IASB, 2006). The current conceptual framework debate continues to marginalize accounting in the Not -for-Profit sector since there are no specific financial reporting guidelines for Not-for-Profits.

In Kenya in 1998, IFRS was set to be the accounting standard by the council of ICPAK (World Bank, 2001). The NGO's Co-ordination Board aligned its requirements with the country's standards and gave guidelines that the NGOs with a gross income of over KES. 1,000,000 and International NGOs accounts must be prepared in the accruals basis and in accordance with the IFRS (The Audit guidelines for Non-Governmental Organizations, 2011).

2.4 Donor Financial Reporting Requirements

Donors make information demands to the NGOs and they have their justifiable and legitimate reasons for these demands (Davies, 1996). Davies adds that the donor demands for information means organizational attention has to be directed to the donors and nowhere else.

Mbugua, Njaramba, Young, and Mtshali (2008 p. 34) observe that the purpose of the donor reporting requirement procedures is to define the type, content and frequency of reports. They discuss the types of reports the NGOs may be required to prepare such as financial and programme reports to management and board of directors, financial and programme reports to donors and statutory reports. They further highlight that the frequency of the reports also varies depending with the needs of each category. They could be prepared monthly, quarterly, semi-annually and/or annually.

Holder (1987) reports that charities; which are part of NGOs, employed diverse accounting and reporting frameworks and practices which were different depending on the stature of the organization. They ranged from single financial report sets in simple structure organizations, to

variants of financial reports in complex organizations and these depended on the donor requirements.

A policy statement was passed through the Sessional paper No. 1 (2006, p. 15) stating that the government will require NGOs to operate more transparently particularly in regard to their financial and human resource management systems. The NGOs Coordination Board would ensure the NGOs submit reports, strategic plans and audit reports. These descriptions of various donor requirements including the government indicate the inconsistency in donor requirements.

2.4.1 Challenges of Financial Reporting in Multi-Funded NGOs

Donors expect accountability of the funds they give to an organization. They require reports indicating how their funds were used in different forms, with different requirements for example currency types, prepared by certain people and submitted at specified periods of the year. According to Jacobs & Angood (2008), meeting various stakeholders' needs in financial reporting is an important consideration in financial reporting. Moreover, the language to be used in the financial reports, the content to be included and mode of presentation of financial reports are factors considered by many NGOs in the world. Business decisions need to be supported by good financial information which should be available in a timely manner (European Commission, 2008). Kameri- Mbote (2005) posits that the donor's requirements cannot be contended with if an NGO expects to keep receiving funding.

For an organization to deliver high quality reports, it needs to have well qualified finance personnel. However, Bromideh (2011) reports that this is a key challenging issue because of inadequate financial resources allocated to hiring the most qualified personnel in the job market or providing continuous training to increase their qualifications. Financial reports may be required in certain formats by the donors and this creates challenges when the organization does not have an adequate accounting system. While Abella & Dimalanta (2003) observe that donors may influence an organization's accounting procedures to reform and adopt the required accounting system, (Kugel, 2011) and (Goddard & Assad, 2004) suggests that having the right technology and using it effectively is essential in achieving proper financial reports. Entine (2003) demonstrates that the use of local currency creates confusion and uncertainty in reporting.

This study focuses on the following areas that affect financial reporting in the NGO sector and may create challenges in financial reporting as conveyed by Kameri- Mbote (2005), European Commission (2008), (Kugel, 2011) and, (Goddard & Assad, 2004) and Entine (2003) —Varying donor and regulatory requirements, varying financial reports time-lines, qualification of accounting personnel, existing accounting systems and varying transacting and reporting currencies because they touch on either, important organization resources (qualified personnel, accounting systems, currencies which is money) or actual donor or regulatory requirements (donor and regulatory requirements and the reporting time-lines of these requirements).

2.5 NGO's Regulators in Kenya

The NGO Act created two levels of governance, which are the NGO regulators. First, it created the NGO Co-ordination Board whose broad mandate is to register, regulate, coordinate, and facilitate all NGOs operating in Kenya. Currently, the Board is under the office of the Vice President, Ministry of State for National Heritage and Culture. This Board was formed as a result of the recognition for the need for a legal and administrative framework to guide NGO operations in Kenya. Seven out of the 22 NGO Co-ordination board members are elected by NGOs thus, ensuring that the NGOs themselves take a part in policy development to some extent.

Second, The NGO Act created The NGO Council in August 1993. Its mandate is to self-regulate the sector through the development of the NGO's voluntary codes of conduct and adoption of best practices. Networking, coordination, collaboration and creation of inter-sectoral synergies within the NGOs sector are also mandates of the NGO Council. (Sessional Paper No.1, 2006, p.20).

The Registrar of Societies is another regulatory body that registers community based organizations and faith based organizations which also qualify as NGO's (Kameri- Mbote, 2002).

2.6 Standard Operating Reporting Procedures (SORPS) for NGOs

The South Asia Federation of Accountants Guidelines for NGOs (2011) identifies that as much as the International Accounting Standards Board (IASB) has not improved the quality of

financial statements and increased accountability of NPOs; some countries have made efforts in harmonising accounting practices and presentation. Some of the countries are; Tanzania, USA, U.K, India, Bangladesh, Sri Lanka and Pakistan.

Goddard and Assad (2004) report that; while the National Board of Accountants and Auditors in Tanzania remained unconcerned with accounting in NGOs for many years, it finally introduced a Statement of Recommended Accounting Practice (SRAP) for NGOs.

The United States of America through the Financial Accounting Standards Board (FASB) which has been delegated the authority to establish standards of financial accounting and reporting for private-sector entities, including business and not-for-profit organizations in the United States, has issued several Financial Accounting Standards (FAS) applicable to NPOs and the most relevant are the “Financial Statements of Not-for-Profit Organizations” (FAS 117) and “Contributions” (FAS 116) (FASB, 2011).

In the United Kingdom, the Charities Commission through the Accounting Standards Board (2005) issued a Statement of Recommended Practice on “Accounting and Reporting by Charities”. The Statement gives recommendations on the way in which a charity should report annually on resources entrusted to it and the activities that it undertakes.

Similarly, according to Chander (2003), The Institute of Chartered Accountants of India (ICAI) Research Committee issued a “Technical Guide on Accounting and Auditing in Not-for-Profit Organizations” that guided the Not-for-Profit Organizations in financial accounting and auditing. The work done in these countries in establishing standard reporting procedures signifies the importance of having them in the NGO sector.

2.7 Conceptual Framework

Policy makers and social development researchers have increasing interest in NGOs which has not been matched by a development in the conceptual frameworks for analyzing them. There have been some attempts to relate concepts both from Western non-profit studies (Billis & MacKeith, 1995) and organizational theory (Hudock, 1995) to the study of NGOs but these areas have not been well developed. Functional approaches, which can be translated into practical guidelines, have tended to dominate (Farrington & Bebbington, 1993). This study therefore

pursues the use of a practical conceptual framework that reflects some of the challenges that could be faced by a typical multi-donor NGO. The conceptual framework seeks to find out the effects of the key challenges to financial reporting in multi-funded NGOs as emphasized by various scholars. According to Jacobs & Angood (2008), meeting various stakeholders' needs in financial reporting is an important consideration in financial reporting. Kameri- Mbote (2005) also posits that the donor's requirements cannot be contended with if an NGO expects to keep receiving funding. Mitchell, Agle & Wood (1997) suggest that donor's requirements greatly consider those who have economic or non-economic interest as well as the influence of other funders. It is therefore clear that NGOs have various stakeholders who they are accountable to apart from the donors. They therefore have to ensure that they meet all these stakeholders' requirements which may prove to be a challenging task.

Mitchell et. Al. (1997) deliberate that efficiency in coordination between funders and NGOs is a concept which is enhanced by clear financial periods mostly defined by the funders. Aldaba (2001) and The European Commission (2008) agree with this deliberation by stating that business decisions need to be supported by good financial information which should be available in a timely manner. This information clearly indicates the importance of timelines and that donors require to make decisions pegged on the NGOs performance and this is made possible with timely reports according to the agreed reporting periods.

For an organization to deliver high quality and timely reports, it needs to have well qualified finance personnel. However, Bromideh (2011) reports that this is a key challenging issue because of inadequate financial resources allocated to hiring the most qualified personnel in the job market or providing continuous training to increase their qualifications. Edward & Hulme (1996) suggest the need for trained accountants and internal auditors in the developing countries which is a major step towards the professionalization of the financial management systems of their countries. From Bromideh, Edward & Hulme's sentiments, it is clear that qualification inadequacy is a key challenge in the developing countries which includes Kenya.

Financial reports may be required in certain formats by the donors and this creates challenges when the organization does not have an adequate accounting system. While Abella & Dimalanta (2003) observe that donors may influence an organization's accounting procedures to reform and

adopt the required accounting system, (Kugel, 2011) and (Goddard & Assad, 2004) suggest that having the right technology and using it effectively is essential in achieving proper financial reports. The reverse is also true whereby inefficient accounting systems would create challenges in financial reporting.

Funding is embraced from all over the world in Kenya and according to the NGO Co-ordination Board (2011), funding was received from many countries. These donors would provide grants in either their home currency or in Kenya's currency depending with the donor and recipient's agreements. Entine (2003) believes that the use of local currency creates confusion and uncertainty in reporting especially where the reports are required in foreign currency. With the variety of donors in Kenya, varied transaction and reporting currencies is bound to be a big challenge for NGOs.

The independent variables are varying donor and regulatory requirements, submission of financial reports time-lines, qualification inadequacy of the accounting staff, inferior financial accounting systems and varied transaction and reporting currencies while the dependent variable is financial reporting

This study focuses on the highlighted areas that affect financial reporting in the NGO sector and may create challenges in financial reporting as supported by the stated literature because they touch on either, important organization resources (qualified personnel, accounting systems, currencies which is money) or actual donor or regulatory requirements (donor and regulatory requirements and the reporting time-lines of these requirements).

2.7.1 Varying Donor and Regulatory Requirements

FASB (2008) denotes that financial reports reflect the perspective of the organization rather than the perspective of the organization's investors or any other group of capital providers. Nevertheless, adopting the organization's perspective does not preclude including financial information that is primarily directed to the needs of the other stakeholders.

Kameri- Mbote (2005) denotes that as much as NGOs claim autonomy in their operations basing them on their mission and objectives rather than any dictates from any stakeholders, the reality is that donors' influence is normally a factor to contend with. As the saying goes, "whoever pays the piper, calls the tune".

On the other hand, the Audit guidelines for Non-Governmental Organizations (2011) set by the NGO's Co-ordination Board give reporting guidelines for the NGOs. All NGOs are expected to maintain accounting records which include financial transactions (including computer records) and to submit an Annual Return-Form 14. NGOs with a gross income of over KES. 1,000,000 and International NGOs accounts must be prepared in the accruals basis and in accordance with the IFRS, submit a Director's Annual Report, and audited accounts by a Certified Public Accounting firm.

Some of the donor requirements are similar yet they all require their reports in their specific formats. For example, expenditure reports in particular templates, transaction posting using a particular accounting practice for example accruals basis, audited accounts following a particular accounting framework for instance GAAP and request for funds in donor specific forms (Institute of Chartered Accountants of Pakistan, 2010), (Gross, McCarthy and Shelmon, 2009). Consequently, meeting the divergent organizational, donor and regulator's requirements will create challenges in financial reporting.

2.7.2 Submission of Financial Reports Time-Lines

According to the European Commission (2008), business decisions need to be supported by good quality financial information which should be relevant, user-friendly and available in a timely manner. The NGO Coordination Board requires all NGOs to submit their annual returns within four months after their financial year end (Audit guidelines for Non-Governmental

Organizations, 2011). Similarly, different donors may also demand for their reports or audits at different times of the year yet each organization has its own financial year. The donors do not always enquire about the NGO's financial period so as to align their reporting requirements to the NGO's. If an NGO has several donors who require timely reports at different times of the year then, they will most likely experience challenges in financial reporting.

2.7.3 Qualification Inadequacy of the Accounting Staff

The accountants are mandated to prepare the financial reports to the donors and regulators. If they are not qualified or lack adequate training, then the challenge of financial reporting is enhanced. Mukasa (2002) reports that staff members in the NGOs typically receive lower pay than in the commercial private sector. They have little organizational and professional skills and the little training they receive or lack of it concerns them. Vilian (2002) acknowledges the importance of human resource development, administration and management in safeguarding the human capital.

Bromideh (2011) reports that human resource aspects such as recruitment, compensation, promotion and training, are often addressed as key challenging issues in organizations. Finding the most qualified candidates may be difficult if an organization cannot afford to pay them. Furthermore, staff would require continuous training which may be difficult due to limited financial resources or lack of adequate resources allocated for this cause. Taken together, the researcher envisages that unqualified or less qualified and less trained staff face challenges in financial reporting in multi funded NGOs.

2.7.4 Inferior Financial Accounting Systems

Participants of the Swansea Workshop- Institutional Strengthening of Southern NGOs held at the University of Wales (Davies, 1996), argued that the content of the information produced for donors is far less important, in terms of its effects on the NGO producing the data, than the impact of the process. There are two grounds for this argument. One is the nature of the systems used to generate information; the other is the evidence that is available from some of the largest NGO funding mechanisms. This argument emphasizes the importance of reporting systems.

It is important that the accounting systems fulfill functions that provide essential financial information for their owners and managers in order for them to be able to manage their businesses in a competitive environment, to make informed decisions to prevent business failure and to expand the business. However, small enterprises and their management may have specific needs and conditions, so that accounting systems need to be flexible in order not to impose unnecessary administrative burdens (European Commission, 2008).

Kugel (2011) posit that having the right technology and using it effectively are both essential to achieving better execution of Financial Performance Management processes. Kugel goes on to give an example of a consolidation software that companies use which on average, close their books about one-third faster than those that perform this task using spreadsheets, and companies that use spreadsheets sparingly in their closing process produce financial statements containing fewer errors than those that use them extensively. From these analyses, it is clear that accounting systems are crucial in financial reporting. An organization's choice will determine how easy or challenging it will be to come up with the varied donor reports.

2.7.5 Varied Transaction and Reporting Currencies

Some NGOs can deal with many currencies a day, which makes it critical that they need to have adequate expertise to handle the complex transaction posting and report preparation. For example, grants may be awarded in U.S. dollars with money earmarked to be spent in Euros or other currencies and as a result, the money spent has to be converted back to U.S. dollars for donor reports.

Mbugua et.al (2008) give guidance on how to treat varying currency reporting. They suggest the creation of the accounts of the grant recipient to reflect the budget line items of the approved programme budget. In addition, the accounts should be recorded in the currency of the grant or as agreed by the grant-maker.

2.8 Chapter Summary

The literature review chapter begins by an introduction of the literature to be reviewed. Financial reporting is then defined according to various scholars and the Financial Accounting Standards Board. The literature review goes on to establish the status of International Accounting Standards

for NGOs then ascertains the donor financial reporting requirements as per objective 1 of the study. The NGOs in Kenya are regulated by various regulators and they are further described in this chapter. Objective 3 of the research seeks to find out whether Standard Operating Reporting Procedures would reduce challenges in financial reporting in the NGO sector and so literature on it has been written. To crown it all, a conceptual framework is discussed in terms of the challenges of financial reporting in multi-funded NGOs as per objective 2.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section describes the methodology used during the research. It is organized in the following sub topics: section 3.2, research design, section 3.3, population and sampling procedures, section 3.4, target respondents, section 3.5, data collection methods and section 3.6, data analysis and presentation.

3.2 Research Design

In this research, the design integrates the main research question to research aims, objectives, the literature, methodology, methods and techniques and the setting of the study as is recommended by Robson (2002). This study uses an explanatory design. The explanatory design's nature is to obtain information about the link between the causes and results of the evidence and so this study uses it because of its ability to analyze the factors that bring about challenges in financial reporting and measures the degree of their effects in financial reporting in addition to describing them. It was also preferred because of its ability to deal with various cases and variables, and its suitability with quantitative methods (Bryman, 2008). The research has mainly used the quantitative method and one of the real advantages of this method is its ability to use smaller groups of people to make inferences about larger groups that would be prohibitively expensive to study (Holton & Burnett, 1997). Based on this approach, the researcher used statistical data to analyze the information generated.

3.3 Population and Sampling Procedures

The population of this study was the multi-funded NGOs in Kenya. The NGO Coordination Board has registered almost 7,000 NGOs and because of the complexity in identifying which of these organizations are multi-funded, the sample selected was one hundred and ten NGOs funded by United States Agency for International Development (USAID). USAID was selected because it is the United States arm of international development and gives the highest amount of funds in Kenya in comparison to its counterpart USA agencies. Secondly, by March 2012, The NGO

Coordination Board (2011) reports that, in the year 2010 United States of America was the second largest donor country with funding of approximately KES 6.6 billion after the United Kingdom with KES 7.3 billion. This therefore means that chances of having USAID funds spread all over the country and in large programs are very high.

3.3.1 Sampling

The sample was the USAID funded NGOs. USAID is the international development arm of the United States of America and funds many NGOs through organizations categorized as prime partners. The prime partners are the organizations that enter into agreements and contracts with USAID directly, receive large amounts of funds and are entrusted to manage it through sub partners (other NGOs). The prime partners further fund many other organizations that meet the development goals of USAID and have winning proposals in relation to the prime partners' mandate. Chances of the USAID funded organizations having more than one donor are high because they have good governance, established systems (Davies, 1996) and the USAID existing fund also attracts other donors. USAID usually conducts assessments of these organizations in order to determine whether they are capable of managing the funds and other sub partners before funding them.

In order to select the sample, the sample size was determined using the non-probability convenience sampling method. This method proves to be the most appropriate for this study mainly due to difficulty in determining which USAID funded organizations are NGOs and availability of limited contacts of all the NGOs. Time constraint also contributed to the choice. This method gives researchers freedom to choose whomever they find, hence the name "convenience" (Gitau, 2010). Although a convenience sample has no controls to ensure precision, it is still useful for testing ideas or gaining ideas about a subject of interest as recommended by Cooper & Schindler (2008).

Based on a population of 110 NGOs funded by USAID the study sampled 86 NGOs. This sample of 86 was reached using a table developed by Krejcie & Morgan (1970) attached in *appendix ii*. Sekeran & Roger (2009) acknowledge its wide acceptability and suitability in sample size guidance for research. Krejcie & Morgan (1970) table is appropriate for this study because it addresses key factors of sample selection as suggested by Salant & Dillman (1994)

that, the size of the sample is determined by four factors: (1) how much sampling error can be tolerated and this research uses a tolerable error of 5%; (2) population size, which is 110 multi-funded NGOs for this study; (3) how varied the population is with respect to the characteristics of interest. Of which the study had varied funding areas like health, agriculture, democracy and governance and natural resource management among others. The level of funding of these organizations also varies in terms of direct or indirect funding; and (4) the smallest subgroup within the sample for which estimates are needed and in this study 30% was the required for the study to continue.

3.4 Target Respondents

The target respondents of the study were the Senior Finance personnel in those NGOs because they would be insightful in understanding the challenges of financial reporting. They would be aware of all agreements the organization has entered in to with donors and they oversee the management of all the donor funds and their accountability in terms of financial reporting.

3.5 Data Collection

Primary data was used in this research. The research instrument selected for this study was a questionnaire. The respondents were busy and the questionnaires were deemed as convenient as respondents can complete them at their own time (Mui, 2003). Biasness is also reduced as the questionnaires consist of uniform questions and respondent is not influenced in answering the questions. The questionnaires used in the study were close-ended which enabled the respondents to have answers to choose from with a few open ended questions aimed at receiving suggestions from the respondents. The development of the questionnaire considered questions that would give rise to information that is relevant to the topic under study. The questionnaire had three parts, part A collected information of the respondent's profile, part B on challenges of multiple financial reporting while part C collected data on standard operating reporting procedures.

The detailed questionnaire was to be electronically filled and was sent to the respondents via email as this was considered to be the timeliest, most convenient and cost-effective method for the varied geographic locations and available time of study.

3.6 Data Analysis and Presentation

The data collected was first edited. A code list or a code frame was generated by assigning a code or numbers to each answer of the question. The data was then analyzed using descriptive statistics such as mean scores, frequencies, and measures of dispersion including variance and standard deviation. According to Breakwell (2006), descriptive research design is commonly represented by use of frequency charts, graphs, and pie charts to tabulate the information gathered appropriately. In this research, the frequencies, means and standard deviation techniques were important because they brought out the trends and occurrences which address the objectives laid out.

Non-Parametric tests like the T-test and Chi-Square tests were used for data analysis. The T-test was used because of its ability to examine whether two samples are different and is commonly used when the variances of two normal distributions are unknown and when an research uses a small sample size as in this case of 30 respondents. The Chi-Square test was selected because of its ability to test the difference between an actual sample and another hypothetical or previously established distribution such as that which may be expected due to chance or probability. Chi Square was also used to test differences between two or more actual samples.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents data analysis, interpretation and presentation. Data has been presented in form of tables and figures. The study targeted 86 respondents (Senior finance personnel) from USAID multi-funded NGOs. However, 30 questionnaires were returned duly filled. Section 4.2 gives the background information of the study. Section 4.3 and 4.4 give the findings and discussion of objective 1; donor requirements. Section 4.5 and 4.6 present the findings and discussion of objective 2; key challenges of financial reporting. Section 4.7 and 4.8 provides an analysis and discussion of the effect the Standard Operating Reporting Procedures would have.

4.2 Background Information

The study initially sought to establish the background information of the respondents. This is vital as it would reflect on the reliability of information based on the position held by the respondents, type of organization, core business of the organization, level of funding with the donors, previous history of multi-funding and the organization's financial year.

The respondents were financial personnel (Finance Officers, Accountants, Finance Managers, Finance directors etc.). Therefore the findings on challenges multi-funded NGOs faced in financial reporting were obtained from highly reliable sources.

Table 4.1: Type of Organization

Type	Percent
International NGO	42.31
Local(Kenyan) NGO	30.77
CBO	23.08
FBO	3.85
Total	100.00

From table 4.1, most of the multi-funded NGOs were International NGOs followed by the Local (Kenyan) NGOs. The Faith Based Organizations (FBOs) had the least attraction to multiple donors.

From the findings, most (66.7%) of the NGO's were involved in health activities, 26.7% were involved in education and youth, or agriculture business and environment, while 6.7% were funded in the democracy and governance and only 3.3% in natural resources management sectors. From these findings majority of the multi-funded NGOs were involved in health as the main business.

The findings indicate that 57% of the sampled NGOs are funded directly by the donor (prime partners), while 43% are indirectly funded by the donor.

The study also sought to establish whether the respondent organizations had attracted multiple donors in the past. This was to establish whether there is a difference in the magnitude of challenges faced between the newly multi-funded NGOs and the ones that have been multi-funded for a while. From the findings all the respondents were multi-funded in the past (beyond the year 2012 or before their current funding by USAID).

The findings established that 60% of the multi-funded NGOs had a financial year of January to December, 16.7% indicated July to June and a similar percentage for October to September while 6.7% indicated a financial year of April to March.

4.3 Donor Requirements

Objective one was analysed using the varying donor requirements subsection since it could address both objective one and two. The respondents were asked to indicate their level of agreement with statements on varying donor requirements. Mean score and standard deviation for each statement were computed and presented in table 4.2.

Table 4.2 : Varying Donor Requirements

Requirements	Std.	
	Mean	Deviation
All donor financial reporting requirements are similar	2.26	1.44
All donors expect the organization to meet their(donor) requirements	5.00	0.00
All donor reporting templates are similar	1.76	1.09
All donors require the organization to follow International Financial reporting standards (IFRS) in reporting	2.43	1.48
All donors expect the organization to follow the accruals basis of accounting	2.00	1.05
All donors require an annual audit of the funds donated	3.33	1.52
All the donor reporting requirements are aligned to the NGO Co-ordination Board's requirements	2.43	1.30
Our organization finds it easy and straightforward to meet all the donors requirements	2.93	1.44

The findings as indicated in table 4.2 above shows that donor requirements are not similar, their reporting templates vary and yet all of them expect the organization to meet their (donor) requirements. [M=5, SD=0]. They moderately agreed that all donors require an annual audit of the funds donated to them [M=3.33, SD=1.52]. They disagreed that all donors expect the

organization to follow the accruals basis of accounting or the International Financial Reporting Standards (IFRS) which are the accounting best practices.

An independent t-test was conducted for test groups (varying donor requirements; - dissimilarity of donor reports and varied donor expectations in terms of audits and use of recommended accounting practices) and type of the organization (International and Locally registered NGOs).

Table 4.3: Group Statistics

	Type of your organization	N	Mean	Std. Deviation	Std. Error
					Mean
Varying donor reporting requirements	International				
	NGO	11	2.81	1.66	0.50
	Local(Kenyan)				
	NGO	8	1.51	0.75	0.26

Table 4.3 gives the descriptive statistics for each of the two groups (varying donor requirements and type of the organization). In this case, International NGOs had a mean of 2.81, and standard deviation of 1.66 while Local (Kenyan) NGOs, had a mean score of 1.51 with a standard deviation of 0.75.

Table 4.4: Test for Type of Organization and Varying Donor Requirements

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
Varying donor requirements	Equal variances assumed	9.028	0.008	2.08	17	0.053	1.32	0.63	-0.01	2.65
	Equal variances not assumed			2.321	14.787	0.035	1.31818	0.56	0.10	2.53

The t value is 2.321 and the p value is 0.035. In this case the p value is less than 0.05, thus there is a relationship between type of the organization (International NGO, CBO, FBO or Local NGO) and varying donor requirements challenges. The International NGOs had less challenges in meeting the varying donor requirements as opposed to the locally registered NPOs (Local NGO, CBO and FBO).

Independent t-test was also performed between level of funding (directly funded-prime and indirectly funded-sub partner) and varying donor requirements challenges (dissimilarity of donor reports and varied donor expectations in terms of audits and use of recommended accounting practices).

Table 4.5: Group Statistics

	level of funding with USAID	N	Mean	Std. Deviation	Std. Error Mean
	Prime				
Varying donor requirements	Partner	17	2.29	1.40	0.34
	Sub Partner	12	2.25	1.54	0.44

In this case, directly funded NGOs (prime) had a mean of 2.29, and standard deviation 1.40 while indirectly funded NGOs (sub partner), had a mean score of 1.51 with a standard deviation of 0.75.

Table 4.6: T-test for Level of Funding and Varying Donor Requirements

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
Varying donor financial requirements	Equal variances assumed	.337	.566	.080	27	.937	.044	.55155	-1.08	1.17
	Equal variances not assumed			.079	22.34	.938	.04412	.56105	-1.12	1.21

From the findings, the t value is 0.08 and p value is 0.937. In this case the p value is not less than or equal to 0.05, thus we concluded that there is no relationship between the level of funding (prime or sub) and varying donor requirements. This means that regardless of whether the NGO is directly or indirectly funded by the donor, it has to contend with varying donor requirements.

Chi-square test

A Chi-square test was performed to test the relationship between area of funding (Health, Democracy and Governance, Education and Youth, Agriculture business and Environment and Natural Resources Management) and the type of the organization (International NGO, CBO, FBO or Local NGO).

Table 4.7: Chi-Square Tests Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.340a	3	0.505
Likelihood Ratio	2.449	3	0.485
Linear-by-Linear Association	0.017	1	0.897
N of Valid Cases	26		

a. 5 cells (62.5%) have expected count less than 5. The minimum expected count is .04.

The results as indicated in this table depict a chi-squared test statistic of 2.34 with an associated p value of 0.505. The likelihood ratio and linear-by-linear association had as well as Pearson chi-square had a p which was >0.05 , it means the area of funding of an NGO is not related to the level of funding with the donor. Thus, there is no statistically significant relationship between the area of funding of an NGO (Health, Democracy and Governance, Education and Youth, Agriculture business and Environment and Natural Resources Management), the type of the organization (International NGO, CBO, FBO or Local NGO) or the relationship with the main donor. Donors fund the needs of the communities to able organizations regardless of the registration status.

4.4 Discussion of Objective 1

To establish whether financial reporting requirements by donors of multi-funded NGOs in Kenya are similar.

The research established that each donor has a different reporting template from the other. All donors expect the organization to meet their financial reporting requirements once they receive

funding as seen in the summary in table 4.2 with a mean of 5. They have reporting timelines as concluded by Mbugua et.al (2008) and they do not all require the organization to follow the International Financial Reporting Standards as per Kenya's requirements (World Bank, 2001, P. 4). Most donors expect accountability of their funds through annual audits.

In recent years a good deal of attention has been made to the applicability of business practices to NGOs. Some researchers such as Bradley et al (2003) advocate the adoption of such practices to improve efficiency. However, others such as Simsa (2003) and Myers and Sacks (2003) recognise the complexity of NGOs in terms of their different strategies, internal ideologies and form of ownership. These complexities are likely to confound a simple transference of business practices as well as financial reporting requirements Simsa (2003). From the findings, most of the multi-funded NGOs involved in the study were internationally based and majority were involved in health as the main business. As noted from the previous findings by Westerdahl (2001), accounting and financial reporting requirements by donors is intimately bound with organizational identity and the core business of operation. The international NGOs had less challenges in meeting donor requirements as opposed to locally registered NGOs. Moreover financial reporting in NGOs is a central force in establishing legitimacy within and beyond the organization. The study established that regardless of whether the NGO is directly or indirectly funded by the donor, it has to contend with varying donor requirements. The donor requirements cascade to the lowest level of the funding stream. Edwards & Hulme (1995) noted that the need to account transparently was an essential NGO practice in relation to enhancing legitimacy- whose funding also directly depended on the form of partnership. They also noted the possibility of donor requirements having little attention to associate partners.

The study sought to establish whether the multi-funded NGOs had more than one donor in the past. From the findings all the respondents agreed that they had previous experience in multi-funding. The study also established that donors funded any able NGO in the varying sectors (for example health, democracy and governance and natural resources management) regardless of the registration status. Mitchell, Agle & Wood (1997) suggest that donor's requirements greatly consider those who have economic or non-economic interest as well as the influence of other funders.

The study sought to identify the various financial years NGOs in Kenya have and whether the donors do follow the NGOs financial periods in issuing their reporting requirements. The findings established that most donors do not enquire about the financial periods of the NGOs just before funding them and therefore, the donors decide on when they will require their accountability financial reports. To this aspect, Mitchell et al. (1997) add that efficiency in coordination between funders and NGOs is a concept which is enhanced by clear financial period mostly defined by the funders. From this conceptualization majority of the multi-funded NGOs indicated that they adopt a financial year of January to December.

4.5 Challenges of Multiple Financial Reporting

This section aimed at determining the challenges of multiple financial reporting. The respondents were supposed to indicate on the level of agreement based on a Likert scale of 1-5 where 1 represented strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree.

4.5.1 Varying Donor Requirements

In this subsection, the respondents were asked to indicate their level of agreement with statements on varying donor requirements. Mean score and standard deviation for each statement were computed and presented in table 4.2 that was used in the previous section as presented below.

Table 4.2 Referred: Varying Donor Requirements

Requirements	Std.	
	Mean	Deviation
All donor financial reporting requirements are similar	2.26	1.44
All donors expect the organization to meet their(donor) requirements	5.00	0.00
All donor reporting templates are similar	1.76	1.09
All donors require the organization to follow International Financial reporting standards (IFRS) in reporting	2.43	1.48
All donors expect the organization to follow the accruals basis of accounting	2.00	1.05

All donors require an annual audit of the funds donated	3.33	1.52
All the donor reporting requirements are aligned to the NGO Co-ordination Board's requirements	2.43	1.30
Our organization finds it easy and straightforward to meet all the donors requirements	2.93	1.44

All the respondent agreed that all donors expect the organization to meet their (donor) requirements [M=5, SD=0]. They have to meet the donors' requirements even when the donor reporting templates were not similar. They moderately agreed that all donors require an annual audit of the funds donated to them [M=3.33, SD=1.52]. They disagreed that all donors expect the organization to follow the accruals basis of accounting or the International Financial Reporting Standards (IFRS) which are the accounting best practices. They struggle through these challenges and therefore disagreed that they find it easy and straight forward to meet all the donors requirements [M=2.93, SD=1.44].

4.5.2 Submission of Financial Reports Time-Lines

In this part, the respondents were asked to indicate their level of agreement with statements on submission of financial reports time-lines. Mean score and standard deviation for each statement were computed and presented in table 4.8.

Table 4.8: Submission of Financial Reports Time-Lines

Submission	Mean	Std. Deviation
Each donor enquires about the organizations financial year before funding begins	2.67	1.24
Each donor's reporting time-line matches with the organization's financial year end	1.53	0.68
The various donors' financial reporting time-lines give the organization ample time during the year to concentrate on programs implementation	3.33	1.06

From the findings, the respondents disagreed that each donor enquires about the organizations financial year before funding begins [M=2.67, SD= 1.24] and also disagreed that each donor's reporting time-line matches with the organization's financial year end [M=1.53, SD= 0.68]. This therefore leads to inadequate time during the year to concentrate on programs implementation.

4.5.3 Qualification Inadequacy of the Accounting Staff

In this subsection, the respondents were asked to indicate their level of agreement with statements on qualification inadequacy of the accounting staff. Mean score and standard deviation for each statement were computed and presented in table 4.9.

Table 4.9: Qualification Inadequacy of the Accounting Staff

Qualification	Mean	Std. Deviation
All the accounting staff are fully qualified accountants with a minimum of CPA(K) or a bachelor's degree	3.21	1.21
The organization has adequate finance staff to work on all the funded programs	2.91	1.26
All the accounting staff have the required working experience appropriate for their position description	3.58	1.18
The accounting staff are sponsored using donor funds for trainings in order to improve their productivity	2.73	1.36
A qualified and well trained accounting staff is able to meet the donor financial reporting requirements	4.46	0.78

From the findings, the respondents agreed that a qualified and well trained accounting staff is able to meet the donor financial reporting requirements [M=4.46, SD=0.78]. However, they lack the ideal accounting staff and so they moderately agreed that all the accounting staff have the required working experience appropriate for their position description [M=3.58, SD=1.18]. Even while this is the case, they disagreed that the donors actually sponsor the accounting staff so that they can be more efficient [M=2.73, SD=1.18].

4.5.4 Financial Accounting System

This subsection sought to determine the respondents' views on various statements on financial accounting system. Mean score and standard deviation for each statement were computed and presented in table 4.10.

Table 4.10: Financial Accounting System

Accounting System	Mean	Std. Deviation
An organization's accounting system determines how easy or challenging donor financial reporting will be	4.43	0.72
Investing in a good accounting system ensures good financial reporting	4.76	0.50

All the respondents agreed that an organization's accounting system determines how easy or challenging donor financial reporting will be [M=4.43, SD=0.72] and so they strongly recommend investment in a good accounting system which ensures good financial reporting [M=4.76, SD=0.50].

Table 4.11: Use of Accounting Systems

Accounting Systems	Frequency	Percent
Excel	14	46.7
Pastel	2	6.7
SUN System	3	10.0
Quick Books	15	50.0
ERP System	6	20.0

This area of the study aimed at determining the use of various accounting system in multi-funded NGOs. From the findings in table 4.11, majority (50%), use quick books system and excel spreadsheets while the least popular was the pastel package.

4.5.5 Varied Transaction and Reporting Currencies

In this subsection, the respondents were asked to indicate their level of agreement with statements on varied transaction and reporting currencies. From the findings, 33.3% of the respondents stated that the agreements/contracts signed with donors are rarely in the local currency, while only 10% indicated that they are never signed in the local currency. These findings thus indicate that the agreements/contracts signed with donors are mostly in foreign currency.

Table 4.12: Agreement on other Varied Transaction and Reporting Currencies

		strongly disagree	disagree	neutral	agree	strongly agree	Total
All donors expect the organization to transact in the local currency (Kenya Shillings)	Frequency	3	10	7	5	5	30
	Percent	10	33.3	23.3	16.7	16.7	100
The donors require their financial reports to be in Kenya Shillings	Frequency	9	11	3	4	3	30
	Percent	30	36.7	10	13.3	10	100
Using different currencies in transacting and reporting creates challenges in financial reporting	Frequency	1	4	1	5	18	29
	Percent	3.4	13.8	3.4	17.2	62.1	100

As presented in table 4.12, while most of the respondents disagreed that all donors expect the organization to transact in the local currency (33.3%), many were also agreeable that donors do

allow them to transact in the local currency (16.7% agreed and 16.7% strongly agreed). Regardless of the choice given for the transacting currency, majority disagreed that donors require their financial reports to be in Kenya Shillings (36.7%). Due to these inconsistencies, majority of them confirmed that using different currencies in transacting and reporting creates challenges in financial reporting (62.1%).

4.5.6 Other Challenges of Financial Reporting

In this section, the study aimed at finding out other challenges faced by multi-funded NGOs during financial reporting. From the findings, various challenges were identified such as non-timely disbursement of funds affecting the reporting time; delayed disbursements and lack of training in comparison to program staff; tough reporting timelines; cost share allocations; understanding all the terms and conditions in the agreements; recognition and reporting on foreign currency exchange differences; preparation of financial reports in different currencies from the local currency; alignment of financial reports to project narrative reports because of accrual and matching principles and understanding and implementing the various donor requirements in tandem

In addition; working as a team with the program staff to come up with budgets; matching the work done (implementation of set work plans) with the level of expenditure; different donors having different reporting formats which sometimes are not in line with existing accounting system in the organization; differing reporting timelines; inadequate skills within the accounting staff, lack of robust accounting system were reported.

The inflation of the currency, lack of clarity from the donors -causing additional reporting burden; meeting reporting deadlines for all donors; difficulty in reporting cross cutting costs delays in receiving funds from donor organizations which delay project start dates and cause the burn rate to be skewed towards the end date as opposed to evenly across the project life were also termed as challenges during the financial reporting.

4.6 Discussion of Objective 2

To ascertain the key challenges of financial reporting in multi-funded NGOs in Kenya.

The research ascertained the key challenges of financial reporting in multi-funded NGOs in Kenya through feedback from the respondents. The key challenges established are; varying donor and regulatory requirements, varying financial reports time-lines, qualification inadequacy of accounting personnel, existing accounting systems and varying transacting and reporting currencies.

From the findings and in relation to varying donor requirements, all respondents agreed that all donors expect the organization to meet their (donor) requirements. From the findings, most donors require an annual audit of the funds donated to NGOs. Auditing depicts additional information collection and analysis that can be countered by insisting on systems that are simple, clear and built upon the existing capacity of the NGO (O'Dwyer, 2005). An additional concern about auditing is the impact associated with it on donors. The ultimate response to such potential findings is dependent on key organizational motivations for undertaking an audit—undertaken primarily for purposes of improving performance and accountability, or as an exercise for enhancing public standing (Etzioni, 2004). In some cases, donors influence an organization's accounting procedures to reform and eventually adopt the required accounting system (Abella, & Dimalanta, 2003). Due to these variations in donor requirements, the multi-funded NGO's do not find it easy and straightforward to meet all the donors' requirements in financial reporting.

From the findings the each donor has a set reporting time-line that mostly differs with other donors and also differs with the organization's financial period's reporting time. These variations in financial reporting time-lines do not give the organization ample time during the year to concentrate on programs implementation. From a previous study, Behn suggests a "360-degree model" of efficiency in submission of financial reports in timely manner that would require NGOs to shift from current adversarial modes of accountability enforcement to an emphasis on cooperative responsibility, while Dunn proposes increased transparency of information based on timely submission of reports purporting to act in a society interest. More pointedly, Kovach

himself indicated that for efficiency in financial reporting, each donor requires to monitor the organization's previous budget period before funding (Kovach, 2003). According to Aldaba (2001), the pressures exerted by donors are important since they require quality financial information in order to be able to make optimal choices when they analyze performance in these NGOs. The European Commission (2008) encourages timely financial reports in order to ensure that business decisions are adequately made.

The study established that as much as NGOs realize that qualified accountants are better placed to meet the donors financial reporting requirements, they do not have all qualified accountants and the donors do not equally give funds that would enhance these accounting personnel's qualifications. To this aspect, the shortage of skilled manpower in humanitarian agencies of developing countries and the need for trained accountants and internal auditors is a major step towards the professionalization of the financial management systems of their countries (Edward & Hulme, 1996). This will lead to these agencies becoming not only more effective in managing resources, but also more transparent.

All the respondents strongly agreed that investing in a good accounting system ensures good financial reporting and an organization's accounting system determines how easy or challenging donor financial reporting will be. Accounting can be termed as a language that is developed with the intention of transmitting information to a perceived receiver. Accounting system in a humanitarian agency has the ability to reflect the environment or society in which it is developed and subjected to the legal norms of the country in which it is developed (Bothwell, 2004). Hence, to a larger extent, each and every NGO possesses unique and identical traits that motivate them to adopt particular accounting systems which will influence the reporting manner. In addition, the findings depicted that majority of the multi-funded NGOs uses Quick Books accounting system and excel spreadsheets in reporting and very few have Enterprise Resource Planning Systems (ERPs).

The study established that some donors expected the organization to transact in the local currency while others did not and this meant that while the NGO actually has to transact in the local currency, it has to convert the actual transaction amount to the required foreign currency's equivalent. This may be due to the donor's perception that use of local currency creates

confusion and uncertainty in reporting (Entine 2003). Regardless of the choice given by the donor on the transacting currency, majority disagreed that donors require their financial reports to be in the local currency and a big challenge that arises from this disparity is the recognition and reporting of the currency exchange differences.

The research established that other challenges were identified such as non-timely disbursement of funds which affects the reporting time; delayed disbursements; tough reporting timelines, cost share allocations; understanding all the terms and conditions in the agreements; alignment of financial reports to project narrative reports because of accrual and matching principles and understanding and implementing the various donor requirements in tandem. In addition; working as a team with the program staff to come up with budgets was a challenge as well as matching the work done (implementation of set work plans) with the level of expenditure.

4.7 Standard Operating Reporting Procedures (SORPs)

From the table 60% of the respondents indicated that standard operating reporting procedures would reduce challenges in financial reporting for donor funded programs to a very great extent; 36.7% indicated it would reduce the challenges to a great extent while 3.3% indicated moderate extent, thus indicating that standard operating reporting procedures would reduce challenges in financial reporting in multi-funded NGOs significantly.

4.8 Discussion of Objective 3

Establish whether Standard Operating Reporting Procedures (SORPS) for the NGO sector in Kenya would enhance financial reporting in the NGO Sector in Kenya.

The study indicated that Standard Operating Reporting Procedures would reduce challenges in financial reporting for donor funded programs to a very great extent. Caplow (2003) found management network effectiveness was greater in NGOs with recent experience or those that follow certain guidelines further, the more effective standard procedures had members with; more experience and a wider range of contacts, had written plans and were familiar with them and had experience in the policies and procedures from relevant donors

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents conclusions and recommendations on the analysis of the challenges faced by multi-funded NGOs in financial reporting. Section 5.2 provides conclusions and section 5.3, the recommendations which are based on the objectives of the study which aimed at establishing whether the financial reporting requirements by donors of multi-funded NGOs in Kenya are similar; to ascertain the key challenges of financial reporting in multi-funded NGOs in Kenya and to establish whether Standard Operating Reporting Procedures (SORPS) would enhance financial reporting in the NGO Sector in Kenya. Section 5.4 illustrates the limitations of the study.

5.2 Conclusion

From the findings the study concluded that there are several characteristics that are similar in most multi-funded NGOs such as being internationally based, involvement in health as the core business, as well as being funded directly by the donor (prime partners).

The study, in relation to varying donor requirements also concluded that all donors expect the organization to meet their (donor) requirements; donor's reporting templates vary; donors do not align their reporting requirements to the NGO Co-ordination Boards' requirements and most donors require an annual audit of the funds donated to NGOs. The ultimate response to such potential findings is dependent on key organizational motivations for undertaking an audit—undertaken primarily for purposes of improving performance and accountability, or as an exercise for enhancing public standing (Etzioni, 2004). Due to these disparities in donor requirements, the multi-funded NGO's find it challenging to meet all the donors' requirements.

While some donor's enquire about the NGO's financial year, most donors' financial reporting time-lines vary. Not all of them align their reporting timelines to match the organization's so as to reduce duplicative efforts in financial reporting. This then causes organizations to lack ample time during the year to concentrate on programs implementation.

A qualified and well trained accounting staff is able to meet the donor financial reporting requirements. The study concludes that many of the accounting staff have the required working experience appropriate for their positions (a minimum of CPA (K) or a bachelor's degree). The findings indicate that many NGOs have moderately staffed accounting offices and many donors do not include training budgets in the funds given to the NGOs for training the accounting staff in order for them to increase their qualifications and efficiency.

The study also concluded that investing in a good accounting system ensures good financial reporting and an organization's accounting system determines how easy or challenging donor financial reporting will be. Accounting systems in a humanitarian agency has the ability to reflect the environment or society in which it is developed and subjected to the legal norms of the country in which it is developed (Bothwell, 2004). The study concludes that majority of the multi-funded NGOs use the Quick Books accounting system and excel spreadsheets for reporting while very few use ERP systems.

In conclusion using different currencies in transacting and reporting creates challenges in financial reporting. In addition, most donors expect the organization to transact in the local currency (Kenya Shillings) but not all agreements/contracts signed with donors are in the local currency. Some agreements are in foreign currencies and the financial reports are also required in these foreign currencies which are different from the transacting currency. Some NGOs reported that they face challenges reporting unrealized gains and losses due to these currency variations.

5.3 Recommendations

From the findings the study gives recommendations that would reduce financial reporting challenges in multi-funded NGOs. Generally, NGOs that strive to have smooth financial reporting to donors should; meet the donor requirements and in a timely manner, have superior accounting/financial systems such as ERPs, employ qualified and competent personnel, negotiate with the donors to have training and capacity development budgets and strive to handle foreign currency issues amicably during agreement signing with the donors.

There is a need for the multi-funded NGOs to identify the various requirements put forth by various donors. This will enhance organization co-ordination in accountability and financial reporting. Understanding the various donor requirements will seek to ensure that the multi-

funded NGOs categorize the donors who have similar requirements and reporting templates for ease in financial reporting.

The study recommends a need for the multi-funded NGO to study and understand the various time-lines for submission of financial reports for specific donors. Attempts in aligning donor's reporting time-line with the organization's financial year end during agreement signing will help in enhancing concentration on programs implementation. On qualification inadequacy of the accounting staff, the study recommends a need for all the multi-funded NGOs to absorb competent accounting staff and enhance proper professional training. This will ensure that the organization retains staff with the required working experience, suitable for their position description and motivated to work thus improving the financial reporting.

On inferior financial accounting systems, the study recommends constant reviews of the systems for efficiency in financial reporting. This will lead to introduction and integration of various systems which provide effectiveness in accountability. On varied transaction and reporting currencies, the study recommends a need for the multi-funded NGOs to create proper mechanisms in understanding the various world currencies. Negotiation on the transacting and reporting currencies with the donor is also a possible option.

Lastly to alleviate the challenges (such as the ones described in this study as well as; lack of clarity in reporting, meeting varying deadlines, difficulty in reporting cross cutting costs in financial reporting) in all the multi-funded NGOs, the study illustrates the need for the NGO Board and ICPAK to introduce Standard Operating Reporting Procedures in Kenya's NGO sector.

5.4 Recommendations for Further Studies

The study has explored the various challenges faced by multi-funded NGOs in financial reporting. The study focused on five areas that create challenges in financial reporting therefore further research should be conducted to investigate other challenges of financial reporting in multi-funded NGOs.

This study has identified the need for multi-funded NGOs to incorporate the Standard Operating Reporting Procedures (SORPS) in financial reporting. Therefore further study is recommended

on the effectiveness of the Standard Operating Reporting Procedures in financial reporting in multi-funded NGOs in Kenya.

5.5 Limitations of the Study

The research was limited in some of its findings because some organizations were skeptical of the use of their feedback. Some thought their donor- USAID would be notified of their concerns and so they did not respond to the questionnaire. The implication of this limitation is that the number of responses may not ideally reflect every development sector (like democracy and governance) in the country or an exhaustion of all the challenges faced by multi-funded NGOs in Kenya.

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Appendix i: Questionnaire

A Survey of The Challenges of Multiple Financial Reporting in Multi-Funded NGOs In Kenya

Dear Respondent, My name is Edna Chibole, a Master in Commerce student at the School of Graduate studies at Strathmore University. I present this questionnaire to you with a view to soliciting your responses in relation to the above study which seeks to add value to the policy makers on coordinating donor requirements. I thank you in advance for your contribution towards my studies by way of taking this survey. Your willingness to participate in this survey is greatly appreciated and thank you for taking a few minutes of your busy schedule to complete this questionnaire. The survey is estimated to take 10-15 minutes.

I fully appreciate that some of the information may be strategic and sensitive in nature and in this regard I promise to observe maximum due care and utmost integrity. I promise strict confidentiality concerning your responses and undertake to ensure that any information provided in this questionnaire is solely for the purpose of my MCOM thesis in Strathmore University.

Please answer each of the questions to the best of your ability and knowledge. Part A of this questionnaire will get your demographic data, part B, the financial reporting challenges and part C seeks your suggestion on a way forward. Thanking you. Yours faithfully, Edna Chibole
Student ID No 036716

Part A: Demographic Information

i. Name of the organization (optional)

ii. What position do you hold in your organization?

iii. Type of your organization

- ☐ International NGO
- ☐ Local(Kenyan) NGO
- ☐ Other:

iv. What is the Core Business of the Organization?

- ☐ Health
- ☐ Democracy and Governance
- ☐ Education and Youth
- ☐ Agriculture business and Environment
- ☐ Natural Resources Management
- ☐ Other:

v. What is your level of funding with USAID?

- ☐ Prime Partner
- ☐ Sub Partner
- ☐ Previously funded by USAID
- ☐ Other:

vi. Have you had more than one donor in the past

- ☐ Yes
- ☐ No

vii) What is your organization's financial year?

- ☐ January to December
- ☐ April to March
- ☐ July to June
- ☐ October to September
- ☐ Other:

Part B : Challenges of Multiple Financial Reporting

Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where, 1= Strongly Disagree (0-20%) , 2= Disagree (21-40%), 3= Neutral (40-60%), 4= Agree (61-80%) and 5= Strongly Agree (80-100%). Click the one that best describes your opinion of the statement in reference to the challenges of financial reporting.

1. Varying donor requirements

1. All donor financial reporting requirements are similar

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

2. All donors expect the organization to meet their (donor) requirements

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

3. All donor reporting templates are similar

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

4. All donors require the organization to follow International Financial reporting standards (IFRS) in reporting

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

5. All donors expect the organization to follow the accruals basis of accounting

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

6. All donors require an annual audit of the funds donated

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

7. All the donor reporting requirements are aligned to the NGO Co-ordination Board's requirements

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

8. Our organization finds it easy and straightforward to meet all the donors requirements

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

2. Submission of financial reports time-lines

1. Each donor enquires about the organizations financial year before funding begins

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

2. Each donor's reporting time-line matches with the organization's financial year end

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

3. The various donors' financial reporting time-lines give the organization ample time during the year to concentrate on programs implementation

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

3. Qualification inadequacy of the accounting staff

1. All the accounting staff are fully qualified accountants with a minimum of CPA (K) or a bachelor's degree

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

2. The organization has adequate finance staff to work on all the funded programs

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

3. All the accounting staff have the required working experience appropriate for their position description

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

4. The accounting staff are sponsored using donor funds for trainings in order to improve their productivity

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

5. A qualified and well trained accounting staff is able to meet the donor financial reporting requirements

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

4. Financial accounting system

1. An organization's accounting system determines how easy or challenging donor financial reporting will be

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

2.. Which accounting system does your organization use?

- ☐ Excel
- ☐ Pastel
- ☐ SUN System
- ☐ Quick Books
- ☐ An ERP System
- ☐ Other:

3. Investing in a good accounting system ensures good financial reporting

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

5. Varied transaction and reporting currencies

1. All agreements/contracts signed with donors are in the local currency (Kenya Shillings)

- ☐ All the times
- ☐ Most of the times
- ☐ Sometimes
- ☐ Rarely
- ☐ Never

2. All donors expect the organization to transact in the local currency (Kenya Shillings)

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

3. The donors require their financial reports to be in Kenya Shillings

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

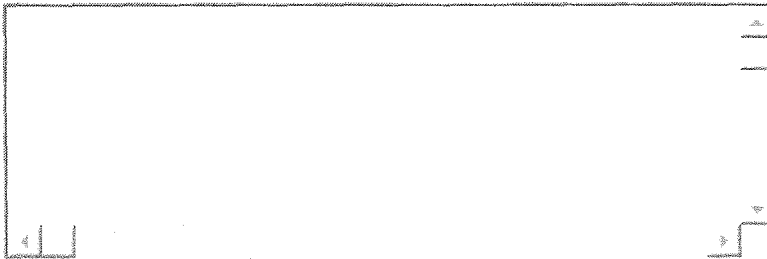
4. Using different currencies in transacting and reporting creates challenges in financial reporting

1 2 3 4 5

Strongly Disagree ☐ ☐ ☐ ☐ ☐ Strongly Agree

Part C: Standard Operating Reporting Procedures

1. What other challenges does your organization face in financial reporting to donors?



2. To what extent do you think guidelines or Standard operating Reporting Procedures would reduce challenges in financial reporting for donor funded programs?

1 2 3 4 5

No reduction ☐ ☐ ☐ ☐ ☐ Major reduction

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This was an electronic questionnaire

Appendix ii: Table for Determining Sample Size

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size "S" is sample size.

Krejcie, Robert V. Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

