FINANCIAL CONTROLS AND FINANCIAL DISTRESS OF HIV-AIDS NON - GOVERNMENTAL ORGANIZATIONS IN KENYA

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ABSTRACT

Non-Governmental Organizations (NGOs) that provide support to individuals living with HIV/AIDS have encountered various challenges resulting into financial distress. Amongst these challenges, some scholars specializing in HIV/AIDS NGOs suggest that financial controls are the contributing factors to financial distress. The purpose of this study was to examine the effect of financial controls on the financial distress experienced by HIV/AIDS NGOs in Kenya. The specific objectives of the study were to assess the effects of donor financial reporting compliance and financial reconciliations on the financial distress of these HIV/AIDS NGOs. The study was anchored on the theory of inspired confidence, agency theory to explain the relationship between financial controls and financial distress. An explanatory research methodology was employed for the study. The target population consisted of 219 HIV/AIDS-related NGOs listed in the NGO Coordination Board register in 2021. A sample size of 142 NGOs was randomly selected using simple random sampling. Structured questionnaires were used to collect primary data which was analyzed using descriptive statistics and logistic regression analysis in the Statistical Package for the Social Sciences (SPSS). The research findings were presented using tables, pie charts, and bar graphs. The study revealed that donor financial reporting compliance, financial reconciliations had statistically significant positive influence on the financial distress of HIV-AIDS NGOs. The study recommends that donors want to increase compliance rates, need to create dialogue platforms with funded HIV/AIDS NGOs' employees and management for mutual understanding of the rules and regulations of a particular donor.

Key Words: Donor Financial Reporting Compliance, Financial Controls, Financial Distress, Financial Reconciliation.

INTRODUCTION

Background of the study

Recent events such as donor fatigue, increased government scrutiny, and economic recessions have amplified the significance of "financial sustainability" in the nonprofit sector. A 2015 survey by Bond, an International Development Network, revealed that 85% of NGOs were affected by the economic downturn, with 58% reporting losses in financing. Furthermore, 66% of non-profits reported cuts in government financing, and 48% of those receiving donations from foundations reported a decrease in support (Kristin, 2016). Hence, it's evident that NGOs worldwide are facing financial distress and must strive towards financial sustainability to avoid curtailing their community-based services (Dardane, 2010).

Moreover, the financial management practices of NGOs are often constrained due to the lack of resources. Traditionally, NGOs relied heavily on donations and contributions to cover all their costs (Gyamfi, 2010). Hence, traditional sources of financing are proving inadequate in meeting their escalating operational expenses, intensifying concerns about financial sustainability (Sontag-Padilla, Staplefoote & Gonzalez-Morganti, 2012). This lack of funding often forces NGOs to reduce their services or cease operations (Omeri, 2014).

The HIV/AIDS sector has experienced significant financial challenges. Unprecedented funding mobilization for HIV and AIDS treatment during the pandemic period was followed by a worrying reversal. There was a 7% drop in funding sources for HIV prevention in low- and middle-income countries between 2015 and 2016, after years of financial stagnation since the 2008 financial crisis (Kates, Wexler & Lief, 2017). The worldwide economic downturn, along with strict conditions imposed by donors, inadequate financial management systems, and questionable practices in organizational governance, have added additional pressure on NGOs to obtain external funding (Rono, 2012). This challenging financial landscape has escalated the financial distress among HIV and AIDS NGOs, causing many to reduce the scope or even cease operations. The stability of nonprofit organizations and their ability to provide essential services depends heavily on their capacity to raise and manage funds. Consequently, failures in financial management are a significant cause of financial woes and can even lead to the demise of NGOs. It is thus crucial for these organizations to address these issues, strive for financial stability, and work towards achieving financial sustainability.

Financial controls

Financial controls are management and governance functions that ensure the reliability of accounting, prevent fraud, and safeguard the institution's physical and immaterial assets (Maina, 2013). According to Gituma (2017), financial controls are at the heart of resource management and organizational efficiency and prosperity. For this study, financial controls constitute of two independent variables as follows: donor financial reporting compliance and financial reconciliations of HIV/AIDS NGOs.

Donor Financial Reporting Compliance are systems of ensuring that an organization that receives funding from donors complies with the financial reporting requirements set out by the donors. It is crucial for organizations to follow the financial reporting requirements to maintain the trust and credibility of their donors, and ensure funds are being used for intended purpose of supporting people living with HIV/AIDS (Lammers, 2016). Donors are provided with information through financial reporting. Donors will desire to understand how funding is transforming people living with HIV/AIDS and how funding is utilized effectively (Lammers, 2016). Accurate financial reports provide Donors with a clear picture of how their funding is supporting objectives outlined in project implementation matrix of supporting people living with HIV/AIDS.

Financial reconciliation is the process of comparing and adjusting financial records to ensure that they are accurate and in agreement with the general ledger system. This process is important to ensure the integrity and reliability of financial information, which is essential for decision-making and compliance purposes (www.investopedia.com). The automated financial closure procedure relies on financial reconciliations. They accomplish this by evaluating balances in different systems and double-checking statements and results. Reconciling organizations' accounts is much more than just keeping track of the finances. It aids in the detection of mistakes, the avoidance of unfavorable auditing views, and the detection of fraud (Khalid, 2017). The objective of the financial reconciliation procedure is to ensure that the organization's own accounts and the account balance tally, as well as to identify any mistakes committed by the organization (Dellaportas, 2013). Reconciling the account balances for a given period and comparing with the closing Book account on the same fiscal year reconciliations. If there is a discrepancy between these account balances, the reason for the discrepancy must be stated and explained (Khalid, 2017).

Financial distress

The financial distress of HIV/AIDS NGOs can have serious consequences, including the suspension or reduction of critical programs and services that support people living with HIV/AIDS. As noted by Nasi et al. (2017), financial distress can also result in staff reductions, increased turnover, and decreased morale, which could further undermine an organization's ability to carry out its mission of supporting people living with HIV/AIDS in Kenya.

HIV/AIDS Non-Governmental Organization (NGOs) in Kenya

In Kenya, there are NGOs operating in different counties, each with a unique set of programs geared to support people in need of healthcare, education, and emergency financial aid and other community needs. In particular, the HIV-AIDS NGOs programs are aimed to educate individuals who have been infected with HIV about special health care, nutrition, and spiritual advice (Lewis & Kanji, 2013).

Conducting HIV testing is part of some of the programs done by HIV/AIDS NGOs. Training of prospective instructors on counselling and rapid testing to expand access to disadvantaged populations has helped reduce the spread of this phenomena. This has also reduced the load on public health centers conducting HIV testing and counseling services (Banks & Hulme, 2012).
Recently, there is a decrease in HIV prevalence rates in some parts of the country due to increased involvement of the Kenyan government in supporting the various Non-Governmental HIV/AIDS programs (Kabdiyeva, 2013). The implementation of these HIV/AIDS programs by NGOs is a dynamic procedure that includes a regulated and organized use of the institution's resources to accomplish certain clearly defined goals recognized as strategic requirements (Roseland, 2012).

Statement of the Problem

HIV/AIDS NGOs are assumed to be viable, but many are forced to close due to unforeseen situations of financial management. Despite donors' willingness to continue funding, HIV/AIDS NGOs still encounter financial distress leading to their closure. Some HIV/AIDS NGOs faces financial distress leading to closure of its branches because of inability to pay for operations costs such as rent, wages, logistics and direct costs to supporting people living with HIV/AIDS. According to Ondieki (2015), there has been a closure of operations rate of 12% on the HIV/AIDS

NGOs in operation in Kenya since 2013. The study revealed that the financial distress circumstances have forced the closure of NGOs from their operations.

Numerous research studies have been conducted in the field of financial distress. For example, Gebreslassie (2015) examined the factors influencing the occurrence of financial distress among commercial banks in Ethiopia. Similarly, Ntoiti (2013) investigated the financial control factors that contribute to financial distress in local governments in Kenya. However, previous studies conducted by Salloum, Azzi, and Gebrayel (2014), Onuoha and Amponsah (2012), and Onchangwa (2019) did not specifically focus on exploring the effect of financial controls on the financial distress experienced by HIV/AIDS NGOs in Kenya. Thus, this research aimed to fill this gap.

Objectives of the study

General objective

The primary purpose of this study is to investigate effects of financial controls on financial distress of HIV-AIDs non - governmental organizations in Kenya.

Specific objectives

The study was guided by these specific objectives:

i. To determine the effect of Donor financial reporting compliance on financial distress of HIV/AIDS Non-Governmental Organizations in Kenya

ii. To examine the effect that financial reconciliations have on the level of financial distress experienced by HIV/AIDS Non-Governmental Organizations in Kenya.

This study considered the following null hypotheses:

H_{01}: Donor financial reporting compliance has no statistically significant effect on financial distress of HIV/AIDS Non-Governmental Organizations in Kenya.

H_{02}: Financial reconciliations have no statistically significant effect on financial distress of HIV/AIDS Non-Governmental Organizations in Kenya.

LITERATURE REVIEW

Theoretical Literature

Theory of Inspired Confidence

Theodore Limperg, a Dutch scholar, proposed this theory in the late 1920s. Limperg's thesis addresses concerns regarding both the demand for and the availability of audit services. As per Limperg, having outsiders take involvement in running an organization, also known as outside stakeholders, is directly responsible for the requirement of audit services. These stakeholders desire something in return for their investments in the organization, and they want the management to answer for the decision it does make. To ensure that information provided by management is not prejudiced due to a probable conflict of interest, an audit becomes necessary to ensure assurance and inspire confidence on financial transactions.

Donor-funded organizations need the auditors to check their financial reports and subjected them to an independent assurance test. This makes donors develop confidence and continue funding the NGOs. Donors will have faith in the financial reports provided by financed organizations since the auditor strives for openness. Internal controls, compliance with donor organizations, and the ability to use donor monies are examined during an audit (Shapiro, 2007).

Limperg adopted a normative perspective in establishing the appropriate level of audit assurance to be provided by auditors. According to this approach, auditors are expected to fulfill the reasonable expectations of stakeholders in a rational manner. However, it is crucial for auditors to refrain from overstating the outcomes of their examinations in the audit report. Considering the limitations of available audit technology, auditors should conduct their work to a sufficient extent that satisfies the reasonable expectations of the general public (Krishnan, 2005). With the auditing process and reports backed by the auditor’s trust, any irregularities in contracts and non- compliance can be discovered.

Agency theory

Barry Mitnick and Stephen Ross developed the agency theory in 1973. This theory deals with the agency relationship issue, which occurs when one party delegates a task to another. The principal is the party that delegates work to the other, while the agent is the party that accepts the task and completes the work. An agency relationship exists when the actions of one person have an impact, either directly or indirectly, not only on that person's own well-being but also on the well-being of another individual who is contractually connected to either the first or second person (Jensen & Meckling, 2019).

The person who performs the acts is known as an agent, whereas the individual whose wellbeing is impacted is known as the principle. If both partners are utility maximizers, there's a high chance that the agent will not consistently behave in the principal's best interests (Jensen & Meckling, 2019). The theory can clarify how the reckless activities of executives and owners (agents) impact the wellbeing of shareholders (trustees) by interacting undesirable concentrations of leverage, operations and maintenance inefficiency caused by poor managerial skills, impoverished portfolio management regulates, and poor cash management, for example. Management's activities (Kloha et al., 2005). This includes misappropriating money from financial institutions and making sub-optimal choices about the use of financial and non-financial assets., and organizations eventually face financial difficulties as a result of these activities (Muthuva, 2016).

Empirical Review

Donor financial reporting compliance and financial distress

Adrabo, Bigabwenkya, and Yesiga (2012) examined the factors affecting implementing partners' (IPs) donor financial reporting compliance. Their case study was the Inter-Religious Council of Uganda (IRCU). Their results showed that the IRCU had neglected capacity assessment guidelines and used insufficient donor financial reporting mechanisms. Many instrument indications were irrelevant. The survey also discovered that certain implementing partners lacked computational capacity and dependable internet access. Distance from the IRCU Secretariat also hampered report submission. These organisations must understand and follow donor reporting standards to avoid financial difficulty. Maintaining donor financing requires accurate and timely reporting. The IRCU case study shows that effective reporting requires comprehensive reporting tools and infrastructure and closeness to governing authorities. Thus, HIV/AIDS NGOs must carefully evaluate these aspects to mitigate financial difficulties.

Chêne & Hodess (2008) examined NGO accountability mechanisms and donor financial reporting. Many donors have regulations for the NGOs they work with, resulting in complicated donor financial reporting processes in many NGOs. However, donors working with partners who cannot meet these requirements presents a hurdle. It emphasises the need of establishing basic financial management system components. Fundamental features include separating essential positions like the authorising officer and the accountant and implementing the "four-eye" concept that requires two authorised staff members to approve charges. Annual financial reports detailing revenue and spending and compliance with applicable standards and rules are also vital. Chêne & Hodess's research emphasises NGOs' need for a robust financial management system. These results are crucial for designing successful financial reporting methods, especially for NGOs that may struggle to fulfil donor criteria. This highlights the complexity of donor financial reporting, which involves donor expectations and NGO capability.

Financial reconciliations and financial distress

Cheruiyot, Namusonge, and Sakwa (2018) examined Kenyan county governments' budgetary budgeting and planning. Their study aimed to provide new insights on financial reconciliation strategies to improve resource management and public administration. They found that timely distribution and resource management are essential to plan and initiative implementation. Even though counties used varied tactics, the County Integrated Development Plan was always the main development programme supporting all programmes and activities. The research did not fully examine how revenue management mitigates local government financial difficulty. The study's financial distress approach focused on financial reconciliation, leaving revenue management understudied. The findings highlighted the need for further investigation. Research should demonstrate how revenue management might avert financial trouble. This research would fill Cheruiyot, Namusonge, and Sakwa's gap and improve our knowledge of local government budgetary policy.

Muthama (2016) examined the potential benefits of adopting more efficient financial reconciliations practices to mitigate financial strains in public hospital. This research was conducted in Kisii County using descriptive survey methods. ANOVA research indicated that cash budget, operating bank account(s), and accounting substantially affected public hospital operational performance at 5%. Regression analysis showed how these variables affected operational success. These publicly supported healthcare institutions' operational performance was 14.1% affected by functioning bank accounts, 38.9% by cash budgeting, and 49.3% by accounting. Despite its relevance, Muthama's research focused on public hospitals' operational performance in Kisii County, unlike the present study. The current study primarily focuses on HIV/AIDS NGOs in Kenya, investigating whether these organizations are experiencing financial distress. Thus, while Muthama's findings can provide valuable insights into financial management practices, their application must be considered carefully given the different nature and objectives of the entities in question.

RESEARCH METHODOLOGY

An explanatory research design was employed in this study. In the context of this study, the target population comprised the 219 HIV/AIDS NGOs that were officially listed in the NGO Coordination Board in the year 2021. There were 219 HIV/AIDS-related NGOs in Kenya certified by the NGO Coordination Board in 2021. The study focused on 219 registered HIV/AIDS NGOs. A Simple random selection was used to pick a sample size of 142 registered HIV/AIDS NGOs for this study. According to Black (2014), simple random sampling is a technique whereby every element in the target population has an equivalent and predictable probability of being selected. This technique was utilized since it is straightforward and free of prejudice. The financial professionals from the 142 NGOs were requested to fill out the structured questionnaires because they were likely to have more information compared to others. The sample population of 142 registered HIV/AIDS NGOs participating in this study was derived using Taro Yamane proposed formula (1967) as detailed below:

$$n = \frac{N}{1 + N(e)^2}$$

Where:
N = desired Sample size
N= Target Population of HIV/AIDS NGOS
e= Margin of error
Therefore, the sample size for the respondents was:
$n=219 /1+219 (0.05)^2$
n= 142
Thus, the sample size of142 registered HIV/AIDS NGOs was selected.

The researcher gathered data from finance personnel of HIV/AIDS-related NGOs using structured questionnaires. The demographic information, donor financial reporting compliance, financial reconciliations financial distress. The questionnaires contained closed-ended questions..
Before the researcher starting the distribution of questionnaires to HIV/AIDS NGOs participants, the researcher obtained data collection authorization from Kenyatta University Graduate School and

received a research permit no.901144 (Appendix III) from Kenya government through NACOSTI. The questionnaires were sent to the participants via the drop and pick technique and via email by the researcher and research assistant. The respondents had two weeks to complete the questionnaires. This provided participants with plenty of time to complete the survey and obtain clarification as necessary.

The researcher ensured data is free of errors and relevant for the study. The data was coded, tabulated, and analyzed using Statistical Package for Social Sciences (SPSS). The result of data analysis was presented in form of Pie charts, bar graphs, and tables. The causes and effects of financial controls on financial distress of HIV/AIDS NGOs was established using inferential statistics via logistic regression model. The significance test was achieved with a 95% level of confidence.

The regression model is as follows:

$Y = \beta_0 + 1.412\, X_1 + 1.179X_2 + 1.274X_3 + 1.493X_4$

Where:

Y = financial distress (dependent variable)

β_0 is the y-intercept or model coefficient,

$\beta_1 - \beta 2$ are the coefficients of the independent variables,

X_1 = donor financial reporting compliance,

X_2 = financial reconciliations

ε : Error term which is presumable of normal distribution, with a mean of zero and a constant variance.

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

Descriptive Statistics

Donor Financial Reporting Compliance

The primary goal of the study was to ascertain how donor financial reporting compliance requirements affected the degree of financial pressure that HIV/AIDS-related non-governmental organisations in Kenya were experiencing.

Table 4.6 Descriptive Statistics for Donor financial reporting compliance

	Mean	Std. Deviation
The organization have internal and external audits regularly	4.18	1.03
The audit committee conducts reliable and transparent auditing on the organization operations	4.13	1.096
The organizations have measure to exercise expenditure control on its operations	4.11	0.99
Projects plan is submitted to donors on regular basis and effectively	4.25	1.01
The NGO management and administration is governed with the stipulated project plans.	4.43	0.809
Average	**4.22**	**0.987**

Source: Researcher (2023).

In Table 4.6 above, the results relate to constructs of relationship between donor financial reporting compliance and financial distress. According to the findings of the study, the respondents agreed that the organizations have internal and external audits regularly with a mean of 4.18. The results also revealed that the respondents seemed to agree that the audit committees conduct reliable and transparent auditing on the organization operations with a mean of 4.13. The results also revealed that the organizations have measures to exercise expenditure control on their operations with a mean of 4.11 and standard deviation of 0.99 which shows that the responses had low variation. The respondents also agreed that Projects plans are submitted to donors on regular basis and effectively as revealed by a mean of 4.43 which is more than 3.5. Further, the study found that the respondents seemed to agree that the NGO management and administration are governed with the stipulated project plans with a mean of 4.55 which is above 3.5.

Financial reconciliations

The second specific objective of the study was to investigate the impact that reconciling financial reconciliations had on the level of financial strain experienced by HIV/AIDS Non-Governmental Organizations in Kenya.

Table 4.7 Descriptive Statistics for financial reconciliations

	Mean	**Std. Deviation**
The organizational operations and activities are recorded efficiently	4.29	1.059
There are both digital and manual/physical recording of project engagement for record reliability	4.29	1.158
Errors in the financial recording are consistently followed up for accountability	4.18	1.155
Regular book checking activities are conducted	4.33	1.27
Management utilizes external expertise for book checking to ensure transparency and trust.	4.24	1
Average	**4.266**	**1.1284**

Source: Researcher (2023).

In Table 4.7 above, the results relate to constructs of relationship between financial reconciliations and financial distress. Participants in the research generally agreed that the organizational operations and activities are recorded efficiently with a mean of 4.29. The findings also demonstrate that the respondents agreed that there are both digital and manual/physical recording of project engagement for record reliability with a mean of 4.29. The results also revealed that the errors in the financial recording are consistently followed up for accountability with a mean of 4.18 and standard deviation of 1.155 which shows that the responses had low variation. The respondents also agreed that regular book checking activities are conducted as revealed by a mean of 4.33 which is more than 3.5. Further, the study found that the respondents agreed that the managements of NGOs utilize external expertise for book checking to ensure transparency and trust with a mean of 4.24 which is above 3.5.

Financial distress

The study sought to examine the financial distress status of HIV/AIDS Non-Governmental Organizations in Kenya.

Table 4.9 Descriptive Statistics for Financial distress

	Mean	Std. Deviation
The NGO is not able to pay salaries in time	2.29	.977
The NGO is not able to pay rent and other expenses in time.	2.35	1.086
The NGO is not able to repay its bank loans on time.	2.42	1.218
The NGO is unable to pay its pension obligations	2.30	1.218
The NGO over relies on overdrafts	2.30	1.132
The NGO relies on expensive loans	2.29	1.151
Average	**13.95**	**6.782**

Source: Researcher (2023).

In Table 4.10 above, the results show the financial distress status of HIV/AIDS Non-Governmental Organizations in Kenya. According to the findings of the survey, the respondents concurred that the NGOs are not able to pay salaries on time upheld with a mean of 2.29. Additionally, the outcomes showed that the respondents agreed that the NGO is not able to pay rent and other expenses in time (Mean = 2.35, S.D = 1.09). The results also revealed that the NGO is not able to repay its bank loans in time (Mean = 2.42, S.D = 1.22). The respondents also agreed that the NGOs are unable to pay its pension obligations (Mean = 2.30, S.D = 1.22). Participants in the research generally agreed that the NGO over relies on overdrafts (Mean = 2.30, S.D = 1.13). Further, results also revealed that the NGO relies on expensive loans (Mean = 2.30, S.D = 1.13).

Logistic regression analysis

In order to model the effect of all of the independent factors and the financial distress that was discovered to be significant in the binary stage, a multivariate logistic regression was utilized. Table 4.10 Multivariate Logistic Regression Analysis for financial distress

Variables	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
							Lower	Upper
Constant	-1.484	0.236	39.475	1	0.000	0.227		
Donor Financial Reporting Compliance	-1.412	0.33	18.304	1	0.000	0.244	0.128	0.465
Financial Reconciliations	-1.179	0.275	18.407	1	0.000	0.308	0.179	0.527

Source: Researcher (2023).

Effect of Donor financial reporting compliance on Financial Distress of HIV/AID NGOs

Table 4.10 shows that donor financial reporting compliance was statistically associated with the odds of financial distress ($p<0.05$). An increase in donor financial reporting compliance decreases the odds of financial distress by 0.244 times. The findings imply that those HIV-AIDS NGOs that focus on effective reporting to donors have higher chances of minimizing financial distress conditions compare to those that do not comply to donors' regulations. Donor financial reporting compliance was statistically significant to financial distress ($p<0.05$)..

Effect of Financial reconciliations on Financial Distress of HIV/AID NGOs

Table 4.10 also shows that financial reconciliations was statistically associated with financial the odds of distress ($p<0.05$). An increase in financial reconciliations decreases the odds of financial distress by 0.308 times. The findings imply that those firms that engage in book- keeping and accounts balancing have higher chances of having lower financial distress cases compared to those that do not do financial reconciliations. Financial reconciliation was statistically significant to financial distress ($p<0.05$).

Summary, Conclusion and Recommendation

Donor financial reporting compliance was statistically significantly linked with financial distress of HIV/AIDS NGOs. An increase in donor financial reporting compliance was found to lessen the odds of financial distress. The results showed that those HIV/AIDS NGOs that concentrate on effective reporting to donors have greater odds of decreasing financial distress situations compared to those that do not conform to donors' requirements. The findings revealed that routine internal and external audits in non-profit organizations have a considerable influence on financial and operational efficiency. Annual project plans in non-profit organizations that are provided to donors on a regular basis ensure the dependability and transparency of the organization's operations by conducting an audit of the organization's activities.

Financial reconciliations were statistically significantly connected with financial distress of HIV/AIDS related Non-Governmental Organizations in Kenya. An increase in financial reconciliations was found to lessen the odds of financial distress. The results showed that those businesses that participate in book- keeping and accounts balancing have better possibilities of having reduced financial distress instances compared to those that do not undertake financial reconciliations.

Conclusion

Based on the study objectives and results, it was clear to conclude that donor financial reporting compliance significantly decreased the odds of financial distress in HIV/AIDS NGOs. Specifically, the organization having internal and external audits regularly, the audit committee conducting reliable and transparent auditing on the organization operations and the organizations having measure to exercise expenditure control on its operations. Also, projects plan being submitted to donors on regular basis and effectively, the HIV/AIDS NGO management and administration being governed with the stipulated project plans and projects plan being submitted to donors on regular basis and effectively have significantly decreased the odds of financial distress in NGOs.

Financial reconciliations are statistically significant to the odds of financial distress control in HIV/AIDS NGOs. Specifically, the organizational operations and activities being recorded efficiently, there being both digital and manual/physical recording of project engagement for record reliability and errors in the financial recording being consistently followed up for accountability. Also, regular book checking activities being conducted and management utilizing external expertise for book checking to ensure transparency and trust have significantly decreased the odds of financial distress in NGOs.

Recommendations

Based on the findings, the study recommends that donors that want to increase compliance rates, should create dialogue platforms with the funded HIV/AIDS NGOs and provide input on rules and regulations. NGOs receiving funding should update their rules and financial guides to better account for donors funding and educate the financial and program employees. NGOs receiving donor funding should also put in place proper measures to track the progress of management's responses to audit recommendations.

It is recommended that HIV/AIDS NGOs should implement effective reconciliation procedures. NGOs need to prioritize increasing the frequency with accounts reconciliation. And consider frequency with cash books are audit, instituting a policy on cash reconciliation and training the employees on cash reconciliation.

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