

# FINANCIAL MANAGEMENT TRAINING

# Introduction

## **Why is Financial Management important for NGOs?**

In many NGOs financial management is given a low priority. This is often characterized by poor financial planning and monitoring systems.

# Good practice in financial management will:

- Help managers/Directors/Programme staff to make effective and efficient use of resources to achieve objectives and fulfil commitments to stakeholders
- Help NGOs to be more accountable to donors and other stakeholders
- Gain the respect and confidence of funding agencies, partners and beneficiaries
- Give the NGO the advantage in competition for increasingly scarce resources
- Help NGOs prepare themselves for long-term financial sustainability

# What is Financial Management?

- Financial management is not just about keeping accounting records.
- It is an important part of programme management and must not be seen as a separate activity left to finance staff.
- Financial management entails planning, organizing, controlling and monitoring the financial resources of an organization to achieve objectives.
- Financial management to an NGO is rather like maintenance is to a vehicle. If we don't put in good quality fuel and oil and give it a regular service, the functioning of the vehicle suffers and it will not run efficiently. If neglected, the vehicle will eventually break down and fail to reach its intended destination.
- In practice, financial management is about taking action to look after the financial health of an organisation, and not leaving things to chance.

# Managing risk

All organizations face internal and external risks which can threaten operations and even survival (e.g. funds being withdrawn, an office fire or a fraud). Risks must be identified and actively managed in an organized way to limit the damage they can cause.

**Tool used** -Risk roster/register which shows possible risks identified and Mitigation measures to be undertaken.

# The Tools of Financial Management

There are many tools, not necessarily financial, which can be used to help achieve good practice in financial management and control.

We can identify these tools under each of the four functions of financial management:

- **Planning**-is basic to the management process and involves looking ahead to prepare as well as possible for the future.

**Tools:** Strategic plan, business plan, activity plan, budgets, work plans, cashflow forecast, feasibility study...etc.

- **Organizing**- have to be coordinated to ensure implementation of the overall plan.

**Tools:** Constitution, organization charts, flow diagrams, job descriptions, Chart of Accounts, **Finance Manual**, budgets...etc.

# Cont.....

- **Controlling** -A system of controls, checks and balances are essential to ensure proper application of procedures and resources during programme implementation.

**Tools:** Budgets, delegated authority, **procurement procedure (i.e Three quotes )**, **Payment process and approval levels (Attachments i.e invoices, Delivery note, EFD receipt, LPO copy, Contract copy, activity plan to ensure completeness**, reconciliation, internal and external audit, fixed assets register, vehicle policy, insurance...etc.

- **Monitoring**-Involves comparing actual performance with plans to evaluate the effectiveness of plans, identify weaknesses early on and take corrective action if required.

**Tools:** Evaluation reports, budget monitoring reports, cash flow reports, financial statements, project reports, donor reports, audit reports, evaluation reports...etc..

# Standard Forms

Standard forms can be used with almost any procedure but especially where:

- Information needs to be supplied by a third party before a transaction can take place;
- A transaction requires to be checked and authorized; or
- Financial information is being summarized or reconciled.

Some typical uses for standard forms:

- Payment Voucher
- Purchase Order
- Travel and Subsistence Expenses claim (Imprest)



# Cont....

- Assets Register
- Vehicle Log
- Bank Reconciliation
- Petty cash
- Journal Voucher

Other Financial Control tool includes;

Organization Core values I.e Ethics, accountability, Transparency ,zero tolerance on corruption, stewardship etc.

**THANK YOU**