Welcome!

“Once you stop LEARNING, you start DYING” Albert Einstein

“You LEARN not because you have to. But because it is WHO YOU ARE”
Mango Learning Philosophy

“Tell me and I Forget, Teach me and I may Remember, Involve me and I Learn”.

Benjamin Franklin (1706-1790)
Mango Learning Philosophy

“Learning is directly proportional to the amount of Fun you have”.

Bob Pike: The Trainer’s Trainer
“Never do for Learners what Learners can do for Themselves”.

Anonymous
Financial Management Overview
What is Financial Management?

Planning

Organising

Controlling

Monitoring

Financial resources to achieve objectives.
Why is Financial Management Important?

- To **A**chieve objectives
- **C**ontinuity and security
- To be **A**ccountable
- **C**onfidence and Trust
Who is Responsible for FM?

- **Governing body**: Ultimately accountable in law
- **Managers**: Day-to-day authority delegated to managers to implement policy
- **All staff**: In practice, anyone who works to achieve organisational aims

In practice, anyone who works to achieve organisational aims.
The Face of Effective Financial Management
Planning & Budgeting
“Failing to Plan is Planning to FAIL!!”

“There are 2 types of failures: Those that Do without Planning and those that Plan without Doing”.
The Planning Pyramid

- Vision
- Mission
- Objectives
- Strategies
- Activity Plans

Financing Strategy
Operational Budgets
Financial Sustainability
Financial Sustainability

- Unrestricted Funds
- Diversified Income
- Reserves
- Strong Stakeholders
Financial Ratio Analysis:
- Donor Dependency Ratio
- Single Donor Dependency Ratio
- Survival Ratio

Trends Analysis:

Stakeholder Analysis:

SWOT Analysis:
Financial Ratio Analysis

a. Donor Dependency

\[
\frac{\text{TOTAL DONOR INCOME}}{\text{TOTAL INCOME}} \times 100
\]

\[
\frac{\text{SINGLE DONOR INCOME}}{\text{TOTAL INCOME}} \times 100
\]

To what extent are we dependent on donor income?
b. Survival Ratio:

GENERAL RESERVES* \( \times 52 \) or \( \times 365 \)

TOTAL EXPENDITURE

How long can we last if our donors pull out today?
# Financing Strategy

## Donors

- More Restricted:
  - E.g. Institutional donors, trusts & foundations, embassies

## Community Financing

- E.g. Corporate sponsorship, Fundraising events, Rotary clubs, Religious

## Self-Financing

- Less Restricted:
  - E.g. Service for Fees, Business & Investment Income

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**Ask**

**Earn**

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*Image of a diagram showing the spectrum of financing strategies from donors to self-financing.*
## Implementation Plan

<table>
<thead>
<tr>
<th>Strategy/ Activity</th>
<th>Measure</th>
<th>Target</th>
<th>Responsible</th>
<th>Timelines</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. DONOR FINANCING</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>A1. Obtain Funding From New Donors.</td>
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<tr>
<td>A1.1 Receive proposal writing training</td>
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<tr>
<td>A1.2 Hire Resource Mobilization staff</td>
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<tr>
<td><strong>B. COMMUNITY FINANCING</strong></td>
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<td></td>
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<tr>
<td><strong>C. SELF FINANCING</strong></td>
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</tbody>
</table>
Budgeting
A Budget is...

- A Plan in Numbers.

- An amount of money that an organisation plans to raise and spend for a set purpose over a given period of time.
What makes a Good budget?

- Person that did not prepare it can pick it and implement it
  - Easy to read and understand
  - Calculations are clear
  - Costs are justified and accurate
  - Explanatory notes provided

- Suitable for purpose
  - Appropriate level of detail, codes, currency etc
1. What are the objectives of the project?

2. What activities will be involved in achieving these objectives?

3. What resources will be needed to perform these activities?

4. What will these resources cost?

5. Where will the funds come from?

6. Is the result realistic?
## Cash flow Forecasting

<table>
<thead>
<tr>
<th>Detail</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash on Hand (a)</td>
<td>200m</td>
<td>150m</td>
<td>50m</td>
</tr>
<tr>
<td><strong>Projected Cash In Flows</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds from Head Quarters</td>
<td>400m</td>
<td>500m</td>
<td>400m</td>
</tr>
<tr>
<td>Cash from IGAs</td>
<td>50m</td>
<td>100m</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Projected Cash In Flows (b)</strong></td>
<td>450m</td>
<td>600m</td>
<td>400m</td>
</tr>
<tr>
<td><strong>Projected Cash Out Flows</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>150m</td>
<td>200m</td>
<td>200m</td>
</tr>
<tr>
<td>Programme Costs</td>
<td>150m</td>
<td>300m</td>
<td>250m</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>200m</td>
<td>200m</td>
<td>200m</td>
</tr>
<tr>
<td><strong>Total Projected Cash Out Flows (c)</strong></td>
<td>500m</td>
<td>700m</td>
<td>650m</td>
</tr>
<tr>
<td><strong>Net Cash Flow: Surplus/ (Deficit) (a+b-c)</strong></td>
<td>150m</td>
<td>50m</td>
<td>(200m)</td>
</tr>
</tbody>
</table>
Accountability
Accountability Concept

- Voter - Politician
- Lender - Borrower
- BOD - Mgt
- AGM - BOD
- Parent - Child
- Husband - Wife
- Donor - Grantee
- Mgt - Staff
“Having been entrusted with resources and a purpose, there is an obligation to honestly report on how and when the resources have been used and the tasks accomplished.”
Accountability Flow

UK Tax Payer

DfID

UCL

SLURC

Staff

Resources & Authority

Accountability
Good Accountability

Complete

Accurate

Timely

Consistent
Financial Reporting
What are the causes of Budget Variances during project implementation?
Budget Vs Actual Variances

- Price
- Quantity

- Timing

Permanent

Temporary
## Action to Take on Variances

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Permanent</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Monitor</td>
<td>• Increase scale of operation</td>
</tr>
<tr>
<td>• Plan to spend</td>
<td>• Reallocate funds</td>
</tr>
<tr>
<td>• Delay future</td>
<td>• Raise more funds</td>
</tr>
<tr>
<td>budgeted costs</td>
<td>• Cut other costs</td>
</tr>
<tr>
<td>• Consider cash</td>
<td>• Reduce operations</td>
</tr>
<tr>
<td>flow shortage</td>
<td></td>
</tr>
</tbody>
</table>

### Positive

(‘Favourable’)

- Monitor
- Plan to spend

### Negative

(‘Adverse’)

- Delay future budgeted costs
- Consider cash flow shortage
Risk Management & Internal Control
Risk: The possibility that an event will occur that will impact the achievement of objectives.
Risk Management Questions

1. What could happen that would affect our ability to meet our objectives?

2. How likely is it to occur?

3. What would be the impact if it did?

4. What should we do to manage the risk to acceptable levels?
<table>
<thead>
<tr>
<th>Impact</th>
<th>Unlikely</th>
<th>Possible</th>
<th>Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
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<td></td>
<td></td>
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<tr>
<td>Minor</td>
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</tbody>
</table>

**Likelihood**

*Internal Controls*
Internal Controls Are....

... a process, put in place by an organisation to provide reasonable assurance regarding the achievement of objectives.
Internal Controls Are....

- Directive
- Preventive
- Corrective
- Detective
Good Internal Control System

Adequate **Internal Control Procedures** in a **Conducive Internal Control Environment**
Limitations of Internal Controls

- **Low Staff Numbers**
  (Not enough for segregation)

- **Cost of Controls**
  (Cost higher than benefit)

- **Management Override**
  (High level personnel overriding policies for personal gain)

- **Human Error**
  (Misunderstanding, fatigue, stress, pressure)

- **Collusion**
  (Staff work together to alter records)
Three Lines of Defense in RM

Senior Management

1st Line of Defense
- Operational Management applying Internal Controls

2nd Line of Defense
- Risk Management, Compliance, Quality Assurance

3rd Line of Defense
- Internal Audit

BOD/Audit Committee

External Audit
What is Internal Audit?

- **Set by Governing Body and Management**
- **Internal auditor**
- **Internal control systems**
- **Implemented by staff**
- **Corrective action**
What is External Audit?

Financial statements

- Relevant standards
- Independent examination
- True and fair view
- Underlying records
- Professional opinion