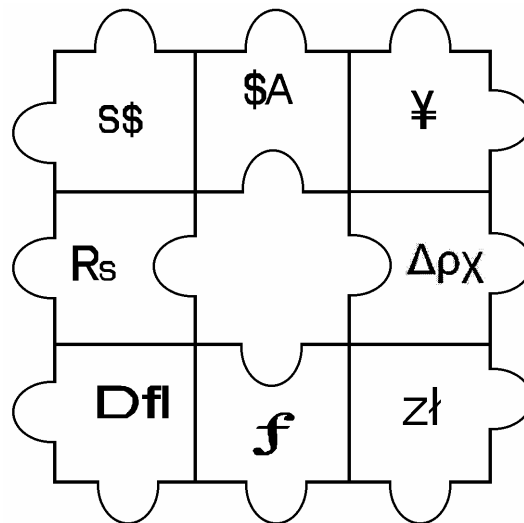




# BUILDING NGO/CBO CAPACITY

THROUGH  
DEVELOPING AND MANAGING  
FINANCIAL RESOURCES

PART TWO



MANAGEMENT AND TRAINING  
DESIGN TOOLS

## INTRODUCTION

The following tools are designed to provide ideas for two different audiences. The first are those individuals who would like to conduct various kinds of training experiences to help others who are involved in managing NGOs or CBOs increase their knowledge and skills about Developing and Managing Financial Resources. The second potential users are managers and supervisors currently working in NGOs and CBOs who want to improve the state and operation of their organisation's financial systems and practices. This second group may want to work through some of the exercises alone to enhance their knowledge and skills in a particular area of interest and concern. Or, they might want to use them as a management team exercise to stimulate thinking and action about how they currently manage human resources within their organisation. For example, the *Financial Management Assessment and Planning Worksheets* could be used to conduct a management team review of their current systems and practices. The worksheets are designed to help managers move from greater awareness about how they currently operate to the next step of a planned change process, doing something about it. The basic outline, entitled *Your NGO/CBO Business Plan*, is designed to provide a structure for writing a business plan based in large part on what was learned in the *Assessment* process.

Both of these management tools can also be used in workshops for NGO/CBO leaders and staff. With each of these tools, we have included some ideas about how to use them in a training environment. The other exercises in this part of the manual are primarily directed toward trainers. Nevertheless, creative managers may find them useful as well. We encourage each of you, whatever your role or motivation, to explore the training materials that are included in the other manuals in this series for NGO/CBO leaders and staff for ideas. You might start with *Building Bridges through Participatory Planning*. Many of the exercises in that particular manual are applicable to a wide range of learning needs and opportunities.

Whatever your motivation or goal, we encourage you to use these tools in whatever way might be most effective in meeting your individual needs, those of your trainees, or those of your organisation. Don't hesitate to be creative in your application of these tools. If it's a role-play, you might want to rewrite the roles to be more congruent with your situation. If it's an action planning process, mould it to meet the specific needs of your participants. If the instructions are too complicated, an inherent weakness of those who write these manuals, make them simpler or redesign them so they work for you and your audience.

### ***Tool templates***

Here is a thought or two about the format or template we've used to construct these tools. We assume that most of those who will be using them have experience as a trainer. Consequently, the instructions are less detailed than you might find in similar manuals. The training objectives have been dubbed as *learning objectives*, obviously a personal choice of words. In addition, they may be written somewhat differently than how you were taught to write *objectives* or how you actually write them when designing a training event. From our perspective, we urge you to write objective statements in whatever way works best for you and your participants. The approach we use is based on what we think is reasonable to be done in a training session, in other words, to increase knowledge, to improve skills, to change attitudes, or to result in an action of some kind, i.e., development of an action plan. The time requirements we give are "guess-timates" at best. Finally, the *Process* components describe how you might use the tool to achieve your learning objective.

One more note of caution as you delve into this toolbox. The order in which the tools are presented is probably not the sequence you will want to use them when designing a training workshop. For example, Tools 1 and 2 mentioned earlier are designed primarily as management tools and secondarily as materials to use in training workshops. Nevertheless, we have prefaced each of these tools with training design ideas.

As we mentioned in the very beginning of this manual, we like to think of your engagement with these materials as a *voyage of discovery*. Among other things, this means getting off the main path we have created to explore byways. And on occasion you may want to use the tools to build your own path. Whatever you plan to do, enjoy your voyage of discovery.

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**Travel Advisory** Tools 1 and 2 are primarily directed to managers and secondarily to trainers to use in working with NGO and CBO managers. This is not to discourage trainers from using them in working with the NGO community of organisations but merely to once again reiterate the focus that was taken on these tools.

Starting with Tool 3, the scenario changes. The rest of the tools are directed to trainers and intended for use in more structured learning environments, i.e., workshops and seminars. However, if you are a manager of an NGO or CBO, these tools are not off limits. We encourage you to use them in your self-directed learning endeavours and to think about how you might use them in providing development opportunities for your staff and board members.

## TOOL 1

### ASSESSING YOUR FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

**Travel Advisory** This tool is designed to help managers and others conduct a thorough check-up of their financial system and operating procedures. If you have ever watched an airline pilot conduct a pre-flight check on an aircraft, you can appreciate the thoroughness of this checklist. It contains over one hundred different questions, many of which may not apply to your organisation. Even if some of the items on the checklist are not applicable to your current financial process, they provide an excellent overview of what you might need in the future as your organisation grows or takes on more financial responsibilities.

Checklists are only as good as the actions they stimulate. Referring to the pilot and the pre-flight check, if he or she finds something wrong, they not only make a note of it but in most cases will have the deficiency fixed before taking off. While an assessment of your financial system isn't quite in the same "if it can't be fixed, we don't fly" category of urgency, it is not uncommon for NGOs and CBOs to financially crash when they ignore the principles and practices of sound and responsible fiscal management.

While this assessment tool is more oriented towards the manager, this doesn't preclude its use as a training exercise. For those who want to use it in a training setting, we encourage you to seek out an experienced financial specialist to help you unless, of course, this is your field of expertise. It can get to be a bit complicated for those without a strong financial management background. Now that you have decided to use this tool in your training, consider the following ideas.

#### **Learning objective**

To increase participant knowledge in financial systems and procedures and skills in assessing organisational practices.

#### **Participants**

If you plan to have participants actually assess their own organisation's financial systems and procedures, and we applaud such a move, you might want to limit those attending to managers who are willing to discuss how they operate financially with others. Given such willingness, this can be a valuable learning experience as they share with each other their current practices and areas for improvement.

#### **Time required**

Plan on at least one half a day.

#### **Process**

**Pre-workshop assignment:** Ask each participant to bring to the workshop all the financial management policies, procedures and forms already in use in their organisation including a copy of the most recent budget. In your pre-workshop instructions, indicate that they will be using these materials to assess their organisation's financial management practices and to share them with other participants.

#### **Suggested workshop design**

1. After introductions, housekeeping functions, and workshop objectives, although not necessarily in this order, have a financial management specialist preferably from a successful NGO conduct a guided discussion that covers all the major categories of questions that are covered in the assessment tool. The discussion will be greatly enhanced by presenting a large graphic showing how the various components link to others. This graphic can be drawn during the discussion with all participants participating in one way or another.
2. Follow this discussion by handing out copies of the assessment tool and ask each individual to complete it. If more than one person has come from the same organisation, ask them to complete it as a team. Encourage those who have questions about any of the items on the checklist to ask quietly for assistance. This self-assessment part of the exercise should take from 30-45 minutes.

3. Convene participants to discuss their reactions to the exercise and the areas where they had the most difficulty in either understanding the questions or deciding if what they are doing is adequate.
4. Ask participants to self select into teams of 2-3 persons. Ask individuals in each team to complete an action plan on ways to improve their organisation's financial systems and procedures and to share it with others on the team. The intent is to provide opportunities for participants to get help from each other on how to complete their plan.
5. Close the workshop by having participants relate a few of the more significant changes they plan to make in their financial management system when they return home.

## TOOL 1A

### FINANCIAL MANAGEMENT ASSESSMENT WORKSHEETS

The following worksheets ask a series of questions about your NGO's financial management system and procedures that mirror the text of Book One in this manual. They are designed to help you conduct a hands-on tour of all aspects of NGO financial management and to determine the kinds of actions that need to be taken to improve your overall operating system and specific procedures. Some of the questions that are asked may not be relevant to your organisation's needs. In these cases, we suggest you merely skip them and move to the next query. When the questionnaire is completed, you should have a more complete view of your financial system and some ideas about how to improve it based on a set of accepted financial management norms.

#### ***Financial records and reporting***

##### **General ledger (journal)**

	Yes	No	Action Needed
Is a separate, self-balancing ledger maintained for each fund as defined by general accounting and auditing standards?			
Is there a written chart of accounts?			
Is a written journal entry form prepared for all postings to the ledgers?			
Does a responsible official approve journal entries before posting?			
Is there an adequate audit trail from the ledger to the source documents?			
Are the ledgers adequately safeguarded from fire, theft, etc.?			
Are all funds accounted for in compliance with:			
• Generally accepted accounting and auditing standards?			
• Local or national laws?			
• Funding agency requirements?			
Are the checking accounts maintained in compliance with the appropriate state law, grant contract, etc.?			
Is the budget data entered in the general ledger?			
Are all the general ledgers audited annually?			

**Reports**

	Yes	No	Action Needed
Are monthly financial reports of actual expenses distributed for each program(s)?			
Are the reports timely?			
Are the reports accurate?			
Are the reports useful and meaningful?			
Do the reports indicate precisely where the program stands relative to the budget?			
If your program(s) receives grant or contract funds, do you prepare periodic and separate statements of the status of each grant or contract?			

**Financial administration****Billing for services**

	Yes	No	Action Needed
Are invoices prepared promptly?			
Are invoices prepared accurately?			
Does the system generate a receivable sub-ledger for each customer?			
Are there adequate safeguards to assure all customers will be invoiced?			
If the average number of invoices per month is over 500, is a customer name and address list maintained mechanically or on computer?			

### Disbursements

	Yes	No	Action Needed
Are invoices generally paid on time?			
Are errors in processing invoices, i.e., wrong amounts paid or wrong accounts charged?			
Are the accounting procedures flexible enough to handle specific problems?			

### Payroll

	Yes	No	Action Needed
Are pay cheques distributed on schedule?			
Are there errors on employee pay or deductions?			

### Supplies and materials inventory

	Yes	No	Action Needed
Is the inventory adequately protected from theft and misuse?			
Are stock outages kept to a minimum?			
Are excessive amounts of specific inventory items rare?			
Are ongoing inventory records maintained?			
Is the inventory periodically counted and adjustments made to the book and ongoing records?			
Is a reasonable degree of control maintained over stationery and other supplies?			
Is there adequate management information on:			
• Inventory status?			
• Turnover of items?			
• Value of inventory?			
• Obsolescence?			



**Cash receipts**

	Yes	No	Action Needed
Are there written policies and procedures covering cash receipts?			
If cash, such as fees for service, is collected by a person other than the cashier, are there adequate safeguards to assure that all cash collected is received by the cashier?			
Is appropriate action taken to collect from past due accounts?			
Does the system adhere to the central government statutes?			
Are there adequate procedures for over-the-counter receipts including pre-numbered cash receipt forms?			
Is there a periodic reconciliation of cash subsidiary ledgers with the general ledger accounts?			
Is there an effective system to identify the proper account to apply the cash received?			
Is there a written statement identifying collection responsibilities?			
Does someone open the mail other than the cashier or accounts receivable bookkeeper?			
Is a record of the money and checks received prepared by the person opening the mail?			
If so, is this record given to someone other than the cashier for independent verification of the amount recorded?			
Is this record compared with the cash receipts book regularly?			
Do cash registers or other mechanical devices record receipts?			
If so, are the machine totals checked independently by the accounting program?			
Are sales books or receipt books used?			
Are the slips or receipts pre-numbered?			
Are the daily totals and numerical sequence checked independently by the accounting program?			

Are unused receipt books safeguarded?			
If neither of the above methods, cash register or receipt book, is in use, is some other adequate system of control in force?			
Are each day's receipts deposited in the bank intact and without delay?			
Does someone other than the cashier or accounts receivable bookkeeper take the deposits to the bank?			
Does an employee who is not from the cashier's program post the general ledger?			
Is the office routine so arranged that the cashier is denied access to the accounts receivable ledgers and monthly statements?			
Are rents, dividends, interest, and similar revenues adequately controlled in such a manner that their non-receipt would be readily noted and promptly investigated?			
Is the cashier responsible for the cash receipts from the time they are received until they are sent to the bank?			
Are proper physical safeguards such as safes, vaults and facilities employed to protect cash and cash transactions?			

## ***Purchasing***

	Yes	No	Action Needed
Are purchase orders prepared promptly?			
Do those responsible for purchasing generally locate vendors with the most favourable prices and terms?			
Have those responsible for purchasing demonstrated economies and savings resulting from their buying procedures?			
Is there a formal list of personnel authorised to approve purchase requisitions?			
Are major items purchased covered by complete specifications?			
When practical, are quantity purchases utilised to achieve per unit savings?			
Is there periodic evaluation of major vendors' performance?			

Is there a formal written purchase order procedure with copies for accounting, the vendor, and receiving?			
Are orders issued with all important data including:			
• Accurate description?			
• Unit of measure?			
• All elements of price?			
• Free delivery provisions?			
• Delivery requirements?			
Is there a policy for using Purchase Orders over an established monetary amount?			
Are purchase order forms pre-numbered and controlled?			
Is competitive bidding required to purchase certain items?			
Is there a formal process for evaluating and selecting bids?			
Is there an adequate system for recording and checking partial deliveries?			
Does a responsible official approve invoices for payment?			
Is there a definite responsibility for checking invoices regarding Prices and terms? Extensions? Freight charges?			
Does a responsible official review all purchases ordered to assure conformance with the budget?			
Is there a filing system of open purchase orders to readily identify overdue shipments?			
For larger purchases, are multiple quotations always requested?			

**Property control and management**

	Yes	No	Action Needed
Is there an accurate asset records file for all fixed assets?			
Does the asset records file include:			
• Date acquired/date disposed of?			
• Adequate description to identify the asset?			
• Vendor or supplier?			
• Location and changes of location?			
• Purchase price?			
• Asset identification number?			
• Estimated life?			
• Preventative maintenance schedule?			
• Actual time and material maintenance costs?			
Is there a formal procedure to reconcile physical counts to the asset records?			
Are tags utilised to identify certain assets such as desks, chairs, tables, etc.?			
Are adequate files maintained for titles of ownership?			
Are the assets adequately insured?			
Is the asset records file periodically reconciled to the general ledger?			

Is there an effective procedure to assure that property physically retired is removed from the records and that proceeds from salvage are accounted for?			
Is the responsibility for overseeing the maintenance of major asset items formally assigned to one employee?			
Are maintenance records being kept in accordance with the manufacturer's recommendations and requirements?			

Based on the assessment of your organisation's financial systems and procedures, we suggest you sit down with your staff and develop a plan to take care of some of the more serious deficiencies you have tagged as needing action. The format on the following pages is designed to help you organise your thoughts and prepare an effective action plan.

## TOOL 1B

### PLANNING FINANCIAL MANAGEMENT IMPROVEMENTS

The following questions are designed to help you and your management team take the results of the financial management assessment and turn it into an action plan. Start by reviewing the results of your assessment and the actions you said you need to take. We suggest you summarise these proposed actions on a white board or newsprint so they are easy to see in their totality. After recording them by the categories listed on the assessment form, you might want to do some reorganising of the *actions* if this makes more sense to you in terms of developing an action plan.

What are the three or four most important actions you need to take at this time, based on the assessment data, to make your financial management systems and procedures more effective and efficient? If you are unclear about the meaning of these two terms, they are described in Chapter 1 of Part One of this manual.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

For each of these actions, complete the following steps in the action plan. You will need a set of these steps for each action you plan to take.

Action to be taken:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. Write an objective statement that describes what you want to achieve by taking this action. This is a statement of expected results.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Who will be primarily responsible for achieving this objective?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Who else will need to be involved?

\_\_\_\_\_  
\_\_\_\_\_

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4. What specific tasks need to be carried out to achieve the objective?

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5. For each task, list how long in person days or hours you think it will take to complete and the latest acceptable time for completion of the task. Use the following format or create your own.

Task to be completed	Time required	Latest acceptable date for completion

6. List any special equipment or materials required to accomplish this task.

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7. The following is a question to be answered regarding the total action plan: How will you evaluate the results of this action plan?

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This action-planning format is provided as a sample of what needs to be put into such a plan. Feel free to use it as presented or change it to meet your management needs. Just remember: an action plan states *what* needs to be done by *whom* working in collaboration with \_\_\_\_\_ (assuming the actions to be taken need to involve others) by *what date* requiring *what resources* and *how* you will know you have been successful in accomplishing your intended results or objectives. The more detailed your action plan, the more assurance you can have that it will be implemented. This is not to suggest that changes in the plan should not be made once implementation is under way. But start out with a clear plan.

## TOOL 2

### ASSESSING YOUR ORGANISATION'S STRENGTH, INTEGRITY AND AREAS FOR POTENTIAL IMPROVEMENT

Sustaining your organisation and programs financially is only part of the challenge of being successful although we would be the first to admit that this is essential. Tied closely to financial success is organisational strength and integrity. Over the long haul, these two interdependent variables will determine how successful you will be as a valued community institution and your ability to sustain your contributions to society.

Organisational strength and integrity as an NGO or CBO encompass several qualities. For example: Are you meeting an important need in your community or country? Are you meeting that need as well as or better than all the others who are also engaged in serving the same constituencies? Are you constantly striving to improve your organisation's program effectiveness and operational efficiency?

There are many ways to conduct an organisation self-assessment. There is nothing magical about the kinds of questions you need to ask yourself when you assess who you are and how you are doing. To get you started, we have included a few questions that are often associated with assessing private sector organisations in their efforts to develop *business plans*. If you have been involved in preparing strategic plans for your organisation or community, many of these queries will look familiar. Business plans and strategic plans are terms that are used to describe a forward-thinking process as it is applied in slightly different settings.

Don't hesitate to change the questions we have suggested or add a few of your own, or even drop those you don't like. After all, it's your business plan that will emerge out of this self-imposed inquiry into your organisation.

Speaking of *business plans*, at the end of this set of rather impertinent questions is a suggested outline for writing a business plan. The intent is to encourage you to take the answers to these questions and rearrange them into a business plan. Why? Probably the most reasonable answer is that many large funding agencies like to see business plans before providing support to NGOs. It's just another way to assure them that your organisation is well managed. Again, there is nothing sacred about the outline or what you include in your business plan. Alter both of these suggested tools to meet your needs.

1. What is the primary purpose of this organisation? Or, to put it more bluntly, why does your organisation exist?

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2. How do you describe your organisation to others so they understand what you do?

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3. Now, trim that description down to one short phrase or sentence. What is the key message you want others to remember about who you are? This message is especially important if you expect to receive funding from other organisations. Many call this a *mission statement*. It should be clear, concise, and inspiring.

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4. Why was your organisation initially created? This is another key question since your mandate, reason for existence, may have been different in the beginning than it is today. Knowing where you came from is an important part of determining where you want to go in the future.

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5. If your purpose for existing has changed over time, why did this happen?

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6. What is your vision about your organisation's future? Putting this in operational terms: What would you like your organisation to be doing five years from now? In ten years?

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7. What are your current services and/or products?

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8. How do you describe your primary audience? To state it a bit differently, who are the primary users of your services or products? In the private sector, these questions relate to *customers*, *market* and *market share*.

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9. What are the three most important or unique benefits to those who use your services or products?

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10. Are the services or products you offer your customers or constituents used in connection with other services or products? This may seem like an unusual question, but these interconnected relationships may affect your long-term sustainability.

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11. How dependent is your organisation on these connections? How might you decrease this dependency in the future?

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12. Who is your greatest service or product competitor?

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13. What makes them competitive in relation to your organisation's services or products? Is it the cost of your services or products, quality of service, availability and convenience, reputation, or other reasons? Think of all the reasons why **they** can compete successfully for your primary clients and customers.

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***Travel advisory!*** Many NGOs operate in an environment where their primary constituents have few choices when it comes to having access to the service or goods you provide. There may not be much competition, but this should not deter you from doing the best you can. Putting a premium on quality and customer service can pay unexpected dividends in building your organisation's outreach.

14. Given this possible scenario, what are the major criticisms or complaints your constituents/clients have expressed about your services or products?

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15. What can you do to overcome these criticisms and complaints?

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Let's turn to some other issues that may have an impact on the sustainability of your organisation.

16. How do you currently promote or advertise your services and products? How effective do you think these efforts have been?

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17. What do you plan to do within the next year to increase the effectiveness and efficiency of your promotional activities? If the term *promotional* sounds too commercial, think in terms of *public relations*. Long term sustainability in the NGO world depends on others: a). Knowing who you are, and b). Knowing what you do that distinguishes you from others in your field.

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18. How do you plan to continue financing your current efforts over the next 5-10 years? What current funding strategies will be continued? What new ones are planned?

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19. List your current major funding sources by level of importance to your survival and state three reasons why each of them might not want to continue funding your efforts in the future? This is known as not taking your friends for granted!

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20. What can your organisation do to minimise the loss of any one of these major-funding sources?

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21. What kind of changes do you need to make in your staff to remain viable and to achieve your goals over the next three years?

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22. What other questions do you need to ask yourself at this time as an NGO **to increase your potential to be “sustainable”**? If you remember, we talked about this important quality in the first few pages of Part One of this manual. *Your organisation’s ability to sustain itself is dependent on three interdependent variables: program/service development and delivery, organisation and management, and financial strength and competence.*

Take whatever space and time it takes at this point to assume the role of the challenging inquisitor by asking and answering those questions not yet asked that need to be asked in terms of your organisation’s long-term sustainability.

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## TOOL 2A

### SUGGESTED OUTLINE FOR A BUSINESS PLAN

#### **Based on organisation assessment: Tool 2**

The following is a suggested outline for writing a business plan for your NGO based on the organisation self-assessment you just completed. As we stated in the introduction of the self-assessment questionnaire, there is nothing sacred about this outline. Feel free to change it, to add topics, to delete others, etc.

**A Short Travel Advisory** Some of the topics in the table of contents as presented in the outline on the next page may be unfamiliar to some of you. Terms like *market*, *advertising*, *customer profile*, and *exit strategy* are more related to profit making firms or businesses. Nevertheless, they are important concepts to consider when conveying to others what your “business” is all about. After all, those you are trying to reach with your business plan may be business executives. It helps to “speak their language.”

**Trainer’s Note:** It probably occurred to you that this largely managerial exercise can also be adapted for use in a workshop setting. We suggest you set it up in much the same way we suggested in working with Tool I, the Financial Management Assessment Questionnaire. Although the participants will not need to bring as many documents to a workshop on *Writing a Business Plan*, they will need some background materials if you expect them to actually write the plan in your presence.

You may run into some difficulty in attracting participants who see their organisations in competition with each other. Given this distinct possibility, think about an in-house workshop with the director, key staff persons and members of the governing board, if they have one, to provide them guidance and feedback on the development of their business plan.

<b>[Name of Your Organisation]</b>	
<b>Business Plan</b>	
The following is an outline of what to include in your Business Plan, not a form to be completed!	
<b>Executive Summary</b>	
<b>Vision and Mission</b>	
• Current Situation	
• Vision and Mission	
• Goals and Objectives	
<b>Organisation Overview</b>	
• Legal Description	
• Board of Directors	
• Management Team	
• Strategic Alliances	
<b>Service or Product Strategy</b>	
• Current Services or Products	

• Research and Development	
• Provision and Delivery of Services or Products	
<b>Market Analysis</b>	
• Market Definition	
• Constituent or Customer Profile	
• Competition	
• Risk	
<b>Marketing Plan</b>	
• Sales Strategy	
• Delivery Network	
• Pricing Strategy	
• Promotion and Advertising	
• Public Relations	
<b>Financial Plan</b>	
• Assumptions	
• Financial Statements	
• Capital Requirements	
• Exit / Payback Strategy	
<p><i>For key investments that may be needed to provide a service or product, how do you plan to get that investment back? If you need to terminate the service or provision of a product, what will be your exit strategy?</i></p>	
<b>Conclusions</b>	
<b>Supporting Documents</b>	

## TOOL 3

# THE IMPORTANCE OF FINANCIAL RECORDS AND REPORTING THE CONSEQUENCES

### **Learning Objective**

To increase participant knowledge and skills in establishing financial record systems and using them effectively.

### **Time required**

About three hours

### **Process**

This training exercise might be useful to initiate a general workshop on financial management systems and procedures since it focuses on why financial records are important beyond the minimal requirement of keeping track of the flow of money into, out of, and through your organisation.

1. Start the session off with a brainstorm or nominal group process (NGP) exercise to identify all the reasons why financial records are important for NGOs and CBOs no matter how small they are. You could also organise this as a small group exercise based on what approach you believe might be most effective given the group you are working with.
2. Organise the ideas gathered in Step One. This might include an effort to establish criteria or simply a guided group discussion to determine what categories or uses of the information would be helpful in understanding it further and to use it for conducting follow-up learning activities.
3. After organising the reasons for keeping financial records, hand out the *Financial Records Effectiveness Assessment and Planning Worksheet*. (See following page.) Ask each participant, or team if more than one person is participating from the same organisation, to complete the assessment and planning worksheet. Give them about 30 minutes to carry out the tasks on the worksheet.
4. Reconvene the participants and ask a few of them to report on what they learned about their financial records and what they plan to do differently as a result of the planning exercise.

## TOOL 3A

### FINANCIAL RECORDS EFFECTIVENESS ASSESSMENT AND PLANNING WORKSHEET

Managing NGOs and CBOs can be much easier if you have adequate information and data available on an up-dated and continuing basis about your organisation's financial condition. Financial information is more than being assured that you have enough money in the bank to cover the last expense you incurred although we recognise the importance of such concrete data. The first part of this worksheet lays out a number of ways managers use financial data and asks you to assess how effective your financial records are in providing these specific kinds of information. The second half of the worksheet is designed to help you think through a plan for improving your financial record keeping.

For each statement there are seven levels of assessment although only the extremes and middle position are identified, i.e., 1 = not at all; 5 = somewhat; 7 = completely. Don't hesitate to circle on of the other numbers to get a more accurate assessment of your perceptions about the *effectiveness* of your financial records.

1. I am able to make sound, daily operating decisions based on up-to-date financial records.

1	2	3	4	5	6	7
Not at all			somewhat	completely		

2. I am able to use our financial records to promote our organisation to important stakeholders.

1	2	3	4	5	6	7
Not at all			somewhat	completely		

3. I am able to use our financial records to demonstrate our financial competency when seeking outside funding sources, i.e., grants, contracts.

1	2	3	4	5	6	7
Not at all			somewhat	completely		

4. I am able to meet the financial compliance obligations of other organisations to their complete satisfaction in regard to time requirements and financial information.

1	2	3	4	5	6	7
Not at all			somewhat	completely		

5. Our past and current financial records are invaluable when creating long-term plans and preparing our annual budget.

1	2	3	4	5	6	7
Not at all			somewhat	completely		

Add up your individual scores and record the total in the space that follows \_\_\_\_\_

Maximum score is 35. Any total score of less than 30 indicates a need to improve your financial record keeping abilities.



To complete this exercise, take your lowest score and determine a goal you want to achieve in relation to this specific management need. After determining the goals, record three actions you and your staff can take within the next 30 days to improve the effectiveness of your financial record keeping as it relates to this management need. Be specific about who needs to do what with whom to carry out these actions effectively and efficiently.

Goal

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Action One

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Action Two

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Action Three

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Repeat the same task for the next lowest score.

Goal

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Action One

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Action Two

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Action Three

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## TOOL 4

### PREPARING THE ANNUAL BUDGET

#### **Learning Objective**

To increase participant knowledge and skills in preparing the annual budget.

#### **Time required**

About three hours

#### **Process**

This exercise is intended to help NGO/CBO managers look at their current budgeting process and to consider ways they might improve it. As with most of the exercises in this manual, it will be important to consider your client group and to determine how open they might be to reviewing financial procedures with other managers with whom they might be competing for local funds. Given the importance of tailoring the training to fit the needs of your local participants, we urge you to make any changes in the training design that will help you be successful in serving your training clientele.

1. Open the session with a brainstorming exercise to help participants prepare for the tasks that follow. We suggest the following brainstorming question. **What are the most difficult aspects of the annual budget process for you personally?** After their ideas are exhausted, you might want to put them into categories based on their suggestions for categories. Follow this up by a discussion about what can be done to overcome these difficulties.
2. Have participants either individually, or in teams if you have more than one person from the same organisation, spend about thirty minutes outlining the process they use in their organisation to prepare the annual budget. Provide them with the form on the next page or construct one of your own. If you decide to use the form that is provided, have extra copies available for those with complicated budget preparation processes. It will be important to provide a structure for recording this information. Brief them on the task and let them know you will be available for questions.
3. Reconvene the participants and conduct a guided discussion based on the information in Chapter Two. This particular chapter is rich in ideas that can help NGOs and CBOs put together financial systems that will help them become more sustainable and accountable. Focus on the overall budget process during the discussion by providing some detail on the six steps.
4. Follow the guided discussion by asking several participants to talk about the similarities and differences between their current budgeting practices and the concepts presented from the manual.
5. Ask participants to work in pairs to give one another support if needed although most of the work will be done alone or in organisation teams. Their task will be to review their current budget process based on the earlier exercise and to prepare an action plan of changes they think should be made in the process to make it more effective and efficient. Allow about an hour for this task.
6. Reconvene the participants and ask them to share some of the changes they plan to make based on what they have learned.

## TOOL 4A

### MY ORGANISATION'S CURRENT BUDGETING PROCESS

**Tasks:** Using the following format, outline the steps in your organisation's annual budgeting process from the time you decide to begin until it is approved, if you have an approval process or the date the new budget goes into effect.

In the first column, list the dates by which each task in column two needs to be started and completed. In the second column, be specific about the tasks to be performed, and state in the third column who is primarily responsible for the task. In the last column on the right, place a check mark if law or an internal policy mandates the step.

<b>Beginning and Completion Dates</b>	<b>Task to be performed</b>	<b>Who is Responsible?</b>	<b>Mandated</b>

## TOOL 5

### PREPARING CASH FLOW BUDGETS

#### **Learning Objective**

To increase participant knowledge and skills in preparing cash flow budgets.

#### **Time required**

About two hours

#### **Process**

The cash flow budget is an important tool for NGOs and CBOs. It is designed to help managers know from month-to-month the amount of money they have available for expenses and investments. As for holding an experiential training session on the subject, this may be problematic if your participants are reluctant to declare to others what their financial condition is at any point in time. Nevertheless, it's worth a try and here are two suggestions.

**Option 1:** Take the example of the yearly summary of a cash budget as presented in Chapter 4: Cash Flow Budget and develop an exercise based on the example and what would be typical of the NGOs or CBOs represented in a workshop based on these materials. *(If you are not familiar with the cash budget approach, we suggest you take a few moments to review the contents of Chapter 4.)*

After a brief explanation of what a cash flow budget is and how it is used to manage the organisation's liquid fiscal resources, ask participants to divide into small teams of 3-4 persons. Provide them with a one-page, month-by-month summary of the cash flow of an NGO based on the example in Chapter Three that is representative of your region. Their first task is to determine how much surplus or deficit of cash flow they have month-by-month and cumulatively over the twelve months. The second task is to recommend an investment strategy for idle funds based on the cash flow over the twelve-month period. Give them about 20 minutes for these tasks.

Reconvene the teams and ask them to report. You might want to put a template of the twelve-month flow on newsprint or a white board so each team can record their findings for comparison. This is a simple task but there may be some differences based on miscalculations. However, the investment strategies should differ. Complete the exercise with a general discussion about their own practices and answer any questions they might have about this approach to budgeting.

**Option 2.** This is a variation on Option 1 involving actual figures from their own financial records over a period of at least the past 12 months. Ask them to bring monthly summary records of revenues and expenditures and have each person or organisation team chart their cash flow over that time period. The second task is to have each individual or team develop an investment plan based on idle funds during the period they document. Process the experience based on your judgement and experience.

***Travel Advisory!*** This could be an exercise participants will be reluctant to undertake in a group setting. Use your judgement on how to address this financial management strategy based on your experience in working with these participants in similar learning events.

## TOOL 6

### FINANCIAL ADMINISTRATION TRAINING

#### **Objective**

To determine your NGO/CBO constituents' training needs in financial administration.

#### **Time required**

It all depends on what you plan to do with the process described below.

#### **Process**

Chapter 4 in Part One on Financial Administration covers a wide range of topics and concerns that confront many NGO and CBO managers. For example, it includes discussions of: revenue collection, managing routine payments for services, internal controls, inventory systems, purchasing tips, how to manage store operations, and a few thoughts on containing costs.

Given the range of topics covered in the discussion of financial administration, we have decided not to include specific training designs for your consideration. Instead, we suggest you conduct a survey of your constituents' training needs and interests in various aspects of financial administration using the following questionnaire or a variation based on your knowledge of the NGO/CBO organisations you serve.

If you decide to use the following survey questionnaire or a similar one, you will need to be prepared to follow through on the training. The following are a few suggestions on planning for training implementation.

- You may want to ask a financial management specialist to help you plan and conduct financial administration training.
- Don't hesitate to change the following survey, if you decide to use it, to reflect the needs of your NGO/CBO community.
- Follow-up any written training needs survey with personal contacts with potential participants to learn more about their specific needs.
- Develop practical learning exercises based on your knowledge of the NGO/CBO operating environment and reality. For example, if you decide to include *purchasing* as a topic, identify a piece of equipment that most NGOs/CBOs might need and have the participants prepare bid specifications and other documents that would be needed to obtain competitive bids. Make copies of brochures and other written materials available of various brands of the equipment so participants can learn how to write specifications that don't exclude potential bidders.
- Create a learning environment where participants can share their experiences and learn from each other.
- Be sensitive to any concerns participants might have in sharing information or ideas that might be embarrassing about their financial practices or status or that they feel might affect their competitive relationship with other NGOs or CBOs.
- Consider the potential for one-on-one training or consulting with NGOs or CBOs that need help in these areas but are reluctant to participate in training that includes representatives of other organisations.

## TOOL 6A

### SAMPLE SURVEY QUESTIONNAIRE

#### NGO/CBO Financial administration training needs

The following is a list of financial administration activities that many NGOs and CBOs have difficulty in managing effectively for one reason or another. In an attempt to make our services more responsive to your needs as an NGO/CBO manager, we would appreciate your answering the following questions about your current financial administration training needs. If the specific activity does not apply to your situation, just mark the *not applicable* (NA) column.

Training opportunity in	Interested	Not interested	Not applicable
1. Policies and procedures for invoicing for services			
2. Policies and procedures for receiving payments			
3. Use of coupon payment books, e.g., repeat billings for rent			
4. Establishing and implementing internal controls			
5. Establishing and implementing an inventory system			
6. How to get the best value when purchasing goods and services			
7. How to prepare bid specifications			
8. How to improve your store operations			
9. How to contain costs			
10. Other training needs: (please list)			
11.			
12.			

Of the training opportunities you indicated an interest in, list the three top priorities and specify what knowledge and skills would be most useful to help you improve your management of this function:

**First priority:** \_\_\_\_\_

Specific knowledge and skills required:

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**Second priority:** \_\_\_\_\_

Specific knowledge and skills required:

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**Third priority:** \_\_\_\_\_

Specific knowledge and skills required:

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Please provide any other information that might be helpful in planning a response to these training needs.

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Name

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Organisation

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Contact information (Telephone; address; other contact details)

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## TOOL 7

### MANAGING THE AUDITING PROCESS

**Travel Advisory** Often audits are required by public regulatory agencies. They are also a condition for receiving and using external funding. Even if an NGO or CBO is not required to conduct an external audit of some kind on a yearly or end of program basis, it is still a valuable management habit to get into.

The final training tool is designed to alert NGO/CBO managers to the advantages of periodic audits and to help them think about the various policies they should consider to prepare them for future audits. In other words, getting the most from periodic audits, managing your financial oversight responsibilities, begins with having policies in place that will help the auditors perform their role. Effective auditors have two major responsibilities: 1) to determine if your funds are being managed responsibly, meaning not being stolen, mis-appropriated, mis-managed and all the other things we think audits are supposed to look for to keep us out of jail; and, 2) to determine if you are managing your finances effectively and efficiently with long-term sustainability in mind. See Chapter 1 to refresh your memory about these important concepts.

#### **Objective**

To increase knowledge about the advantages of adopting policies that will help auditors complete a periodic review of finances that includes: 1) fiscal accountability, i.e., uncovering the misuse of funds; and, 2) financial management practices that enhance sustainability.

#### **Time required**

Between two and three hours.

#### **Process**

1. Conduct a guided discussion on the advantages of financial auditing. Base it on the materials in Chapter 6 of Part One of the manual or ask a certified public accountant or similar financial expert skilled in audits to make a presentation. Discuss the audit process from both compliance and management improvement perspectives. Tie this into a discussion of the types of policies that are needed to support both of these auditing responsibilities. An effective audit is both a fiscal audit and an overall management audit as it relates to the fiscal well-being of the organisation.
2. Ask each participant to complete the short questionnaire on financial policies by reminding them that these policies are the foundation for establishing effective auditing procedures and improving the organisation's fiscal credibility with funding agencies and others. When individual participants have completed the questionnaire, ask them to join one or two other participants to discuss their responses, particularly those specific policies that need attention. If more than one participant is from the same NGO or CBO, ask them to work together as a team.
3. Reconvene the group after about 30 minutes and ask for a few comments on the small group discussions.

#### **SELF-ASSESSMENT QUESTIONNAIRE ON FISCAL POLICIES AND FINANCIAL OVERSIGHT**

The following is a list of financial management policies that can improve the day-to-day performance of your organisation and prepare your organisation and staff to receive compliments and good news from auditors and others who might be reviewing your financial statements and transactions.

After short descriptive statements of each policy are four potential responses.



- **Yes/OK:** The policy is in place and working satisfactory.
- **YES/But:** The policy exists but is not effective for whatever reason.
- **NO:** There is no policy of this kind in existence.
- **Needs Attention:** Applies to *Yes/But* or *No* answers and suggests that some kind of action should be taken.

Policy Statements: As they relate to my organisation	Yes/OK	Yes/But	No	Needs attention
1. We have and maintain accounting practices in accordance with accepted principles and practices				
2. We conduct an analysis of our service costs on a regular basis				
3. We have an annual audit performed by an external accountant or accounting firm				
4. The audit covers financial compliance and recommendations for systems and procedural improvements				
5. We have a system of internal controls				
6. The system is reviewed periodically to determine its continued effectiveness.				
7. We project future revenues and expenditures at least three years in advance and update the projections annually				
8. We have established productivity and performance indicators that are used in preparing the annual budget				
9. We conduct a mid-year review of the budget				
10. We update revenue forecasts at least quarterly and challenge our assumptions regarding revenue flows				
11. We conduct an annual review of fees and charges to assure they cover full costs of goods or services delivered				
12. We invest idle funds on a continuous basis as permitted by law				
13. We have established guidelines that emphasise safety and liquidity in idle fund investments				
14. We solicit competitive bids on all substantial purchases				
15. We reconcile all deliveries against invoices				

For each of the policy statements where you indicated that attention is needed (far right column), state below what can be done to put the policy in place and to implement it. Be specific about who will take the responsibility for adopting the policy and implementing it. Also indicate when you plan to take these actions.

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## Financial worksheets for your consideration

Some of the concepts and procedures discussed in Part One of the manual were illustrated by examples using worksheets designed to display quantitative information. We thought some of the users of the manual might find certain worksheets useful in their duties as a manager or trainer. Feel free to use them in any way that might make your financial management tasks easier.

### ***Revenue estimate***

Revenue estimate worksheet

Fund \_\_\_\_\_

Fiscal year	Amount received	% Change from previous FY	Changes	Adjusted % change	Explanation

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Total

**FORM D  
PROGRAM BUDGET REQUEST**

**PROGRAM**

**FUND**

**FISCAL YEAR**

Object Code	Title of Account	Prior yr. actual FY _____	Current yr. budget FY _____	Current yr. estimate FY _____	Budget for existing services FY _____	Change in service FY _____	Budget Year FY _____
	Personnel services						
Subtotal							
	Materials and supplies						
Subtotal							
	Other services and charges						
Subtotal							
	Capital outlay						
Subtotal							
Total							
Requested personnel							

**FORM E**  
**SUPPORTING – PERSONNEL REQUESTS**

<b>PROGRAM</b>									
<b>FUND</b>									
<b>FISCAL YEAR</b>									
No.	Position	Current Year			Budget Year				
		Rate		Annual	Rate		Hrs. or Mo.	Calculation	Annual
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
		<b>BASIS FOR CALCULATION</b>			<b>CALCULATIONS</b>			<b>TOTAL</b>	
<b>GRAND TOTAL:</b> _____									

**FORM F**  
**SUPPORTING – CHANGE IN SERVICE**

<b>PROGRAM</b>				
<b>FUND</b>				
<b>FISCAL YEAR</b>				
BRIEFLY EXPLAIN AND JUSTIFY THE PROPOSED SERVICE CHANGE:				
<b>ADDITIONAL PERSONNEL</b>				
<u>COST OF PROGRAM</u>		<b>Position</b>	<b>No.</b>	<b>Rate (Mo. or Hr.)</b>
PERSONNEL SERVICES				<b>Annual Salary</b>
MATERIALS AND SUPPLIES				
OTHER SERVICES AND CHARGES				
CAPITAL OUTLAY				
<b>TOTAL</b>		<b>TOTAL</b>		Transfer to Form D – Change in service column