

FINANCIAL MANAGEMENT:

INTRODUCTION

A Facilitation Guide



Source Materials

These facilitation materials are based on the content of Mango's Guide to Financial Management for NGOs www.mango.org.uk. The guide provides practical advice and tools to professionals working in development and humanitarian relief organizations - helping them use funds effectively. The Mango Usage Policy provides guidance on the use and reproduction of its resources:

Management Accounting for Non Governmental Organisations (referred to hereafter as "Mango") supplies its Guide to Financial Management, including advice and resources, free of charge to not-for-profit organisations working in the relief and development sectors.

Mango does not claim that the Guide and resources will solve all accounts problems for all relief and development NGOs. But Mango believes that they provide useful building blocks that staff and trustees can adapt and use to meet their own needs.

Mango continually develops its materials and welcomes feedback on their use. If you have adapted or improved some parts of Mango's materials then we would like to hear about it.

Terms and Conditions All materials supplied by Mango are subject to the following terms and conditions. This includes **all guides, tools, manuals, any other documents available for download from this website and all advice provided on this website.**

1. All of Mango's materials are provided according to these terms and conditions.
2. BY USING Mango's TOOLS AND/OR MATERIALS YOU ARE EXPLICITLY AGREEING TO BE BOUND BY THESE TERMS AND CONDITIONS.
3. Material is freely available to not-for-profit organisations, working in the development and humanitarian relief sectors.
4. Users of Mango's materials are invited to [register](#) their use with Mango.
5. No onward sale of Mango's materials is allowed, nor use of Mango's tools and/or materials for any fee earning activity (including training), without Mango's explicit and prior written authorisation.
6. All onward use of Mango's materials must continue to conform to these policies.
7. Mango's materials remain the intellectual property of Mango and Mango's licensors.
8. The information contained herein is correct at the date of publication, to the best of our knowledge; however, it may be subject to revision and may be modified, supplemented or withdrawn without notice.
9. Amending, altering, renaming or using Mango's materials for any purpose other than that for which they are intended is forbidden. You may not reproduce them without acknowledging the source, and repeating the copyright notice.
10. All Mango's materials are protected by copyright, and the copyright belongs to Mango and Mango's licensors.
11. These materials are made available in a spirit of co-operation across the development and humanitarian relief sectors. They offer information of a general nature only, which is not intended to address the specific circumstances of any particular individual or entity. They are not offered as definitive or guaranteed solutions. Mango recommends seeking suitable professional advice for specific professional problems.
12. Neither Mango nor any authors contributing to Mango's materials accept liability for the accuracy or inaccuracy of any information contained therein.
13. Neither Mango nor any authors contributing to Mango's materials take any responsibility for the use of these tools and materials, nor for any confusion, difficulty or liability resulting therefrom.



RECOMMENDED COURSE SCHEDULE

<i>SECTION</i>	<i>OBJECTIVES</i>	<i>ACTIVITIES</i>	<i>SLIDES</i>	<i>HANDOUTS</i>	<i>TIMING</i>
Introduction	<ul style="list-style-type: none"> Introduce facilitator. Pass out handout packet. Explain class expectations. Introduce the 4 key questions. 	Facilitator: <ul style="list-style-type: none"> Pass out handouts to learners. 	slides 1 - 3	9 page handout packet	5 min
1. 4 Building Blocks of Financial Management	Address the key question: What is financial management?	Learners will: <ul style="list-style-type: none"> Describe the four building blocks of financial management Define “financial management” 	slides 4 - 11	Page 1	20 min
2. The Importance of the Course	Address the key question: Why is this course important to me?	Learners will: <ul style="list-style-type: none"> Determine why financial management is important for development organizations Relate this to their reason(s) for wanting their development organization to succeed 	slides 14-18	Page 2	20 min
3. Responsibility for Financial Management	Address the key question: <i>Who is responsible for financial management in development organizations?</i>	Learners will: <ul style="list-style-type: none"> Define “development organization” Explain the differences in legal liability between un-incorporated development organizations and incorporated development organizations Create a simple organization chart that shows development organization roles, with authority and accountability streams 	slides 19 - 27	Pages 4 - 5	40 min
BREAK – 10 min					
4. Managing Finances Effectively and Responsibly	Address the key question: <i>How can development organizations manage their finances effectively and responsibly?</i>	Learners will: <ul style="list-style-type: none"> Describe the four action steps of financial management Describe the “Plan, Do, Review” cycle Define the seven principles of financial management Analyze their development organization 	slides 28 - 37	Pages 6 - 9	50 min
Conclusion	Course Summary/Final Questions/Assessment information		slides 38 - 41		5 min



Slide 1



Facilitator message:

This class is *Financial Management: Introduction*, the first in several classes on Financial Management for development organizations.

Slide 2



Facilitator message:

Introduce yourself, welcome learners to the class. If possible, display your clearly printed name somewhere learners can see it throughout the course. In addition, the Welcome slide can be customized to include your name.

Explain the strategy for success in the course.

Classroom expectations:

- Note taking is essential to success – learners should take notes on their handouts.
- Active participation is necessary & appreciated – learners should feel free to ask questions, offer opinions, and actively participate in activities.

Activity: Pass out handouts to each member of the class. The handouts (pages 1 – 9) should be treated as a packet and should be passed out as one unit. If possible, the packets can be stapled together before class.



Slide 3



Facilitator Message: Development organizations have the responsibility to look after the financial health of the organization. In this course, you will be learning some of the fundamental aspects of good financial management.

Introduce the learning objectives by expressing what session participants will be able to do upon completion of the course (they will be able to answer the four key questions).

Key questions:

What is "financial management"? In order to answer this question, learners will:

- Describe the four building blocks of financial management
- Define "financial management"

Why is this course important to me? In order to answer this question, learners will:

- Determine why financial management is important for non-governmental organizations (development organizations)
- Relate this to their reason(s) for wanting their development organization to succeed

Who is responsible for financial management in development organizations? In order to answer this question, learners will:

- Define development organization
- Explain the differences in legal liability between unincorporated development organizations and incorporated development organizations
- Create a simple organization chart that shows development organization roles, with authority and accountability streams

How can development organizations manage their finances effectively and responsibly? In order to answer this question, learners will:

- Describe the four action steps of financial management
- Describe the "Plan, Do, Review" cycle
- Define the seven principles of financial management



Slide 4



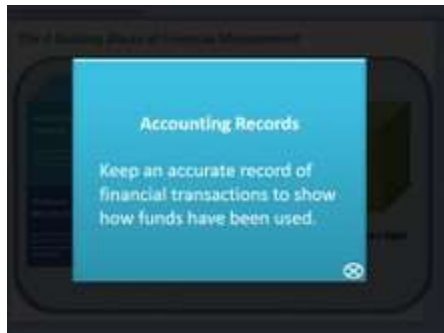
Facilitator Message: The Four Building Blocks of Financial Management

There is no model finance system that suits all development organizations, but there are some basic building blocks that must be in place to achieve good practice in financial management. When a development organization gets the basics of financial management right, they achieve financial control of the organization.

Activity: Have learners take notes on their handouts. They should label each building block, and add a short summarized description of each building block on page one of their handouts.

Facilitator Message: (click on each building block to enlarge the description) Read the descriptions of each building block to the class.

Slide 5



Facilitator Message: read the descriptions of each building block to the class.

Accounting Records

- Every organization must keep an **accurate record of financial transactions** to show how funds have been used. Accounting records also provide valuable information about how the organization is being managed and whether it is achieving its objectives.

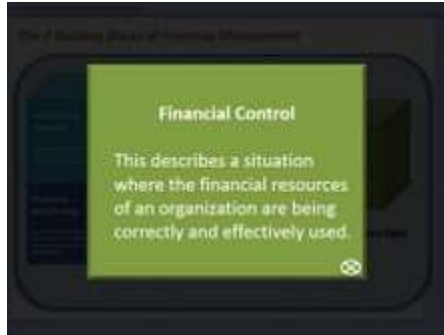
Click on the white "X" to return to the building blocks.



<p>Slide 6</p> 	<p>Facilitator Message: read the descriptions of each building block to the class.</p> <p>Financial Planning</p> <ul style="list-style-type: none"> •The budget is linked to the organization's strategic and operational goals. It is the cornerstone of any financial management system and plays an important role in monitoring the use of funds. <p>Click on the white "X" to return to the building blocks.</p>
<p>Slide 7</p> 	<p>Facilitator Message: read the descriptions of each building block to the class.</p> <p>Internal Controls</p> <ul style="list-style-type: none"> •A system of controls, checks, and balances put in place to safeguard an organization's assets and manage internal risk. Their purpose is to deter opportunistic theft or fraud and to detect errors and omissions in the accounting records. An effective internal control system also protects staff involved in financial tasks. <p>Click on the white "X" to return to the building blocks.</p>
<p>Slide 8</p> 	<p>Facilitator Message: read the descriptions of each building block to the class.</p> <p>Financial Monitoring</p> <ul style="list-style-type: none"> •Providing the organization has set a budget and has kept and reconciled its accounting records in a clear and timely manner, it is then a very simple matter to produce financial reports that allow the managers to assess the progress of the organization. <p>Click on the white "X" to return to the building blocks.</p>



Slide 9



Facilitator Message: read the descriptions of each building block to the class.

Financial Control:

•At the heart of financial management is the concept of financial control. This describes a situation where the **financial resources of an organization are being correctly and effectively used**. When this happens, managers will sleep soundly at night, beneficiaries will be well served and donors will be happy with the results.

Click on the white “X” to return to continue the presentation.

Slide 10



Facilitator Message:

Financial management involves planning, organizing, controlling, and monitoring the financial resources of an organization to achieve objectives. Many of you already have practical financial planning skills that you have developed when working out your household budget.

Let’s take a few minutes to list some household budgeting skills you currently have on your handout. List at least 3 skills.

(Give a couple of minutes for learners to think about the question & write their answers down.)

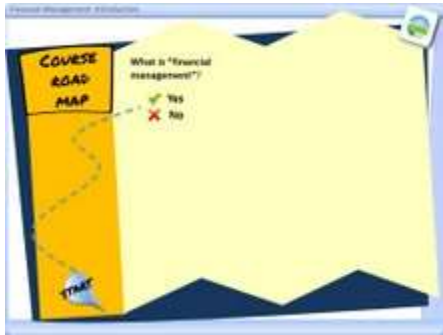
Ask for examples of household budgeting skills from the learners. Discuss and compare the skills the learners demonstrate with their household budgets, to the skills necessary for financial management of development organizations (the skills listed on the building blocks).

Ask: In what ways are the skills similar? In what ways are the skills different? Accept reasonable answers.



Possible household budgeting skills to list:

- Calculate income
- Define expenses
- Define needs



	<ul style="list-style-type: none"> •Define goals •Plan and track spending •Budget allocation •Balance checkbook •Economize/get the most for your money •Save for the future <p>Activity: learners should list at least 3 household budgeting skills on page one of their handout.</p>
<p>Slide 11</p> 	<p>Facilitator Message:</p> <p>This is the course road map. If we, as a class, are able to answer the key question, we can continue with the course.</p> <p>Think about what you have learned about financial management from the 4 building blocks. Let’s come up with a one-sentence definition of “financial management” based on what we have learned from the 4 blocks.</p> <p>Suggested activity: group learners into groups of 4 to 6, and have them work together to come up with a one-sentence definition of financial management. Give them 5 minutes or so for teams to work together. When time is up, have one representative from each team read their sentence to the class. The class can vote on their opinion of the best sentence that defines financial management.</p> <p>Accept sentences that cover most aspects of financial management, such as:</p> <ul style="list-style-type: none"> •Financial management involves planning, organizing, controlling, and balancing the finances of a development organization to reach stated goals. <p>or</p> <ul style="list-style-type: none"> •Financial management involves budgeting, recording, and directing the financial resources of an organization to achieve objectives. <p>Ask the learners if they are satisfied that they can answer the first key question: <i>What is financial management?</i> If the answer is yes, click on “Yes” to move on to the next slide. If the answer is no, review the</p>



	<p>previous material.</p> <p>Alternative Activity: Have learners work as individuals to come up with their own definitions of financial management. Ask several learners to volunteer their sentences. Discuss the sentences as a class, and then ask if they are satisfied that they can answer the key question.</p>
<p>Slide 12</p> 	<p>Facilitator Message: The next key question is, <i>Why is this course important to me?</i></p> <p>Financial management is an important part of program management. It should not be viewed as a separate activity left to the finance staff.</p>
<p>Slide 13</p> 	<p>Facilitator Message:</p> <p>In order to answer the key question, you need to determine why financial management is important for development organizations.</p>

Slide 14



Facilitator Message:

Financial management is important for development organizations because... Have learners brainstorm ideas on their handouts.

Suggested activity: group learners (from 4 to 6 learners per group) and have them brainstorm, or discuss the topic, together. These small groups can be used throughout the class to engage in small group activities. Each learner in each group should individually write down answers on page 2 of their handouts.

Allow enough “wait time” for learners to think about the question and respond. To promote thinking, ask follow-up questions to the class in general, such as, “What is the worst thing that could happen if a development organization had bad financial management?” and “What good consequences could come from a development organization having good financial management?”, “How does this compare to personal household budgets? What happens if you cannot control your household budget effectively?” etc.

After about 5 minutes, ask several group representatives to share their ideas about why financial management is important for development organizations.

Accept reasonable answers, such as:

Financial management is important for development organizations, because without it:

- assets will be put at risk of theft, fraud or abuse
- funds may not be spent in accordance with the development organization’s objectives or donors’ wishes
- the competence of managers may even be called into question

Financial management is important for development organizations because:

- the goals of the development organization will be served
- donors will be satisfied their money is well spent
- the development organization will continue to operate effectively

Alternative activity: Have learners work as individuals and write their individual brainstorms on page 2 of their handouts. After about 5 minutes, call on several learners to share their ideas, and discuss as a class.



Slide 15



Facilitator Message:

Let's look at some possible answers to this question.

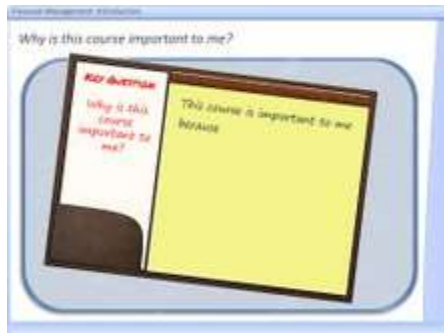
Suggested activity: call on different learners to read the answers aloud.

Alternate activity: facilitator reads each answer to the class.

Discuss any differences & similarities between what is on the slide and what the learners in the class have written in their brainstorms.

Have learners take down notes about any points they might have left out.

Slide 16



Facilitator message:

We now have determined various reasons why good financial management is important to development organizations in general.

Now you need to identify why learning about good financial management is important to you as an individual, given your unique circumstances.

Each individual might have a different answer to this question. Let's take a couple of minutes to think and write down an answer to this question. (Allow a few minutes for learners to think & write before going on to the next slide.)



Slide 17



Facilitator message:

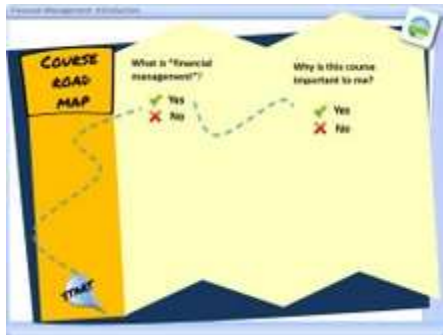
This is one example answer. Your answers might be different.

Suggested activity: have a learner read the example answer to the class.

Ask if any learners have different reasons or answers than example. Ask if they would like to share their answers. Discuss as a class.

Alternative activity: facilitator reads the example to the class. Ask if any learners have different reasons or answers than example. Ask if they would like to share their answers. Discuss as a class.

Slide 18



Facilitator Message:

We are back to our course road map.

Activity: Ask the learners to raise their hands if they feel they are able to answer the key question: *Why is this course important to me?*

If the answer is yes, click on “Yes” and move on to the next slide. If the answer is no, review the brainstorm material & example answer.



Slide 19



Facilitator Message:

The next key question is: *Who is responsible for financial management in development organizations?*

It is important to understand a development organization's structure and legal status to appreciate who is responsible for what in financial management.

Development organizations operate in a wide range of fields and come in all shapes and sizes. While each one is unique, most share some common features

(Click on the screen to reveal the common features, and instruct learners to fill in the common features of development organizations on page 3 of their handout):

- They are 'values-led' – their prime motivation is a desire to improve the world in which we live.
- They are 'not-for-profit' (but note that they are still allowed to make surpluses).
- They have many stakeholders – a development organization is an alliance of many different interests.
- They are governed by a committee of volunteers – the 'Governing Body'.
- They are private autonomous organizations, independent of the State.



Slide 20



Facilitator Message: Using the information about the common features of development organizations, you need to develop a one-sentence general definition of the term “development organization.”

Suggested activity: have learners discuss this in their small groups for about 5 minutes, and come up with a one-sentence general definition of development organization. (Learners will write this on page 3 of their handout.) Have a group representative from each group read their sentence to the class. Discuss any similarities and/or differences.

Alternative activity: Have learners come up with a one-sentence definition of development organization individually. Call on several learners to share their definitions with the class. Discuss any similarities and/or differences.

Slide 21



Facilitator Message:

In practice, **everyone who works to achieve the objectives of a development organization has an important role to play in financial management.** Every opportunity must be taken to integrate financial management into the day-to-day operational management of the organization.

However, some individuals or roles have more legal responsibility than others do. The levels of responsibility depend to an extent on how a development organization is set up.

Most development organizations have a Governing Body, Managers, and Staff.

Explain that the **Governing Body can also be known by various titles, such as the Council, Board of Directors, Board of Trustees, and so on.**



Slide 22



Facilitator Message: The concept of legal liability is critically important. Legal liability means legal and financial responsibility in a court of law. Legal liability varies, depending on whether the development organization is un-incorporated or incorporated.

Slide 23



Facilitator Message: We will learn the difference between un-incorporated development organizations & incorporated development organizations. You will be taking notes to explain the difference on page 3 of your handout.

Slide 24



Suggested Activity: have a learner read the description of un-incorporated development organizations. Allow enough time for learners to jot down notes on page 3.

Alternative Activity: The facilitator reads the description of un-incorporated development organizations. Allow enough time for learners to jot down notes on page 3.



Slide 25



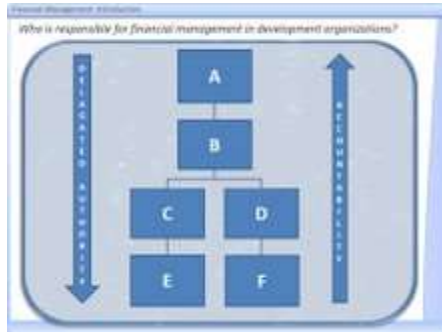
Suggested Activity: have a learner read the description of incorporated development organizations. Allow enough time for learners to jot down notes.

Alternative Activity: The facilitator reads the description of incorporated development organizations. Allow enough time for learners to jot down notes.

Facilitator Message: Whatever the legal status, the trustees of a development organization together have a statutory duty to see that the organization is being properly run and that funds are being spent for the purpose for which they were intended.

Discussion: ask learners if they know whether their development organization is incorporated or not, and if so, how does it affect them? Ask if they are sure of their legal liability status, given the information they now know.

Slide 26



(Do not un-cover the chart yet. Wait until after the learner activity, when you will click to remove the boxes with letters to reveal the development organization roles.)

Facilitator Message: This is a simple organization chart that shows development organization roles, with authority and accountability streams. The arrows demonstrate how the authority for day-to-day financial management tasks is delegated down through the management structure. At the same time, the accountability process comes back up through the structure as people report back on progress.

While authority can be delegated from the top down, accountability for good financial practices exists throughout the development organization, all the way from the bottom up.

Accountability is the moral or legal duty, placed on an individual, group, or organization to explain how funds, equipment or authority given by a third party has been used.

Suggested Activity: Have learners work in small groups to figure out how to create a simple organizational chart on page 4 of their handout. Learners should use the word bank for a list of development organization roles, and decide how to label the appropriate squares. Allow 5 minutes or so for this activity.

Alternative Activity: Have learners work individually to figure out how to label a simple organizational chart on page 4 of their handout.



Learners should use the word bank for a list of development organization roles, and decide how to label the appropriate squares. Allow 5 minutes or so for this activity.

Facilitator Message: When the learners have finished filling out their charts, click on the boxes with letters to reveal the correct answers. Ask learners to correct their charts if they have made any errors in labeling.

After the chart is completely uncovered, explain the various components.

The **Governing Body** is made up of volunteers who meet only a few times a year. The Governing Body can be known as **Council, Board of Directors, Board of Trustees**, and so on. It delegates authority for day-to-day management to the CEO. As authority without accountability is unhealthy, the board must set up monitoring mechanisms to make sure their instructions are being fulfilled. Board members are ultimately responsible for the financial affairs of the organization and they cannot escape this duty except by resigning from the governing body.

The CEO is appointed by the board to implement policy. He or she decides how to further delegate authority to share out duties among the staff. **While it is acceptable for the Governing Body to delegate authority to staff members, it cannot delegate its ultimate accountability for the organization’s finances.**

Slide 27



Facilitator Message: “Who is responsible for financial management in development organizations?” In order to answer the key question, you need to know the answers to all of the questions on page 5 of your handout.

Suggested Activity: Have learners work together in small groups to answer the questions on page 5. Allow 5 minutes or so for this activity.

Alternative Activity: Have learners work individually to answer the questions on page 5. Allow 5 minutes or so for this activity.

Facilitator message: When learners have finished writing their answers, call on various learners to answer the questions.

1. Who has a role to play in the financial management of a development organization?

(Correct answer would be similar to: *In practice, everyone who works*



	<p><i>to achieve the objectives of a development organization has an important role to play in financial management.)</i></p> <p>2. Who is accountable for financial management in development organizations?</p> <p><i>(Correct answer would be similar to: Accountability for good financial practices exists throughout the development organization. Ultimate accountability rests with the Governing Body.)</i></p> <p>3. Who has legal liability (responsibility) for financial management in development organizations?</p> <p><i>(Correct answer would be similar to: The levels of legal liability, or responsibility, depend to an extent on whether it is an un-incorporated development organization or an incorporated development organization.)</i></p> <p>4. In an un-incorporated development organization, who has legal liability for financial management?</p> <p><i>(Correct answer would be similar to: In an un-incorporated development organization the trustees, or the Governing Body, [as a group and as individuals] are legally liable for the financial affairs of the organization.)</i></p> <p>5. In an incorporated development organization, who has legal liability for financial management?</p> <p><i>(Correct answer would be similar to: Board members [the Governing Body] of incorporated development organizations have some protection in law known as limited liability. In case of legal action, board members generally have only limited responsibility because the incorporated development organization is recognized as an “artificial person.”)</i></p> <p>Facilitator message: Discuss the answers & correct any errors. Ask the learners if they have a clear understanding & feel they can answer the key question, “Who is responsible for financial management in development organizations?” If the answer is yes, click “Yes” to go on to the next slide. If the answer is no, review pages 3 – 5 of the handouts, and review previous slides if necessary. Answer any questions the learners may have so that they feel confident they understand who is responsible for financial management in development organizations.</p>
--	--



Slide 28



Facilitator Message: Now we are at the final key question:

How can development organizations manage their finances effectively and responsibly? In order to answer this question, learners will:

- Describe the four action steps of financial management
- Describe the “Plan, Do, Review” cycle
- Define the seven principles of financial management

Slide 29



Facilitator Message: The Practice of Financial Management – 4 action steps.

In practice, financial management is about taking action to look after the financial health of an organization rather than leaving financial matters to chance. To look after the finances of an organization involves managing four different aspects of that organization.

Click on the screen to highlight each action step separately.

Suggested Activity: Lead the class in a discussion of each action step as it is highlighted on the screen. Ask for examples for each action step (e.g., scarce resources that must be used wisely could be money, food, water, medicine, clothing, tents, first aid kits, etc.) Direct the learners to take note of each action step and include an example of each on page 6 of their handout.



Slide 30



Facilitator Message: Managing scarce resources.

Development organizations compete for scarce funds that must be used properly to achieve objectives and to show value in order to receive more funds.

Suggested Activity: Lead the class in a discussion of each action step as it is highlighted on the screen. Possible examples for this action step: scarce resources that must be used wisely could be money, food, water, medicine, clothing, tents, first aid kits, etc.

Slide 31



Facilitator Message: Managing risks.

All organizations face internal and external risks that can threaten operations and even survival.

Suggested Activity: Lead the class in a discussion of each action step as it is highlighted on the screen. Possible examples for this action step: risks like fire or fraud must be identified and managed to limit potential damage to the development organization.

Slide 32



Facilitator Message: Managing strategically.

Financial management is part of management as a whole. This means managers must keep an eye on the 'bigger picture' – looking at how the whole organization is financed in the medium and long term future, not just focusing on current projects and programs.

Suggested Activity: Lead the class in a discussion of each action step as it is highlighted on the screen. Possible examples for this action step: developing 5 or 10-year plans for the future financial health of the development organization, identifying long-term goals as well as short-term goals.



Slide 33



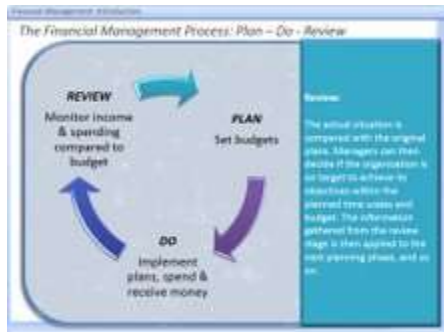
Facilitator Message: Managing by objectives.

Financial management involves close attention to project and organization objectives, or the stated goals of the development organization.

Suggested Activity: Lead the class in a discussion of each action step as it is highlighted on the screen. Possible examples for this action step: keeping track of whether objectives are being met, revising or changing objectives when necessary, developing new objectives for the future.

Facilitator message: The financial management process is a cycle that takes place as an on-going process.

Slide 34



Suggested Activity: Inform the learners that they need to draw a small diagram of this cycle on page 6 of their handouts. They will also need to explain why the cycle takes place on a **continuous basis** in the other square. Have a class discussion about each step in the cycle, and ask learners why it is important that the cycle repeat on a continuous basis, rather than occurring just once.

Facilitator Message: One simple view of the financial process is "Plan-Do-Review." This process is a cycle that takes place on a continuous basis.


(Click on the screen to reveal further information about each step in the cycle.)

Plan: When an organization starts up, it sets its objectives and planned activities. Then the organization prepares a financial plan for the costs involved in completing the activities and for how to obtain the required funds.

Do: After obtaining the required funds, the program of activities is implemented to achieve the goals set out in the planning stage.

Review: The actual situation is compared with the original plans. Managers can then decide if the organization is on target to achieve its objectives within the planned time scales and budget. The information gathered from the review stage is then applied to the next planning phase, and so on.



<p>Slide 35</p> 	<p>Facilitator Message: It is useful to identify a series of good practice principles, which can be used as a standard in developing proper financial management systems in a development organization. These principles provide a high-level guide for trustees and senior managers to help them make sure that their organization is using funds effectively and that staff are working appropriately.</p> <p>Look upon each of the Seven Principles of Financial Management as goals to work towards.</p> <p>To help you remember, a useful mnemonic formed by taking the first letter of each of the principles is “CAT VISA.”</p> <p>Suggested Activity: Call on various learners to read the definitions as the facilitator clicks the screen to reveal each of the seven principles. Allow enough time for learners to summarize & take notes on page 7 of their handouts.</p> <p>Alternative Activity: Facilitator clicks the screen to reveal each of the seven principles and reads each definition to the class. Allow enough time for learners to take notes on page 7 of their handouts.</p> <p>Consistency</p> <p>The financial policies and systems of a development organization must be consistent over time. This promotes efficient operations and transparency, especially in financial reporting. This does not mean that systems may not be refined to cope with a changing organization. Inconsistent approaches to financial management could be a sign that the financial situation is being manipulated.</p>



	<p>Accountability</p> <p>The organization must explain how it has used its resources and what it has achieved as a result to all stakeholders, including beneficiaries. All stakeholders have the right to know how their funds and authority have been used. Development organizations have an operational, moral and legal duty to explain their decisions and actions, and submit their financial reports to scrutiny. Accountability is the moral or legal duty, placed on an individual, group or organization to explain how funds, equipment or authority given by a third party has been used.</p> <p>Transparency</p> <p>The organization must be open about its work, making information about its activities and plans available to relevant stakeholders. This includes preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including beneficiaries. If an organization is not transparent, then it may give the impression of having something to hide.</p> <p>Viability</p> <p>To be financially viable, an organization's expenditure must be kept in balance with incoming funds, both at the operational and the strategic levels. Viability is a measure of the development organization's financial continuity and security. The trustees and managers should prepare a financing strategy to show how the development organization will meet all of its financial obligations and deliver its strategic plan.</p> <p>Integrity</p> <p>On a personal level, individuals in the development organization must operate with honesty and propriety. For example, managers and Board members will lead by example in following policy and procedures and declare any personal interests that might conflict with their official duties. The integrity of financial records and reports is dependent on accuracy and completeness of financial records.</p> <p>Stewardship</p> <p>An organization must take good care of the financial resources it is entrusted with and make sure that they are used for the purpose intended – this is known as financial stewardship. The governing body (e.g. the Board of Trustees) has overall responsibility for this. In practice, managers achieve good financial stewardship through careful strategic planning, assessing financial risks and setting up appropriate systems and controls.</p> <p>Accounting Standards</p> <p>The system for keeping financial records and documentation must observe internationally accepted accounting standards and principles. Any accountant from anywhere around the world should be able to understand the organization's system for keeping financial records.</p>
--	--



Slide 36

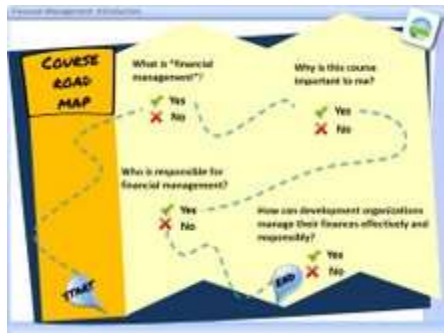


Facilitator Message: The final activity is called “Analyze your development organization,” located on pages 8 -9 of your handout.

Suggested activity: Have learners work in their small groups to answer as many questions as they can about their development organizations. (Allow 5 to 10 minutes.) Then engage in a class discussion. Go over each question and discuss the answers the learners came up with, or discuss the reasons why they couldn't answer some of the questions.

Alternative activity: Have learners work individually to answer as many questions as they can about their development organizations. (Allow 5 to 10 minutes.) Then engage in a class discussion. Go over each question and discuss the answers the learners came up with, or discuss the reasons why they couldn't answer some of the questions.

Slide 37



Facilitator Message: We have come to our final key question, "*How can development organizations manage their finances effectively and responsibly?*" Ask the class if they feel they can answer the key question. If the answer is yes, click “Yes” to go on to the next slide. If the answer is no, review any concepts learners are unsure about, using their handouts and previous slides if necessary.

When learners feel they can answer the question, continue on to the next slide.



Slide 38



Facilitator Message: Financial management is about taking action to look after the financial health of an organization. In this class, you have learned the basic principles of why financial management is important, who is responsible for financial management in development organizations, and how development organizations can manage their finances effectively and responsibly.

Ask if there are any questions. Answer any final questions.

Slide 39



Facilitator Message: Inform participants they should complete the assessment of the course.

Congratulate learners for completing *Financial Management: Introduction*.

Slide 40



Facilitator Message: This course is one of a series that includes the following courses:

- Financial Management: Introduction
- Financial Management: Planning
- Financial Management: Accounting Records
- Financial Management: Reporting
- Financial Management: Internal Controls



Slide 41



Credits

A joint project between Microsoft, GP Strategies and LINGOs, with thanks to MANGO (Management Accounting for NGOs) for its support with source content.

We would like to acknowledge the generous support of the Articulate company and eLearning Art for the donation of the products used in the creation of this course.



Assessment for *Financial Management: Introduction*

1. What is the primary reason that it is good for a development organization to practice good financial management?
 - a. The development organization has a responsibility to look after the financial health of the organization.
 - b. The development organization must always plan for the transition of funds to another organization.
 - c. The development organization must establish financial relationships with beneficiaries.
 - d. The development organization has a responsibility to manage the funding streams from grants and donor gifts.
2. In practice, financial management is about taking action to look after the financial health of an organization, and not leaving things to chance. This will involve:
 - a. Managing values, managing projects, managing risks, managing organization
 - b. Managing scarce resources, managing risks, managing funding, managing projects
 - c. Managing scarce resources, managing risks, managing strategically, managing by objectives
 - d. Managing strategically, managing scarce resources, managing values, managing projects
3. The Plan, Do, Review process cycle takes place on what type of basis?
 - a. Occasional
 - b. Continuous
 - c. Infrequent
 - d. Random
4. In the case of legal action, board members in incorporated development organizations have a protection known as what?
 - a. Full liability
 - b. Personal liability
 - c. Limited liability
 - d. Shareholder's liability
5. What does the Governing Body delegate to the CEO for day-to-day management of the development organization?
 - a. Accountability
 - b. Trust
 - c. Motivation
 - d. Authority
6. As one of the seven principles of financial management, transparency includes making financial reports that are what?
 - a. Accurate, timely, lengthy
 - b. Complete, complex, accurate
 - c. Timely, complex, lengthy
 - d. Accurate, complete, timely
7. When thinking about the building blocks of financial management, what is the term that describes a system of controls, checks and balances that deters theft or fraud?
 - a. Stewardship
 - b. Authority
 - c. Internal Control
 - d. Resource Management



8. The Governing Body and the CEO may delegate authority to others, but the financial well-being of the development organization is what?
- a. Their ultimate accountability
 - b. Their ultimate motivation
 - c. Their ultimate resource
 - d. Their ultimate liability

In honor of your outstanding performance and dedication, we proudly present this

Certificate of Completion

to

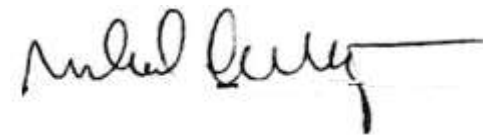
for completion of the Last Mile Learning coursework for

Financial Management: Introduction

Awarded On:



Eric Berg
Executive Director, LINGOS



Michael Culligan
Director, Last Mile Learning