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Title Partners Financial Management and Reporting

# What will we look at in this session?



- **Basics of partner financial management – internal control, financial planning and monitoring, accounting records, accounting systems**
- **Acquittals - ANCP, interest, forex**
- **Funds Received Confirmations**
- **AFAP M&E visit**

# Effective Partner Financial Management

“ Financial control occurs when systems and procedures are established to make sure that the financial resources of an organisation are being properly handled ”

**MANGO**

*Assessing and Building Partners' Financial Management Capacity*

- **There are four basic building blocks in NGO finance management -**
- - Internal Control
- - Financial Planning
- - Financial Monitoring
- - Accounting Records

# Internal Control

A regularly updated Finance Manual in both local language and English is an invaluable tool for an NGO. It lays out all the internal control processes so all Board and staff members can be across how the financial systems within the NGO work. Donors gain confidence from seeing the processes and procedures from the Finance Manual in action.

**Internal Control – system of controls, checks and balances to safeguard an organisation’s assets and manage risk - acts to deter fraud and to detect errors/omissions in the accounting records.**

- Financial delegation - Who signs what? Who signs with who? Up to how much? Who authorises what budget line for a project’s expenditure?
- Bank and cash – recs, processes for handling cash, separate bank a/c for each donor, staff advances for expenses
- Safeguarding the organisation’s and donor’s resources –assets lists for donor and organisational assets; safes, insurances, lock up storage for stock, MVs and bikes, logbooks for MVs and bikes

# Financial Planning and Monitoring

The Budget is the financial framework for any organisation and the financial systems and reporting effectively “hang” from this framework. An NGO’s total budget is a mixture of donor funded project budgets (restricted funding) and the NGO’s administrative budget (unrestricted funding)

**Financial planning** includes both a longer term financial strategy which outlines how the organisations vision and mission will be financed as well as more on the ground operational project and administrative budgets.

**Financial monitoring** includes comparing budgets to actual figures to help guide the NGO’s decision makers – the Board and key staff. Income and Expenditure statements, Balance Sheets and Budget monitoring reports by program should be reviewed by the Board and key staff at least quarterly. Donor reporting should be timely and in the format specified by each donor.

# Accounting Records

**MANGO**  
(Management Accounting for NGOs) run excellent financial management training for NGO finance staff.

The website is well worth a look and there are many free resources and tools to support NGOs.

[www.mango.org.uk](http://www.mango.org.uk)

All NGOs need to keep accurate and transparent records of all financial transactions (supporting documents in line with the Finance Manual authorisation processes) that have taken place. Also, needed is an accounting system for recording these transactions in a systematic way (accounting software package, excel, physical books).

Accounting systems should suit the size and scale of the NGO but broadly speaking a computer accounting package that classifies transactions by both ACCOUNT and PROJECT (sometimes known as class (Quickbooks) or Job (MYOB)) is ideal. Such a package simplifies life for the very busy NGO accountant as the information for donor's acquittal reports can be produced easily.

# Accounting systems – Project codes

Keeping the different “buckets” of funding separate in the books is essential for an NGO.

This also includes the bucket for the NGO’s unrestricted funding – this should also have its own job code in the accounting system.

- AFAP requires that donation monies and ANCP monies sent to partners are separated by a separate job code in the partner’s accounting system.
- In addition, each year of ANCP must also have a separate job code as each year is a separate funding “bucket” eg AFAPANCP1112, AFAPANCP1213 due to AusAID reporting requirements
- ANCP should be spent by 30/6 each year

# Accounting systems – Chart of Accounts

Ultimately, an NGO will need to weigh up the factors to decide what's best for them.

My opinion is that the latter option is the way to go – the standard CoA!

There are two schools of thought on the CoA a NGO can use –

1. A CoA that matches the donor's budget – so each project would have its own set of accounts in the NGO's books. Adv – reports are in the format the donor requires (or very close to) Disadv – CoA must be set up each time there is a new project, the CoA can become very, very long and clumsy to use
2. The NGO can set up its own standard CoA of about 20-50 line items and all projects can be accommodated within it. Adv – consistency of line items over time (good for historical review), time efficiency with new projects, CoA is simple to use. Disadv – shaping the info into the report format for donors could take more time.



# Acquittals

A sound financial acquittal is the end result of effective partner financial management. The acquittal is an account of monies spent on a project/program in accordance with the donor's reporting requirements.

- AFAP requires quarterly acquittals for all projects whether funded from donations or ANCP by the end of the following month –
  - QE 30/9 report due 31/10
  - QE 31/12 report due 31/1
  - QE 31/3 report due 30/4
  - QE 30/6 report due 31/7
- AFAP is finalising new budget and acquittal templates – your AFAP contact will be in touch with you about this in due course – watch this space!

# ANCP acquittals and interest

Interest on ANCP funds must be reported to AusAID.

Let us know if you need help with calculating the interest on ANCP funds – we have an interest calculation template that can be modified for your use.

“Interest should include interest earned in Australia by the Australian NGO and interest earned on AusAID funds overseas held by the partner organisation. **Any interest rate gains must be spent on the activities outlined in the ADPlan in the financial year or be returned to AusAID.** The amount of interest earned on ANCP funds must be reported as part of the financial acquittal. Interest earned should include interest earned in Australia and overseas.”

# Calculating Forex gains/(losses)



- The exchange rate used in the project budget is the starting point for working out forex gains or losses.
- If the actual exchange rate on the monies received is better than the budgeted exchange rate, then a forex gain has resulted.
- Conversely, if the actual exchange rate on the monies received is worse than the budgeted exchange rate, then a forex loss has resulted.

# Project managing Forex fluctuations

Forex gains and losses have a very real impact on the project activities of partners. Forex gains ensure that all activities can be completed with some leeway.

Forex losses mean that some activities may need to be modified or postponed.

AFAP sets its own and its partners budgets in Australian dollars and accepts no responsibility for partner foreign exchange gains or losses.

“Currency fluctuations during the course of an activity may affect activity budgets devised at the time the activity was designed. **NGOs should take account of the possibility of such fluctuations when preparing budgets.** Where there is a gain from exchange rates, that gain should be used for project purposes or refunded to AusAID. NGOs may need to contact AusAID about additional activities proposed if the gain is significant. Exchange rate losses need to be factored into project design and implementation where practicable.”

*AusAID ANCP Guiding Principles*

# Funds Received Confirmations

AFAP requires confirmation from partners that they have received the funds AFAP has sent them. AFAP keeps a schedule of all transfers sent and confirmations received as part of our risk management strategy.

1. AFAP ensures that any funds to be sent offshore to partners has been appropriately authorised. “Evidence should exist that overseas transfers to the delivery organizations have been properly authorised” *AusAID Accreditation Guidance Manual pg 64*
2. AFAP sends funds offshore to partner via WUBS and the WUBS confirmation paperwork is sent to the partner for their advice. “Advice to the delivery Organization of payments should exist” *AusAID Accreditation Guidance Manual pg 65*
3. The AFAP Funds Received Confirmation Form from partners confirms that the funds have been received by the partner. “Evidence should exist of receipt of payment back to the NGO (for example, a receipt or letter acknowledging funds received, including the conversion rate and local or hard currency (e.g. US\$) amount, if applicable” *AusAID Accreditation Guidance Manual pg 65*

# Funds Received Confirmations



## FUNDS RECEIVED CONFIRMATION FORM

Please return form to [manjita.gurung@afap.org](mailto:manjita.gurung@afap.org) within one week of receiving your funds transfer confirmation.

Organisation name:	
Project Name:	
Funds transferred received Date:	
Amount Received:	
Currency Transfer received in:	
Amount in currency sent from AFAP:	
Bank Fees charged:	

Signature:

Date:

Name:

# AFAP Finance M&E visit

AFAP maintains a “zero tolerance” attitude against fraud. This applies whether funding has been provided by AFAP or other donors.

AFAP requires that any case of suspected or detected fraud must be reported to the relevant Country Director and relevant senior AFAP staff promptly.

Risk management strategies and safe “whistle blowing” policies should be in place in the NGO.

The AFAP Finance M&E visit is an opportunity for AFAP Finance staff to meet and get to know the NGO’s finance staff and to understand the partners financial systems.

- Usually annual or bi-annual for 1-2 days
- Complete review of systems and processes that underpin budgets and acquittals by reviewing the actual budgets and acquittals
- Ensure reporting is in line with requirements e.g. reporting interest for ANCP, separating donations and ANCP, separating each ANCP year.
- Discuss new financial polices such as the recent AFAP Fraud Policy
- Review the latest audit report
- Collect copies of relevant documents for the AFAP M&E report
- Discuss the general financial health of the NGO – unrestricted reserves and restricted reserves
- Encourage mutual learning between AFAP and partner



# Working in Development



what my parents think i do



what my friends think i do



what the govt thinks i do



what other people think i do



what i think i do



what it's really like