7 STEPS FOR EFFECTIVE LEADERSHIP DEVELOPMENT →

1) Develop Succession Plans for Critical Roles
2) Develop Career Planning Goals for Potential Leaders
3) Develop a Skills Roadmap for Future Leaders
4) Develop Retention Programs for Current and Future Leaders
5) Determine the Best Leadership Style for Your Organization
6) Identify Current and Potential Leaders Within the Company
7) Identify Leadership Gaps

PERSONAL & CORPORATE FINANCIAL PLANNING →

A good financial management checklist ensures that:

- ✓ All accounting registers, journals and ledgers are up to date.
- ✓ All financial reports are prepared and submitted in a timely manner.
- ✓ Procedures for the use of petty cash are properly developed.
- ✓ All expenses other than petty cash are paid by cheque.
- ✓ Financial activities are separated in such a way that one person alone never registers, reviews and authorizes any complete transaction.
- ✓ Procedures for authorizing purchases are being followed.
- ✓ Security measures are in place to protect the assets, books and registers from tampering or theft.
- ✓ A physical inventory of fixed assets and supplies is conducted at least once a year.
- ✓ The bank statement is reconciled monthly.
- ✓ There is a financial plan and/or a financial strategy leading to improved cost recovery.
- ✓ Financial administration staff is involved in both programme and financial planning processes.
- ✓ A realistic annual budget is developed from the work plan.
- ✓ The organization has a unified budget, as well as sub-budgets for different programmes and/or donors. The accounting system adequately allocates expenses to different programmes and/or donors.
- ✓ The line items in the chart of accounts, the budget and management financial reports correspond with each other.
- ✓ Cash flow is adequately monitored and is projected for the year so there are no periods of cash shortage.
- ✓ Actual expenditures are compared quarterly with the budget and corrective action is taken as a result of these comparisons.

HOW FINANCIAL PLANNING HELPS LEADERS →

The degree to which financial centres are involved in managing funds and financial resources varies with the nature of the financial centre, its size, and the structure of the national financial services. Yet, all financial services have to manage two types of funds:

- ✓ "Invisible funds" or budgetary allocation. These are not physically handled, but represent a "credit" that is provided by the district management team or other entity that will handle how they are spent;

- ✓ "Visible money" or cash: This money is seen and handled in the centre. Money can be kept for spending (usually small in amounts, called "petty cash"1), or be received for services or sales of goods. Managing money and finances in a financial centre is complex and responsible work.

Ultimately, the facility manager bears responsibility for the correct handling of all financial aspects. Good financial management is the core of good service delivery. The facility manager needs to ensure that financial resources are committed to those activities that contribute to organizational goals. Regular use of the good financial management checklist below can help ensure that the financial procedures in place conform to good financial practices.

Often, financial centres have no dedicated financial officers to handle budgets and financial control is exerted by the overall facility manager. A minimum set of financial management tasks includes:

- ✓ Budget preparation and cash flow projection
- ✓ Budget allotments and expenditures
- ✓ Management of cash income and expenses
- ✓ Financial monitoring and reporting
- ✓ The use of financial information to make decisions.

How to prepare a budget and cash flow projection

A Financial centre budget outlines how financial resources will be used over a defined period of time, usually one year. Two main steps in budget preparation include projecting all expenses that will be incurred at the financial centre, and matching them with expected revenues and budget allocations. Additional cash flow projections help to ensure that income and expenditure match throughout the year and the financial centre is able to meet costs as they incur. Budget development is an essential part of the planning process.

DETERMINING RESOURCE NEEDS AND ASSOCIATED COSTS

The starting point for budgeting is a list of the resources needed to carry out all activities throughout the year required to maintain the financial centre and to provide its services. It is useful to also list resources that are directly provided to the centre and that are financed from other budgets (e.g. staff or medication paid directly by the district authorities). Leaving out these in-kind contributions hides the real cost of services delivery, and makes it hard to determine how to make the service sustainable in the future. The budget includes two types of resource needs and costs:

- ✓ Fixed costs: remain constant and are independent from the exact level of activity within the capacity of the centre. Such costs include most salaries, equipment leases or payments, rent and utilities. Some fixed costs also change with the level of activity – such as the number of staff needed.

- ✓ Variable costs: depend on the level of activity such as the number of patients treated. Such costs include care consumables, drug costs and transportation costs for home visits etc. Variable costs are usually specified “per unit” of delivery (e.g. drug needs and costs for one patient on first-line ART) and multiplied by an estimated “number of units” (e.g. the number of patients expected to be on first-line ART in the facility).

It is recommended to use a budgeting sheet and to sub-divide the list of resources into various categories. For each resource (e.g. staff), you need to specify the type of costs associated (e.g. salary) and time period, (usually 12 months), and at what cost per unit (e.g.US 300 Dollars (USD) per month). Standard categories are recommended by district authorities and ideally the same categories are used for budgeting, accounting and reporting. Those categories may include:

- ✓ staff ;

- ✓ physical infrastructure and building operating costs;
- ✓ medical supplies, equipment and consumables;
- ✓ communication;
- ✓ transportation including vehicle operating costs and travel;
- ✓ Replacement costs (depreciation) – This is a provision for long-term assets (such as vehicles/machinery/computers/lab equipment) that deteriorate over time and have to be replaced at the end of their usefulness. Some money needs to be set aside every year for future purchases to replace these assets.

Determining Funding Sources

For many public programmes there will be only one source of funding, i.e. the district Financial service, or the provincial or national Financial department. However, some public facilities – and usually all private facilities – might also receive private funding or charge fees to generate income.

The "unified budget" prepared in the previous step will be of great help in managing incoming funds. This is because the same listing of activities and resource needs can be used to demonstrate which funds are used towards what purpose. This is a process of "earmarking" that will ensure that the use of funds remains within the originally intended purpose. It will also facilitate donor reporting. Assigning incoming funds to expenditures is best achieved by appending specific "donor columns" to the budgeting sheet.

Projecting cash flow

Cash flow projections are needed to ensure that each month enough money is available (in cash or in the allotment) to cover all anticipated financial obligations. Cash flow projections are done on the basis of the financial centre's budget, detailing the amount of expenditures, and when they occur. .

Cash flow projections are best made for each month of the budget year, and should outline:

- ✓ how much money is available at the beginning of the month;
- ✓ what funds will be received during the month; and
- ✓ How much money is expected to be spent during the month?

The remaining balance should be zero or a positive amount and should be carried forward to the next month. Prudent financial management requires that as part of cash flow processes, management fixed management costs be prioritized over other expenses; otherwise operations could be brought to a halt.

How to manage allotments

"Invisible money" is allocated to a financial centre based on a budget (see previous sub-section) that defines certain expenditure categories. To keep track of expenditures against such allotments, a logbook of all expenditures should be kept that will allow the manager to track how much money has been spent, and how much money is still available. This logbook is usually called "allotment ledger".

In the ledger, the manager registers all fund allocations (credits) and all expenditures (debits). For each transaction, the date is registered, as well as a reference to further documentation on the transaction (see below). At any point in time, the amount debited can be totaled and deducted from the amount credited. The ledger can combine all expenditure categories, or break them down according to main categories. Usually, the district office will provide a specific format for such a ledger.

Expenditures against allotments are made in the form of "purchase orders" or "vouchers" that will allow the allotment holder (e.g. the district financial administration) to make the payment. Each purchase order needs to be duly signed at the financial centre and by the financial district administration. Purchase orders and payment vouchers are usually pre-printed and serially numbered (physically see Purchase order / Vouchers and different vouchers and documents in the class room).

Managers who have the responsibility of authorizing expenditures and purchases need to ensure that; 1) the purchase is justified and within the scope of planned activities; 2) the cost is competitive; 3) the transaction is properly documented, and; 4) sufficient funds are available to make the purchase.

How to manage cash
Most Financial centres need to have some reserves to cover small cash expenses ("petty cash"). This cash is advanced to the manager based on the budget, and subtracted from the allotment. The provision of a cash advance for specific purposes is called a "petty cash fund". The types of expenses that can be covered by the petty cash fund vary from place to place but may include:

- ✓ transportation such as bus fares, petrol;
- ✓ communication such as stamps and phone calls;
- ✓ cleaning needs such as soap, detergent;
- ✓ Stationary such as paper, envelopes.
- ✓ Sundries such as matches, candles, tea, emergency supplies.

A petty cash fund is a fixed amount of cash (e.g. $US 50) from disbursements that are made for the purchase of goods or services. The cash is kept in a safe place to which only the manager has access. It is important that each time cash is taken out, the transaction is documented in a logbook ("petty cash book"), and supported by evidence for its use ("voucher" and "receipt"). When the petty cash fund is nearing its exhaustion (e.g. after having spent $US 40) the manager will total all expenditures. The remaining balance will be "brought forward (B/F)" and the petty cash fund will be replenished to the original level (e.g. by adding $US 40 to reach the original level of $US 50). Petty cash books are usually standardized to list - (in table form) each transaction, the date, the purpose, the number of a referring voucher/purchase order, and the amount paid or received. It is possible to add additional columns to break down expenses by certain categories Book). The voucher documenting each transaction is filled out when funds are given out and signed by both the authorizing officer and the receiving staff (e.g. the driver). It is important to attach the original receipt for expenditures to all purchase orders and vouchers if possible (e.g. a receipt from a petrol station - see Annex 10.6 - Cash Voucher). Certain Financial centres may also receive cash, usually in form of service fees or from sales of drugs or other commodities. For each transaction, a receipt is issued in three duplicates: one for the client, one to accompany the cash, and one that stays in the receipt book. Such receipts are usually provided in the form of books of numbered receipts.

Just as with expenditures, all cash revenues are kept in a safe place and are recorded in a "revenue book" (see Annex 10.8 - Revenue Book), indicating clearly for each transaction the date, amount, and purpose. Periodically, the manager will turn over funds to the district financial officer, together with copies of used and unused receipts.

How to report on the use of funds
The manager is expected to show the appropriate use of finances and to demonstrate how their use relates to expenses set out in the work plan and budget. One's ability to do so depends on the availability of a well developed budget and well kept up to date allotment records. In some cases, the facility manager will be able to complement records held at the financial centre with official records and financial statements from the allotment holder (usually the district administration). Implementation progress reports and financial reports are normally required to comply with specific formats and to cover defined time periods see Annex 10.9 - Financial Reporting Form).

Financial controls

Financial control procedures are essential for effective resource management. Even for a facility that employs accountants and other financial personnel, the facility manager bears the ultimate responsibility for ensuring all resources entrusted to him or her are fully accounted for. It is important that the facility puts in place guidelines, policies and rules and an effective financial control system that ensures financial accountability see the good financial management checklist). Finally, it is advisable that at least once a year, the financial transactions of the facility are audited.