

Diploma in Financial Management & Accountability

- a joint initiative of TISS & FMSF

Course Material



Budgeting & Monitoring

Paper - IV

Unit -8

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UNIT- 8

MONITORING

8.1. INTRODUCTION:

Actual income and expenditure is compared with the budget every month or quarter. A report - called 'Budget and Actual Statement', or 'Budget Variance Report', is compiled to show the comparison for each line of the budget. It shows the difference between budgeted income and expenditure and what is actually received and spent. You need to act if you see under-spending or over-spending, and if you have not received all the expected income. This concept of monitoring has evolved further and has been linked with programmes to make it more effective and provide a greater perspective

In the last decade and a half non- profit organizations were more focused on planning the program and activities. In this decade as against programs and activities, the focus has shifted to organizational and financial management, transparency and accountability. Consequently, financial management has taken a new paradigm in the life of non- profit organizations around the world especially in the Asian Countries.

Non- profit organizations and agencies are public institutions. They use donor funds which are public money. They are therefore accountable to the public at large.

Good governance, transparency and accountability have, therefore, become important factors for any organizations, especially in the social development organizations.

Social Development Organizations are implementing several development programs varying from welfare activities to social transformation.

The key to achieve better transparency and accountability lies in effective Financial Management. There is a perception that Financial Management system is mere accounting, which is not correct. The Financial Management system cannot exist alone unless it is completely integrated with the vision, mission, goals and objectives of the organization. Also the system should ensure the utilization of resources effectively and efficiently.

How are we to manage financial matters in an optimum manner? What is the road map for this journey towards sound financial management? How do we steer our course in this vast ocean of rules and regulations? How do we bring about credibility and transparency in our organization by sound financial management?

The logical way forward in this respect, after planning and budgeting, lies in effective and efficient monitoring of development organizations and their programs.

8.2. MEANING OF MONITORING:

Monitoring is a process by which people who are connected in various capacities to the organizations ensure that the project or activity is carried out in accordance with the planned objective.

It is the systematic collection and analysis of information as a project progresses. It is aimed at improving the efficiency and effectiveness of a project or organization. It is based on targets set and activities planned during the planning phases of work. It helps to keep the work on track, and can let management know when things are going wrong. If done properly, it is an invaluable tool for good management, and it provides a useful base for evaluation. It enables you to determine whether the resources you have available are sufficient and are being well used, whether the capacity you have is sufficient and appropriate, and whether you are doing what you planned to do.

Monitoring can be associated with both program perspectives as well as with the finance perspective. However, our primary focus at present is from finance perspective, although all along we will find the interlinkage between program and finance. In the absence of regular monitoring and control, the system however effective, may not yield the desired results. Monitoring is the process that is geared towards learning from what you are doing and how you are doing it, by focusing on:

- Efficiency
- Effectiveness
- Impact

Efficiency tells you that the input into the work is appropriate in terms of the output. This could be input in terms of money, time, staff, equipment and so on. When you run a project and are concerned about its replicability or about going to, then it is very important to get the efficiency element right.

Effectiveness is a measure of the extent to which development programmes or projects achieve the specific objectives it set.

Impact tells you whether or not what you did made a difference to the problem situation you were trying to address. In other words, was your strategy useful? Before you decide to get bigger, or to replicate the project elsewhere, you need to be sure that what you are doing makes sense in terms of the impact you want to achieve.

8.3. NEED FOR MONITORING

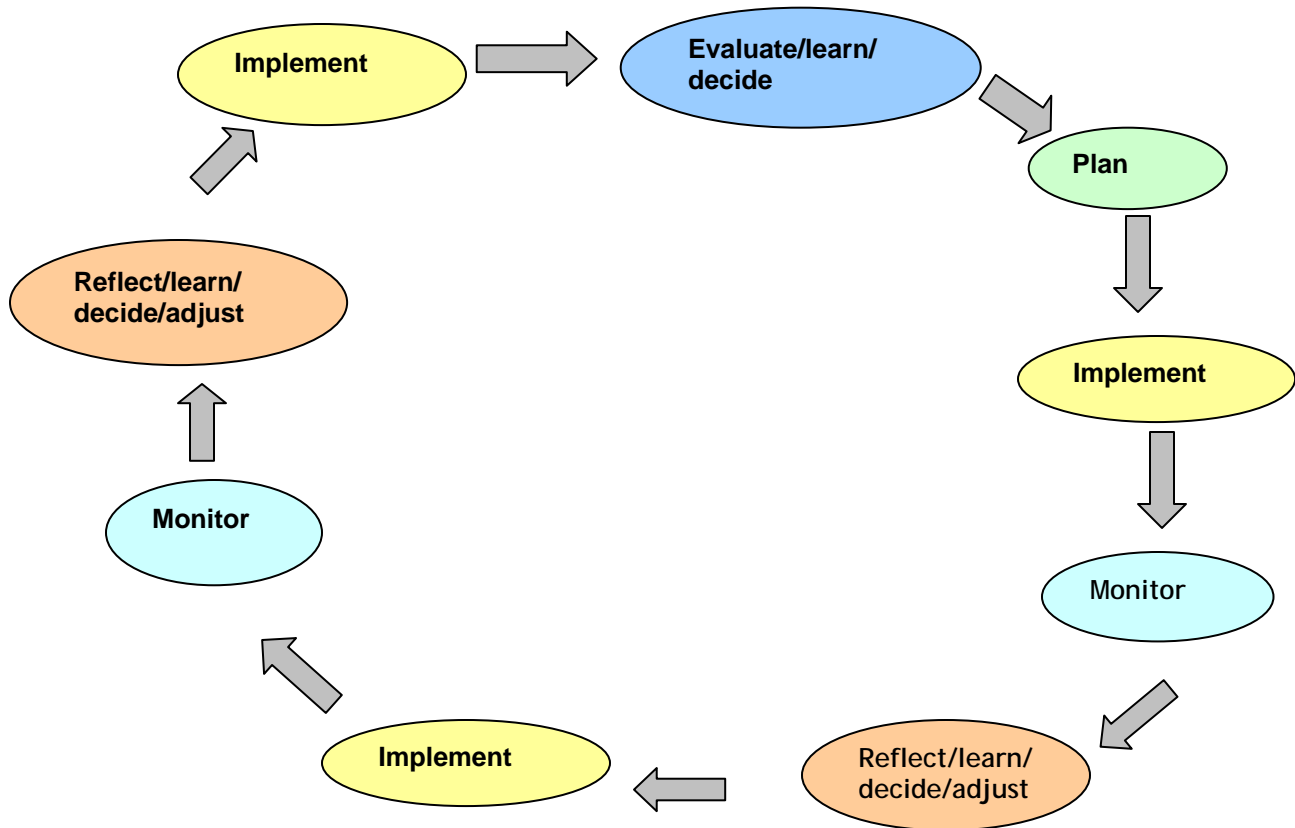
Monitoring as we have seen is very important because it is a check on how the project activities are progressing. It involves giving feedback about progress of the project to the donors, implementers and beneficiaries of the project.

In many organizations, "monitoring" is something that is seen as a donor requirement rather than a management tool. Donors are certainly entitled to know whether their money is being properly spent, and whether it is being well spent. But the primary (most important) use of monitoring should be for the organization or project itself to see how it is doing against objectives, whether it is having an impact, whether it is working efficiently, and to learn how to do it better. It is also very important in project planning and implementation. At the same time monitoring provides information that will be useful in:

- Analyzing the situation in the community and its project ;
- Determining whether the inputs in the project are well utilized ;
- Identifying problems faced by the community and their causes;
- Suggest possible solutions to problems;
- Ensuring all activities are carried out properly by the right person and in right time;
- Identify problems in planning and/or implementation;

- Determining whether the way the project was planned is the most appropriate way of solving the problem at hand;
- Raise questions about assumptions and strategy;
- Push you to reflect on where you are going and how you are getting there;
- Provide you with information and insight;
- Encourage you to act on the information and insight;
- Increase the likelihood that you will make a positive development difference.
- Review progress;
- Make adjustments so that you are more likely to “make a difference”.

Plans are essential but they are not set in concrete (totally fixed). If they are not working, or if the circumstances change, then plans need to change too. Monitoring helps a project or organization to know when plans are not working, and when circumstances have changed. They give management the information it needs to make decisions about the project or organization, about changes that are necessary in strategy or plans.



8.4. PARTICIPATIVE MONITORING

Monitoring is a vital management and implementation role that cannot be left to only one stake holder. Participatory monitoring is where one can get the very best out for the project. Hence all stakeholders must be a party to the monitoring process. As with community participation and participatory management, participation in monitoring does not happen spontaneously. The persons who are to participate must be encouraged and trained to participate.

8.5. ADVANTAGES OF PARTICIPATION

The advantages of participation in monitoring include:

- **Common Understanding of Problems and Identification of Solutions:** Participative monitoring helps stake holders to get a shared understanding of the problems facing the community or project (their causes, magnitude, effects and implications). This facilitates the identification of solutions. These solutions are more likely to be appropriate because they are derived from a current situation and with inputs from all the stakeholders.
- **Benefits the Target Groups and Enhances Accountability:** Participation in monitoring ensures that the people to which the project was intended are the ones benefiting from it. It increases the awareness of people's rights, which elicits their participation in guarding against project resource misappropriation. Guarding against resource misappropriation makes project implementation less expensive.
- **Making Appropriate Decisions:** Monitoring provides information necessary in making management decisions. When many people participate in monitoring it means that they have participated in providing management information and contributed to decision making. The decisions from this are more likely to be acceptable and relevant to the majority of the

population. This makes human and resource mobilization for project implementation easier.

- **Performance Improvement:** During Monitoring, if a performance deviation is discovered solutions can be devised. To find appropriate decisions that can be implemented requires the participation of those people who will put the solution into practice. Therefore participation in monitoring can help improve project performance.
- **Collection of Information:** If many people participate in monitoring they are more likely to come up with more accurate information. This is because, information that is omitted by one party, can be collected by the other. Each stake holder is putting varying emphasis on the different aspects of the project using different methods. Alternatively, one party knowing that the information they are collecting will be verified, forestalls deliberate wrong reporting.
- **Design of Projects:** The information generated during project monitoring helps in re-designing projects in that locality to make them more acceptable. The lessons learned can also be used in the design of similar projects elsewhere.

8.6. CHALLENGES IN PARTICIPATORY MONITORING

Whereas participation in monitoring has a number of virtues, it is likely to face a number of challenges. The challenges include:

- **High Initial Costs:** Participation in monitoring requires many resources (eg time, transport and performance-related allowances). It is a demanding process that can over-stretch volunteer spirit at community level and financial resources at district and national levels. Therefore it must be simple and focused to vital elements.

- **Quantity and Variety of Information:** Monitoring requires collection, documentation and sharing of a wide range of information. This requires many skills that are lacking in the communities. It therefore necessitates much time and resources for capacity building. It also risks wrong reporting.
- **Inaccuracy of Information:** Some stake holders, from the community to the national level, may intentionally provide wrong information to depict better performance and outputs or because of community or project differences. To counteract wrong or incorrect reporting needs sensitization and consensus building that is difficult to attain.

The advantages of participation in monitoring are evidently more than the challenges. It is therefore necessary to encourage and support participatory monitoring as we devise means to counteract the challenges.

8.7. TYPES OF MONITORING

- **Compliance Monitoring:** Organization is under certain legal obligations to comply with various formalities. Such compliances can be towards the Government, Legal Authorities, Donor/ Funding agency, etc. Whether the organization is fulfilling such obligation or not, is the whole purpose of compliance monitoring. Such types of monitoring are usually done by the higher official of the organization, like Executive Director, Secretary, etc.
- **Performance Monitoring:** The organization is expected to provide optimal service to its beneficiaries. The performance of the organization depends upon various factors, one, being the performance of its employees. Infact, the organizational performance is directly proportional to the performance of its employees. The management is therefore entrusted with the responsibility of regularly monitoring the performance of its employees. In the macro-level the performance of such organizations is again monitored by various agencies, like funding agencies, Government, other external agency, etc.

- **Financial Monitoring:** As the term suggests, financial monitoring refers to the monitoring of the financial aspects of the program. By means of financial monitoring, it is seen, whether the expenditure is made as per the budget plan. By means of financial monitoring, we assess the variance between the budget plan and the actual expenditure. Financial monitoring, however, should not be viewed in isolation as it is very much, part and parcel of the program.
- **Program Monitoring:** Program Monitoring is undertaken to fulfill the following purposes:
 - To provide the information required for improving the selection, performance and cost-effectiveness of projects.
 - To provide the information required by the funding agencies and local level agencies interested in the project.
 - To ensure effective vertical and horizontal information flows between different levels and agencies associated with the projects.

The major components of program monitoring are as follows

1. Project Progress Reports.

- Summary
- Progress of physical implementation compared to targets.
- Financial performance compared to targets.
- Performance of principal inputs and services.

2. Special Diagnostic Studies

3. Project Completion Reports.

4. Project Sustainability

Practically, every development program provides for monitoring of both the achievements of its physical and financial targets, and the benefits actually accruing to its target. Usually, a family-based approach is used for the monitoring the impact of a program on its clientele.

8.8. LEVELS OF MONITORING

Broadly, the various Levels of Monitoring are as follows:

- De-jure Monitoring
 - Board Level Monitoring
 - Administration Monitoring
 - Finance Monitoring
 - Program Monitoring
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- **De-jure Monitoring:** It is usually the highest level of monitoring. For instance, an organization is supposed to fulfill certain legal and taxation formalities, now it becomes the responsibility of the Government and taxation authority, to see whether the organization is complying to such regulations. Similarly, the governing body also monitors the overall performance of the organization, which again is de-jure level monitoring i.e. actions and compliances exist because of laws.
 - **Board Level Monitoring:** As stated earlier the board is entrusted with the responsibility of sound functioning of an organization. It is their duty to see whether the organization is able to discharge its duties effectively or not. Whether the organization is complying with the legal formalities, is undertaking internal control measures, and to see whether the organization is adhering to the rules and regulation of the organization, are some of the responsibility of the Board.
 - **Administration Monitoring:** The management of the organization is entrusted with the responsibility of sound functioning of the organization. The management looks after the general administration of the affairs of the organization, and sees whether the organization is able to discharge its responsibilities effectively or not. This requires regular monitoring of the activities of the organization.

8.9. AREAS OF MONITORING

The areas of monitoring are as follows:

- Status of the program/ project vis-à-vis the plan
- Budgetary control
- Cash & Bank balances control
- Fixed assets control
- Investment
- Financial Statements
- Compliance of laws of the land
- Compliance of requirement of the funding agency

Monitoring helps to ensure that systems are in place and it facilitates taking corrective measures. It also facilitates in achieving successful implementation of a development project.

Let us now discuss the various things that go to facilitate the process of monitoring.

Monitoring is an internal function in any project or organization. It involves:

- Establishing indicators of efficiency, effectiveness and impact;
- Setting up systems to collect information relating to these indicators;
- Collecting and recording the information;
- Analyzing the information;
- Using the information to inform day-to-day management.

8.10. INDICATORS

Indicators are an essential part of a monitoring and evaluation system because they are what you measure and/or monitor. They are measurable or tangible signs that something has been done or that something has been achieved. The indicators vary from each organisation or project. They may be set to suit to the needs of the organisation or project but they should give some idea for measuring impact of a particular project.

There could be various indicators according to the needs of the project such as Political or Organisational indicators or Economic or Social or Technological indicators. Some of the examples of the various indicators are given below:

Political / organisational Development Indicators

- ❑ Number of community organisations
- ❑ Structure of political leadership, by age and gender
- ❑ Participation rate in elections, by age and gender
- ❑ Number of public meetings held
- ❑ Participation in public meetings, by age and gender
- ❑ Number of youth groups
- ❑ Participation in youth groups
- ❑ Participation in women's groups
- ❑ Participation in groups for the elderly
- ❑ Number of groups for the elderly

- ❑ Types of organised sport
- ❑ Number of tournaments and games
- ❑ Participation levels in organised sport

Economic Development Indicators

- ❑ Average annual household income
- ❑ Average weekly/monthly wages
- ❑ Employment, by age group
- ❑ Unemployment, by age group, by gender
- ❑ Employment, by occupation, by gender
- ❑ Government employment
- ❑ Earned income levels
- ❑ Per capita income
- ❑ Average annual family income
- ❑ % people below the poverty line
- ❑ Growth rate of small businesses
- ❑ Value of residential construction and/or renovation

- ❑ Average length of unemployment period
- ❑ Default rates on loans
- ❑ Ratio of home owners to renters
- ❑ Ratio of seasonal to permanent employment

Social Development Indicators

- ❑ Death rate
- ❑ Life expectancy at birth
- ❑ Infant mortality rates
- ❑ Causes of death
- ❑ Number of doctors per capita
- ❑ Number of hospital beds per capita
- ❑ Number of nurses per capita
- ❑ Literacy rates, by age and gender
- ❑ Student: teacher ratios
- ❑ Retention rate by school level
- ❑ School completion rates by exit points
- ❑ Public spending per student
- ❑ Number of suicides
- ❑ Causes of accidents
- ❑ Dwellings with running water
- ❑ Dwellings with electricity
- ❑ Number of homeless
- ❑ Number of violent crimes
- ❑ Birth rate
- ❑ Fertility rate
- ❑ Gini distribution of income (see Glossary of Terms)
- ❑ Infant mortality rate
- ❑ Rates of hospitalisation
- ❑ Rates of HIV infection
- ❑ Rates of AIDS deaths
- ❑ Number of movie theatres/swimming pools per 1000 residents
- ❑ Number of radios/televisions per capita

- ❑ Availability of books in traditional languages
- ❑ Traditional languages taught in schools
- ❑ Time spent on listening to radio/watching television by gender
- ❑ Number of programmes on television and radio in traditional languages and/or dealing with traditional customs
- ❑ Church participation, by age and gender

8.11. INFORMATION

Information used in monitoring can be classified as:

- Quantitative; or
- Qualitative.

Quantitative measurement tells you “how much or how many”. Quantitative measurement can be expressed in absolute numbers or as a percentage. It can also be expressed as a ratio. One way or another, you get quantitative (number) information by counting or measuring.

Qualitative measurement tells you how people feel about a situation or about how things are done or how people behave. One can get qualitative information by asking, observing, interpreting.

Some people find quantitative information comforting – it seems solid and reliable and “objective”. They find qualitative information unconvincing and “subjective”. It is important to realize that when speaks of quality of life, it is the qualitative indicators that provide the appropriate indication. The same holds good when one assesses ‘happiness’. It is a mistake to say that “quantitative information speaks for itself”. It requires just as much interpretation in order to make it meaningful as does qualitative information.

In order to gather information it is needed to go out and ask questions – to get qualitative information. Choice of indicators is also subjective, one can use quantitative or qualitative methods to do the actual measuring

The monitoring requires a combination of quantitative and qualitative information in order to be comprehensive.

How Do We Get Information?

The information you collect must mean something and then make sure that you store the information in such a way that it is easy to access.

Usually one can use the reports, minutes, attendance registers, financial statements that are part of the work as a source of monitoring and evaluation information.

However, sometimes it becomes essential to use special tools that are simple but useful to add to the basic information collected in the natural course of work. Some of the more common ones are:

- Case studies
- Recorded observation
- Diaries
- Recording and analysis of important incidents (called “critical incident analysis”)
- Structured questionnaires
- One-on-one interviews
- Focus groups
- Sample surveys
- Systematic review of relevant official statistics.

The other important tools are given below:

Tool	Description	Usefulness	Disadvantages
Interviews	These can be structured, semi-structured or unstructured. They involve asking specific questions aimed at getting information that will enable indicators to be measured. Questions can be open-ended or closed (yes/no answers). Can be a source of qualitative and quantitative information.	Can be used with almost anyone who has some involvement with the project. Can be done in person or on the telephone or even by e-mail. Very flexible.	Requires some skill in the interviewer.
Key informant interviews	These are interviews that are carried out with specialists in a topic or someone who may be able to shed a particular light on the process.	As these key informants often have little to do with the project or organization, they can be quite objective and offer useful insights. They can provide	Needs a skilled interviewer with a good understanding of the topic. Be careful not to turn something into an absolute truth (cannot be challenged) because

		something of the “big picture” where people more involved may focus at the micro (small) level.	it has been said by a key informant.
Questionnaires	These are written questions that are used to get written responses which, when analysed, will enable indicators to be measured.	This tool can save lots of time if it is self-completing, enabling you to get to many people. Done in this way it gives people a feeling of anonymity and they may say things they would not say to an interviewer.	<p>With people who do not read and write, someone has to go through the questionnaire with them which means no time is saved and the numbers one can reach are limited.</p> <p>With questionnaires, it is not possible to explore what people are saying any further.</p> <p>Questionnaires are also over-used and people get tired of completing them.</p> <p>Questionnaires must be piloted to ensure that questions can be understood and</p>

			cannot be misunderstood. If the questionnaire is complex and will need computerised analysis, you need expert help in designing it.
Focus groups	In a focus group, a group of about six to 12 people are interviewed together by a skilled interviewer/facilitator or with a carefully structured interview schedule. Questions are usually focused around a specific topic or issue.	This can be a useful way of getting opinions from quite a large sample of people.	It is quite difficult to do random sampling for focus groups and this means findings may not be generalised. Sometimes people influence one another either to say something or to keep quiet about something. If possible, focus groups interviews should be recorded and then transcribed. This requires special equipment and can be very time-consuming.
Community meetings	This involves a gathering of a fairly large group of beneficiaries to	Community meetings are useful for getting a broad response from many	Difficult to facilitate - requires a very experienced facilitator. May

	whom questions, problems, situations are put for input to help in measuring indicators.	people on specific issues. It is also a way of involving beneficiaries directly in an evaluation process, giving them a sense of ownership of the process. They are useful to have at critical points in community projects.	require breaking into small groups followed by plenary sessions when everyone comes together again.
Fieldworker reports (See also fieldworker reporting format under examples)	Structured report forms that ensure that indicator-related questions are asked and answers recorded, and observations recorded on every visit.	Flexible, an extension of normal work, so cheap and not time-consuming.	Relies on field workers being disciplined and insightful.
Ranking	This involves getting people to say what they think is most useful, most important, least useful etc.	It can be used with individuals and groups, as part of an interview schedule or questionnaire, or as a separate session. Where people cannot read and write, pictures can be used.	Ranking is quite a difficult concept to get across and requires very careful explanation as well as testing to ensure that people understand what you are asking. If they misunderstand,

			your data can be completely distorted.
Visual/audio stimuli	These include pictures, movies, tapes, stories, role plays, photographs, used to illustrate problems or issues or past events or even future events.	Very useful to use together with other tools, particularly with people who cannot read or write.	You have to have appropriate stimuli and the facilitator needs to be skilled in using such stimuli.
Rating scales	This technique makes use of a continuum, along which people are expected to place their own feelings, observations etc. People are usually asked to say whether they agree strongly, agree, don't know, disagree, disagree strongly with a statement. You can use pictures and symbols in this technique if people cannot read and write.	It is useful to measure attitudes, opinions, perceptions.	You need to test the statements very carefully to make sure that there is no possibility of misunderstanding. A common problem is when two concepts are included in the statement and you cannot be sure whether an opinion is being given on one or the other or both.
Critical event/incident	This method is a way of focusing	Very useful when something	The evaluation team can end up

Analysis	interviews with individuals or groups on particular events or incidents. The purpose of doing this is to get a very full picture of what actually happened.	problematic has occurred and people feel strongly about it. If all those involved are included, it should help the evaluation team to get a picture that is reasonably close to what actually happened and to be able to diagnose what went wrong.	submerged in a vast amount of contradictory detail and lots of “he said/she said”. It can be difficult not to take sides and to remain objective.
Participant observation	This involves direct observation of events, processes, relationships and behaviours. “Participant” here implies that the observer gets involved in activities rather than maintaining a distance.	It can be a useful way of confirming, or otherwise, information provided in other ways.	It is difficult to observe and participate. The process is very time-consuming.
Self-drawings	This involves getting participants to draw pictures, usually of how they feel or think about something.	Can be very useful, particularly with younger children.	Can be difficult to explain and interpret.

Who Should Be Involved?

Almost everyone in the organisation or project will be involved in some way in collecting information that can be used in monitoring. This includes:

- The administrator who takes minutes at a meeting or prepares and circulates the attendance register;
- The fieldworkers who writes reports on visits to the field;
- The accountant who records income and expenditure.

In order to maximise their efforts, the project or organisation needs to:

- Prepare reporting formats that include measurement, either quantitative or qualitative, of important indicators.
- Prepare recording formats that include measurement, either quantitative or qualitative, of important indicators.
- Record information in such a way that it is possible to work out what you need to know. For example, if you need to know whether a project is sustainable financially, and which elements of it cost the most, and then make sure that your bookkeeping records reflect the relevant information.

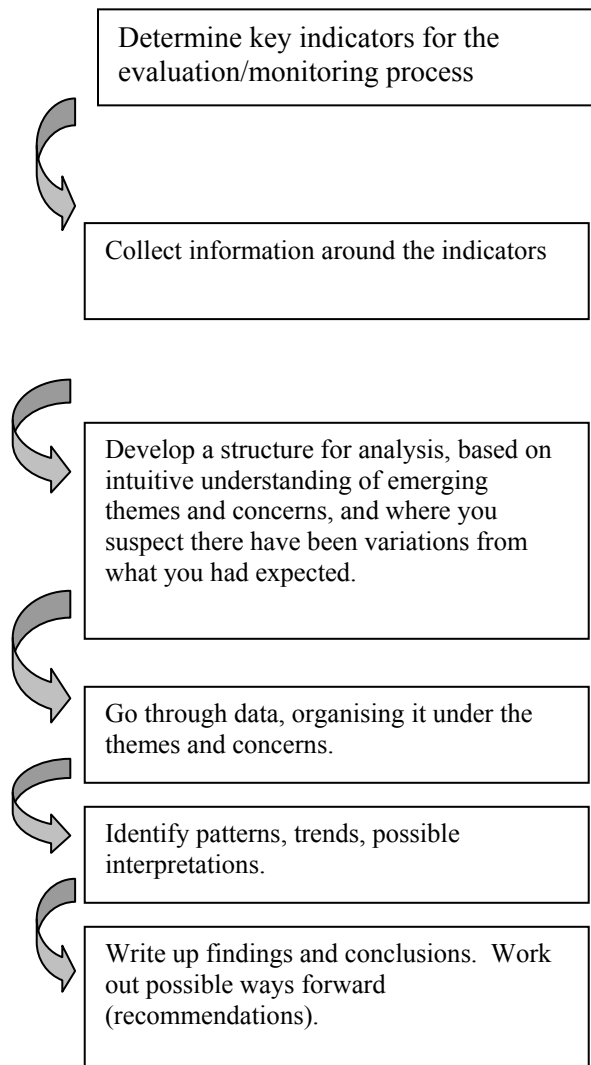
Analyzing Information

At some point during the monitoring a large amount of information is collected and it has to be decided as to how to make sense of it or to analyze it.

Analysis is the process of turning the detailed information into an understanding of patterns, trends, interpretations. The starting point for analysis in a project or organisational context is quite often very unscientific. It is based on ones intuitive

understanding of the key themes that come out of the information gathering process. Once you have the key themes, it becomes possible to work through the information, structuring and organising it.

The next step is to write up your analysis of the findings as a basis for reaching conclusions, and making recommendations.



Taking Action

Monitoring has a little value if the organisation or project does not act on the information that comes out of the analysis of data collected. Once you have the findings, conclusions and recommendations from the monitoring process, you need to:

- Report to your stakeholders;
- Learn from the overall process;
- Make effective decisions about how to move forward; and, if necessary,
- Deal with resistance to the necessary changes within the organisation or project, or even among other stakeholders.

Now let us discuss the various stages of Monitoring

8.12. STAGES OF MONITORING

Monitoring of a development project can be classified into the following stages:

Stage I: During Planning and Approval

Stage II: During Implementation

Stage III: During Finalization of the project

I) Monitoring during Planning and Approval:

The framework for planning needs to facilitate a clear linkage between the activities and finance. The activities are to be focused to attain the mission of the organization. The time frame for implementation of each activity is to be laid in clear.

The following tasks provide the broad frame work for effective monitoring during the planning and approval stage:

→Ensure that the project or program plan is towards achieving the overall vision, mission

and the goal of the organization.

→Ensure that the program plan is relevant to meet the needs of the target group.

- Ensure that the projected plan is converted into a concrete action plan.
- Ensure that the action plan is converted into cost plan by effective budgeting. Budgeting is planning in financial terms. It is important that the plans are translated into financing terms.
- Ensure that the budget includes a clear time plan, remittance schedule and reasonable matching contribution, wherever possible, from the partner organization in addition to the quantum of funding expected from the donor. (It needs to be remembered that the budget sets a framework for reporting and analysis)
- Ensure that finance plan is clearly and realistically drawn as to:
 - the local sources of funds
 - the funds to be sought from the funding agencies abroad.

Once the above framework is followed during the planning and approval stage, it paves a clear concrete path for effective implementation and monitoring of the project concerned.

Strategy Of Monitoring During Planning And Approval

- Ensure if the activity plan is drawn to enable achieve the objective of the program / project.
- Ensure if each of the planned expenditure matches with activity plan.
- Ensure if the planned expenditure has taken into account the salary payable, audit fees payable, possible administrative costs for program activities etc.
- Ensure if the entire planned expenditure amount has the provision for inflation (approximately 10% every year)
- Finally ensure that the total estimated cost plan matches with the sources of funds and that no deficit in terms of own sources would result in future.

II) Monitoring during Implementation:

Monitoring during implementation is a very crucial aspect for the successful completion of the project.

The frame work for monitoring during implementation depends largely on the preparation of regular periodical reports and analysis.

The frequency of monitoring could be monthly, quarterly, half-yearly or annually depending on the size of the organization, funds handled, and the geographical area of operation.

Strategy Of Monitoring During Implementation

Reports are the most important tools for monitoring during implementation of a program/ project. They are:

- Budget Variance Report
- Periodical Financial Report
- Annual Audited Financial Report
- Periodical Activity Report
- Investment Status Report
- Legal Compliance Status Report
- Funding Partners Status Report

The above various reports help in effective monitoring of a project.

Analysis and conclusions made during studying of these reports can be recorded in a "Periodical Monitoring Sheet".

This will enable not only to observe deviations in the cost incurred at the time of implementation, but also facilitate effective follow-up for the future during implementation of the project.

III) Monitoring During Finalization

Final audited financial and the progress reports are the key instruments to monitor and justify the completion of a project as per the planned activities:

Check-List:

- Ensure if the project has been completed within the planned time frame. If not analyze and justify the reasons for deviation.
- Ensure if the total fund received from the funding agency has been utilized for the approved purposes.
- Ensure if the agreed funding ratio has been adhered to.
- Ensure if the total expenditure incurred on any individual cost items has not exceeded the budget amount beyond the permissible limit. If so, obtain the

reasons for such excess costs and include the same as part of the closing reports.

- Ensure necessary relevant photographs are obtained about the program completed.
- Ensure if any additional measures not foreseen in the approved budget have been undertaken. If so, ensure necessary approvals have been obtained.
- Ensure if any specific reporting or program requirements of the funding agency have been duly adhered to.

8.13. INTEGRATED MONITORING MODEL

We already discussed in the beginning of the chapter monitoring can be associated with both program perspectives as well as with the finance perspective. The following paragraphs will help to capture the concept better.

Each project has two parts: the programme within the project and the finances used for the programme. These two parts are generally monitored separately. This separate monitoring uses double the time, energy and resources as it is the same process of monitoring being carried out twice. The separate monitoring of different aspects of the same project gives a very dissected and incomplete view of the project in terms of where it stands and where it is supposed to go from where it stands, and how will it go there. Moreover, this method of monitoring often does not take into account the interdependence of programme and finances. It fails to reflect the relation between the two and thus deprives the organization of a more holistic picture.

Thus an integrated framework is essential for monitoring both the finance as well as programme of a project at the same time. The following framework discussed in the paragraphs not only reflects the course taken by the project in terms of its programme or finances but also show the relation between the finances and the activities undertaken and thus give a detailed account of where is it that the programme is lacking or achieving the desired objectives and the larger goals.

The framework is beneficial for various reasons as stated below:

- The priorities in monitoring: They need to be matched with organizational capacity, human and financial resources. Monitoring activities should aim to meet information requirements without overloading the staff involved and using up a lot of resources. Also, a participatory approach to monitoring should be encouraged; this requires that a range of stakeholders are involved.
- Diversity of activities: The majority of the large NGOs tend to be generalists, being involved in a wide range of development activities, across number of sectors. This makes the task of monitoring more difficult. The problems of diversity are accentuated by progressive growth in organizational scale. The model enables the user to clearly spell out the activities and monitor each activity separately yet as apart of the whole project giving the complete picture, thus it counters the problems created by multi activities performed by the NGOs.
- Vague Objectives: It is widely recognized that many development objectives, such as empowerment, institutional strengthening and the development of civil society, are difficult to define. However, this model enables the organisations to put down clear and quantifiable objectives which definitely make the task of monitoring far easier.
- The absence of baseline information and adequate monitoring systems: The absence of adequate baseline information is an almost universal complaint found in NGO studies. Other less noted phenomena are the incidence of baseline survey data being lost or forgotten, and unavailable to monitoring teams. Although most organisations have monitoring systems of some sort, there seems to be a pervasive problem of organization's monitoring expenditure, activities and outputs, but not effects and impacts. All of these phenomena are really symptoms rather than explanations of why NGOs do not seem to know what impact their work is having. The model presented herewith talks not only the quantitative aspects such as expenditure, activities etc. but also about the qualitative aspect of the activities that the NGO is involved in.

Monitoring Model

There are seven basic steps to make an integrated framework for any given project. Let us take a look at these.

Step 1

The first step entails the stating of the objectives of the project/programme. While writing the objectives the following points should be kept in mind:

- These should be precise.
- These should be clear.
- These should be quantifiable or measurable.

Step 2

The second step is to plan activities commensurate with each objective. These activities should be clear, precise and quantifiable and should be in relation to a specific objective

Step 3

The third step involves the framing of monitoring indicators for the activities outlined. There could be more than one indicator to monitor a single activity. These again need to be clear and in complete conjunction with the activities.

Step 4:

In this there is a need to clearly spell out the budget of the project. This too has to be done in terms of the activities. This means that there has to be detailed planned expenditure for each and every activity. Not only this, the expenditure should also include the salary of the people responsible for that particular activity. It should also be mentioned how much of a person's salary is due to his/her responsibility for a particular activity. For instance a person's salary may be ten thousand rupees but he is responsible for five activities then he/she gets Rs. 2000 for each activity for which the person is responsible. Thus the budget has to be detailed and in terms of the activities planned. Some expenditure is part of the administrative costs and cannot be part of the monitoring process. But the rest should be in accordance with the activities conducted.

Step 5:

This step involves the spelling out of the expected qualitative outcome for each activity (if possible). If the above steps are followed then we shall be in a position to monitor the programme activities in a purely quantitative sense. But if the expected outcome in the qualitative sense is also spelt out then this will give us the qualitative change brought about by the programme. Thus, this will be a more comprehensive monitoring as it will entail not just programme monitoring in the quantitative sense but will also take care of the qualitative aspect often ignored in regular monitoring despite the fact that the NGO sector puts more emphasis on quality rather than just mere quantity.

Step 6:

This step should be ascertained that which personnel is going to be responsible for the monitoring of which activity. It should be clearly mentioned.

Step 7:

This is the last and the final step in which the monitoring is actually carried out. All the activities should be monitored by the people concerned, spelt out in step 5, these people should note the objective behind the activities, and using the indicators listed out for each activity record the actual expenditure, note down the variance in expenditure (if any) from the planned expenditure. They would also need to look at the expected qualitative outcome of each activity and then after recording all this record their remarks stating as the reasons for variance in expenditure (if any) and also the level to which the expected outcome was achieved or not, and if it was not achieved then the person concerned would have to fill in the reasons for the same in the remarks section.

By following these seven simple steps any organization can at least head towards a more integrated monitoring system and avoid double expenditure of time, energy and resources in carrying out this procedure twice.

The above mentioned steps of the design of the monitoring model can be better understood by the example given below wherein the objective is to build awareness about the spread and prevention of AIDS\HIV.

Format: Integrated Monitoring Model

<u>Objective</u>	<u>Activities</u>	<u>Monitoring Indicators</u>	<u>Actual Expenditure</u> (In Rs.) Including salaries of persons responsible for the activity.			<u>Planned Expenditure</u> (In Rs.) Including salaries of persons responsible for the activity.			<u>Variance</u> (Cu)	<u>Expected Outcome</u> (Qualitative indicators)	<u>Remarks</u> {Stating a combined result with reason(s) for variance}
			<u>U</u>	<u>UC</u>	<u>Cu</u>	<u>U</u>	<u>UC</u>	<u>Cu</u>			

Filled Integrated Monitoring Model Format

(For a project on HIV/AIDS: An example)

Abbreviations:

PC: Project Coordinator

PE: Peer Educator

PP: Para Professional

U: Unit

UC: Unitary Cost

CU: Cumulative Cost

While reading the following points are to be kept in mind:

- 1) The expenditure on activities, both planned as well as actual, includes the salaries of the people responsible for those particular activities. For e.g. The Project Coordinator gets Rs. 18000 per year for managing and monitoring the training workshops held for training peer-educators and paraprofessionals. This cost is added in the planned and actual expenditure of the activity of organizing training workshops for peer-educators and paraprofessionals.
- 2) The remarks column has been provided so that who so ever is responsible for monitoring any particular activity should be able to put in any the reason for expenditure variance (if any) and write whatever is not going according to plan in the activity and other such remarks.

- 3) There are some indicators which are purely programme indicators and thus cannot be totally integrated with the finances, for example the number of truckers who attended the workshops, however this would depend upon the number of workshops conducted which can be an integrated indicator. Thus even those indicators which are purely programme indicators are dependent upon the integrated indicators to an extent.
- 4) There were certain other cost which could not be shown I this integrated system, such as salaries of the director, the office boy etc. the cost of renovation, and other administrative costs.

<u>Objective</u>	<u>Activities</u>	<u>Monitoring Indicators</u>	<u>Actual Expenditure</u> (In Rs.) Including salaries of persons responsible for the activity.			<u>Planned Expenditure</u> (In Rs.) Including salaries of persons responsible for the activity.			<u>Variance</u> (In Unit and unit cost)	<u>Expected Outcome</u> (Qualitative indicators)	<u>Remarks</u> {Stating a combined result with reason(s) for variance}
			<u>U</u>	<u>UC</u>	<u>Cu</u>	<u>U</u>	<u>UC</u>	<u>Cu</u>			

1) To build awareness about the spread and prevention of HIV/AIDS and advocate for behavior change among truckers in order to check the spread of HIV/AIDS	1) Training peer-educators and paraprofessionals in order to prepare them to take sessions and hold workshops.	Number of training workshops held for paraprofessionals.	2	10000	20000	2	9500	19000	1000	Change in levels of knowledge among PPs and PEs about the issue.	<i>Example :</i> Even the cost per session increased by Rs. 500 the change in knowledge of 4 peer educators is low as they donot attend the sessions. <i>Reason for high cost:</i> Attrition of peer educators
		Number of training workshops held for peer-educators	2	10000	20000	2	10000	20000	0	(choose anyone out of three)	
		Number of peer-educators trained.	10	2000	20000	10	2000	20000	0	High Avg Low	
		Number of Paraprofessionals trained.								or on percentage basis write the response	

Objective 1		Monitored by: Project Coordinator	5	4000	20000	5	3800	19000	1000		
	2) Reaching out through workshops held by 10 trained peer educators and 5 paraprofessionals	Number of workshops held by the peer-educators. Number of	5	3000	15000	5	2490	12450	2550	1. Increased access to NGO services by Truckers 2. Increase in levels of	

Objective 1		Workshops held by the paraprofessionals.	5	6500	32500	5	6490	32450	50	knowledge and decreased risk behaviours among Truckers	
		Number of people who attended these workshops.	150	216.6	32500	150	216.3	32450	50		
		<div><div>Paraprofessionals (to monitor workshops held by peer-educators)</div><div>Project Coordinator (to monitor workshops held by paraprofessionals)</div></div>									

	3) Condom promotion activity: Demonstration of condom usage by peer-educators using kits provided by the organization	Number of street fairs conducted by the organization.	5	12400	62000	5	12100	60500	1500	1. Inculcation of safe sex practices 2. Increase in the level of condom usage by the Truckers and awareness about the right way of using it.
		Number of people who attended these fairs.	1500	413.3	62000	1500	403.3	60500	1500	
		Number of spots aired on T.V., radio etc	365	268.4	98000	365	268.4	98000	0	
		Number of poster and flyers		25	25000	100	25	25000	0	

	4) Distribute free condoms in the street fairs, peer-educator workshops as well as freely in the community	distributed by the peer educators Number of condoms distributed. <div>Monitored by: Project Coordinator</div>	100 500 0	2	10000	5000	2	10000	0		
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2) To provide preventive health care services to the truckers	1) Carrying out preventive health check-ups in the organization clinic.	Number of health check-ups organized. Number of truckers checked in these health check-ups.	48	11484	551200	48	11484	551200	0	1) Increased access to Health checkups by Truckers	
<div>Monitored by: Project Coordinator</div>											

	Counseling services	Number of counselors provided.	1	6000	72000	1	6000	72000	0	1) Increased access to counseling services by Truckers	
		Number of truckers receiving counseling.	200			200			0		
	Developing networks with the nearest VCTC and STI clinic for referrals	Number of truckers referred to VCTC and STI clinics	200 +95			300+1 50			100+55		
		Monitored by: Project Coordinator									

3) To advocate for a larger attitudinal change amongst the public so that there may be an overall change in peoples' perception towards HIV/AIDS as well as towards	1) Organizing awareness camps in schools, colleges, community centers, etc for spreading awareness and dispelling myths regarding HIV/AIDS and for sensitizing people towards this issue.	Number of camps organized. Number of people who attended these camps. <div>Monitored by: PC</div>	6	27000	162000	6	26334	158000	4000	Increased level of awareness about HIV/AIDS and STI amongst the targeted community	
	2) Printing and	Number of								Increased level	

people affected by HIV/AIDS	distributing of literature on HIV/AIDS explaining all the intricacies of the issues in simple lay person terms	booklets, pamphlets poster and Flyers distributed <div>Monitored by: PC & PP</div>	200	25	5000	200	25	5000		of awareness about HIV/AIDS and STI amongst the targeted community	
Objective 3											

	3) Using popular media to spread the message of prevention of HIV/AIDS and for the spread of a more humane attitude toward those affected by this disease.	Number of spots aired on T.V., radio etc	365	269	98000	365	269	98000	0	Increased level of awareness about HIV/AIDS and STI amongst the target community	
	4) Condom promotion activity:	Number of condoms distributed.	500 0	2	10000	5000	2	10000	0	Increased Condom usage and awareness about using it	

Monitored by: PC & PP

Demonstration of condom usage by paraprofessionals using kits provided by the organization.										in the right way	
Distribute free condoms in awareness camps											

8.14. EVALUATION

The objective of effective monitoring does not end with the finalization of the program. It needs to also evaluate the impact of the program.

Evaluation is the comparison of actual project impacts against the agreed strategic plans. It looks at what you set out to do, at what you have accomplished, and how you accomplished it. It can be formative (taking place during the life of a project or organisation, with the intention of improving the strategy or way of functioning of the project or organisation). It can also be summative (drawing learnings from a completed project or an organisation that is no longer functioning).

Evaluation involves:

- Looking at what the project or organisation intended to achieve - what difference did it want to make? What impact did it want to make?
- Assessing its progress towards what it wanted to achieve, its impact targets.
- Looking at the strategy of the project or organisation. Did it have a strategy? Was it effective in following its strategy? Did the strategy work? If not, why not?
- Looking at how it worked. Was there an efficient use of resources? How sustainable is the way in which the project or organisation works? What are the implications for the various stakeholders in the way the organisation works?

Under evaluation we look at:

- Purpose
- Key evaluation questions

- Methodology.

Purpose

The purpose of an evaluation is the reason why you are doing it. It goes beyond what you want to know to why you want to know it. It is usually a sentence or, at most, a paragraph. It has two parts:

- What you want evaluated;
- To what end you want it done.

Examples of an evaluation purpose could be:

- To provide the organisation with information needed to make decisions about the future of the project.
- To assess whether the organisation/project is having the planned impact in order to decide whether or not to replicate the model elsewhere.
- To assess the programme in terms of effectiveness, impact on the target group, efficiency and sustainability in order to improve its functioning.

The purpose gives some focus to the broad evaluation process.

Key evaluation questions

The key evaluation questions are the central questions you want the evaluation process to answer. A useful evaluation question is:

- Thought provoking
- Challenges assumptions.
- Focuses inquiry and reflection.
- Raises many additional questions.

Some examples of key evaluation questions related to a project purpose:

The purpose of the evaluation is to assess how efficient the project is in delivering benefits to the identified community in order to inform Board decisions about continuity and replicability.

Key evaluation questions:

- Who is currently benefiting from the project and in what ways?
- Do the inputs (in money and time) justify the outputs and, if so/if not, on what basis is this claim justified?
- What would improve the efficiency, effectiveness and impact of the current project?
- What are the lessons that can be learned from this project in terms of replicability?

Other examples of evaluation questions might be:

- What are the most effective ways in which a project of this kind can address the problem identified?
- To what extent does the internal functioning and structure of the organisation impact positively on the programme work?
- What learnings from this project would have applicability across the full development spectrum?

Methodology

“Methodology” as opposed to “methods” deals more with the kind of approach one can use in your evaluation process. The evaluation could be done by getting input from all the key stakeholder groups for example: through a survey; through key informants; through focus groups.

The impact could be evaluated both programmatic and financial. While the parameters for evaluating the program performance are entirely different, the

parameters for the financial performance also are different. However, the interlinkage between the two cannot be denied.

As our primary focus is on financial perspective, we look at the following aspects as the basic parameters for evaluating the financial performance.

- Application of funds for the approved purpose/ activities.
- Economic and Effective Application of funds.
- Compliance to standard accounting, legal / tax requirements.

Specific Parameters:

The organization has adhered to the following:

- The required budgetary procedures

Budgetary Procedures:

- The organization has clearly defined objectives.
- Strategy/ Plans have been made for achieving these objectives.
- Preparations of an annual budget taking into account the above plans and objectives.
- Necessary approval of the budget is obtained

- Maintenance of required books of accounts, as to Cash Book, Ledgers , Journals and other subsidiary books like Fixed Assets Register, Advance Register, Log Book for the drivers, etc.
- Regular preparation of Financial Reports

Financial Reports:

- Regular and timely preparation of financial reports.
- Financial Reports reflect arithmetical accuracy.
- Financial Reports are duly signed in by the concerned authorities.
- Financial Reports
- Monthly financial reports are submitted to the management.

ence of adequate staff welfare measures like Provident Fund, Gratuity Fund, Insurance Scheme, etc.

- Maintenance of required books of accounts relating to Provident Fund, Gratuity Fund, etc, specially if managed by a Trust.
- Appointment of an external audit by the management with agreed fees.
- Appointment of an internal auditor, if required, with clearly defined Terms of Reference and remuneration.
- Periodical audit is conducted by an external auditor and the observations are shared with the Management Committee for necessary action.
- Regular submission of Periodical Financial Reports to the donor agency.
- Compliance with the legal and tax requirements by timely filling of necessary reports to the concerned authorities.

Finally, the overall financial evaluation needs to also ensure that the activities carried out has resulted in the desired impact and has served in achieving the planned objective.

8.15. CONCLUSION

It can be seen from the above that there is definitely an interlinkage between various stages of a program. Effective planning alone will not ensure successful implementation; it also requires effective monitoring and control to ensure successful accomplishment of a program.

Thus monitoring helps not only in achieving the program objectives but also in leading the organization as a whole towards effective establishment of internal control systems for management of programs and finance.

Monitoring always need to be a participatory process. The above area of monitoring can be related to and applied by both the funding agency as well as the implementing organization. However, in practice, we normally come across a situation where an organization often associates the term “monitoring” with their respective funding partner and see it as “checking tool” applied on them. This existing notion about the term “monitoring” needs to be eliminated. This can be achieved only if the development organizations enhance their understanding on the

advantages of regular and effective financial management and monitoring on an organization and its program and apply it as an effective internal control tool.

8.16. SUMMARY

- Introduction to Monitoring
- Meaning
- Need
- Participative Monitoring
- Types of Monitoring
- Levels of Monitoring
- Areas of Monitoring
- Steps in Monitoring
- Integrated Monitoring Model
- Evaluation

Self- Assessment Exercise

1. *What is the essence of Financial Monitoring?*
2. *What is the difference between Administration Monitoring and Board Level Monitoring?*
3. *List out the five areas of monitoring?*
4. *What are the different levels of monitoring?*
5. *Explain in detail why participation is vital in a monitoring exercise.*
6. *What do you mean by indicators? What is the role of indicators in the monitoring process*
7. *Explain the various tools and process followed for data collection in the monitoring process.*
8. *Explain with the help of a detailed example 'Integrated monitoring model'*