**ASSIGNEMENT 3**

**MODULE 1**

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**COURSE NAME: CERTIFICATE IN GRANTS MANAGEMENT**

**QUESTIONS:**

**Module three assignments**

1. At times the donor may appoint a financial management agent to supervise the funds that are provided for a particular project. What are the functions of such an agency?
2. Why are internal controls important in any organization?
3. Monitoring as well as evaluation are very important aspects in grants management. Substantiate the statement above, supported by examples and relevant scholarly literature
4. For important financial management in an organization, what type of system should be implemented?
5. Enumerate the process of procurement for goods and services in an organization for project implementation
6. How are travel imp rests supposed to be treated?
7. Enumerate the disbursement procedure

**SOLUTIONS**

1. **At times the donor may appoint a financial management agent to supervise the funds that are provided for a particular project. What are the functions of such an agency?**

In an increasingly competitive world, the need for greater operating efficiencies and cost-competitiveness in providing effective service delivery, has led many businesses, project implementers and donor organizations to adopt management practices that focus more on core competencies and principal business activities.

So as to meet profit-driven objectives or reduce maintenance costs on recurrent activities, more and more management processes and functions are regarded as suitable for outsourcing. These services are in the areas of Grant Management; programme administration, book-keeping and accounting; financial management; Human Resource Management; administration support services; procurement services among others.

**The functions of the agency are explained below**

* Ensure compliancy to the donor rules are regulations. The agent will specifically focus on the compliancy aspect by monitoring spending pattern of the NGO through review of periodic reports against the agreement terms and donor policies. The agent will advise both the donor and the NGO accordingly on the spending pattern based on allowability, reasonableness and allocability of costs
* Monitoring Disbursements and draw down to ensure that the implementing agent-NGO does not over spend or under spend funds meant for project activities. In some instances, such agents determine the mode, frequency and amounts that will ensure a continues or appropriate implementation ensuring that the NGO does not have too much funds at their disposal which may result in to mismanagement of funds or run out of funds which may affect implementation.
* The agents also will play the role of budget revisions when deemed necessary by the NGO or the donor. Due to unforeseen circumstances, budget or budget lines may be over or understated thus may require revisions to ensure that project implementation is not affected. The agent may review such adjustments made by the implementer or propose the revisions, which will be shared with the NGO.
* Where some procurements are complex due to the technical nature of some procurements, the agent may procure for the implementing NGO on behalf of the donor instead of the donor making such procurements in kind. This could result from the agent having technical expertise in such area of procurement; it could also be due reduced costs of procurement by the agent instead of implementing agency or the funder. Such procurements may include hiring of staff, consultants, procurement of equipment etc.
* Training of the financial management team of the NGO especially on new policies, software, and donor policies and procedures, this happens in most cases when the donor has given new funding with new or complex scopes of work to the implementing agency, which helps in developing skills for preparing financials reports, understanding donor requirements as well as project objectives. This minimizes errors at the project start and ensure that the donor and the implementing partner are on the same page.

1. **Why are internal controls important in any organization?**

**Internal control**, as defined by [accounting](https://en.wikipedia.org/wiki/Accountancy) and [auditing](https://en.wikipedia.org/wiki/Audit), is a process for assuring of an organization's objectives in operational [effectiveness](https://en.wikipedia.org/wiki/Effectiveness) and [efficiency](https://en.wikipedia.org/wiki/Operational_efficiency), reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization.

It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing [fraud](https://en.wikipedia.org/wiki/Fraud) and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal controls refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes.

Internal control is a key element of the [Foreign Corrupt Practices Act](https://en.wikipedia.org/wiki/Foreign_Corrupt_Practices_Act) (FCPA) of 1977 and the [Sarbanes–Oxley Act](https://en.wikipedia.org/wiki/Sarbanes%E2%80%93Oxley_Act) of 2002, which required improvements in internal control in United States public corporations.

Internal controls within business entities are also referred to as **operational controls**.

**Their importance is explained below**

* Avoids and minimizes Risks-Internal controls help prevent risks at early stages of transactions from occurring otherwise most organizations will be at higher risks from embezzlements, loss of documents, information and property. Through the various internal control mechanisms like reconciliations, segregation of duties, approvals among others, risks are greatly avoided or minimized.
* Corrects errors- Internal controls are not 100% effective, but they minimize risks and in some instances, certain errors may not be detected until they happen, therefore with internal controls in place, such errors can be detected and corrected. Therefore, internal controls like Auditing ensure completeness and accuracy of financial information
* Prevents and detects fraud- Fraud is a common phenomenon in most NGOs ranging from top to low level and this may result from an individual act, group acts, or departmental acts through conspiracy. Since internal controls have different layers because of segregation of duties, Fraud can be prevented or detected at any one point. This is because it is difficult to keep secret between more than one persons and not all members of the organization are willing to indulge in fraud.
* Prevents misstatements of financial statements since they can prevent and detect errors. These errors are detected and prevented before they are included in the final financial statements. Errors can be detected through reconciliations, assets register review and update, review and approvals at various stages before they are included in the Balance sheet and Income Statement, which may portray a different picture or financial position of the organization/entity thus, can mislead in strategic decision making by various stakeholders.

1. **Monitoring as well as evaluation are very important aspects in grants management. Substantiate the statement above, supported by examples and relevant scholarly literature**

* A key area of grants management is monitoring and evaluation, which happen at the core of grants Management that is at Implementation. In grants management, projects are monitored to ensure that results are achieved as planned and there are no deviations from the planned activities. Monitoring also provides evidence to stake holders through reports, site visits, Audio and video recordings among others of project implementation. These can be provided to donors as evidence of activities implemented especially where deliverables like milestones are required.
* Evaluation can happen at both implementation or and at end of project. Evaluations at implementation can be done periodically to inform the project on the next course of action. Projects are evaluated against set targets or deliverables. This will inform also the different stake holders about achievements, challenges and cost effectiveness of the project, whether targets need a review or not.

Through monitoring and evaluation, Amendments/ Modifications can be developed to set the correct pace in project implementation in order to practically achieve results.

***According to publication by International Policy Centre and UNDP, (2015), Monitoring and Evaluation determines the cost effectiveness of a project and hence determines whether to continue with the project or not.***

1. **For important financial management in an organization, what type of system should be implemented**

Financial Management is a vital activity in any organization. It is the process of planning, organizing, controlling and monitoring financial resources with a view to achieve organizational goals and objectives.

It is an ideal practice for controlling the financial activities of an organization such as procurement of funds, utilization of funds, accounting, payments, risk assessment and every other thing related to money.

In other terms, Financial Management is the application of general principles of management to the financial possessions of an enterprise. Proper management of an organization’s finance provides quality fuel and regular service to ensure efficient functioning. If finances are not properly dealt with an organization will face barriers that may have severe repercussions on its growth and development.

For effectiveness of financial management in an organization, a system of cash accounting should be adopted for recording, verification and reporting of all transactions relating to Assets, revenues, expenditures and liabilities. Therefor the accounting system adopted by any organizations should take this in to consideration. This is because many donors prefer cash accounting. Such example of a good financial management system is Navision which has both Finance and Grants module that can be used by both departments to effectively manage the organization reporting effectively.

1. **Enumerate the process of procurement for good and services in an organization for project implementation**

**Procurement** is the process of finding and agreeing to terms, and acquiring goods, services, or works from an external source, often via a tendering or competitive [bidding](https://en.wikipedia.org/wiki/Bidding) process.

Procurement generally involves making buying decisions under conditions of scarcity. If sound data is available, it is good practice to make use of economic analysis methods such as cost-benefit analysis or cost-utility analysis.

Procurement is used to ensure the buyer receives goods, services, or works at the best possible price when aspects such as quality, quantity, time, and location are compared.

 Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing risks such as exposure to fraud and collusion.

**The process is described below**

* Checking that the goods or services are in the project approved budget
* Raising a procurement requisition by the requester who can be the project Admin or project officer
* Seeking for all necessary approvals e.g. from budget holder, Project manager, Grants manager and finance manager. Sometimes the approvals can be to the level of the Executive Director/ Country Director or Chief of party or headquarters depending on the organization and donor policy as well as the level of procurement.
* Soliciting vendors or service providers by the procurement department through an open competition inform of advertisement or request for quotations/Applications to service providers who can be in the open market or pre qualifies vendor list
* Evaluation and selection of the vendor with justification after receipt of applications or quotations based on the evaluation committee meeting minutes
* Signing of contracts between the service provider/ Vendor and the Organization legal representative
* Supply of the goods/Services, receipt of good through signing off delivery notes or submission, review and approval of report for services provided
* Payment for good/services provided through Bank/Cheque most preferable.

1. **How are travel imp rest supposed to be treated**

An **imprest** is a cash account a business relies on to pay for small, routine expenses. Funds contained in **imprests** are regularly replenished, in order to maintain a fixed balance.

The term “**imprest**” can also refer to a monetary advance given to a person for a specific purpose.

* Travel imp rest are treated as an advance until such money is spent by the traveler and accountability for the same submitted including travel report and all necessary supporting document for which the advance will be expensed.

1. **Enumerate the disbursement procedures**

Disbursement is a noun that describes the spending or distributing of money.

The word disbursement comes from the Old French word desbourser, "extract money from a purse," with bourse meaning "purse." Don't confuse disbursement with dispersement, which means "separating or scattering."

All disbursement requests must be submitted on an original Requisition Form, Prepaid Purchase Order Form, or Travel Expense Report.

The request must be submitted to the Accounts Payable Office. In order for any allowable disbursement request form to be processed, it must:

* Be completed in full.
* Be properly authorized (signed) by the responsible person or appropriate designees. All signatures must be originals (no stamps).
* Include sufficient original supporting documentation.
* Include copies of the documents to be sent to the vendor with the check.
* Except where contrary to the terms of the gift, the responsible person has the authority to approve reasonable expenses that meet the guidelines for disbursement. If the disbursement is for the responsible person’s own expenditures, the request for payment must be approved by his/her supervisor or appropriate designee. If the disbursement is for the supervisor’s expenditures, the request for payment must be approved by his/her supervisor.

**For a travel disbursement, it must follow the procedure explained below;**

* A travel plans and travel request is prepared and submitted for necessary approvals by the traveler
* Travel advance request is prepared by the traveler detailing the funds required and the purpose for example, accommodation, ground transport, meals and incidentals during the travel
* Finance department receives approved travel advance request and travel authorization form.
* Finance department process payment and is either paid cash or through Bank transfer to the traveler who acknowledges receipt of the travel advance through signing off or email acknowledgement

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