**AFRICAN INSTITUTE FOR PROJECT MANAGEMENT STUDIES (AIPMS)**

**Certificate in Grants Management**

**Assignment Three**

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**AIPMS/202/2018**

**Thursday – 10th January 2019**

**1**

**FUNCTIONS OF FUND MANAGEMENT AGENCY**

According to Lewis (2015), the functions of a fund management agency include:

1. To develop accounting and procurement procedures for the implementing organization with regards to the particular funding agreement.
2. Ensure that proper system of internal control is put in place to enhance adequate accountability to the implementing organization.
3. Carryout spot checks on accounting and procurement procedures to ensure that adequate controls are put in place.
4. Facilitate the review and audit of the implementing organization as specified by the donor.
5. Review the financial management capacity of the implementing organization.
6. Monitor all expenditure of the implementing organization (for the grant) and ensure that there are in line with budgets.
7. Receive monthly financial reports of the implementing organization.
8. Approve/review all disbursement request made by implementing organization.
9. Carryout any other duties that may be required by the donor.

**2**

**IMPORTANCE OF INTERNAL CONTROL TO AN ORGANIZATION**

Internal control provides an avenue for the detection of material errors, omissions, irregularities and fraud in an organization (Gross, McCarthy and Shelmon, 2005). FMD Pro Group (2017) defines internal control as a common-sense approach in which management uses to manage internal risk and safeguard an organizations assets and financial resources.

According to Gross et al., (2005) the essence of internal control to an organization is to ensure that the organization is free from losses and that financial information is reliable and accurate. Mihaela and Iulian (2012) classified the importance of internal control into the following headings:

1. **Improves Operational Efficiency:** Internal control ensures that the principles and policies are abided by in the daily operations of the organization. This will have a lasting effect in the efficiency of the general operations of the organization. This in turn will ensure that organizations are process-oriented rather than people-oriented.
2. **Risk Assessment and Evaluation:** One of the major components of internal control is to identify, assess and evaluate risk as it concerns the organization. Risk evaluation helps identify gaps and protects the loss of assets of the organization.
3. **Segregation of Duties:** Internal control tries to segregate duties amongst staff members in a way to ensure adequate checks and balances. For instance, employee A carries out a task while employee B reviews the task and then employee C approves the process. This helps to also reduce fraud and theft.
4. **Prevention of Error, Theft and Fraud:** Internal control includes activities such as reviews, reconciliations, ensuring proper use of organizations’ assets and procedures to uncover fraudulent practices. All these go a long way to preventing theft and fraud within the organization.
5. **Compliance with Relevant Regulations:** Internal control entails the regular review of compliance to relevant regulations that concerns the organization. This has an effect of avoiding fines and gaining acceptance by the government and the society.

**3**

**IMPORTANCE OF MONITORING AND EVALUATION IN GRANTS MANAGEMENT**

**3.1 Overview of Monitoring and Evaluation**

Monitoring and evaluation are terms used interchangeably by many persons, however the two terms are different and are used for entirely different purposes. According to Kimweli (2013), monitoring is a process of gathering long-term information on a project progress over a long time while evaluation are checks to ensure that a project has reached its goals and implementation is done in accordance with proposal plans.

Biwott, Egesah and Ngeywo (2017) stated that since monitoring entails continuous assessment, the main purpose is to enable project managers make informed decisions regarding implementation of projects and the efficient use of project resources. The authors also stated that the aim of evaluation is to determine the efficiency and effectiveness of a project and whether the project is meeting up with its goals.

**3.2 Importance of Monitoring and Evaluation**

Kamau and Mohamed (2015) gave specific importance of monitoring and evaluation. According to the authors, monitoring is done to, minimize risk of project failure, assess project progress and promote professionalism. The authors also highlighted the purpose of evaluation which entails, to assist in the determination of the success of a project, to formulate policies and procedures in implementing a project, and to identify potential problems that could arise from project implementation.

Biwott et al., (2017) emphasized extensively on the importance of monitoring and evaluation to the implementing organization, donor agency and to the community/other stake holder. The authors also went ahead to give specific importance of monitoring and evaluation which includes:

1. Monitoring and evaluation is a means of gathering information relevant to a project.
2. Monitoring and evaluation serves as a bank of storing all relevant project information.
3. Monitoring and evaluation serves as a means of learning from past failures and setting better goals for future projects.
4. Monitoring and evaluation ensure that report sent to donors are reliable, transparent and timely.
5. Monitoring and evaluation helps to discover any potential risk that might be associated with project implementation.
6. Monitoring and evaluation serves as a means in which donor uses to assess the implementation organization.
7. Monitoring and evaluation is used as a source of information for policy and decision making.
8. Monitoring and evaluation facilitates the raising of funds/grants

**3.3 Conclusion**

According to the grant management guide by AIPMS, grants management gives an overview of the management of project(s) being implemented by an organization. The institute added that grant management covers grant writing, proposal writing, project implementation, project reporting, financial management, financial reporting, stakeholder management and project close out. This therefore means that monitoring and evaluation is an important aspect of grants management as it shows details of the implementing progress and identifies any risk that might be associated with project implementation. This in turn gives management an overall view of project progress and enables management to make better informed decisions.

**4**

**SYSTEMS TO BE IMPLEMENTED FOR AN EFFECTIVE FINANCIAL MANAGEMENT IN AN ORGANIZATION**

For an effective financial management in an organization, the systems to be implemented depends of the type and nature of activities of such organization. Gross, McCarthy and Shelmon (2005) gave a detailed system of effective financial management in an organization which includes:

1. **Accurate Financial Records:** This entails having proper accounting records and relevant support documentation of all financial transactions of the organization. These records could be kept for several years depending on organizational/donor policy.
2. **Accurate Financial Statements:** For an organization to implement proper financial management system it must maintain required financial statements relevant for its operations. Some relevant financial statements include; statement of financial position, income statement and cash flow statement.
3. **Effective Budgetary Control System:** No organization can operate effectively without having an adequate budgetary system in place. This entails budget approvals prior to the fiscal year, monthly budget monitoring, monthly variance analysis, resolution of significant variance and seeking necessary approvals to budget adjustments.
4. **Effective Internal Control Mechanism:** Effective internal control is key for proper financial management in an organization. This helps to provide adequate safeguard of assets, identify risk, reduce errors and prevent fraud.
5. **Complying with Relevant Regulatory Requirement:** All organizations are guided by one regulatory authority or another. For an organization to have an effective financial management system it must comply with all relevant regulatory requirement.
6. **Effective Communication to Board of Directors and Donor**: All reports and communications are channeled to the board/donor depending on the organization. The board/donor are responsible for the continued existence of any organization, hence the need for effective and timely communication to the board/donor is vital.

**5**

**THE PROCESS OF PROCUREMENT OF GOODS AND SERVICES IN AN ORGANIZATION FOR PROJECT IMPLEMENTATION**

Procurement is the process of obtaining goods and services that an organization needs to operate effectively (Barasa, 2014). The author added that procurement is a mechanism in which organization uses to acquire specific and competitive goods and services using business management framework.

According to Jainendrakumar, (2015), the procurement process for a project implementing organization entails the step-by-step procedures in obtaining the desired goods and services needed during the life cycle of a project. The authors further stated that procurement involves defining items needed, contacting suppliers, making orders, receiving goods/services and making necessary payments to achieve the desired goal of a project.

The procurement process adopted by an organization, will depend the nature and activities of such organization. FMD Pro Group (2017) gave a detailed step-by-step procedure on major procurement of goods and services in an implementing organization. These include:

1. **Prepare Specification:** This entails specifying the type, quantity and price of the required goods/services as indicated in the proposal and checking the budget for any possible change in price.
2. **Preparing of Purchase Requisition:** This is done using purchase requisition form. This is a formal request for the purchase of the goods/services specified in the first step and giving justification for such purchase.
3. **Approval of the Purchase Requisition:** This is carried out by the budget holder or any other authorized staff on the purchase requisition form after verifying that there is a genuine reason for such purchase and there are enough funds.
4. **Request for Quotation:** This task is specifically carried out by the logistician or other authorized person in line with organizational policy and donor requirement. It entails reaching out to reputable vendor for price/quotation of the required goods/services.
5. **Selection of Vendors:** After reviewing quotation by the purchasing panel/budget holder using vendor assessment form, a vendor will be selected on the criteria of price, quality, delivery times and after sales services.
6. **Issue of Local Purchase Order:** Local purchase order serves as a legally binding contract sent by the budget holder/other authorized personnel to the vendor to supply goods or services based of the quotation.
7. **Receiving of Goods or Services:** This is the acknowledgment of goods received or services rendered by project staff, logistician or other authorized personnel. This is done by checking the goods or services received with the purchase order and issuing goods received note (GRN) or service received note (SRN).
8. **Verify and Receive Invoice:** This task is carried out by the finance personnel by verify the consistency of the invoice with the purchase order and goods received note before making payment.
9. **Authorize Payment and Make Payment:** The finance staff will prepare payment voucher for payment and forward to the budget holder or any authorized staff for approval before payment is being made.
10. **Recording of the Transaction:** This is the final procurement process whereby the finance staff records transaction into the organizations’ books of account.

In summary, almost all financial transactions take place during the procurement of goods and services. It is therefore necessary to organize the procurement process in a manner that will ensure efficient and effective use of organizations’ resources (Jainendrakumar, 2015). The essence of proper procurement process in an implementing organization is to ensure the provision of good quality goods, high level of services and maintain relationships with vendors through out the life cycle of the project.

**6**

**TREATMENT OF TRAVEL IMPREST**

When implementing projects, especially when making project trips, it is normal practice to give project staff cash advance to cover expenses such as fuel, communication, accommodation, per diem and meeting expenses. FMD Pro Group (2017) stated that one of the best ways to manage staff advances is with the use of advance fixed float system. FMD Pro Group (2017) highlighted the steps in treating travel imprest as follows:

1. Travel request shall contain details which include; staff name(s), travel location, departure date, arrival date, details of the kind of activity to be carried out, amount needed for all line items and grant to be charged.
2. Travel requests will be raised in accordance with work plans using travel request forms and it shall be approved by project manager, finance manager, budget holder, security manager (in places of insecurity) and any other authorized personnel.
3. After approvals have been gotten, the travel request amount will then be given to the staff responsible for the trip. In doing so, the staff account will be debited with the amount given as advance. This means that the staff is now indebted to the organization.
4. After the trip has been completed, the staff is expected to retire the advance. Retirement means giving account of the advance and supporting it with receipts and trip reports. Amounts on receipts must equal amount given. However, there could be cases of overspending or underspending of advances. If advances were over spent, the staff will be reimbursed the balance but if advances were underspent the staff will pay back the balance when making retirement.
5. Most organizations usually have a policy on the time frame for making retirement after the trip. Whatever the policy maybe, it is expected that staff make retirement as soon as the trip has been completed to ensure timely accountability of project expenses.
6. After retirement has been completed and approved, the staff account will then be credited to nil of any balance accruable to the staff.
7. At month end, a staff aging analysis is done by the finance officer to capture staff with any outstanding advances.

**7**

**DISBURSEMENT PROCEDURES**

Disbursement is done in accordance with funding agreement signed by the donor and the implementing organization (Lewis, 2015). The author highlighted the following procedures for disbursements to implementing organization:

1. Initial disbursement is usually made to the implementing organization after all parties have signed the funding agreement.
2. Subsequent disbursement is made when previous disbursement has been spent and proper reports on how funds were spent have been submitted to the donor.
3. Subsequent disbursement is made when the implementing organization has made a formal request for additional funds in the donor approved format.
4. An acknowledgement of amount received by the implementing organization shall be sent to the donor upon receipt of all disbursement.

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