

Action for Health, Education and Development (AHEAD)

Essential objectives for an effective system of financial management and control

Any organisation has to have basic objectives if it is to be able to plan and carry out its activities effectively. This is also true when controlling finances because this is essential to the ability of the organisation to be able to get the maximum benefit out of minimum resources.

The list below comprises the minimum objectives that an organisation's management should have.

1. ACCOUNTING

The final accounts are produced annually for the period defined in the organisation's constitution, in accordance with any legal or other requirements (e.g. from a funding body), and at the earliest possible date following completion of the period.

2. AUDIT AND SYSTEMS REVIEW

Where required to do so, independent external auditors are appointed to audit the annual accounts.

3. AUTHORISATION AND CERTIFICATION

Authority to commit the organisation to expenditure is restricted to appropriate committees or individuals.

4. BANKING ARRANGEMENTS

Setting up and operation of organisation's bank accounts, including cheque signatories, is restricted to named authorised persons.

5. THE BUDGET

- a) That budget projections are made at the most appropriate time to meet the organisation's objectives for the forthcoming year.
- b) That budgets are regularly reviewed
- c) That financial resources are only used for approved budget purposes

d) Designated or earmarked funds:

(i) The accounts record that these funds have been received for a particular purpose.

(ii) The expenditure be monitored in order to ensure that these funds are utilised only for the purpose for which they were given.

6. EXPENSES AND ALLOWANCES

Expenses and allowances claimed are properly incurred and authorised.

7. IMPREST ACCOUNTS (PETTY CASH)

a) Payments are made only for goods and services received.

b) All payments are adequately evidenced, correctly calculated and properly authorised.

8. INCOME

a) Cash income and all direct bank credits are promptly banked and accounted for.

b) Debtors accounts are promptly raised in respect of all miscellaneous and service charges due to the organisation.

c) All write-offs of amounts due from Debtors are properly authorised.

d) Prompt and effective recovery action is taken in respect of all overdue or unpaid debtors accounts.

9. INSURANCE

That all risks affecting the organisation and its operations are identified and adequate insurance cover provided to protect against associate loss.

10. INVENTORIES

All items of value (e.g. furniture, equipment, vehicles) are under adequate physical and ownership controls.

11. INVESTMENTS

- a) Investments are properly authorised.
- b) Disposals of investments are properly authorised.

12. ORDERS FOR WORKS, GOODS AND SERVICES

Orders are raised only by authorised persons and in accordance with agreed procedures on acceptance of estimates and/or tenders.

13. PAYMENT OF ACCOUNTS

- a) Goods and services are properly authorised.
- b) Payments are only made for goods and services received.

14. SALARIES/WAGES/PENSIONS

Salaries/wages/pensions are calculated correctly in accordance with relevant legislation arrangements and properly authorised.

15. SECURITY

Adequate security exists to protect the assets of the organisation.

16. STOCKS AND STORES

- a) Issues from stores are properly authorised
- b) Physical loss of stock is prevented