Minimum Standards for Financial Management in NGOs

A. Minimum Requirements	
Standard	**Why**
1. A valid supporting document for every transaction, (securely filed and stored for the minimum period required.)	Protection for staff, evidence and details of transaction.
2. A cash book for every bank account, reconciled every month.	To organise and summarise transaction information; check for errors and omissions.
3. A Chart of Accounts – used consistently in the accounting records and budgets	Principle of consistency; to facilitate production of financial reports.
4. A budget detailing costs and anticipated income for all operations.	Planning, fundraising, control and reporting.
5. Clear delegation of authority – from governing body through the line management structure.	To know who is responsible for what and within what limits.
6. Separation of duties – sharing finance duties between at least two people.	To prevent temptation to steal and reduce opportunity to commit fraud; to share the load.
7. Annual financial statements – preferably audited by an independent person.	Accountability to stakeholders; transparency.
B. Good Practice	
8. Additional accounting records when staff are employed (wages book) or assets owned (assets register).	To meet statutory and audit requirements; for control purposes.
9. Budgets based on real activity plans, which include the full cost of running a project.	Realistic, more likely to meet targets.
10. Budgets with clear calculations and notes.	Easy to read and make adjustments. Easy to justify calculations.
11. Separate core costs budget.	Encourages active management and financing strategy for core costs.
12. Monthly cash flow forecast.	Helps to identify and take action to avoid short-term cash flow problems.
13. Use of Cost Centres when working with multiple donors and/or projects.	To separate restricted funds and related transactions; to facilitate reporting to managers and donors.
14. Funding grids, if more than one donor is funding an organisation or project.	To avoid double-funding situations and identify areas of shortfall.
15. Budget monitoring reports at least monthly to managers (and also regularly to beneficiaries).	To monitor progress; control purposes.
16. Written policies and procedures, including a code of conduct for staff & board members.	To prevent confusion about organisation rules and expected practice.
17. Diversified funding base – mix of restricted and unrestricted funds.	Less vulnerable to financial shocks; helps to build up reserves.
18. A reasonable level of reserves.	Less vulnerable to financial shocks; helps overcome cashflow problems