

Role of Finance & Accounts in an NGO

Objectives of an NPO

- Primary objective: Maximise social benefits/services/impact for beneficiaries it serves
- Secondary objective:
 - Economy - control costs
 - Efficiency - achieve objective in minimum costs (Process, doing things right)
 - Effectiveness - measure of achievement with reference to objectives (Result, doing the right thing)

Change - The New Norm for NPOs

- Change
 - Donor expectation
 - Statutory and regulatory landscape
 - Govt orientation towards charity
 - Technological developments
- Change offers: Risks and opportunities
- Impacts organisation in terms of future growth, even existence.

Types of Resources an NPO uses

- Material - capital goods, program goods, supplies, technology
- Money - financial resources
- Manpower - Human resources of organisation

Main Functions of an NPO

- Program

- Finance & Accounts
- Admin
- Communications, Advocacy and Public Relations
- Research
- New Business (fund raising)
- Training & Capacity Building
- Every staff in every of above function performs a finance role

Financial Management

- Financial Management is the business function that deals with planning, organizing, monitoring and controlling financial resources of an organization.
- It focuses on spending financial resources to deliver greater social impact
- Why financial management:
 - Accountability and Transparency to donors and communities we serve
 - Allocation of financial resources for organisation activities
 - Investment decision for resources
 - Statutory/regulatory compliance
 - Financial Reporting to stakeholders
 - Futuristic planning-Financial security, Sustainability and long term growth
 - Internal Controls framework
 - Custody of financial resources to minimise resource misuse and embezzlement
 - Better decision making on Finance to fulfil the Mission based on data and analysis
 - Enhanced credibility and trust thereby giving a competitive edge
 - Managing risk through Internal Controls
 - Meeting organisation goals

Finance Function in an NPO

- Finance function ensures organization's financial health and sustainability
- The finance function's role in an NGO is:
 - Manage financial resources of the organization
 - Make strategic finance decisions for sustainability
 - Operational support-uphold internal controls and support other functions including fundraising

- Report to stakeholders to help decision-making
- Statutory and regulatory compliance
- Manage risks through suitable internal controls

Difference between Accounting & Finance though used interchangeably: Accounting looks Back while Finance looks Forward!

3 key roles of Finance function in an NPO

1. Enable Value Creation
 2. Shape Value Creation
 3. Narrate Value Creation
- These are in chronological order
 - Role is performed by CFO and team he/she leads in Finance function duly supervised by Chief Functionary and Governing Board
 - Value creation for an NPO means maximising social outputs/outcomes using the various resources

Role of Finance Function in NPO

Enables Value Creation through

1. Planning:
 - Financial Resources for operations
 - Financial sustainability
 - For Controls (Framework)-Policies
2. Forecasting-long term and short term
 - Budgets-organisation and programs/projects
 - Fund flows
 - Operating Cash
3. Resource Allocation: manpower, material, money
 - Banking
 - Treasury & cash management
 - HR, Goods and services procurement as per policy and prevalent laws

- Inventory management-slow moving, waste, loss
- Asset management-depreciation, obsolescence, loss etc

4. Recording:

- a. Book keeping i.e. recording transactions
- Accounting i.e. summarisation, analysis and interpretation of financial data
- Closing and reconciling-bank, vendor, employee, grant etc

Role of Finance Function in NPO

SHAPES value creation through

1. Performance Measurement and Management
 - Budget monitoring (budget variance analysis) - organisation, projects
 - Measuring Value for money (VFM) - ratios
 - Return (social return) on investment (SROI), Social impact audit
2. Monitoring Controls
 - Budgetary (realignment, reallocation)
 - Adherence to policies and procedures for Internal control
 - Audits and assurances-statutory, internal donor, Govt
 - Monthly MIS-Financial, Program
3. Facilitator - support on finance to all other functions

NARRATES the value creation through

1. Financial reporting
 - Donors - periodic FR, annual audited UC, supporting fundraiser with financial data
 - Govt bodies - IT, FCRA, Registering agency, EPF, ESI, TDS, GST
 - Board/top management - financial health
2. Focal point with external stakeholders on institutional matters
 - obtaining statutory approvals
 - financial assessment by donors, govt etc.

Role of Non Finance Staff in Financial Matters

- Non finance staff handle resources which have value
- Non finance staff authorise various types of expenditure - travel, procurement, office exp, statutory dues
- Non finance staff own and operate project budgets
- Project decisions of Non finance staff in field have financial implications - allowance/disallowance
- Decisions in field of Non finance staff have compliance implications with laws of land
- Non Finance staff actions affect reputation and even our very existence

Please note: Information is for reference only. Read our disclaimer [here](#).

Revision #4

Created 9 April 2025 16:01:59 by Pooja

Updated 4 July 2025 00:21:10 by Pooja