The Role of Financial Management in Non Governmental Organisation Sustainability

A Case Study: Caritas Arua

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UNDERGRADUATE DISSERTATION PRESENTED TO THE FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS UNIVERSITY

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DEDICATION

This work is dedicated to my family and those who helped me carry out this research and to the almighty God for the wisdom and gift of life that has made me realize and see the conclusion of this dissertation. To all those who have supported me financial and moral and those with research interest in financial management, I believe they will find this work interesting contributing to new knowledge.

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ACRONYMS

CABRI	Collaborative Africa Budget Reform Initiative
CEOs	Chief Executive Officers
ESG	Environmental, Social, and Governance
FINMAP	Financial Management and Accountability Programme
FM	Financial Management
FPC	Financial Policy Committee
ICAEW	Institute of Chartered Accountants in England & Wales
INGOs	International Non-Government Organizations
IPGSL	Integrated Programme for Good Governance and Sustainable Livelihood
NANGOS	National Non-Government Organization
NGOs	Non-Government Organizations
NPO	Non Profit Organisation
OS	Organization Sustainability
PCC	Parish Caritas Committee
PFM	Public Financial Management
SPM	Sustainability Performance Management
UBOS	Uganda Bureau of Statistics
URCS	Ugandan Red Cross Society
SSH4A	Sustainable Sanitation and Hygiene for All
SNV	Netherland Development Organisation

ABSTRACT

Financial management is an important tool in organisation sustainability as this gives indication of health organisation with good management of resource to carry out development activities within the community. Financial management plays vital role in all facets of the organisation that integrate all other aspects of the organisation to function properly. This entails organisation management should act responsible with clear financial planning and budgeting strategy, investment decision and debt and credit control to ensure strategic goals are achieved while managing the liquidity level of the organisation with the help of competent and skilled staff.

The main aim of the study was to; investigate the roles of financial management in organisation sustainability in Caritas Arua as a development arm of Arua Diocese in relation to programmes implementation base on their strategic financial plan; and what ways does it find sources of funds for community programme activities and how this funds are managed to achieve set objectives. The study sought to investigate: what is the role of financial planning and budgeting in Caritas Arua sustainability, what is the effect of investment decision and how debt and credit control are managed to enhance organisation sustainability.

Random sampling methods were used to collect the data. A sample of fifty six (56) respondents contributed towards this study. The collected data were analysed both quantitatively and qualitatively. The results showed that the organisation uses financial management tools to mobilise resources and employ the resource for community programme. It was also noted that the organisation is donor dependant and any change in the donors funding strategy can affect the organisation sustainability and programme implementation.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The focus of this research proposal falls in the role of Financial Management in (FM) Organization Sustainability (OS). The thesis will examine the relationship among the components of financial management by addressing the three variables: planning and budgeting, financing/investment decisions and debt and credit control management, and how this results to achieve organizational strategic goals, liquidity management and human resource competence.

Many non- governmental organizations need donors to fund their work so that they can continue their activities. If, however, there is not enough funding for a particular year, an organization can sometimes use some of its savings or 'reserves' from previous years. The inflow of donor funds for example has pushed for proper financial management towards nongovernmental organisational sustainability **(Cammach 2007).** In the intervening time managing organisation sustainability is the most critic tactic for the future continuity of an entity. The proper management of organisation resources (human, financial and material) will reflect its sustainability base on the proper management of financial resource. Organisations are coming to realise that sustainability performance management (SPM) can create and protect their businesses' long-term value. The link between sustainability and performance becomes critical in organisation management of its finance. HM Treasury UK (**2013**) revealed that among them, financial management team is the ideal place to drive organisation value from sustainability because the finance department has insight or visibility into every part of the organisation and understands how it all fits together to form organisation financial management face.

This chapter therefore provides an introduction to the proposed study. It aims at bringing out the research problem and clarifying its settings. This has been discussed under background of the study; description of the statement of the research problem, objective of the study, significance of the study, purpose of the study, scope of the work and the conceptual framework.

1.1 Background of the Study

1.1.1 General Background of the study

Financial management involves the art of interrelating data to obtain a perspective of the total financial situation that will assist managers in program planning and decision-making. Financial management is part of total management which is concerned primarily with the financial affairs of an organization and the translation of actions, both past and future/projected, into meaningful and relevant information for use in the management process. It includes planning and budgeting, investment decision, debt and credit control management besides accounting, reporting, and the analysis and interpretation of the financial significance of past events and future plans (**Maritz 2005**).

Financial management also deals with other related functions such as internal auditing, management analysis that help to monitor the organisation inflow and outflow funds. This therefore requires members of the management committee and the senior manager influence how finance is dealt with across an organization that leads to financial capacity and sustainability of the organization. HM Treasury UK (2013), noted that organization that treats finance as a high priority will have a positive impact on people throughout the organization that reflects efficient acquisition and utilization of both short and long term resources to ensure effective operation to achieve organizational objectives.

According to Lewis (2009) and Accenture and Chartered Institute of Management Accountants (2011), financial management requires planning, organising, controlling and monitoring the financial resources of an organisation to achieve objectives. In the argument Lewis (2009) compared financial management of an organisation to maintenance a vehicle. It's argued that, failure to put in good quality fuel and oil and regular service, will create dysfunction which indeed affects efficient and effective operation of the vehicle and will eventually break down and fail to reach its intended or final destination. In practice, financial management is about taking action to look after the financial health of the organization, and not leaving things to opportunity or take their course. NGOs/FBOs operate in a competitive environment where donor funds are increasingly scarce. Therefore it's important to make sure that donated funds and resources are used properly to achieve the organisation's mission and objectives as their implement the programs among the community their save to bring change and development

Within the competing scarce resource, NGOs need to constantly think of investment opportunities to create more resource for their activities. According to Drucker, (2000), financial management processes of organizations are generally dominated by conditions of resource scarcity. Its argued that organizations have limited opportunities for generating additional income, but are faced with an ever increasing programmes and activities on which such funds are plan and budget to be spent. It is upon the NGOs to have investment decision that can improve their financial capacity to run future programme.

According **Maritz (2005)** efficient financial management in any organization is to ensure that the organization knows how much money it needs, sources of the money it needs and then how to utilize that money to achieve its goal in an ethical, responsible and sustainable way. It is impossible for an organization to survive without proper financial management. This therefore entails a healthy financial management aspect reflecting organization financial plan that consists of sets of financial statements that forecast the resource implications of making business or investment decisions.

An organisation that is deciding to expand by buying and fitting out new structures will create a financial plan which considers the resources required and the financial performance that will justify their use. From this statement it is clear that the financial plan and budgeting plays a vital role to take into account sources of funds, costs involve in financing, costs of developing the programme or project, as well as the revenues and service or program activities to justify the expansion programme.

An important element where National NGOs use their money in an open and accountable way, there is a good chance that they will not receive money from donors that is the main sources of funding program activities. Donors want to know that their money is being well spent and that will happen only if there is strong financial management in the organization being funded. Strong financial management structures make it much easier for an organization to follow financial policies and report back to its donors and this gives the donors confidence in the management of the organization. This aspect therefore requires NGOs to have financial planning and budgeting policies in place to estimates the required capital and determining the financial capacity they need. It is the process of framing financial policies in relation to area related with procurement, investment and administration of funds of an organisation. Maritz (2005) noted that, with clear financial Management policy in place, utilization of funds of the organisation programme activities will be in more sustainable way.

According to the publication by the Institute of Chartered Accountants in England & Wales (ICAEW) in October 2004, Sustainability analyses the potential role of accountants in supporting mechanisms to enhance sustainable development. The concept involves operating in a way that takes full account of an organisation’s impacts on the environment, its people and the future. The most important reason for financial management in any organisation is to ensure that the organization knows how much money it needs, where and how to get the money it needs and then how to use that money to achieve its goals in an ethical, responsible and sustainable way. It is impossible for an organization to survive without proper financial management, according Maritz **(2005**). Globally, for any organisation to grow sustainably there should be proper financial management in the aspect of acquisition of assets, financing the programme activities, and effective and efficient management of assets within overall goal of organisation strategy.

Local NGOs do have donor dependency syndrome with most donors attach various restrictions to their funding including among others-sound financial management systems in place, good leadership with high level of integrity, skilled staff with experience and the strategic plans of the organization. Organisations lacking these ingredients have difficulties attracting donor funding. The role of financial management can be seen in the varying degrees of sustainability of NGOs, some organizations being more sustainable than others. The starting point is different for each organization; each has strengths that can be enhanced and weaknesses that can be improved upon and some organizations may always require international donor to fund the plan programme objective, while others may be able to generate sufficient funds through cost recovery, local donations and internal generated funds.

In publication by Maira and Transparency International, (2013) revealed that, as an aid dependent country, Uganda requires a sound public financial management system, to ensure donors' funds are spent prudently and leakages are avoided. It was further noted, in spite of reforms, there is still opportunity to improve the level of transparency and accountability of the country's public financial management system still.

1.1.2 Background to Case Study

Caritas Arua is the Social Service and Development arm of Arua Diocese entrusted with the socio-economic development of the Catholic Church in the region. Caritas Arua Diocese is a Faith Based Organization (Catholic) in Arua Diocese. The word Caritas comes from the Latin word **"Caritatis**" which means Charity or Love for the poor and needy. Today Caritas is the Social Service and Development of the Diocese entrusted with the socio pastoral ministry of the church. Caritas Mandates are in development initiative, relief and rehabilitation, emergency and disaster response, support to the poor and needy. Most of the Programmes hinge on the UN Millennium Development Goals (MDG). To manage the development programmes, caritas depends on donor fund to finance all the project activities in achieving their mission. This therefore explains why financial management is very important for NGOs. In many NGOs financial management is given a low priority. This is often characterised by poor financial planning and monitoring systems. But NGOs like Caritas Arua operate in a rapidly changing and competitive world. If the organizations are to survive in this challenging environment, management committee and managers need to develop the necessary understanding and confidence to make full use of financial management tools.

1.2 Statement of the Problem

Financial management can be reflected in the non governmental organisation performance in funding their program activities and meeting obligation of the organisation without much problem. Despite the practices of financial management tools, NGOs find it difficult to achieve their set objectives when a funding donor closed the tap for funds flow. Inefficient financial management and donor restrictions do not allow NGOs to save enough of a surplus that should be reserve in a period where funding is in short supply. The situation impacts greatly on the community who are beneficiaries. It affects the supplementary development programs of the government by the NGOs who draw their objectives from millennium development goals. With the emerging trend of reduced fund inflows from external sources, NGOs management need reforms to improve accountability, transparency and stem corruption.

As external mobilisation /donors are main source of NGOs funds, when a donor is funding programs, an organization may not know how long its commitment is likely to last, and whether the funding will continue. To ensure that organization 'owns' the program activities and the ongoing concern to have sustainability, so that any change of donor has less impact, the organization should be continually preparing itself for the eventual departure of each donor. Example, According to Karugaba et al New Vision October 16th 2013, Donors have withheld funding to the Uganda Red Cross Society (URCS), over allegation of smuggling. "It is therefore, with great sadness that we must now withhold the transfer of any further funds to Uganda Red Cross, pending the launch of immediate independent investigation into the various media reports.'

In this situation, this research will observe the scenario in the role of financial management towards sustainability of NGOs, with restrictions and the process in which donor funds are allocated and expected to be spent which do not allow NGOs to become sustainable and make long-term strategic plans especial in the context of Caritas Arua. The researcher will try to find out the actual picture in this research and if similar situation is experience by them and how they try to mitigate it.

Comments on the problem statement

NGO's are finding it hard to sustain themselves without donor funds and even the projects that they set up in the communities collapse as soon as the funding comes to an end. (The article of failing humanitarian response in Northern Uganda by Michelle Brown, in Humanitarian Exchange Magazine Issue 36 December 2006 indicates failure to sustain the refugee programme by the government officials). This all happens despite the fact that these organizations practice or engage themselves in financial management. This study therefore would be aiming at establishing whether the failure for NGO's to be self sustaining is explained by the financial management practices that they engage in.

1.3 Objectives of the Study

1.3.1 Broad Objective

Based on the aim of this study and the gaps identified, the general objective was to examine the role of financial management in achieving organisational sustainability" and three specific objectives were identified and adopted for the study as set below.

1.3.2 Specific c Objectives

i. To find out the effect of financial planning and budgeting on organisational sustainability.
ii. To assess the effect of investment decision towards Organization Sustainability.
iii. To establish how debt and credit control are managed towards Organisation Sustainability.

1.4 Research Questions

i. What is the role of Financial Planning and Budgeting in Organisation Sustainability?

ii. What is the effect of Investment decision in Organisation Sustainability?

iii. How debt and credit control are managed to enhance organisation Sustainability?

1.5 Significance of the Study

It is anticipated that:

The finding will aid policy makers to address financial problems; stakeholder to link this knowledge to specific problem or aid in developing policy in organization sustainability; insight into it other researcher to gain familiarity with the information and achieve new direction.

NGOs are faced with the challenge of striking the correct balance in securing the donor funds required for the current and forthcoming financial years and not over exerting the organization to a point that the demand and deliverables of the donors cannot be met. NGOs need donors to survive, but they also need to attract the right donors that would provide support over the course of a few years through efficient financial management

Provide information about possible areas of financial management that will enable non finance managers and finance managers to prepare for organization sustainability in the gradually phasing of donor funded projects through planning for unrestricted donor funds.

Also Caritas Arua governance and management could adopt the findings in their planning, administration and management of development activities with proper financial management

It could be to provide ‘proof’ on the discovered truth and enhance the personal growth of the researcher in the aspect of efficient financial management towards NGOs sustainability.

The study will help the researcher to explore more about management of financial resources that will help other future researchers in the same field to compare notes. The research will also be used to confirm certain theories of social life that exist in society. NGOs will be applying the findings in their strategic plan that will aid them to increase their financial base and train both finance and non-finance staff to manage organisation resources towards sustainability.

This study too is intended to help the researcher attain her other academic requirements at Bachelors Level.

1.6 Justification of the Study

Among the many resources of organisations, managing financial resource weight a great deal because it requires financial decisions and providing information about the status of the organisation. It is therefore important to find out from the organisation how they manage these financial resources to contribute to their sustainability.

The struggle to attain sustainable development especially in Africa has for a very long time now been associated with donor aid/funding. Donors have over the years increased donations to development programs in the developing countries with the aim to improve their livelihoods within community. Many Non-Governmental Organizations have created donor dependent programs/projects in the effort to attain these goals. Therefore, many organisation are getting funding from donors, the research will aid to discover how they plan for the continuity of the organisation as many organisation are face with financial constrains that poses challenges of survival.

The study will help identify the reasons for the collapse of many local NGOs in the region and come out with appropriate recommendations for alternative financing of local NGOs especially in Uganda.

1.7 SCOPE OF THE WORK

This will address the study area, the content of the study, period of the study of the data need and the population.

1.7.1 Geographical Scope

This study will be conducted in Caritas Arua found in Northern region under Catholic Diocese of Arua. The diocese comprises of six districts these are where the organisation carries its programme activates for community development.

1.7.2 Content Scope

The subject matter of study will be limited to the role of financial management in organisation sustainability in the aspects of financial planning and budgeting, investment decisions and debt and credit control management as dimensions for independent variable; while dependant variables focus on organisation strategic goals, liquidity, and human resource competency and defined and clear structures, participatory planning and management and government polices as moderating variables. Participant will be limited to those involve in governance of the organisation, management team, employees and focal community leaders in some selected programme area in order to have homogeneity and control the variables.

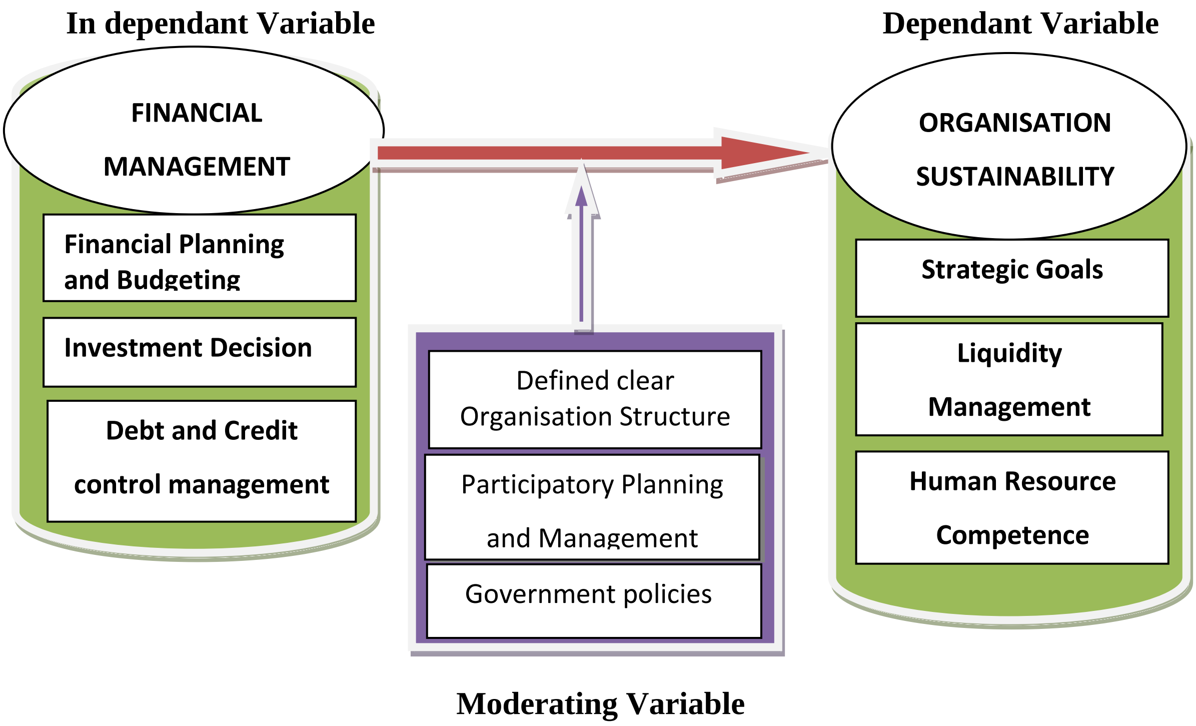
1.7.3 Time Scope

In terms of time space, the study from 201case study. It was conducted to establish a view in organisation sustainability that was to inform the researcher and others what contributes to organisation sustainability. The data was collected by the researcher and three other research assistants using questionnaires, interviews and document analysis techniques. The study was specifically seeking to determine the role of financial management in aspect of financial planning and budgeting, investment decision and debts and credit control towards nongovernmental organisations sustainability using Caritas Arua as case study.

1.8 Conceptual Framework

According Morné Maritz **(2005)** financial management has two important principles that consist of financial responsibility where organisations manage finances in a responsible and sustainable way in order to survive and achieve their goals through proper management of organization fund such as cash control management that does put the organisation in unnecessary danger if it plans to exist in the future. It's the role of management to raise and spent money rightly as per allocation in the plan budget and be able to account for where its money comes from and the way the money is spent. Proper finance management does not only helps the organisation to keep track of what has been done with the money, it also allows them to explain activities to the stakeholders and create confidentiality to those who have interest in the organization which then results to continuous support.

Fig 1.1 Conceptual Frameworks



Source: Morné Maritz **(2005)**

The conceptual framework above is a graphical presentation of the variables in the study topic. The arrows explain the influence of the independent variable that on the dependant variable. The financial management hypothesized to influence organizational sustainability

It should also be noted that the conceptual framework highlights the moderating factors such as clear define structures, participatory planning and management and government policies within the environment that ensure the dependant variables achieved which includes Strategic goal, liquidity management and human resource competence in the existence of the organization towards sustainability.

1.9 Definition of Key Terms

Asset: Something valuable that an organisation owns, benefits from, or has use of, in generating income.

Asset Management: is the management of primarily physical assets their selection, maintenance, inspection and renewal.

Budgeting: Is process to make sure that the people know exactly what activities are being budgeted for.

Budget allocation: Distribution or disaggregation of an organisation's budget to its various work areas, outputs or programs.

Data: Anything given or admitted as fact on which a research inference will be based

Finance: money, money available to a person or organisation.

Financial Management: Financial planning, financial control and financial monitoring.

Financial Planning: Is a process that an organisation uses to work out what resources it has available, what resources it needs and where extra resources can be found.

Financial sustainability: refers to the ability to maintain financial capacity over time.

Human resource competence: is the ability of an individual to do a job properly making up broader framework within which a company's human resource development is given direction and parameters towards the vision and strategic goals.

Investment: Is the proactive use of organisation money to make more money

Investment Decision: Determination of where, when, how, and how much capital to spend and/or debt to acquire in the pursuit of making a profit.

Liquidity Management: Holding cash in the right amounts to benefit a business to take care of emergent expenses or opportunities that would otherwise be unavailable if cash is tied up in other non liquid assets

Management: The acts of running and controlling organisation/business

Non-Governmental Organizations (NGOs) – these are non-government, nonprofit organizations usually formed to promote or pursue objectives of common interest, often in the benefit of poor sections of society. NGOs can further be distinguished into:

a) International NGOs (INGOs) – these have been formed in one country where they have their head-office, but they may have subsidiary offices and operations in several countries. The common INGOs have their headquarters in Europe, America, of Scandinavian countries.

b) National NGOs (NANGOs) – these have been locally formed within a given country. They have operations in either all or most regions/districts of a country

c) Local/District Based NGOs – these have been locally formed in particular regions/districts and their operations are restricted to a single or a few districts.

d) Faith Base NGOs –these have been locally formed in particular ecclesiastic diocese.

Organisation: A social unit of people that is structured and managed to meet a need or to pursue collective goals. Company, corporation, firm, enterprise, authority or institution, or part or combination thereof, whether incorporated or not, public or private, that has its own functions and administration.

Organisation Sustainability: Is the ability of the organization to secure and manage sufficient resources to enable it to fulfill its mission effectively and consistently over time without excessive dependence on any single funding source.

Strategic Goals: Statements of what to achieve over the period of the strategic plan

Sustainability: refers to the ability of administrators to maintain an organization to have ongoing concern.

In conclusion, the chapter presented the background of the study, statement problem, the objectives of the study and the scope as it relates to the role of financial management towards organization sustainability.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a detailed analysis of existing literature on the role of financial management towards NGOs financial sustainability. According to the local laws and regulations of most countries, all registered NGOs are required to keep a system for recording and submitting all types of financial transactions made by them for the purposes of implementing projects and running their organization. Since finances are a crucial and heart part of organizational management, it is always important idea to maintain a functional financial policy in place that defines the financial management of an organization which leads to sustainability by following procedures to keep the accounting system effective, transparent and easily manageable. This chapter provides financial theories and reviews literature resulting from such studies done in Uganda and elsewhere that examined information under the subsections of financial planning and budgeting, investment decision of NGOs and debt and credit control management towards organisation sustainability

> **Economic models propose to sustain opportunity, usually in the form of capital. According to the classic definition formulated by the economist Robert Solow, we should think of sustainability as an investment problem, in which we must use returns from the use of natural resources to create new opportunities of equal or greater value. (**Willis JENKINS, Yale Divinity School, Sustainability theory. Pg 383)

2.1 Financial planning and budgeting in nongovernmental organization sustainability.

Financial management is the use of financial tools, information within and outside, skills of staff, and methods to make the best use of an organisation's resources according Cammack

(**2007**) and Pobal, Early Education Childcare Unit 2011. While Morné Maritz (**2005**), explain financial management as a job and a responsibility that involves the past, the present and the future, where financial transaction records are kept of all the money the organisation has already received or spent, making control and manage the money that is still in the organisation as well as making decisions about the future growth of the organization. These then reflect how to assess an organisation's financial management capacity in the key tasks of: planning and budgeting, accounts record-keeping, financial reporting, and financial controls, and consider external audits and other organisational aspects that influence financial management capacity in NGOs sustainability.

Financial planning is a process that an organisation uses to work out what resources it has available, what resources are needed and where extra resources can be found or obtained from to carry out the plan objectives. According to **Maritz, (2005),** the most important tools for financial planning are the financial strategy and the budget. The difference between the tools is that the budget usually concerns shorter-term planning, while the financial strategy is more concerned with the medium- to long-term strategic needs of the organisation.

The important rule for financial planning and budgeting is to approach it as a strategic process. It is fundamental to understand that the future of NGOs and their capacity to affect the life of the community they serve depends on their abilities to secure funding in order to develop projects for identified needs of the community. These then requires all the members of the organisation should full participate in the planning, organising needed resources, and monitoring and evaluation of the financial resources of the NGO and not only those directly in charge of finances which brings the aspect of participatory financial planning and budgeting involving both finance and non finances staff.

The purpose of a financial strategy is to ensure that an organisation knows what its financial needs and where it will get the necessary funding to meet those needs. This focus on the medium- and long-term financial needs of the organisation. When developing financial strategy, organisation should not think only about finding money for immediate projects or for this year's budget, it is to consider ways to secure the medium- to long-term financial future of the organisation. That is to make sure that there is money available for the present and the future and work on to examine ways to make more money through investment strategy, as well as ways to spend less money in order to create reserve funds for future eventualities.

(Thomson, Foubister, Figueras, Kutzin, Permanand, & Bryndová**, (2009)** argues that, proper financial management helps the management of the organisation to plan for the future, because it tells the management how much money it has, how much money it needs and what its plans for the future will cost. This then relate to explain that organizational sustainability is the ability of the organization to secure and manage sufficient resources to enable it to fulfill its mission effectively and consistently over time without excessive dependence on any single funding source. Maritz **(2005)** and Cammack **(2007)** both explained that, financial planning and budget require the management committee and managers decide their objectives for the year and forecast the cost of achieving them. This is the annual budget in which the managers' check expenditure of objectives as the year progresses; the management committee and managers compare actual performance with budget forecasts. They can then decide whether any action is needed, to increase or decrease spending of the organisation, or undertake more fundraising strategy. This regular monitoring and controlling of the budget also helps to manage donor funding and reporting.

Budgets are planning tools; they help to express objectives in financial terms and cover a period of a financial year. It is important to consider practice planning budgets, monitoring budgets, and forecasting cash flows. A budget is used to forecast income and expenditure.

Therefore budgeting is a valuable tool which helps organisations to manage their finances and develop their financial management capacity.

There are many different planning tools for management, but one fact is certain and that is the management of any NGOs should have a clear financial plan of what they wish to achieve and how this should be done. From this financial plan they can evaluate and control the programme activities of the organisation. This will enhance the organisation performance and promote the survival of the NGOs.

Financial planning provides the organization with clear picture of how much is needed and when funds are coming into the organization, where funds are going, how much is available and the projected financial position of the organization. It explains how the organization plans to meet all financial obligations and maintained its liquidity in order to provide a good return on investment, thus leading to performance (**Kirby, 2003**). In this process, the organization strategic goals and objectives are match and align together in the planning process by the organization committee to form one body. Developing and managing budgets is a fundamental component of an organisation's financial management framework. Effective budgeting significantly contribute to the achievement of an organisation's goals and objectives, especially when embedded into corporate/community planning and aligned to the overall budget according to publication by **Commonwealth of Australia (2008).**

Planning, budgeting and reporting processes ideally have effect within an organization as strategic goals and priorities flow to operational areas. It is important to allocate organisation internal budgets consistent with the organisation's financial management framework and aligning it with the programme managers' specific duties/responsibilities. Managers must take ownership of their allocated budget where they have full control, not just provide accountability over the implementation of the budget. The close integration between the capital budget and the operational budget assists organisations monitor the long-term consequences of budget decisions that should enhance reporting of budget estimates and actual results. This helps to ensure a close alignment between how an organization plans and monitors performance internally and how it is held accountable by the stakeholders. **Commonwealth of Australia (2008**) brings out clearly a critical element in gaining broad acceptance of the budget is the involvement of senior management and operational management throughout the budget process.

Thomson et al **(2009)** and Commonwealth of Australia, **(2008)** both agreed that, Organisations use budgets for financial planning, to establish performance expectations and to set financial controls. In addition, the budget can be used for purposes of identifying costs and determining prices as part of cost recovery arrangements and assessing individual managers' financial performance. The budget is a core element of an organisation's planning and management framework. An integrated planning and management framework is characterised by close relationships between financial planning and budgeting and between budgeting and reporting, both within the organisation and externally. Health practice organisations embed internal budget processes into organisational planning and management by: integrating the internal budget into organisational planning; aligning the internal budget with organisational roles and responsibilities; integrating operational and capital budgets; harmonising budgeting and reporting; and engaging stakeholders in the internal budget.

These days, employees desire empowerment and want to be part of the whole planning and budgeting process. The owners of a private enterprise or entity will probably have profit as their main justification for the enterprise, but employees will not necessarily have the same goals. If employees are dissatisfied with the way the owner manages the enterprise, this could result into conflict of interest and ultimately the failure of the project/enterprise. Stenzel and Stenzel (**2003:62**) cited by Pamela Ruth Berry **(2011)** suggest that management should be mindful of the human factor in budgeting and the budget system should be used positively.

According Financial Services Act 2012 UK publication, recognised that establishing an independent Financial Policy Committee (FPC) for NGOs is important aspect of proper financial management towards organisation sustainability in which all issues related to finance are clearly defined. The Committee is charged with a primary objective of identifying, monitoring, evaluating and taking action to remove or reduce systemic risks with a view to protecting and enhancing the pliability of NGOs financial system. The FPC has the objective to support the development programmes.

2.2 The effect of investment decision in Non Government Organisation Sustainability.

According to Terry Lewis **(2009)** financial management is part of management as a whole. This means that managers must keep an eye on the bigger picture looking at how the whole organisation is financed in the medium and long term, not just focusing on projects and programs.

The Chartered Professional Accountants of Canada **(2013**) argued that, a Non Profit Organization has multiple goals in the strategic plan, and its donors and supporters may choose to fund and support one or another of these goals, or place restriction on the use of the contributions to particular program. They can limit the organisation decision to purchase a capital asset, or not to use the contribution at all, except to be invested as an endowment with the income from the invested funds to be used for a particular program in their support. Accepting donors' restricted contributions places a big obligation on the organization to respect those restrictions, and to specifically use those funds in accordance with donors' wishes and directives. These conditions limit the NGOs freedom to invest available funds for other future development activities. Therefore entire relying on donor fund sets limitation in financial investment.

The primary goal of a NGO is to provide some service to society, not to maximize shareholder wealth. In this situation, capital budgeting decisions must incorporate many factors besides the project's profitability. For example, noneconomic factors such as the well-being of the community must also be taken into account, and these factors may outweigh financial considerations.

Nevertheless, good decision making, designed to ensure the future viability of the organization, requires that the financial impact of each capital investment be fully recognized. Indeed, if NGOs takes on unprofitable projects that are not offset by profitable projects, the organisation financial condition will deteriorate, and if this situation persists over time it could lead to bankruptcy and closure. It then stands; bankrupt organisations cannot attract donor attention to meet community needs

According to Ryan P. William **(2001**) Working capital which enables NGOs to invest in their own capacity is critically important and generally difficult to come by. NGOs that are part of the community development financial infrastructure dedicated to providing capital for economic development find themselves in need of working capital, which presents a biggest challenge of efficient operation and financial sustainability of the organization survival trend.

Financial sustainability has income diversification component, referring not only to internal income generation, but also to the various income sources that provide main funding base on investment plan of the organization within its strategic goals. Even if an organization has many donors funding the programme, it will remain extremely vulnerable if a large portion of the budget depends on only one. This implies change in this donor's decision can induce a major crisis. At least 60% of the organization's overall budget must come from five different sources base on investment decision (**León 2001**)

According to Patricia Leon **(2001),** who noted that financial sustainability in organisation is not placing emphasis on income diversification and generating internal income. Over time, there are cases of prominent organizations that successfully achieved both objectives but continued to experience financial difficulties. In the worst cases, they nearly had to shut down creating implementation gap. It may seem understandable that organisation have to learn through experience. However this becomes irrelevant whether your good fundraisers or generate your own income Lack of efficient in policy and procedures for administration and finances embedded in the fundamental pillars of financial sustainability comprising of strategic and financial planning, income diversification, sound administration and finance and own income generation creates difficulty in project implementation.

Financial management problem as explained by Bowman **(2011),** cited by Sontag-Padilla, Staplefoote and Gonzalez Morganti **(2012***)* reported that, an organization sustainable in the long term but unsustainable in the short term will be chronically short of cash. Conversely, an organization sustainable in the short term but not in the long term may have adequate cash but inflation will cause the value of its assets to erode over time. This, in turn, will cause the quantity and quality of services to diminish unless capital campaigns periodically bring infusions of new assets through financial investment.

Kakuru Julius **(2007)** explained that, the decision to investment in long term assets by the organisation is known as the capital budget decision. Through this decision, the organisation is able to acquire assets like plant and machinery, equipment, research and development benefits that are available for use in the organisation for period exceeding one year. The benefits accruing from these assets are spread over a future period of time, even though decision to acquire them and commit the organisation resources on them is made at present which then lead to its sustainability. The financial control strategic decision must be evaluated between alternatives by the organisation management committees which can results into cash inflows, otherwise wrong strategic decision can have irreversible impact on organization financial ability for sustainability.

Human resource competency equal requires investment as note by Lacy P, Cooper T, Hayward R and Neuberger L **(2010),** that performance gaps are also apparent with regard to the capabilities and assessment of employees that affects organistion sustainability as reports of UN survey indicates that eighty-six percent of CEOs recognize sustainability need to invest on training of managers to address sustainability issue that "Management" on all levels needs to acknowledge that awareness of sustainability helps executives to better understand societal needs and concerns, that can minimize organization financial risks and to generate business opportunities for its success.

It is important to inform your beneficiaries about the financial position of your organization you plan to invest in programs activities. The investment decision in project will built their confidence and trust to support the programs and project being implemented. Tell them what it means for the priorities of their community. This will help to increase the participation of beneficiaries in the activities that you are running, which may strengthen the impact of the programme therefore creating ownership and sustainability of the established projects. Find appropriate ways of telling your beneficiaries how you plan to use money that you have allocated to them, and later how you actually used it.

2.3 Debt and credit control management towards organisation sustainability

International Monitory Fund **(2014**), states that the main objective of debt management is to ensure that the organization financing needs and its payment obligations are met at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk.

Debt management may be defined as the process of providing for the payment of interest and principal payments on existing debt, and the planning for incurrence of new debt at a level which will optimize borrowing costs and not weaken the financial position of the local governance. Estimating the impact of the current and future debt burden on the local budget in future years is also part of the debt management process

Barry Elliott and Jamie Elliot **(2015**), noted that for survival and stability cash flow is indicator and managing cash flow were seen as crucial to survival. Equal important is cash flow seen to external bodies such as banks in evaluating performance where the organisation can borrow money for development activities. This then shows how the organisation is managing current assets and current liabilities of the entity. To provide means in making management accountable, cash flows are the raw data required by financial mangers when making decision on management working capital and decision to set appropriate terms for credit and debt policy.

In publication by Government Finance Officers Association of the United States and Canada **(2014),** Debt management policies are noted to be written guidelines, allowances, and restrictions that guide the debt issuance practices of organisation, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy gives signals to donors or an agency how organisation is well managed and therefore is likely to meet its debt obligations in a timely manner which thus leads to sustainability and reflect good financial management.

Income from various sources is collected differently and the organisation credit control and debt management policy should reflect this. Ross, Westerfield, Jordan and Roberts (2002) state that, ‘useful information to assess credit worthiness can be obtained from financial statements, credit reports on the customer’s payment history within the organization”. Van Horne and Wachowicz Jr (2003), noted that, a credit control and debt management policy is vital to prevent unauthorized risks being taken with the organization resources. Effective credit control and monitoring maximises the cash flows from each area of the business organisation and minimises the risk to the organisation of bad debt. It is vital that all decision makers in the organisation are aware of the importance of credit control and debt management and fully co-operate with finance staff managing the administrative process. Finance department in return will provide assistance and advice to other departments on credit control and debt management issues.

Debt and credit management to achieve organisation sustainability has to match with efficient and effective financial controls. Cammack (**2007**) argued that financial controls are the financial and management systems that aim to protect an organisation’s property and minimise the risk of error and theft. This relates to internal controls systems which are essential for any group or organisation. Having financial control in place prevent an organisation from errors and the opportunity of theft and most importantly protect organisation’s reputations. The management team and managers are responsible for making sure that there are good financial controls in place and they are legally responsible too. If the organisation prearranged and approved, professional accounting staff and external auditors can advise on what systems are needed and how the organisation can introduce them when not in place, this will lead to organisation thriving to achieve sustainability basing on good financial management.

CalcXML @ .2000-2014 Precision Information LLC provided that organisation who find themselves with too much debt may possibly need to judge refinancing or consolidating their loans. The situation can result into a predicament where no matter how hard you try cutting/reducing expenses further it cannot work or earn more income. The possible solution is to lower monthly debt payments. This could be through; reducing the principal amount, getting a lower interest rate, and extending the payments over a longer term. These three principles methods are used in refinancing and debt consolidation. Refinancing debt means changing the terms of the debt agreement by an old debt and is replaced with a new debt for the same amount, but with different repayment terms, which could be new interest rate and repayment period. Refinancing is better for NGOs who find themselves with excessive debt because it allows a loan to be repaid with lower monthly payments. This is clearly an advantage to those with a cash flow problem which can lead to strategic financial planning adjustment to in order to survive liquidity distressed in the long term

Summary

In this chapter, the financial management to enhance organisation sustainability was discussed in the light of different views of scholars. The role of financial management as concerned financial planning and budgeting should be based on organisation strategic goals, investment decision relating to long term plan to generate funds for financing programme activities. While debt and credit control management focus in the area of liquidity management. The financial tools to enhance organisation sustainability require the efficient management and effective utilisation of resource without misappropriation which rest legally upon the management.

Financial planning and budgeting is important because it aligns to the investment needs of the organisation and helps to designing strategy to ensure continuous cash flow to meet organisation obligations timely and planning to established reserves which would help to supplement donor funds in the event of financial shortages during programme/project implementation.

Above all, the financial manager and management committee should established financial policy that will governed the administration and utilisation of donor funds and internal generated funds with maximum monitoring and control, whereby every employee of the organisation exerts accountability and transparency in execution of their duties.

Therefore all in all, financial management portrayed that there exists a set of ideal conditions under which there should be continuous interaction between the areas of financial management in aspect of funds mobilisation plan based on set objectives, implementation of programme funds as per the restricted donor condition, accounting and reporting. The proper financial management rest upon competent staffs that have full participation in achieving organisational strategic goals and mission. Therefore, financial management is a blood stream that runs the whole body of the organisation to achieve effective and efficient organisation financial sustainability capacity. This is based on proper planning and budgeting, developing investment strategies in management decision, and control of debt and credit management of the organisation.

CHAPTER THREE

METHODOLOGY

3. 0 Introduction

This chapter introduces the researcher to the basic concepts of research, its characteristics, and the importance. It describes and justifies the methods and processes that have been used to collect data in answering the research questions. The chapter present a detailed description of research methodology that focus on research design and show the instruments that the researcher had used in collecting data, methods in which data have be collected as well as methods of data analysis. The methods included interviews, questionnaire and reading of relevant literature that have been related to the study topic. Also inclusive are quality control, ethical issues and limitation.

3.1 Research Design

This is a case study research, based on an indigenous organisation that represent years experience, the organisation is presume to have implemented a series of donor-aided projects. The choice for this case study research is based on the need to reflect deeply on the individual organisation practices of financial management, which would not be possible if so many organisations were involved and with a lesser experience. As a case study research, the NGO would bore significant characteristics to determine whether the research variables; the role of financial management in organisation sustainability are related. The strategy has been used for both qualitative and quantitative approach. This research design has be used by the researcher to investigate from different respondents on the same topic from the target population comprising of participant of different categories (that is board member, management team, departments and selected branch area of operation) that is the stakeholder. Here the researcher was interested in getting information from different respondents with the view of identifying any pattern in answers or views from respondents in measuring the variables when taking their natural values.

3.2 Area of Study

The study was conducted in Arua District, Northern Uganda. UBOS **(2011)** estimated the population of the town at 59,400. Arua is an important local commercial centre; has been a base for a large refugee population from Southern Sudan and the Democratic Republic of the Congo and the aid distribution centre for those nations. Arua is located approximately 420 kilometres (260 mi), by road, northwest of Kampala, the capital city of Uganda and lies approximately 190 kilometres (120 mi), by road, west of Gulu, in Northern Uganda.

Arua is an important base for NGOs working in the West Nile sub-region or serving Western Equatorial in Southern Sudan or north-eastern Congo DRC. It's in this district where Caritas Arua is found under Catholic Diocese of Arua comprises of six political districts (Adjumani, Arua, Maracha, Moyo. Koboko and Yumbe). Basing the NGOs and other organisation operating in Arua, the researcher interested to find out how financial management has enhance its continuity that has be used to arrive in conclusion with others operating within the same vicinity.

3.3 Study Population

A study population is a group of individuals/persons from which samples are taken for measurement (Webster, 1985). In order to achieve the objectives of this study, the target population for the study was 80 drawn from different operation areas within the catchment of Caritas Arua. These constitute the employees, governing board, management team, field officers, community leaders, the beneficiaries of the activities of Caritas Arua, district officials and the clergy where the activities are based. The researcher looked at how these groups harmonise issues of financial management towards organisation sustainability of Caritas Arua.

3.4 Sample Size

Sample is a finite part of a statistical population whose properties are studied to gain information about the entire population. It is a subset of the population from which a generalisation about the population is made that will represent most characteristics of the population (Odiya 2009) and (Webster, 1985). Sample size is the number of people participating in the study.

The group of the accessible population that the researcher used was based on Krejice and Morgan's format. According to Krejcie and Morgan (1970), "N" stands for Number of people and "S" stands for Sample size. Using sampling frame from a list got from Caritas Arua head office and local district of Arua, 80 persons were target which gave sample space of 66 respondents composed of employees, management team, board members, programme/project officers, district officials, community leaders who form the stakeholders of Caritas Arua.

According to Roscoe (1975), sample sizes of less than 10 are not recommended. In simple research with tight controls, successful research can be conducted with samples as small as between 10 to 20. However, for most studies samples size between 30 and 500 are most appropriate. This researcher considered distribution of questionnaires to 66 respondents, in which 56 questionnaires were returned and 10 questionnaires were unreturned

3.5 Sampling Techniques

Random sampling technique was used that have be obtained by process which was give each possible combination of 'n' member in the population an equal chance of being picked at selection point. This random sampling procedure/technique limits the probability of choosing a biased sample and reduces the chances of error. A list of sub counties (Arivu and Odupi, Yivu, Rhino Camp) and groups were obtained from the case study organisation and it was this list that was used to randomly sample respondents.

The researcher also used purposively selection for the core management team (director, finance manager, programme officer, project field officers) and board members for their role in financial management and decision making which would give better understanding of the study. The case study organisation provided names of key category persons to which the researcher screened on the parameter of financial management roles to established clear investigation on the study topic.

3.6 Data Sources

In the study, both primary and secondary sources of data were used in obtaining necessary information.

3.6.1 Primary Source of Data

The Primary source of data refers to the material and facts pertaining to the inquiring through collection of data which the researcher originates for the purpose of study on the role of financial management in organisation sustainability. This source was providing first-hand information collected through questionnaires and interview.

3.6.2 Secondary source of Data

The Secondary sources of data are material which are not originated by the researcher but which the researcher obtains from some other sources like library books, document, journals, unpublished documents and dissertations, scholarly books and journals; from electronic sources such as internet journal, conferences papers, policy reports, government document among other as well as news papers that have been generated for other purposes. The secondary sources have been used for reference purpose, as benchmark against which findings of the research may be tested.

3.7 Data Collection Instruments

Data collection in research involves measurement of various kinds and levels in obtaining peoples opinion on financial management towards organisation sustainability. Questionnaires, interviews and document analysis were used as the main tools for collecting data. The selection of the tool was guided by the nature of the data to be collected, time available and the objectives of the study. The researcher and assistance collected firsthand data information using primary sources.

3.7.1 Questionnaires

A questionnaire is a pre-formulated written device used for gathering facts, opinions, perceptions, attitudes and beliefs among others. It is a form consisting of list of questionnaires or statements to which the respondent records the answers; usually within rather closely alternatives that have space provided on the form as guided by the research. Questionnaires have been used for screening because they provide indicators to the possibility of the behaviour of the variables that cannot be directly measured such as views, feelings and others. According to **(Odiya 2009)** and **(Sekaran 2003), s**uch information is best collected through self administered questionnaires which respondents filled with ease and at will and it was used in making follow-up for more information about that have been verified . Therefore this was designed for collecting qualitative data and extracting information concerning all aspects of the study.

3.7.2 Interviews Guide

The researcher and the research assistants have used interview guides as the data collection instruments. The interview guide provided information to guide the interview process that have list of question that have been asked during the interview basing on themes of the study topic carefully selected to correspond with expectations of the study objectives from which interview questions were derive during the interview. The method was convenient because the researcher got the first hand information, gains control over the discussion and obtains information that cannot be directly observed.

Key Interviewed People

The researcher conducted individual interviews with key informants and these included Director Caritas Arua, Programm officer, Financial Manager; Project Field Officers, some board members and religious leaders and other stakeholder who have interest in the organisation. The choice for key informant interviews is based on the fact that, these categories of respondents have different perspectives on the topic of research because of the different roles that they play in the organisation.

3.7.3 Document review

Secondary sources used for review are the existing information provided by other researchers in textbooks, reports, journals, magazine, dissertation and the internet in compiling information of the study. These provided important ground to understanding the study trend of the problem and discover what others have said on the topic on study.

The researcher also reviewed literature obtained from the case study organization. This Literature included strategic plan, annual reports, budget reports, project review reports research reports and community workshop reports that had been conducted by the case study organisation on the projects that they implemented. This method has been vital in providing background information and facts about financial base and sustainability strategy by the case study organisation before primary data were collected.

3.8 Quality Assurance

Quality assurance in data collection can be measured by validity and reliability of instruments used in research study as applied through qualitative and quantitative approach.

3.8.1 Validity

In oxford advanced learners dictionary validity is defined as the state of being legally or official acceptable. Odiya **(2009)** and Oso and Onen **(2009)** explains that validity of an instrument refers to the ability of the instrument to collect justifiable and truthful data which has the ability to measure the variables being studied for soundness or effectiveness as determined by measurement, interpretation of data collected to have accuracy and confidence; and also the extent to which the data can be applied to similar situation or generalised in other conditions. To ensure validity of the instrument the researcher pre-tested the instruments she used especially the questionnaires and interview guides before fully administering to the respondents and adjustments and comments were made. The researcher therefore ensures that data collected was logical and true in relation to the role of financial management in organisation sustainability.

3.8.2 Reliability

Reliability refers to facts that can be trusted and be relied on when the response from the respondents give similar results to ensure consistency that makes the findings be relied upon. This was ensure by used of pretesting in which questionnaires were altered and given to some other respondents to measure and find out if same answers will be got. The testing purpose was to correct mistakes that might have been made during the development of questionnaires, and know whether the instruments are clear to react to comments that could arise in time and find out whether objectives were met.

3.9 Measurement of Variables

The key variables measured include financial planning and budgeting, investment decision, debt and credit management, Organisation strategic goals, liquidity management and human resource competence. A 5-point Likert scale with respondents' answers ranging from "Always" to "I don't know" had be used for collecting data which was used to measure the variables between the two extreme limits. Each specific question response was analyzed separately, and others were summed with other related items to create a score for a group of statements. Non qualitatively look at the answers from the questionnaires distributed to the respondents that were group and classified to determined frequency distribution of the variables; basing on the topic on study as by Cooksey, **(199**7) cited by Odiya (**2009**).

Also the researcher was interested to know the shape of the distribution and frequency distribution data which was develop by using SPSS. Data were descriptive, differentiate the dimension on study under the role of financial management in organisation sustainability that with the independent variables (financial planning and budgeting, investment decisions and final debt and credit management) influencing the dependent variables (strategic goals, liquidity management and human resource competency) positively or negatively while being moderated by organisation structure, participatory planning and management as well as government policies within the environment in which the organisation (Caritas Arua) operates.

3.10 Data Analysis and Presentation

During data analysis, the researcher tests and re- test the goodness of the data; the research question developed for the research and gets a feel of the data **(Sekaran, 2003).**

3.10.1 Qualitative Data Analysis

The data collected was analysed qualitatively under the variables in themes. Both the researcher and research assistant described the data into group or classified the variables through sorting and coding, categorising, editing and recording or entering it from the questionnaires and interview guides to Master sheet where further analysis were done to control validity **(Odiya 2009)**. The Qualitative analysis techniques were complemented with some statistics that were mainly obtained from the secondary data that was obtained through documentary analysis from the case study organisation. A statistics obtained from the primary data was included in this research.

3.10.2. Non Qualitative Data Analysis

Nominal scale was developed and used to check the variance of the answers given on the different questionnaires and the research questions of the study were used for the same scale. The researcher used statistical tools to tally, average, percentage and analyse the frequency.

3.10.3 Presentation of Data

Summaries of the data was presented using tables, charts and graphs in the ways that can easily be understood to eliminate unnecessary details, clearly bringing out points of similarity and dissimilarity and this enable the researcher to make comparisons and draw inferences alongside the correlation coefficient methods of calculation

3.11 Ethical Issues

The researcher to clearly understood the nature of the intended research and bored in mind the issue of ethics to avoid harming any of the intended respondents as well as rejection from respondents or authorities, which may lead to resource wastage and disappointments by the researcher. The major ethical issues in this study included were;

Permission was obtained from relevant authorities before the researcher was allowed to conduct interviews with groups from the Case Study Organisation.

Privacy and confidentiality of the respondents, since the study deals with a sensitive department of the organisation finance. The researcher therefore ensures that all information concerning the identity of individual was kept confidential. Individual respondents were free to consent to the process of this study. No one was coerced neither forced or undue influence was used to be part of the subject, respondents consented freely to the exercise of the study.

All secondary materials in this research, their sources have been provided and Quotes from individuals respondents, their names have been concealed for confidential reasons.

3.12 Study Limitations

Limitations are factors that the researcher may not be able to control in the study that may have effect on the results (**Odiya 2009**).

i) The key constraint to this research study was the lack of adequate statistical data to serve as evidence to some of the changes that have taken place especially in organisation. For example, the organisation went through change of core management team and almost all programme staff were new which made it not possible to get actual statistical trend of financial management of the organisation which absence affect quality of the data and all that could be captured were reports that were produced but without comparative figures.

ii) The data collection exercised coincided with the Parish Caritas Committee (PCC) formation in the 41 catholic parishes in Arua Diocese where the data was being collected. Responses and questions were rushed, as respondents were involved in the preparation and implementation of the activity. The research assistants followed the data collection though not with much significance.

iii) Failure to access important documents of Caritas Arua for photocopying (bank reconciliation statements, annual cash flow budget made it difficult to determine management of liquidity in meeting their obligation.

iv) Lack of enough funds for the requirement of the research, for instance transport cost, facilities for use and fund to facilitate data collector especially in the Rhino Camp were one project is being implemented.

3.13 Solution to Overcome the above Limitations

i) The researcher endeavored to capture some statistical data both from the primary and secondary source and these have been used to bridge the gap of changes in the organisation.

ii) Some of the respondents were given interviewed using telephone and questionnaires were sent to them by email for responds

iii) The research endeavour to liaison with the Caritas Director and the accountant for some basic information, for instance review of audit reports and annually budgets

iv) The researcher mobilised fund for start from friends and relatives in order to start the process of research and data collection and to facilitate the research assistants.

In conclusion, the above chapter shows the presentation of methodology that is used in the study to obtain data about the topic. It focused more on the area of the study, data collection and the techniques used in data collection. This was followed by data analysis as well as testing the validity and reliability of the data collected. This chapter was very fundamental in determining the quality of data the researcher collected from the field of the study. It has considered the appropriateness of the research methods that were used in the study.

CHAPTER FOUR

PRESENTATION, DISCUSSION AND ANALYSIS OF FINDINGS

4.0 Introduction

This chapter presents the key findings of this study according to research objectives as enumerated in chapter one (section 1.3.2) and the research questions. The purpose of the study was to establish the role of financial management in organisation sustainability, with Caritas Arua as the case study organisation. The findings have been arranged according to the following research themes; respondents' background, financial planning and budgeting, investment decision and debt and credit management which influence organization sustainability in the strategic goals, effective liquidity management and available competent human resource to ensure proper financial management are the interlocking component.

The presentation of the findings was facilitated by use of both qualitative and quantitative through the use of tables, percentages, frequency, graphics, pie charts and mean and standard deviation. The study findings were generated through the use of questionnaires and interview guide. Data were collected from 56 respondents out of 65 questionnaires distributed. Basing their responses on each question, respondents evaluated the three dimensions of financial management (section 1.8 of chapter one). These questions measured each dimension on a five-point Likert scale (1 – always, 2 – sometimes, 3 – neutral, 4 – never, 5 – I don't know) as indicated in the methodology (section 3.9 of chapter three). The sample included management, employees, some board members, religious members and local leaders.

For analysis of the study objectives the mean scores for each scenario were computed and averaged to create means for each question as (1+2+3+4+5) =15/5 =3.0 designed under five-point likert scale with different levels of agreement for each question as explained in paragraph two above. This therefore indicates that all the response averaging below 3.0

(<3.0) and "agree" whereas all responses averaging above 3.0 (>3.0) accounted for disagreement.

4.1 Background Information of Respondents

In this section, the researcher aimed at establishing the personal characteristics of the respondents to the study. These included gender, educational level and worked duration and experience with Caritas Arua

Table 4.1: Gender of Respondents

Gender	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Male	30	53.6	53.6	53.6
Female	26	46.4	46.4	100.0
Total	**56**	**100.0**	**100.0**	

Source: Primary Data 2015

The results in table 4.1 revealed that the study has been gender sensitive that both male and female were involved. Male are more than female who participated in the study. The male accounting to 53.6 percent of the respondents while female constituted 46.4 percent of the total respondents.

Table 4.2 Education Level of Respondents involved in the Study

Level	Frequency	Percentage	Valid Percent	Cumulative Percent
Diploma Graduate	5	8.9	8.9	8.9
Degree Graduate	51	91.1	91.1	100.0
Total	**56**	**100.0**	**100.0**	

Source: Primary Data 2015

The table 4.2 represents the education level of the respondents where 91.1% percent were degree holders and 8.9% constituted diploma out of 56 respondents. The characteristic of the people often determined their competence, due care, perception, judgment and managerial skill in the trend of managing issues related with financial management and planning for competitive sustainability within changing environment of society in which their operate. The finding aligned with UN survey by Lucy P. el tel. (2010), that human resource competency plays vital role in organizational sustainability that minimizes organization financial risks and generate business opportunities for its success and that performance gaps are also evident with regard to the employees capabilities

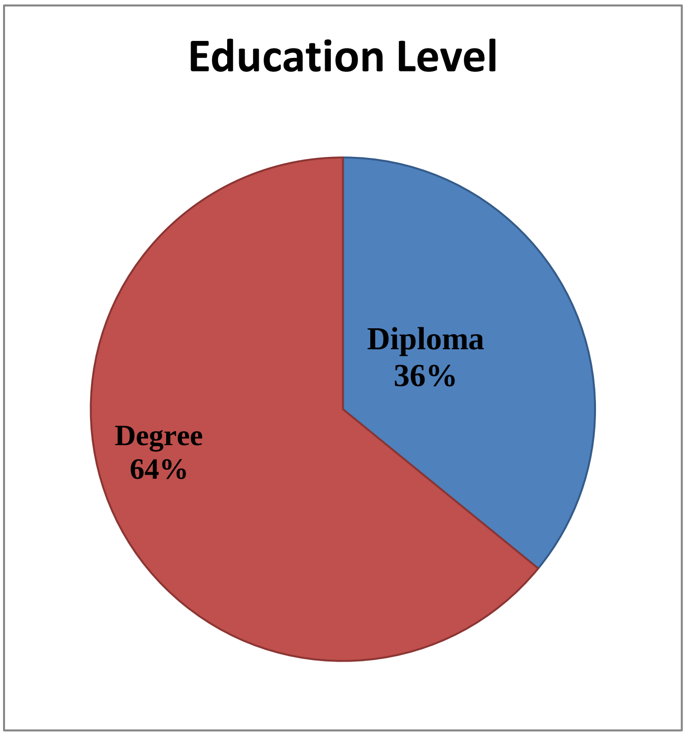


Figure 4.1 **Respondents by education level**

One of the key requirements for organisation sustainability is the good health of finance. According to Mpabanga, D. (2005) and Lekorwe, M. (1999), Staffs of NGOs are not elected and ordinary people have no mechanisms for hold them accountable for funds. Different from government who have to get elected and can avoid accountability through violence or coercion and in business where consumers can decide where to spend their money, Caritas Arua Director is appointed by the ordinary of the place and staffs are recruited to achieve the mission and vision which therefore requires finance and non finance staffs to have knowledge of financial management function with required competence.

Table 4.3: Respondents Experience with Caritas Arua

	Year	Frequency	Percentage	Valid Percentage	Cumulative Percentage
	0-5	45	80.4	80.4	80.4
	5-10	11	19.6	19.6	100.0
	Total	**56**	**100.0**	**100.0**	

Source: Primary Data 2015

Table 4.3 above shows the experience level of the respondents selected for the study include 80.4% have 0-5 years of experience and 19.6% percent indicates 5 to 10 years of experience out of 56 respondents. In the face to face interview of 10 staff in the head officer including the director 80% have less than 2 years of working experience with Caritas Arua and 20% are above 5 years. The experience reflect more training for finance and non finance staff and other community leaders of the project to learn and understand the importance of financial management, especially application of the financial tools in project management according to plan goals to enhance timely achievement of objectives. The trend has impact in area of financial management. Long experience gives opportunities to explore different possibilities and get in depth understanding of how financial issues are handled both by finance and non finance staff in the environmental operation and control of funds inflow and outflow in relation to financial management to meet strategic goals, and effectively utilize donor funds as per budget plan which enhance continuity of programme support.

4.2 Financial Planning and Budgeting in Organisation Sustainability

This section presents findings according to research objective one that was to find out how the existence of financial planning and programme / projects funds budgets in Caritas Arua enhance its sustainability. The key research question that was asked under this objective was, "To find out the effect of financial planning and budgeting on organisational sustainability?"

What follows below is a discussion and analysis of key findings to the questions based on the data collected analysis

It emerged from this research that the case study organisation makes annually financial planning and budget according to Integrated Programme for Good Governance and Sustainable Livelihood (IPGSL). Funds are raised from donors to support the programme and project implementation. The following are strategic areas; good governance and democracy, access to justices, sustainable livelihood, environmental management and conservation, prevention and mitigation of effects of HIV/AID, and organisation capacity strengthening.

4.2.1 Descriptive statistics of Financial Planning and Budgeting

The financial planning and budgeting by Caritas Arua was examined computing the mean and standard deviation for each statement (as (1+2+3+4+5) =15/5 =3.0), indicating that all the response averaging below 3.0 (<3.0) “agree” whereas all responses averaging above 3.0 (>3.0) accounted for disagreement. The major considered analysis are financial policy, budget plan based on objectives, cash flow forecast, regular review of budget plan, actual statement review and budget by management committee and financial information used for future plan.

Table 4.4 below presents the means and standard deviations for respondents’ responses regarding financial planning and budgeting. The results from the study suggest that in general, the respondents consider financial planning and budgeting as important tool in management of organisation sustainability. The majority respondents to the questions have a mean below 3.0. The results from the study suggest that in general financial planning and budgeting is an important tool towards organisation sustainability which is in agreement according to the study by **Maritz, (2005),** which show that, the most important tools for financial planning are the financial strategy and the budget which is a process that an organisation uses to work out what resources it has available, what resources it needs and where extra resources can be found to ensure sustainability. However there was variation in regards to budget avoiding having more expenditure than income unless planned and explanation for large difference between budget and actual statement with means of 3.30 and 3.268 for each statement and standard deviation of 1.2922 and 1.3279 for each statement, otherwise all conformed to the study that financial planning has influence towards organisation sustainability.

Table 4.4: Mean and Standard Deviation of Financial Planning and Budgeting by Respondents

	N	Minimum	Maximum	Mean	Standard Deviation
Financial policy	56	1	2	1.20	.401
Budget based on Objectives	56	1.0	3.0	1.304	.6584
Budgets finalised before the start of the financial year period	56	1.0	3.0	1.536	.8937
Relevant staff/volunteers discuss the budget details	56	1.0	3.0	1.464	.6596
Notes added to the budget items and showing calculations	56	1.0	3.0	1.821	.5755
Budget avoiding more expenditure than income	56	2.0	5.0	3.304	1.2922
Cash flow forecast prepared	56	1.0	3.0	1.804	.5853
Management committee and leader regularly review the budget and actual statement	56	1.0	3.0	2.232	.8737
Managers regularly review expenditure and income against budget	56	1.0	3.0	1.714	.6242
Explanation for large difference between budget and actual noted.	56	1.0	5.0	3.268	1.3279
Budgets and actual reports produced timely after the period ends	56	1.0	3.0	1.929	.7829
Finance people and managers to discuss the content of the budget and actual report	56	1.0	3.0	1.625	.6484
Up to date Information given to the management committee and managers	56	2.0	3.0	2.429	.4994
Budget information presented	56	1.0	4.0	2.071	.8058
Financial information reports used to plan for the future	56	1.0	2.0	1.607	.4928

Source: Primary Data 2015

4.2.1.1 Financial Policy

As noted on table 4.4 above, majority of the respondent recognized that having financial policy in place enhances financial management of the organisation leading to sustainability with mean 1.20, though with standard variation of 0 .401. In the frequency distribution (appendix III) majority respondent percentages constitute 80.4 that gave assurance that financial policy must be in place for effective and efficient management whereas 19.6 percent responded that sometimes it's important out 56 respondents. This clearly indicates that financial management greatly influences organisation sustainability when financial policy is in place and functional that staff and management are adhering. This study agree with Financial Services Act 2012 UK publication that, establishing an independent Financial Policy Committee (FPC) for NGOs is important aspect of proper financial management towards organisation sustainability in which all issues related to finance are clearly defined.

It also emerged from the study that failure to follow financial policy and stipulated budget regards to donor funds often affect NGOs project implementation within the community which sometimes leads to funds tap close unless clear accountability is verified. This kind of situation affects the sustainability of the project. During the interview process, the research found out that there has been inconsistency in following financial policy in executing authority to implement programme funds as per the planed objectives. Activities of Caritas Arua that were supported by Caritas Norway include agricultural extension services for the Catholic community, Peace building and food relief to vulnerable members of the community were suspended as result of the financial freeze. This is in agreement with Patricia Leon **(2001),** that financial sustainability in organisation is not placing emphasis on income diversification but it is paramount importance to follow defined policies otherwise lack of efficient procedures for administration and finances embedded in the fundamental pillars of financial sustainability overtime erode prominent organizations that successfully achieved objectives but continued to experience financial difficulties or distress which if not monitored earlier will shut down. Maritz **(2005)** and Cammack **(2007)**, further emphasis that regular monitoring and controlling of the budget also helps to manage donor funding and reporting.

4.2.1.2 Budget Plans based on Objectives

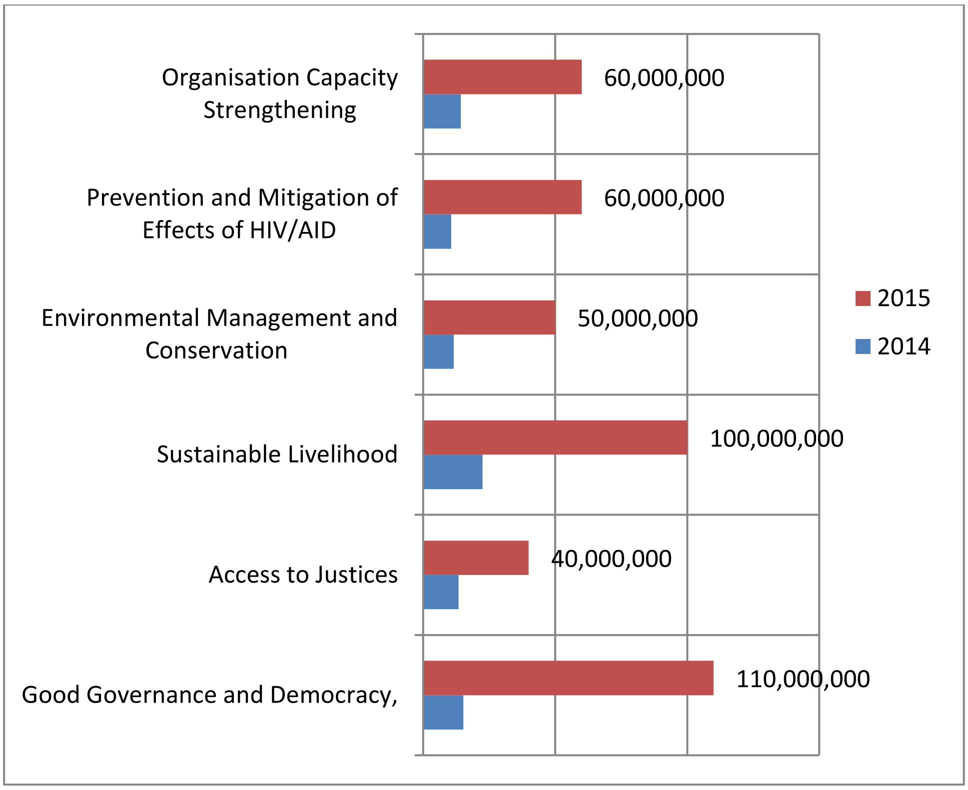
Table 4.5 below still show result of programme budgets for 2014 and 2015 where financial planning and budgets are based on project objective in order to achieve project goals and remain sustainable. Notably from table 4.4 above, majority of the respondent agreed with a mean of 1.304 to statement that budgets have to be based on current objectives. The figure 4.2 clearly indicated confirmation to the findings with an increased budget level from 2014 to 2015 to sustain the organisation programme objectives.

Table 4.5 Budget Based on Annual Objectives of Caritas Arua

Year	2014	2015
Good Governance and Democracy,	15,186,632	110,000,000
Access to Justices	13,409,763	40,000,000
Sustainable Livelihood	22,500,380	100,000,000
Environmental Management and Conservation	11,540,907	50,000,000
Prevention and Mitigation of Effects of HIV/AID	10,681,361	60,000,000
Organisation Capacity Strengthening	14,227,850	60,000,000

Source: Caritas Report 2014 – 2015

Figure 4.2 Budget Trend Based on Objectives



Source: Caritas Report 2014 – 2015

The finding is in alignment with **Commonwealth of Australia, 2008** which study found out that budgeting significantly contribute to the achievement of an organisation's goals and objectives, particularly when embedded into corporate/community planning and aligned to the overall budget. Despite the agreement, there was still variation (deviation 0.6585) of response meaning the respondent did not have the same understanding.

4.2.1.3 Cash Flow Forecast Prepared - Budget Plan

Notably from table 4.4 majorities of the respondents regarded Cash flow forecast preparation important especially when there is not enough money. The respondent response generate a mean 1.804 and frequency distribution in table 4.6 below show 28.6 percent that consider it "always" important and 62.5 percent regarded it "sometime" while 8.9 percent seem not to understand the importance of cash flow forecast out of 56 respondents. The best practice is to prepare cash forecast updates on monthly basis. The study aligns with Kirby (**2003**), who found out that in preparation of cash flow forecast organization plans to meet all financial obligations and maintained its liquidity in order to provide a good return on investment, thus leading to performance in the organization strategic goals and objectives as they are match together in the planning process by the organization committee. This action will enhance financial sustainability for programme implementation of the organisation. There is however minimal variation in the views of the respondents as shown by standard deviation of 0.5853 indicating approximately uniform views obtained during the research study.

Table 4.6 Respondents Frequency Distribution of Cash Flow Forecast Preparation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	16	28.6	28.6	28.6
	Sometimes	35	62.5	62.5	91.1
	Neutral	5	8.9	8.9	100
	Total	**56**	**100**	**100**	

Source: Primary Data 2015

4.2.1.4 Regular review of the budget and actual statement

Management committee and leaders are very import link in financial management towards organisation sustainability. In table 4.4 viewed shows mean of 2.232 of respondents who consider regular review of the budget and actual statement by management committee and the leader important in financial management in achieving organisation sustainability. This means that the committee and management should regularly review a summary of the budget and actual statement in which they asked questions about large difference between the budget and actual figure. The respondents seems to be of the same mind with Maritz **(2005)** and Cammack **(2007)** who both explained that, financial planning and budget require the management committee and managers decide their objectives for the year and forecast the cost of achieving them in the annual budget. As the year progresses, the management committee and managers compare actual performance with budget forecasts. This regular monitoring and controlling of the budget also helps to manage donor funding and reporting. There was also variation as observed in the standard deviation of 0.8737 in the above table

The results equally show it is important for the managers or programme officers to review monthly and quarterly expenditure and income against budget to make sure spending is within budget limits as indicated with a mean of 1.714. The study result also shows that, the person managing the budget should write notes on the budget and actual statement to explain for large differences with mean of 3.268. This seems to be support by study of Commonwealth of Australia**, (2008),** that managers take ownership of their allocated budget where they have control, not just accountability, over the implementation of the budget. Close integration between the capital budget and the operational budget assists organisations monitor the long-term consequences of budget decisions that should enhance reporting of budget estimates and actual results. Though the study seems to support the views pointed out by the respondents, there was still variation in their responses with standard deviation of 0.6242 and 1.3279, this reflects different views of understanding on roles of managers to regular review the budgets and explanations to budgets notes are provided.

4.2.1.4 Financial Information and Reports used to Plan for the Future

It emerged from the study that respondent who consensus that financial reports are used to plan future programmes constitutes a mean of 1.607 given the aspect of financial planning and budgeting plays in organisation sustainability of Caritas Arua programme among the community. This view had be recorded in study by **Cammack (2007) and** Morné Maritz (**2005**), that financial management is the use of financial information, skills, and methods to make the best use of an organisation's resources that involves the past, the present and the future, where decisions about the future growth of the organization assess basing on financial reporting, and financial controls, and considering external audits and other organisational aspects that influence financial management capacity in NGOs sustainability. This view still not always hold true as reflected by minimum standard deviation of 0.4928 of the respondents.

4.3 Investment Decision towards Organization Sustainability

Part 11 of the objective of the study was to assess the effect of investment decision towards Organization Sustainability. Table 4.6 presents the means and standard deviations for respondents' responses to questions regarding; organisation income generating activities, sources of funds to implement programme activities, decision to manage investments in assets, shortage of fund supplement and need for reserved fund and policy. The results from the study suggest that in general, respondent view investment decision influences organisation sustainability and each concern has been analyzed below.

Table 4.7 Descriptive Statistics -Mean and Standard Deviation of Investment Decision of Respondents

	No	Minimum	Maximum	Mean	Standard Deviation
Organisation income generating activities	56	1.0	5.0	2.732	1.6894
Sources of fund to implement programme	56	1.0	5.0	2.464	1.8583
Decision about manage investment	56	1.0	2.0	1.696	.4640
Shortages of fund supplement	56	2.0	5.0	3.625	1.3560
Needs for reserve funds and policy	56	1.0	5.0	3.911	1.4049

Source: Primary Data 2015

4.3.1 Organisation Income Generating Activities

Organisation income generating activities was determined by the respondents' responses to the question "Is the organisation having income generating activities?" The scenario examined income generating activities to support activities and core cost. The table 4.7

revealed that Caritas Arua has some internally income generating activities to supplement donor funds with a mean of 2.732. Even if internally generated funds support activities and core cost, Patricia Leon **(2001),** argued that financial sustainability in organisation is not placing emphasis on income diversification and internal income generation. Over time, however, there are cases of prominent organizations that successfully achieved both objectives but continued to experience financial difficulties. The then confirmed to standard deviation of 1.8583 presenting varying view of respondents

4.3.2 Sources of Fund to Implement Programme

From the interview, the findings revealed that the principal sources of revenue for FBOs are donation, which majorly comes from Caritas International. Caritas Arua annually makes fund raising proposal basing on their specific objectives and plan budget that is send to some specific donors who have interest to support the related objectives. The researcher was interested to find out what are the sources of fund to implement programme activities, as noted on table 4.7 above, the respondents consider major source of fund was donation with a mean 2.464 and table 4.8 below show frequency distribution ranging from always constitute 55.4 percent, sometimes 10.7 percent and respondent who do not know constituted 33.9 percent out 56 respondent.

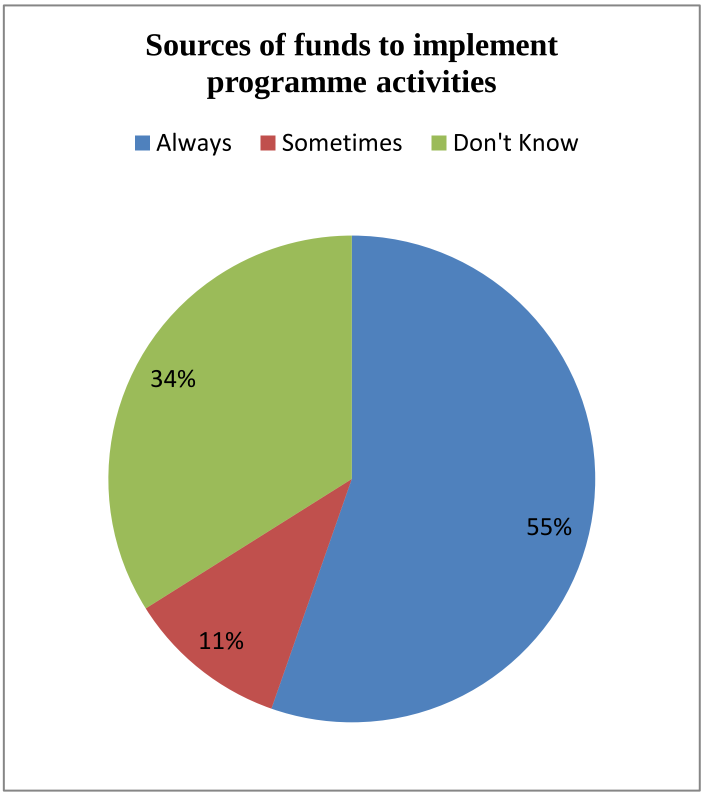
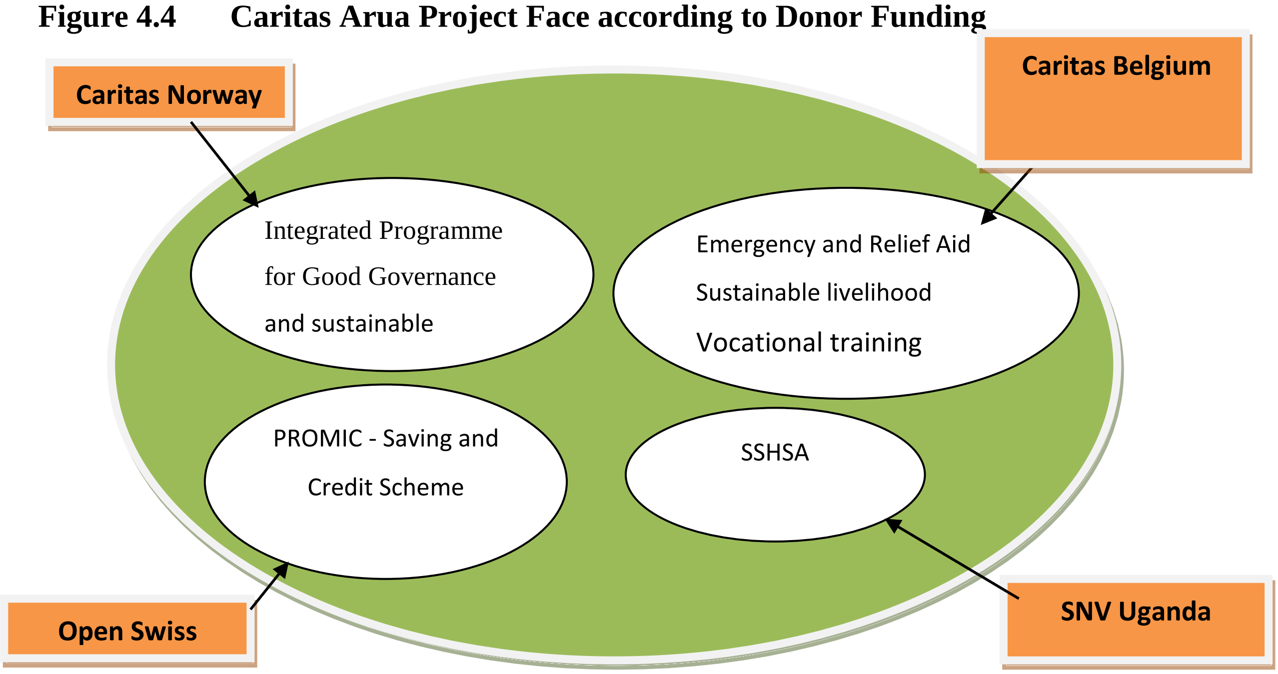


Figure 4.3 Respondents on income sources of

Analysis done on financial data obtained at the case study NGO vividly revealed the NGO programmes or projects were **97%** financed using donations (Caritas Norway, Caritas Belgium and DFID) as presented in the figure 4.4 below. This is in agreement with León **(2001)**, who noted that NGO remain extremely vulnerable if a large portion of the budget depends on donation or one source; change in the donor's decision can bring a major financial distress and crisis. It is wise to have at least 60% of the organization's overall budget come from five different sources base on investment decision. The Chartered Professional Accountants of Canada (**2013**) justified by say that accepting restricted donation / contributions places an obligation on the organization to respect those restrictions, and used funds only in accordance with donors' wishes rendering it vulnerable. Though the respondents have high variation by 1.8583 according to the table 4.6 the audit report and budget document conformed to the study.

Figure 4.4 Caritas Arua Project Face according to Donor Funding



4.3.3 Decision to manage Investment

Results presented in table 4.7 shows that the respondent to some extend agreed that decision are made by board/finance committee to invest major assets like acquisition of plant, equipment and projects within the community with a mean of 1.696. The respondent agreement seems to align with Kakura **(**2007) who explained that the decision to investment in long term by the organisation relate to capital budget decision. The financial control strategic decision must be evaluated between alternatives by the organisation management committee for efficient policy compliance and project decision yielding benefit for the organisation; thus leading to cash inflows, otherwise wrong strategic decision can have irreversible impact on organization financial ability. The varying opinion of the respondent has minimum standard deviation of 0.4640.

With most of the funding provided by the donors, it is unlikely that the case study NGO could have entirely decided on its own set of projects to be implemented other than those whose funding was available from the donors. The possibility for compromise by the local NGO or FBO that is totally dependent on donations is much higher compared to an economically income generating dependent NGO/FBO.

4.3.4 Shortages of Fund Supplemented

Study results on table 4.7 which consider how shortages of funds are supplemented scored a mean of 3.625 and standard deviation 1.3560. These Shows those shortages of funds are not supplemented. Interviews conducted with case study organisation revealed that FBOs/ NGOs rarely engage/ do business and once the funded projects run out, they suspend project business and the staff are laid off or kept to do monitoring while planning how to raise funds for the next phase to continue. This finding seems to aligned with study done by Ryan P. William **(2001**), that working capital enables NGOs to invest in their own capacity is critically important and generally difficult to come by, especially for supplement of community development programmes or community development financial infrastructure, which therefore presents a biggest challenge of efficient operation and financial sustainability of the organization survival trend.

4.3.5 Needs for Reserve Funds and Policy

According to the respondents mean of 3.911 from table 4.7 the case study organisation have not considered creating reserves funds plans and policy for establishing and maintaining unforeseen contingency in running the organisation and implementing of programmes especially when there is change in donors funding strategy. In the study by Cammack **(2007)** it was noted that reserve fund acts as a safety net in case income suddenly drops or expenditure increases. As much as the majority view shows need for reserve fund and policy is low, the standard deviation of 1.4049 gives indication that the organisation still understand the value of reserve funds in financial management of the organisation that enhances towards sustainability and project implementation among the community as well as supplementing core administration costs

4.4 Debt and Credit Control Management in Organization Sustainability

This section gives findings to objective three of the study. This was achieved through examining data collected under the variable debt and credit control management in financial management in achieving organisation sustainability. The key research question that was asked under this objective was how debt and credit control are managed to enhance organisation Sustainability. The study was measured using questionnaire statements; expenditure authorisation and signing of cheques, payment of invoice with original invoice and check against original order, debt extension payment, payment obligation are promptly paid, procedures to record cheque incoming payments and outgoing payments, updated list of debtors and monitoring of aging debtors. What follows below is a discussion and analysis of key findings to the question.

4.4.1 Expenditure authorised and signing of cheques by a senior staff

This research found out that indeed the practice of the case study organisation was to follow the policy and established procedures for payment. Expenditure is approved before it is paid. The accountant controls by asking 'Where is it in the budget?' When established that it was provided for in the budget the relevant procedures are followed and the expenditure is authorised by a senior staff /director. The results in table 4.9 indicated mean of 1.107 of respondents' agreement to the statement. Further findings revealed that earlier on, the budget control system for authentic payment was not effective which resulted to financial distress, thus leading to suspension of programme implementation of case study organisation in 2012. The study seems to align with Van Horne and Wachowicz Jr (2003) that a credit control and debt management policy is vital to prevent unauthorized risks being taken with the organization resources. Effective control maximises the cash flows from each area of the business organisation and minimises the risk to which the organisation might be exposed. The view was registered with a standard deviation of 0.3121 which seems to be minimum to the majority view.

Equally important is the signing of cheques by a senior staff to ensure efficient and effective procedures. No one person can authorise a payment and sign a cheque for the same transaction. The result in table 4.9 show a mean of 4.018, and the analysis in the frequency distribution of the respondents about different people authorising payment and signing cheques according the respondents frequency distribution table 4.8 below revealed percentages 1.8 for always, 26.8 for neutral, 37.5 for never, and 33.9 for I don't know out of 56 respondents.

Table 4.8 Different people authorise payment and sign cheques for those payments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	1	1.8	1.8	1.8
	Neutral	15	26.8	26.8	28.6
	Never	21	37.5	37.5	66.1
	Don't Know	19	33.9	33.9	100.0
	Total	**56**	**100**	**100**	

The general view contradicts with the findings during the interview with management team whereby three people are responsible for authorisation of payment. The understanding seems to reckon to the study by Barry Elliott and Jamie Elliot (2015) that for survival and stability cash flow is indicator and managing cash flow were seen as crucial to survival. This relates to Study by Cammack (2007) that financial control system must be put in place for proper management which states;

> In the non-profit sector, people sometimes say that controls are not necessary, as everyone trusts each other. Although trust is important, controls are needed in order to prove to stakeholders and others outside the organisation that the leadership team is making effective use of money donated by individuals or organisations, pg 39

And the key elements of financial control provided by Cammack (2007) include the following:

- Cash controls: systems for managing cash amounts.
- Bank controls: systems for making sure that the bank account cannot be misused.
- Budgeting and accounting controls: systems that provide sufficient information to manage the activities of the organisation.
- Purchase and authorisation controls: making sure that different people are involved at each stage.
- Management controls: extra checks made by management.
- Physical controls: keeping property and equipment in good order and secure; and guidance on the personal use of items owned by the organisation.

Table 4.9: Descriptive Statistics Showing Mean and Standard Deviation in Debt and Credit Management by Respondents

	N	Minimum	Maximum	Mean	Standard. Deviation
Expenditure authorised by a senior staff	56	1.0	2.0	1.107	.3121
Different people authorise payment and sign cheques	56	1.0	5.0	4.018	.8840
Payment with an original invoice	56	1.0	4.0	1.679	.9363
Invoice check against the original order	56	1.0	2.0	1.196	.4009
Debt extension Payment Period	56	2.0	5.0	3.554	1.0941
Payment obligation are promptly paid	56	1.0	3.0	1.982	.9437
Procedures to record cheque incoming payments	56	1.0	5.0	2.607	1.5097
Procedures to record cheque payments	56	1.0	2.0	1.089	.2877
Updated list of debtors	56	1.0	3.0	1.714	.7559
Monitoring of aging debtors	56	1.0	3.0	2.232	.4668

Source: Primary Data 2015

4.4.2 Payment of invoice with original invoice and check against original order

As presented by the results in the table 4.9, the respondents to the study reflects a mean of 1.679 in relation to make payments of invoice with the original invoice; and a mean of 1.196 that payments are checked against the original orders. It has been established in this research that the case study NGO/FBO has no direct economic business but outward cash flows relate mostly to programme activity implementation on many occasions. To make payment with the original invoice is more driven by income generating services in which purchases are regularly conducted. The findings show that the case study organisation makes payments to already scheduled approved activities on the basis of requisition for funds by individual project officers based on the approved budget as a directive working tool. The findings seem to agree with the study of International Monitory Fund **(2014**), which states that the main objective of debt management is to ensure that the organization's financing needs and its payment obligations are met at the lowest possible cost consistent with a prudent degree of risk. This study is in alignment with Cammack (**2007**) who found out that financial (or internal) controls are essential for any group or organisation. They help an organisation to prevent errors and the possibility of theft. They also help to protect the reputation of the organisation. Leadership teams and managers are responsible for making sure that there are good financial controls in place which will enhance its ongoing concern.

4.4.3 Debt Extension Payment

The findings about the finance staffs negotiating with creditors to extend payment period showed a mean of 3.554 in table 4.9. The interview results disagree with the questionnaires. The interviewed members said they mostly make prompt payment to their creditors. The aspect of debt extension payment period may not apply much in Case Study Organisation.

A practice of debt negotiation involves restructuring the terms of an existing loan payment or payment to creditors in order to extend the period. Debt extension or negotiating to reschedule may mean a delay in the due date(s) of required payments or reducing payment amounts by extending the payment period and increasing the number of payments. The variation in the opinion of respondents showed a standard deviation of 1.0941 which means negotiating for payment extension period would provide better opportunity for financial planning especially in times of financial distress when the organisation does not have enough cash inflow to meet payment obligations. This analysis is supported by **CalcXML. 2014 Precision Information LLC** who argued that refinancing is better for NGOs who find themselves with excessive debt because it allows a loan to be repaid with lower monthly payments. This is clearly an advantage to those with a cash flow problem. The negotiation strategy can lead to strategic financial planning adjustment to in order to survive liquidity distressed in the long run

4.4.4 Payment obligations are promptly paid on demand

Prompt payment obligation means suppliers can be safe in the knowledge that they will be paid on demand, and confident that they are working with a buyer that values the goods or services they deliver. The respondents in support of the questionnaire for prompt payment obligation show a mean of 1.982 in the table 4.9, showing the importance of meeting payment obligations on time. This approach supports stronger working relationships and certainty of payment which inspires confidence across the supply chain as well as stimulating investment and growth thus leading to financial management in organisation sustainability in the aspect of debt and credit management. The findings is in alignment with **Kirby,** (**2003**) who explains that financial management is also how the organization plans to meet all financial obligations and maintained its liquidity in order to provide a good return on investment, thus leading to performance. This has been enforced by Bowman **(2011),** cited by Sontag-Padilla, Staplefoote and Gonzalez Morganti **(2012***)* that an organization sustainable in the long term but unsustainable in the short term will be chronically short of cash to meet its obligation promptly. Although statement is in agreement, there is still varying view reflected by minimum standard deviation of 0.9437.

4.4.5 Procedures to Record Cheque Incoming Payments and Outgoing Payments

Procedures to record cheque incoming payments and outgoing payments have been agreed by a mean value of 2.607 and 1.089 respectively. This means cheque payments are always recorded in the cheque register book. This is ingredient of financial management which reflect cash flow control with better financial system to ensure liquidity management. The view is in alignment with Cammack (2007) who emphasised that, financial control system is very important in regards to bank and cash control, purchase and management control among others. Thus, developing good financial controls is central to building financial management capacity and identifying weaknesses in the organisation which can eliminate errors and fraud. The researcher discovered that lack of control system put the case study organisation in problems as far as its organisation credibility and sustainability is concerned. Despite these arguments, the respondent registered a standard deviation of not recording cheque incoming payment with 1.5097 and cheque out payment with 0.2877 which reflects irregularity in procedures adherences and frequency distribution for the same as presented by table 4.10 for both incoming and outgoing

Table 4.10 Respondents frequency distribution Procedures to Record Cheque cheques

Table 4.10.1 Procedures in place to record cheque incoming payments					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Always	11	19.6	19.6	19.6
	Sometime	30	53.6	53.6	73.2
	Don't Know	15	26.8	26.8	100.0
	Total	**56**	**100.0**	**100.0**	

Source: Primary Data 2015

Table 4.10. Procedures in place to record cheque incoming payments					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Always	11	19.6	19.6	19.6
	Sometime	30	53.6	53.6	73.2
	Don't Know	15	26.8	26.8	100.0
	Total	**56**	**100.0**	**100.0**	

Source: Primary Data 2015

4.4.6 Updated list of Debtors and Monitoring of Aging Debtors

Study results in table 4.9 above indicated that respondents agree with the case study organisation having updated list of debtors with a mean of 1.714 and monitoring of aging debtors with valued mean of 0. 2.232. The study also revealed a variation of views of the respondent with minimum standard deviation of 0.7559 for updated debtors list and 0.4668 for monitoring debtors. This means that though the case study organisation is not profit making organisation for economic gains, they keep truck in programme/project activities aging for implementation and follow activity is due for implementing. The system ensuring proper disbursement of fund for programme planned activities. The respondents' view seems to correspond with the study by Ross, Westerfield, Jordan and Roberts (2002) have found that to assess credit worthiness debtors can be obtained from financial statements, credit reports on the customer's payment history with the organization where list of the debtors and creditors are maintained and updated regularly.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of some of the key findings from this research, draws conclusions and makes recommendations for the improvement of financial management practice towards sustainability of the organisation.

5.1 Summary of Findings

The study findings are summarised based on the objectives analysed above and which is presented as follows:

5.1.1 Financial Planning and Budgeting in Caritas Arua to ensure sustainability

This research has found out that generally Caritas Arua is involved in financial planning and budgeting based on programmed objectives. The funds are generated through fund mobilization strategy in which proposal are send to specific donors who are interested in funding their stated objectives. The study also revealed that the organisation is donor dependant with about 97 percent of the fund for programme implementation comes from external sources. This leaves the organisation with a narrow financial base in the planning strategy for fund. It stand clear that in the event of unforeseen of donor's change of strategy; the organisation is likely to experience set back in programmed implementation within the community in which they carry development activities. This then can create a gap in supplementing government development as per the millennium development goal from which Caritas Arua draws its strategic objectives.

5.1.2 Investment Decision in Caritas Arua to increase financial base for sustainability

The findings revealed that, there has been no economic investment to increase value of the organisation either through available investment opportunities within the country. What is vibrant is that investment decision in acquisition of equipment and community projects whereby the management committee is fully involved is the only undertaking of the organisation. The financial aspect of reserve funds and reserve policy has not be introduced where the case study organisation could engage in discussion with the funding donors to allocate some percentage of the project funds to create reserve funds, or project funds balances should remain to create reserve fund for future investment or any eventualities.

5.2.3 Debt and Credit Control Management of the Case study Organisation

This research found out that indeed the practice of the case study organisation was to follow the financial policy and established procedures for payment for management of debt and credit which relates to project implementation. Since there are no economic activities to generate internal funds, the aspect of debt and credit control is minimum except for payment of invoices, recording of incoming and outgoing cheques with clear procedures in place

5.2 Conclusion

This research through and large achieved the research objectives and the key research questions were answered and therefore make the following conclusions;

Through this research process it was identified that NPOs/FBOs have to value financial management as important tool in building health organisation that can grow and continue to exit to serve the community. Despite facing different challenges, the need to effectively and efficiently implement projects and services lays on the management committee’s ability to established health financial management in which all staffs take ownership of being responsible and accountable. This also requires the organisations to have an effective financial policy and strategic plan that allows it to achieve a competitive advantage on which to draw financial annually budget, engage in investment and have effective debt and credit control policy in place. This strategy also allow it to attract more donor funds and implement initiatives of investment that will gradually removes total reliance on donor funds to ensure their sustainability.

It was found out that the organisation is donor dependant for strategic programme funds. The donors funding period is very specific either one year or three years, with all unspent funds to be returned to the donor or spent within the given period. NGOs/FBOs cannot use these funds to plan for the forthcoming year and have to try and secure further funding from alternate sources in order to remain in operation. Inefficient financial management and donor restrictions do not allow NGOs to save enough of a surplus that, should be reserve in a period where funding is in short supply, the NGO would be able to sustain itself until further funding is secured. Any period, regardless of how short, where an organization is outside a funding cycle could possibly lead to the closure of the organization. Therefore it's important that the organisation engage in reserve strategy and other income generating activities to supplement donor funds and keeping thriving in the event of donor funds tap closed.

5.3 Recommendation

1. NGOs/FBOs should ensure that it is important to make sure that donated funds and resources are used properly, and to the best effect, to achieve the organisation's mission and objectives as their implement the programs among the community so that continuous support can be expected from the donors.
2. Use regular budget monitoring reports to track whether the figures follow the expected pattern. Ask questions if, such as when the start of a project has been delayed, yet expense related to field monitoring cost and other cost are being incurred.
3. Management committee and board members responsible for financial tasks should consider it essential that one member is specifically responsible for looking after the

financial side of their work and bringing regular reports and decisions to the whole management committee for proper financial management oversight.

4. Caritas Arua has never thought about reserves funds, but beneficiaries would find it very difficult if they stopped operating. It is worth looking at ways to build reserves, if not immediately then in the longer term. It would be worth to discuss it with the management committee and decide how much would be needed to make the organisation sustainable; and find out ways of how to mobilize required annually amount according to agreed percentage.
5. By buying shares to increase value to establish sustainability strategy will increase the financial base of the case study organisation.
6. Non Profit Organisations should maintain good relationships and communicate openly with the people with whom they work, including beneficiaries and donors. All stakeholders need to know about the financial aspects of the organisation's activities. And it is equally important to identify and plan for things that could go wrong especially the withdrawal of donor funding.
7. Effectiveness and sustainability of the non-profit organisation/FBOs will depend upon the competency level of the employees with clear segregation of duties in area of financial management. This requires staff capacity building in the area of financial management that the program /project officers can own their budget and are responsible to account for activity funds.

5.4 Further future research

Impact of donor funds in Nongovernmental organisation sustainability

How financial management impact on community development to sustain established projects

How different is the role of financial management from sustainability Community Projects.

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7.0 APPENDICES

Appendix I Questionnaire for staff and management

PART ONE.

INSTRUCTIONS

Please tick in the boxes provided as honestly as you can.

1. Sex

Male ☐ Female ☐

2. Educational status:

Diploma graduate ☐ Post graduate ☐ Masters Graduate ☐

Other (please spec________________________________

3. What is your nationality?

____

4. Marital Status

Single ☐ Married ☐ Religious ☐

4. How many years have you worked for Caritas Arua

0-5 years ☐ 5-10 years ☐ 10+ years ☐

PART TWO

INSTRUCTION

For each question, circle the number that most closely matches the present situation.

1 = Always 2 = Sometimes 3 = Neutral 4 =Never 5 = Don't know

Compare the response with the 'minimum standard' and write down 'any action needed'.

FINANCIAL PLANNING AND BUDGETING		
Question	**Rating**	**Minimum Standard**
1.Is financial policy in place that enhance financial management of the organisation	**1 2 3 4 5**	There is defined financial policy in place and its functional.
2. Is an annual budget prepared and approved by the management Committee	**1 2 3 4 5**	The budget is prepared after talking with staff/other stakeholders. The management committee approves it, and checks that confirmed income covers expenditure.
3. Is the budget based on current Objectives	**1 2 3 4 5**	The budget is based on current objectives
4. Do all relevant staff/volunteers discuss the budget details?	**1 2 3 4 5**	Relevant staff/volunteers are consulted about and/or contribute to budget discussions. Smaller organisations may include all their staff/volunteers.
5. Are budgets finalised before the start of the financial year/project period?	**1 2 3 4 5**	The process is started early enough for it to be ready before the year/project starts.
6. Are notes added to the budget, justifying items and showing calculations?	**1 2 3 4 5**	The person responsible for the budget adds notes
7. Does the budget avoid having more expenditure than income, unless this is planned?	**1 2 3 4 5**	If the budget shows that a deficit is likely, budgeted expenditure is reduced until more income is raised.
8. Is a cash-flow forecast prepared, especially when there is not enough money?	**1 2 3 4 5**	A forecast is prepared regularly, and every time funds may run out. Best practice is to prepare a forecast which is updated each month.
9. Do the management committee and leader regularly review a summary of the budget and actual statement?	**1 2 3 4 5**	Management committee regularly review the budget and actual statement. They ask questions about large differences between budget and actual figures.
10. Do managers regularly review their expenditure/income against budget?	**1 2 3 4 5**	Managers review the budget and actual statement monthly/quarterly to make sure they are spending within budget.

11. Are explanations for large differences between budget and actual noted on the budget and actual statement?	**1 2 3 4 5**	The person managing the budget writes notes on the budget and actual statement to explain large differences
12. Are budget and actual reports produced quickly after the period-end?	**1 2 3 4 5**	Budget and actual statements are produced within two weeks of the period-end. The management committee/ leader/manager can then act quickly.
13. Are meetings held between finance people and managers to discuss the contents of the budget and actual report?	**1 2 3 4 5**	Meetings held between finance people and managers to discuss the contents of the budget and actual report
14. Is the information given to the management committee, leader, and managers up to date?	**1 2 3 4 5**	Information is available within two weeks of the period-end.
15. Is information presented in a user friendly format	**1 2 3 4 5**	The management committee receive a summary of the budget and actual statement; managers have a more detailed version.
16. Are meetings held between finance people and managers to discuss the contents of the budget and actual report?	**1 2 3 4 5**	Meetings, either one-to-one or in a group, are held immediately after the information is produced.
17. Are financial information and reports used to plan for the future?	**1 2 3 4 5**	Financial reports are used to plan future programmes.
B. Investment Decision		
1. Is the organisation having income generating activities	**1 2 3 4 5**	The is income generating activities to support activities and core cost
2. What are the sources of fund to implement programme activities	**1 2 3 4 5**	Donor fund
3.Who make decision about manage investment like assets	**1 2 3 4 5**	Decision are made by board/finance committee to purchase major assets
4. How are shortages of funds supplemented	**1 2 3 4 5**	No shortage of fund has been experience.
5. Has the organization considered whether it needs a **reserves fund** and policy?	**1 2 3 4 5**	Reserves funds have been discussed. If they are needed, there are plans and a policy for establishing and maintaining them
C. CREDIT MANAGEMENT		
1. Is expenditure authorised by a senior staff member (or the leader)?	**1 2 3 4 5**	Expenditure is approved before it is paid. Someone asks ‘Where is it in the budget?’

2. Are payments made only with an original invoice?	**1 2 3 4 5**	There is a system to avoid duplicate payments.
3. Is the invoice checked against the original order, to help prevent double payment?	**1 2 3 4 5**	Purchase orders are attached to invoices, or a similar system is in place.
4. Do different people authorise payments and sign cheques for those payments?	**1 2 3 4 5**	No one person can authorise a payment and sign a cheque for the same transaction
5. Is there debt extension of payment for invoices?	**1 2 3 4 5**	The finance staff negotiate with creditors to extend payment period
6. Is payment obligation promptly paid on demand?	**1 2 3 4 5**	Payment obligation are promptly paid
7. Is there procedures in place to record incoming invoices?	**1 2 3 4 5**	There are procedure in place to record incoming invoices
8. Is there procedure in place to record cheque payments?	**1 2 3 4 5**	Check payment are always record in the cheque register book.
D. DEBT MANAGEMENT		
1. Does the organisation keep updated list of debtors	**1 2 3 4 5**	The debtors record is updated regularly
2. Does the organisation monitor the aging debtor?	**1 2 3 4 5**	A competent staff is regularly trucking the aging debtors period and make follow up.

Appendix II   Interview Guard Questionnaire for the management

PART ONE.

INSTRUCTIONS

Please tick in the boxes provided as honestly as you can.

1. Sex

Male ☐ Female ☐

2. Educational Level:

____

3. Please answer the following questions. (Tick in the boxes provided)

5. How many years have you worked for Caritas Arua?

0-5 years ☐ 5-10 years ☐ 10+ years ☐

6. Does financial planning and budgeting meet the Strategic objectives of the organization?

Yes ☐ No ☐

How ....

7. If no, what in your opinion should be done to improve financial management in your organization ....

8. Are organisational objectives the starting point for the financial planning and budgeting process?

Yes ☐ No ☐

How /explain ....

9. Do you have investment strategy in place to improve your financial base?

Yes ☐ No ☐

If yes, what are those strategies? ....

If no, explain the limiting factors ....

10. Do you have debt management policy in place in Caritas Arua

Yes ☐ No ☐

11. Is there a competent staff to follow the debts to ensure the set time limit is comply

Yes ☐ No ☐

12.   Do you experience difficulty in debt collection and defaulters?

Yes ☐ No ☐

How do you ensure they pay? ....

1**3.** What credit management policy do you have in place…………………………………

14. Does Caritas Arua meet its obligation to pay promptly?

Yes ☐ No ☐

If no what factors limit the payment...

15. What mode of payment does Caritas Arua use for payment?

i Cash payment

ii Cheque payment

16. Is there always enough money to pay for salaries, goods, and services?

Yes ☐ No ☐

17. Are there periods when Caritas Arua experience financial problems?

Yes ☐ No ☐

18. How did you go about overcoming the financial problem?

....

19. Do the leader and management committee regularly compare budgeted income and expenditure with the actual income and expenditure, and take action where necessary, especially when donor funding is affected?

Yes ☐ No ☐

20. Reserves policies are often expressed as either a proportion of income or a proportion of expenditure.

Is Caritas Arua having reserve policy in place?

Yes ☐ No ☐

If no, how do you manage unforeseen expenditures?

....

21. Is the organisation having a defined financial policy in to enhance financial management?

Yes ☐ No ☐

22. Is the policy operational that all the staff understands the content and the requirements

Yes ☐ No ☐

Appendix III Frequency Distribution of Financial Planning and Budgeting of Respondents

Is financial policy in place that enhance financial management of the organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	45	80.4	80.4	80.4
	Sometimes	11	19.6	19.6	100.0
	Total	56	100.0	100.0	

Is financial policy in place that enhance financial management of the organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	45	80.4	80.4	80.4
	Sometimes	11	19.6	19.6	100.0
	Total	56	100.0	100.0	

Is an annual budget prepared and approved by the management Committee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	45	80.4	80.4	80.4
	Sometimes	11	19.6	19.6	100.0
	Total	56	100.0	100.0	

Do all relevant staff/volunteers discuss the budget details?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	35	62.5	62.5	62.5
	Sometimes	16	28.6	28.6	91.1
	Neutral	5	8.9	8.9	100.0
	Total	56	100.0	100.0	

Are budgets finalised before the start of the financial year/project period?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	41	73.2	73.2	73.2
	Neutral	15	26.8	26.8	100.0
	Total	56	100.0	100.0	

Are notes added to the budget justifying items and showing calculations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	15	26.8	26.8	26.8
	Sometimes	36	64.3	64.3	91.1
	Neutral	5	8.9	8.9	100.0
	Total	56	100.0	100.0	

Does the budget avoiding having more expenditure than income unless it is planned

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	21	37.5	37.5	37.5
	Neutral	16	28.6	28.6	66.1
	Don't Know	19	33.9	33.9	100.0
	Total	56	100.0	100.0	

Is cash flow forecast prepared especially when there is not enough money.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	16	28.6	28.6	28.6
	Sometimes	35	62.5	62.5	91.1
	Neutral	5	8.9	8.9	100.0
	Total	56	100.0	100.0	

Do management committee and leader regularly review a summary of the budget and actual statement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	16	28.6	28.6	28.6
	Sometimes	11	19.6	19.6	48.2
	Neutral	29	51.8	51.8	100.0
	Total	56	100.0	100.0	

Are explanation for large difference between budget and actual noted on the budget and actual statement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Alway	7	12.5	12.5	12.5
	Sometimes	5	8.9	8.9	21.4
	Neutral	27	48.2	48.2	69.6
	Don't Know	17	30.4	30.4	100.0
	Total	56	100.0	100.0	

Are budgets and actual reports produced quickly after the period ends

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	19	33.9	33.9	33.9
	Sometimes	22	39.3	39.3	73.2
	Neutral	15	26.8	26.8	100.0
	Total	56	100.0	100.0	

Are meetings held between finance people and managers to discuss the content of the budget and actual report

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	26	46.4	46.4	46.4
	Sometimes	25	44.6	44.6	91.1
	Neutral	5	8.9	8.9	100.0
	Total	56	100.0	100.0	

Is the information given to the management committee, leader and managers up to date

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	32	57.1	57.1	57.1
	Neutral	24	42.9	42.9	100.0
	Total	56	100.0	100.0	

Is Budget information presented in user friendly format

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	11	19.6	19.6	19.6
	Sometimes	35	62.5	62.5	82.1
	Neutral	5	8.9	8.9	91.1
	Never	5	8.9	8.9	100.0
	Total	56	100.0	100.0	

Are financial information and reports used to plan for the future

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	22	39.3	39.3	39.3
	Sometimes	34	60.7	60.7	100.0
	Total	56	100.0	100.0	

Appendix IV Frequency Distribution for Investment Decision of Respondents

Is the organisation having income generating activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	16	28.6	28.6	28.6
	Sometimes	21	37.5	37.5	66.1
	Don't Know	19	33.9	33.9	100.0
	Total	56	100.0	100.0	

What are the sources of fund to implement programme activites

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	31	55.4	55.4	55.4
	Sometimes	6	10.7	10.7	66.1
	Don't Know	19	33.9	33.9	100.0
	Total	56	100.0	100.0	

Who makes decision about manage investment like assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	17	30.4	30.4	30.4
	Sometimes	39	69.6	69.6	100.0
	Total	56	100.0	100.0	

How are shortages of fund supplemented

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	20	35.7	35.7	35.7
	Neutral	5	8.9	8.9	44.6
	Never	7	12.5	12.5	57.1
	Don't Know	24	42.9	42.9	100.0
	Total	56	100.0	100.0	

Has the Organisation considered whether it needs reserve funds and policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	1	1.8	1.8	1.8
	Sometimes	15	26.8	26.8	28.6
	Neutral	6	10.7	10.7	39.3
	Don't Know	34	60.7	60.7	100.0
	Total	56	100.0	100.0	

Appendix V Frequency Distribution for Debt and Credit Management of Respondents

Expenditure authorised by a senior staff member/Leader

	Rank	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	50	89.3	89.3	89.3
	Sometimes	6	10.7	10.7	100.0
	Total	56	100.0	100.0	

Is payment made only with an original invoice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	30	53.6	53.6	53.6
	Sometimes	20	35.7	35.7	89.3
	Never	6	10.7	10.7	100.0
	Total	56	100.0	100.0	

Is the invoice is check against the original order to help prevent double payment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	45	80.4	80.4	80.4
	Sometimes	11	19.6	19.6	100.0
	Total	56	100.0	100.0	

Do Different people authorise payment and sign cheques for those payments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	1	1.8	1.8	1.8
	Neutral	15	26.8	26.8	28.6
	Never	21	37.5	37.5	66.1
	Don't Know	19	33.9	33.9	100.0
	Total	56	100.0	100.0	

Is there debt extension of payment for invoices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	7	12.5	12.5	12.5
	Neutral	30	53.6	53.6	66.1
	Don't Know	19	33.9	33.9	100.0
	Total	56	100.0	100.0	

Is payment obligation promptly paid on demand

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	25	44.6	44.6	44.6
	Sometime	7	12.5	12.5	57.1
	Neutral	24	42.9	42.9	100.0
	Total	56	100.0	100.0	

Procedures in place to record cheque incoming payments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	11	19.6	19.6	19.6
	Sometime	30	53.6	53.6	73.2
	Don't Know	15	26.8	26.8	100.0
	Total	56	100.0	100.0	

Is there procedures in place to record chaque payments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	51	91.1	91.1	91.1
	Sometimes	5	8.9	8.9	100.0
	Total	56	100.0	100.0	

Does Organisation keeps updated list of debtors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	26	46.4	46.4	46.4
	Sometimes	20	35.7	35.7	82.1
	Neutral	10	17.9	17.9	100.0
	Total	56	100.0	100.0	

Does the organisation monitors the aging debtors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	1	1.8	1.8	1.8
	Sometimes	41	73.2	73.2	75.0
	Neutral	14	25.0	25.0	100.0
	Total	56	100.0	100.0	

Appendix VI Table for determining sample size from a given population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

Appendix VII Financial Control Systems Adopted from Cammack (2007)

Appendix 1 Principles for controlling cash

• Keep the minimum amount of cash needed for you to operate efficiently.

• Record all cash items received or paid in a cash book as soon as possible after the transaction has taken place.

• Issue pre-printed numbered receipts, with the organisation's name, for any cash received, and keeps a copy.

• Request a receipt and keep it when money is paid out in cash.

• Keep cash in a secure place – preferably in a lockable tin which is kept in a safe. If not, use a locked cupboard or drawer.

• A senior person should count the cash regularly and check that it agrees with the cash book. This person and the cashier should sign the cash book to confirm that the count has been made.

• Someone other than the cashier should authorise any large or unusual payments. Set a limit above which the cashier must obtain the approval of a manager.

• The person responsible for cash (the 'cashier') should not (ideally) be the one dealing with other accounting records.

•The cashier should check regularly how much cash is left and tell a senior person if there is not enough for day-to-day operations.

• Make one person responsible for the control of cash at any one time.

When a new person takes over, both people should agree and sign the cash balance.

Appendix 2 Principles for controlling bank accounts

• Register bank accounts in the name of a group or organisation – never in the name of an individual.

• Tell the bank that all requests for withdrawals (cheques, for example) should be signed by two people. Sometimes it is more practical to require ‘any two signatories from three named individuals’.

• Never sign blank cheques, or expect others to do so.

• Each time that the bank statement is received (or the pass book is updated), check that the organisation’s own bank records in the cash/bank book agree with it.

• Write cheques for as many payments as possible, to avoid holding large amounts of cash.

• Transfer large amounts directly through the bank from one account to another.

• Pay money into the bank as often as practical, to avoid keeping large sums of cash on the premises. In rural locations, this cannot be done very often. Make use of people going to the town where the bank is, to pay money in. Cheques can sometimes be requested to avoid large amounts of cash building up. If cash is held, it must be kept securely.

• The person who is involved in the preparation of cheques should not also sign them.

• Keep cheque books in a safe, locked cupboard or drawer.

• Keep the fewest possible separate bank accounts, although some donors will insist that you keep a separate bank account for their funds.

Appendix 3 Principles for budgeting and accounting controls

• Prepare the budget in line with organisational objectives before the start of the year, and get the management committee to approve it.

• Produce the budget and actual reports as soon as possible after the end of the period.

• Add notes to explain large differences in the budget and actual statement.

• Compare regular summaries of income and expenditure with the budget. Make sure that the management committee and managers monitor the summaries.

• Prepare a cash-flow forecast to show when shortages may occur.

- Record everything, keeping accurate and up-to-date accounting records.
- Make sure that there is a supporting document (an invoice, for example) for every transaction, and file the documents in order.
- Keep a system to alert you when money is still owed to you.
- Record ‘restricted’ donor funding separately in the accounting system.
- Provide financial reports when required and include them in work plans.

Appendix 4 Principles for purchase and authorisation controls

- Make sure there is a budget for goods and services ordered.
- Allow only nominated people to place orders.
- Ask for at least three quotes for goods and services valued at more than a certain amount.
- Check goods and services received for quality before paying for them.
- Match invoices against original orders, and pay on original invoices only.
- Keep clear records of money owing and paid to other people.
- Do regular stock-takes of goods held, and check that they agree with stock records.
- A senior person should authorise expenditure before it is made.
- Cheques should be authorised by a different person from the one who signs them.
- Ask self-employed individuals to provide evidence of their self employed status before making a payment (so that if you don’t deduct tax, you are not liable to pay it to the tax authorities).

Appendix 5 Principles for management controls

- Allocate responsibilities to staff.

• Write job descriptions for staff and volunteers.

• Recruit suitably qualified staff and volunteers: check their references and qualifications.

• Identify and deal with staff who are not performing adequately.

• Make sure that everyone knows the policies and procedures.

Write them down and talk about them regularly, for example in staff meetings.

• Develop staff and volunteers, for example through induction and training for new staff.

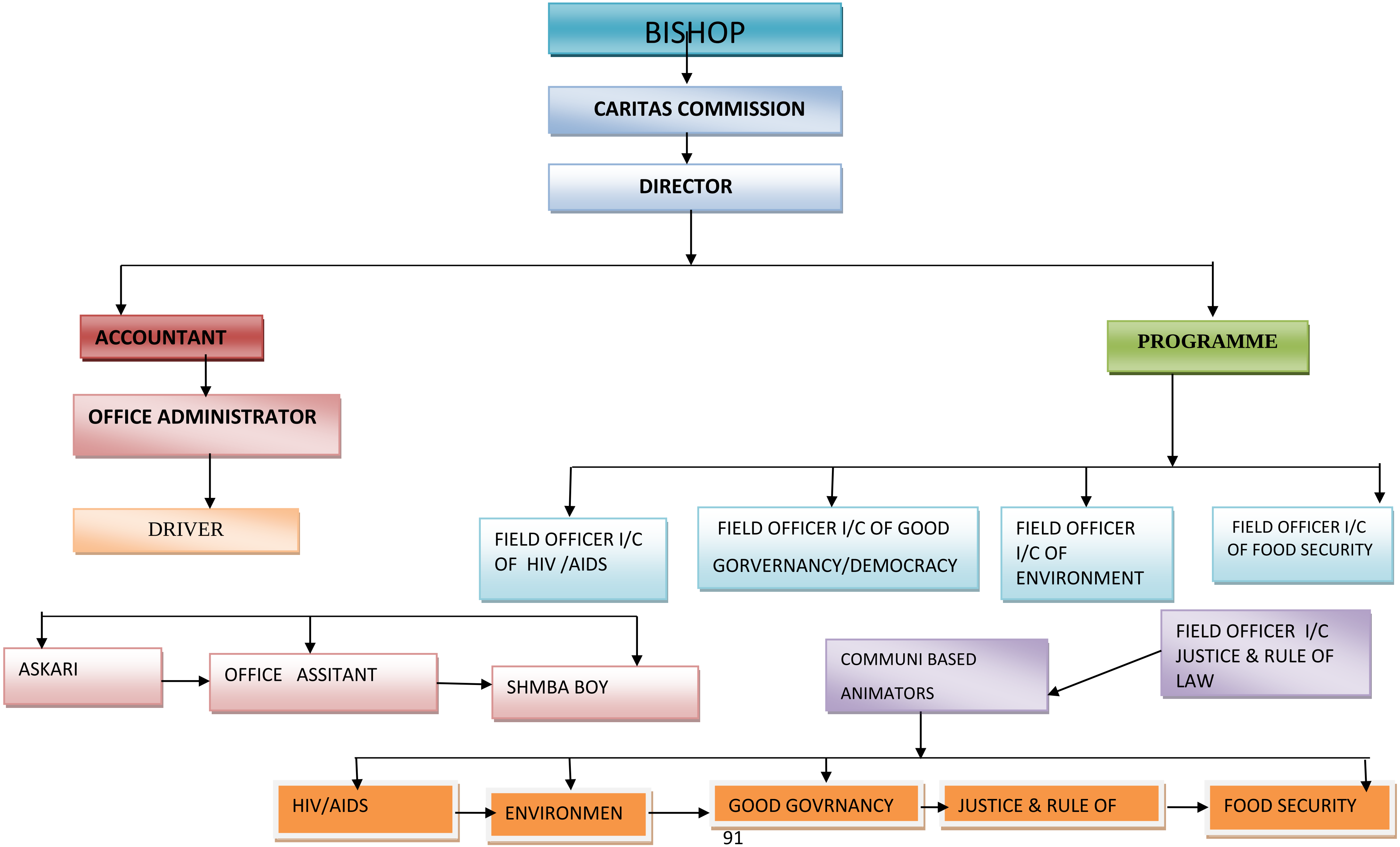
• Arrange an annual external audit.

• Act on the auditor’s recommendations.

• Write minutes for all meetings.

• Communicate openly with staff, volunteers, and other stakeholders

Appendix VII ORGANISATION STRUCTURE CARITAS ARUA



Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 22nd January, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you IDRANYIA JANE who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

UGANDA MARTYRS UNIVERSITY
OFFICE OF THE DEAN
22 JAN 2015
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
SIGN:

Moses Kibrai
Dean

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