

Capacity Development in Financial Governance - Sub Saharan Africa

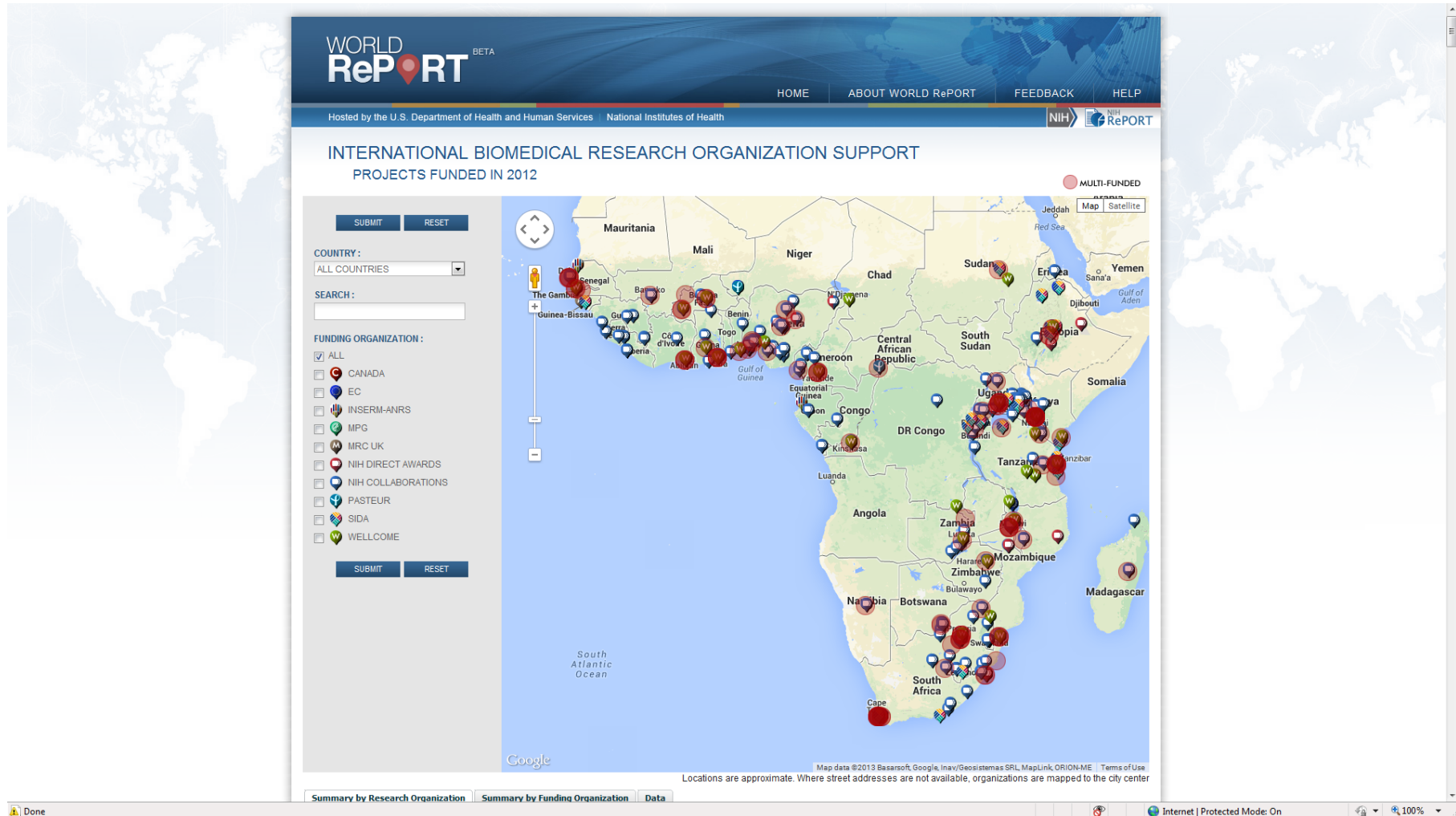
**EDCTP
Capacity Development Stakeholder Meeting
Berlin, 3rd July**

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Financial Governance of Medical Research in Sub Saharan Africa

- Issues & challenges facing donors & recipients
- Opportunities to improve collaboration amongst donors
- Progress to date
- Future opportunities

There are many opportunities for scientists to collaborate



<http://worldreport.nih.gov/>

BUT : There is a need to increase collaboration amongst donors

Convergence of Donor funding at the Institute level

Donor	Same Institutes	Commitments
EDCTP & MRC	10	£32m
EDCTP & WT	13	£37m
EDCTP, MRC & WT	24	£62m

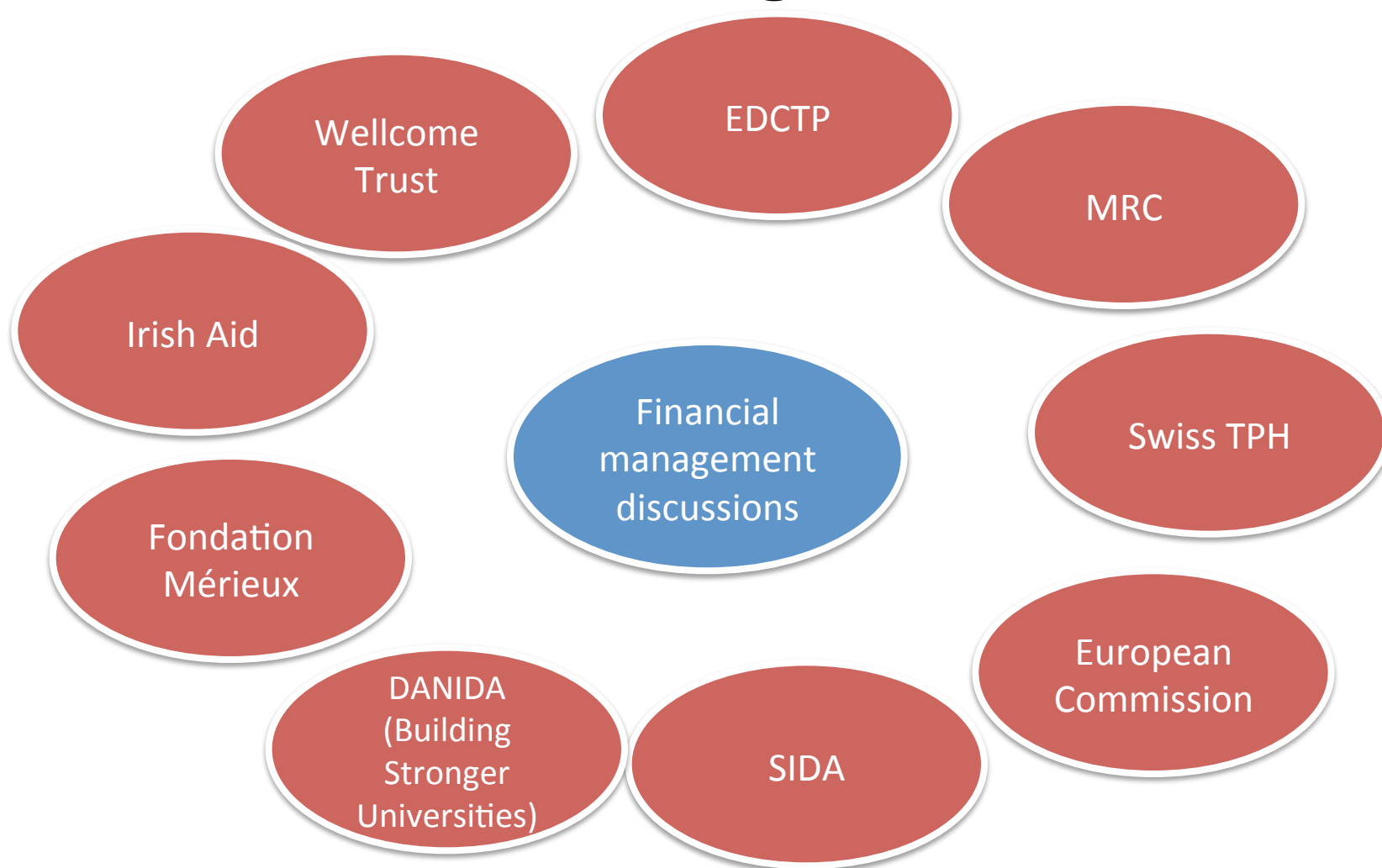
Issues & Challenges

- Duplication of effort by donors within recipients organisations
- Duplication of audits = Audit fatigue of recipients
- Lack of understanding of donor financial guidelines = risk of ineligible expenses
- Poor internal control systems, inadequate segregation of duties, absence of effective reconciliations, no fixed asset registers, etc.
- *Raising standards of financial governance within recipient organisations will*
 - *Increase effective use of funds*
 - *Reduce risk of mis-use of funds*

Donor Working Group

- Starting in 2012 a working group of the Wellcome Trust, EDCTP and MRC had a series of meetings to decide what could and should be done to improve collaboration between donors
- In the last 2 years the group has expanded to include several of the European overseas aid donors

Donor meeting attendees

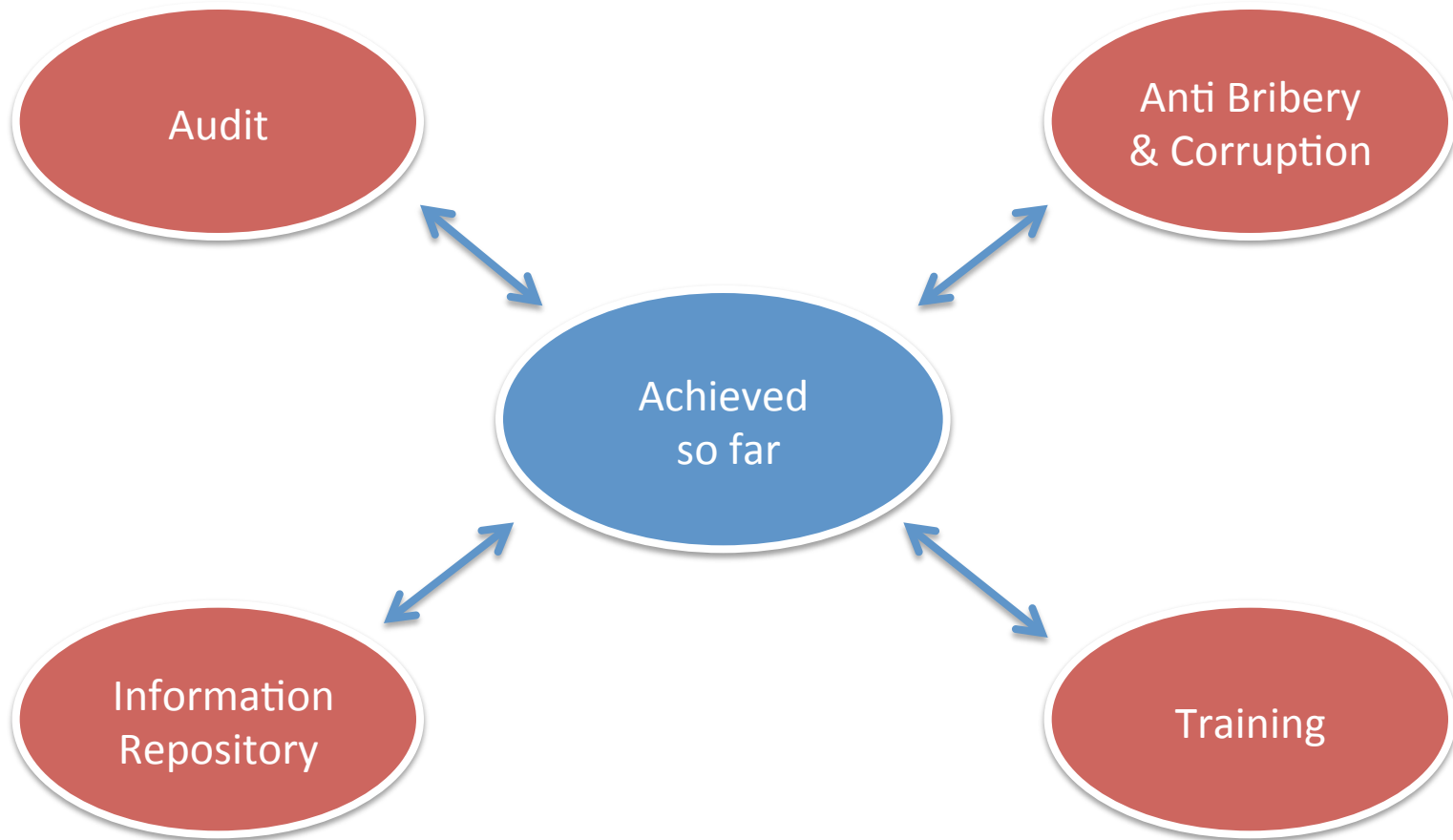


Strategic Objectives

Donor working group identified 4 strategic objectives to enhance how we could work together more effectively:-

1. Share information and resources to reduce the risk of misuse of donor funds
2. Share audit costs and outcomes
3. Develop an agreed process for assessing financial capability
4. Identify common approaches for building financial capability where a need has been identified

Strategic Objectives 1 & 2 achieved during 2012-2014



Achievements

- **Audit**
 - During 2013/14, EDCTP & MRC co funded audits of 14 Institutes in 6 sub Saharan African countries.
- **Anti-Bribery & Corruption**
 - In 2012, the MRC and EDCTP launched a web based, bi lingual teaching module for anti-bribery and anti-corruption training. (www.fbtrainingresource.co.uk).
 - MRC and EDCTP agreed that completion of this training module is a requirement for all key staff involved in the administration of grant awards within recipient institutes in LMIC's.
 - This e-learning module is freely available to interested parties

Achievements

- Training

- Anti-Bribery & Corruption training was delivered by MRC and EDCTP in meetings in Dakar and Johannesburg to >60 financial managers from recipient organisations in Central, Western, Eastern and South Africa.
- Project management training was also delivered to their Principal Investigators & Project Managers

- Information Repository

- Several of the working group donors have established a web based repository where they share data on their project portfolios, financial governance processes, risk assessments, and any associated financial governance tools and techniques (<https://mrc.huddle.net>).

Next Steps – Strategic Objectives 3 &4

3. Develop an agreed process for assessing financial capability
4. Identify common approaches for building financial administration capacity and capability within recipient Institutes

Strategic Objective 3:

Financial Management Assessment Tool (FMAT)

The objective of the FMAT is to establish an agreed methodology for assessing the financial capability of a recipient institute.

The following development and implementation process is envisaged



- Donors agree the scope of activities to be assessed and how to measure them.
- Deploy FMAT as a web based tool.
- After a proposal has been approved for funding, and as part of the pre award risk assessment, potential recipients will self - assess their current capabilities using the FMAT.
- Donor will liaise with the Institute to identify any required capacity development and facilitate the recipients accessing funds for capacity development

FMAT – Areas to be Assessed

- Planning and budgeting
- Accounting & cash management
- Financial reporting
- Internal Controls
- Grant Management
- Staffing

Acknowledgement:

MANGO – Management Accounting for NGO's "Financial Health Check"

Mango is a UK registered charity. Their mission is to strengthen the financial management and accountability of Non Governmental Organisations (NGOs) and their partners.

FMAT – Scoring system

	Explanation of scores	Score
	Practice is totally in accordance with the statement	5
	Close to 5, but not quite there	4
	Close to 0, but not that poor	1
	This is not in place, is not true or does not happen	0

Example - Accounting & Cash Management

Statement of Best Practice	Score			
Every payment made has a supporting document providing evidence	5	4	1	0
All cash or cheques received are recorded on pre-numbered carbon copy receipts (if NGO does not receive cash or cheques score 5)	5	4	1	0
All payments and receipts are recorded in cashbooks (date, description, amount)	5	4	1	0
There is a separate cashbook for each bank and cash account	5	4	1	0
Every entry in the cashbooks is cross referenced to a supporting document	5	4	1	0
All cashbooks are updated at least once per month	5	4	1	0
All cashbooks are written neatly in permanent ink or on computer	5	4	1	0
A standard Chart of Accounts is used to code (or classify) each transaction in the cashbooks	5	4	1	0
Transactions are also classified by project or donor using a standard list of 'cost centres'	5	4	1	0
A bank reconciliation is done each month, for every bank account	5	4	1	0
A cash count reconciliation is witnessed and recorded each month	5	4	1	0
The organisation keeps track of amounts owed to others (eg suppliers) and owed by others (eg staff)	5	4	1	0
Total score for Accounting & Cash Management				

Interpreting the score

Area assessed	High Risk	Medium Risk	Low Risk
Planning and budgeting	0 - 25	26 - 40	41 - 50
Accounting & Cash Management	0 - 30	31 - 50	51 - 60
Financial reporting	0 - 20	21 - 35	36 - 40
Internal controls	0 - 40	41 - 60	61 - 75
Grant management	0 - 15	16 - 25	26 - 35
Staffing	0 - 20	21 - 30	31 - 40
Total score	0 - 175	175 - 280	281 - 350

Issues under discussion by the donors on the implementation of the FMAT

- How to secure funding for completing the design & implementation of the FMAT
- Choosing which sites to assess and when?
(i.e. currently funded, at the grant pre - award stage or selected prospectively by the donors?)
- How to show uniformity of self assessment scores
- Using external auditors to audit FMAT responses

Strategic Objective 4:

Identify common approaches for building financial administration capacity and capability of recipients

- Resources required to liaise with recipients to develop an agreed Corrective Action Plan (CAP)
- How to fund the CAP?
 - Should funds for the CAP be included as part of the grant proposal? (e.g. as a % of the funds requested)
 - Should a separate fund be put aside by the donors for FMAT related activities?
 - Should grantees be asked to use their indirect costs (overheads) revenue?
- Who is best placed to develop and implement the FMAT?
 - Internal resource within the donors or external consultants?

Future Objectives

- Accreditation
 - Develop the FMAT into an industry “Standard” which is recognised and accepted Internationally by the donor and recipient communities
 - Analogous to an accreditation process for “Good Financial Practice”
 - Similar principles to Good Clinical Practice(GCP) & Good Laboratory Practice (GLP)
- MANGO
 - *MANGO wish to collaborate with our donor working group in the development of a common financial accreditation standard that could be utilised across the NGO & Medical Research Communities in Sub Saharan Africa and the ROW.*

Benefits

- Recipients
 - Improved financial capability and capacity
 - Enhanced financial reputation
 - Less administrative burden from donors
- Donors
 - Reduced costs of financial risk assessments
 - Reduced risk of financial loss
 - =More funds available for more science

Questions?