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## i. OVERVIEW

The purpose of this publication is to help NPOs in the efficient management of financial resources. CSOs are continuously working in a competitive environment that is rapidly changing. To be successful in this challenging environment, it is important to ensure the most efficient use of financial resources.

This is only a publication, which means that each NPO is unique based on their size and their organizational structure, therefore the NPO's management should develop a specific content to suit their environment.

### **What is financial management?**

Financial management is much more than keeping the accounting records. This is only an essential part of organizational management and it cannot be seen as only a specific task of the finance staff. Financial management includes planning, organizing, controlling and monitoring of financial resources, in order to achieve the organizational objectives and includes also a range of financial tactics. An effective financial management will be achieved only if we have a good organizational plan. In this context, plan means to set the objectives, to develop and assess the policies, strategies, tactics and the actions to achieve these objectives.

A good financial management is going to involve you in operations of short term planning and strategic long term planning. This financial planning should be part of a continuous planning process within an organization.

Good practice in financial management will:

- help managers to make effective and efficient use of resources to **achieve goals**;
- fulfill commitments to stakeholders;
- help NPOs to be more **accountable** to donors and other stakeholders;
- gain the **respect** and confidence of funding agencies, partners and those served;
- give the NPO the **advantage** in competition for increasingly scarce resources; and
- help NPOs prepare themselves for long-term financial sustainability.

### **Who should use this publication and when?**

This publication is an introduction to accounting and reporting systems, internal controls, budgeting process, financial analysis and tax affecting the NPOs in Albania and intended to give such people a basic understanding of some of the above mentioned concepts. Many people in leadership positions in NPOs find themselves dealing with large sums of money, significant and variety of transactions, different requirements for reporting & taxation when they have little or no knowledge or experience about how to manage and use the accounting and financial information.

*Who should use this publication?*

This publication should be used by NPO's leaders, project managers, finance officers, as well as by different stakeholders, who want to have a deeper information and knowledge about NPOs financial management.

## **Financial Management of NPOs and the Regulatory Framework**

*When will this publication be useful?*

This publication will be useful when a non-financial leader or manager wants to familiarize himself/herself with:

- the main concepts about financial system and management
  - what is necessary for setting up the accounting and reporting systems;
  - the importance of financial information and using this information as a tool in decision making, budgeting and other managerial processes;
  - understanding the importance of Internal controls;
  - the applicable tax laws affecting the activity and reporting process of an organization.
- The specific aspect of financial control and accountability.