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# **ORGANIZATIONAL CAPACITY AUDIT REPORT**

## **All Ukrainian Civic Organization “MAGNOLIA”**

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## **I. Introduction**

The prepared report (hereinafter – the Report) presents the results of the **Organizational Capacity (Sustainability) Audit** performed by **IFC-Ukraine/Institute of Professional Fundraising** (hereinafter – IPF). IPF is one of the leading organizations in developing resource mobilization capacity of Ukrainian NGOs. IFC –Ukraine belongs to the international network of fundraising consultancies with headquarters in London, UK.

The main purpose of the audit was to find out whether **NGO “Magnolia”** (hereinafter – the Organization) is able to operate sustainable and long-term from the point of its resource mobilization capacity that, in its turn, is vested on the key aspects of its organizational capacity. The audit can be also used for assessing whether Organization can manage the existing and larger scope of awards (than those, which were operated until the present moment) and which risks to be considered by donors while making decision about granting awards.

For getting the most proper results of the survey IPF used the following tools:

- Analysis of the internal documentation of the Organization – legal, regulative, operational documents;
- Interviews with the core personnel of the Organization;
- Organizational Capacity Assessment (Pact, Inc.) procedure;
- Organizational Sustainability Grid (IFC-Ukraine).





## II. Results of the survey

Five chapters of the Organization's capacity were analyzed within the survey:

- 1) Legal Structure;
- 2) Financial Management and Internal Control Systems;
- 3) Human Resources Systems;
- 4) Project Performance Management;
- 5) Organization Sustainability.

### 1. Legal Structure

According to the statutory documents of the Organization

- It is founded under the laws of Ukraine and has here the principal place of activity;
- It has a non-profit entity status from Ukrainian State Fiscal Service;
- It is founded by the Ukrainian residents and according to statutory documents and information obtained from the core personnel is not controlled by foreign entities/individuals;
- The Organization has developed and implemented bylaws for functioning of all governing bodies.

The Organization was founded in 2005 with the main objective – to protect rights and freedoms, meeting societal economic, social, cultural, ecologic and other interests of its members and society in general and introducing international standards of human rights protection.

The activities of the Organization do not require special separate licenses/permits or certification. The Organization was registered by all appropriate government authorities and control bodies.

Organization has fully functioning Board, Supervisory Board and management. Organizational structure is well described and clear.

**The key activities** of the Organization, in which it has the most experience and competitive advantages are the following: search of lost children and returning them to family setting, family reconciliation and resilience, deinstitutionalization, protecting rights of children, people under violence and vulnerable groups, advocating better provision for the children and families from the state in Ukraine.

**The Organization has the Strategic Plan for 2016-2018.** In 2018 Organization has developed a Theory of Change, Communication Strategy and Plan of fundraising.

### 2. Financial management and internal control systems

Organization has developed **Financial Policy and Procedures** document, which set standards, rules and requirements for all **main components of financial management**:

- Budgeting and monitoring;



- Procedures of financial management and accounting;
- System of bookkeeping;
- System of financial reporting;
- System of internal control;
- System of cash flow;
- Bylaws for Audits;

The above-mentioned document includes the following sections:

- Financial system and organization (financial management principals, detailed description of financial personnel – the financial management, the chief accountant and the cashier);
- Accounting system (a software, documenting, provisions);
- Reporting (according to the national standards, reporting to donors, tax reporting);
- Planning, Budgeting and Monitoring (development and control of the total budget of the Organization and its parts – project budgets, costs allocation principals: direct and indirect, not-allowed costs definition, costs sharing);
- Internal control (applications for awards disbursement, payments control, cash operations, internal control for financial reporting, advanced payments control, salary calculation etc.);
- Audit procedures.

And it has a separate document of **Procurement Policy** that regulates procurement of goods, services and works for performance of non-profit programs. Additionally, specific donor requirements are used in procurements.

Anticorruption Policy and Procedures are regulated by documents: **Anticorruption Policy** and By-laws **"On the Conflict of Interests"**, which determines and provides clear rules for preventing corruption and following anticorruption laws by the members of its governing bodies, staff members and other persons that may conduct on behalf of the organization.

### **3. Human resources system**

The **Organizational structure** provides functional structuring of the personnel:

- Top-management;
- Administrative (supporting) personnel;
- Staff, involved into programs/projects.

All these units are presented in practice and can be clearly defined.

Human resources system is governed by the Rules of Internal Labor Order, which are developed according to the Constitution of Ukraine, Labor Code, and other documents that regulate labor relationships in Ukraine. Rules contain such sections:

- Procedures of hiring and dismissal of the staff;
- Main duties and rights of the employer and employees;
- Working time and holidays;





- Encouragement and sanctions of the staff;

**Code of Ethics** regulates other relationships between employees, experts and other involved staff into the implementation of Organization's mission.

#### ***4. Program performance management***

The Project Management regulations are vested in the schemes of Project implementation depending on the donors' requirements. Each Project works separately according to its own plan and budget. Responsibilities are equally divided among staff members according to the human resources regulating documents. This document discloses:

- Definitions in project management;
- Rules of collaboration with partners;
- Detailed functions for each role in project teams;
- Stages of programs implementation (from an application to a donor till closure of a program).

The above-mentioned documents contain description of planning and monitoring processes. These two important stages include activities of project teams, which directly impact to the successful implementation of programs. The Organization uses **planning and monitoring process** via working meetings, notes, emails etc.

According to the rules of collaboration with donors the **Organization prepares lots of periodical reports in each project**. The frequency of reporting can vary from one month to a half of a year (depends on the size and term of an award). Each report includes detailed information about made expenditures (in comparison to the approved budget and granted award), done activities/events, timesheets etc. These control procedures keep discipline in project teams. All payments of the Organization are tied accurately to project budgets, approved by donors and written down in signed contracts. Chief Accountant control functions allow controlling each payment according to budgets. Periodically donors start audit programs for controlling of usage of defined awards. Therefore, all received awards are used for particular purposes and the Organization does not have past due accounts. Each award is used in the whole approved size for approved purposes.

#### ***5. Organizational sustainability***

The Organization has developed a **Theory of Change** to be better adapted to the varying and dynamic changes in the context it operates.

There is a list of strategic objectives – ideas for future development of the Organization.

The reputation of the Organization during the years of its activities, results of its activities, its strategic objectives and qualification of its personnel allow the Organization to make it possible to implement additional projects in the future. Continuous cooperation with international





organizations, access to media and participation in the larger human rights defenders networks makes this perspective feasible.

The management model, which is used in the Organization, is very flexible for scaling of its activities by involvement of additional personnel or partners in complex projects.

Results of the **Organizational Capacity Assessment** have shown the picture of clearly balanced development. The key areas were recognized to be in the center of future interventions that lead to fully functioning and sustainable organizational capacity:

- Strategic management;
- Communication;
- Organizational culture;
- Human Resource management;
- Fundraising.

For developing these areas the Institutional **Capacity Building Plan** was created with clear action points mostly focused at the development learning and succession paths in the Organization.

### **III. Conclusion and recommendations**

Based on the obtained results of the survey and its objectives IPF made the following conclusions and recommendations:

- 1) The Organization has a long-term and successful history of its activities, has the professional personnel on key managerial positions. Nevertheless, the Organization needs to work on the expansion of its activities in order to have in constant staff the leaders of main projects;
- 2) With understanding of perspectives of its development and with help of key donors the Organization started the transitional period in organizational development. This initiative included the processes of documenting of rules/principals for employees in such fundamental areas as financial management, HR, project management etc.

#### **IPF recommends:**

To the Organization – to keep on moving in the direction of organizational development, that was started, but to introduce into the current plan the actions. The main accent should be made on the practical implementation of approved regulations/plans;

To the [potential] Donor – to set the oversight plan of implementation actions requested for further development of the Organization.