Practical Guidelines for Project Management

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Project management comprises of three major Components namely Activity Management, Financial Management and Reporting Management. Of these, the first two components should complement each other for better Project Management. A project tends to fail in the absence of Proper financial Management although it is stronger in activities. Activity management could be more realistic only if it is correlated with the financial management. Hence, the latter is equally important as the former for any project incharge. Though Reporting Management is mentioned as last, it is in fact most important than the other two. This is because it not only provides understanding on what has been achieved so far but also throws insight on activities undertaken to reach the end points along with the reasons of set back where ever reaching the milestones is delayed. This enhances the quality of projects by ensuring appropriate concurrent monitoring system within the organization. Reporting is important not only for the organization but also for the implementing agency. It enhances the funding agency to share the information with the funders:

(A)To raise more funds in future and

(B) To show how their funds have been utilized.

Challanges

Project management sets challenges not only for the concerned project managers but also to the top management. When an activity is performed / undertaken in project mode it demands achievable targets within limited resources especially in case of time and staff. Thus it is more resource intense and necessitates better management in all aspects. This serves as a challenge for both the project manager and the top management.

Secondly, recruitment and posting of persons with Finance background alone for all projects will prove futile since it requires technically / clinically experienced hand. Similarly, relying entirely on any 'Accountant' for better Financial Management of all projects would be least effective. Hence, the ideal choice left behind would be is to recruit persons experienced in activity and to strengthen them in the area of financial management in their projects. This is one of the challenges faced by the top level management in an organization. The challenge of project in charges lies in being self reliant in managing the projects assigned to them.

Activity Management in Projects

"A well begun work is half done". To well begin a project, proper planning becomes the preliminary step. As soon as a project proposal gets approved and finalized, the next step is to plan for implementation of the project activities. This is complex since a single project need not necessarily have a single target alone. It may have more number of targets which have to be discussed, identified and written in detail. Each target has to be broken into several manageable tasks for which the persons responsible has to be finalized (Man power planning). Further, the cost required to complete each task or activity should also be determined at this stage (Financial planning). The time line required to complete each activity should also be planned (Time management). The accounting and reporting procedures and formats to be followed in the project should also be decided prior hand.

Financial Management in Projects

Drafting of project proposal and budget is the first step in any project. This is usually done by the joint efforts of the top management and the representative from the funding agency in any organization. Project in charges are better oriented towards financial management in their project if involved right from this preliminary stage. But unfortunately, this doesn't happen so. Most of the time they will be given an opportunity to implement the priorly approved project. In such a situation, the project in charges are expected to equip themselves with additional efforts in the following areas of financial managements like Budgetary control, Financial monitoring, Accounting procedures, and Reporting requirements.

Budgeting

Budget is an inherent part of the project proposal in which the activity plan is expressed in numerical terms. It is an estimation of cost to complete each task / activity. Though this is done for entire period of the project, it usually has a yearly breakup. A budget is normally in the form of a table where the major activities identified appears as row heads and the period (I year, II year etc) appears as column heads. When the funds are contributed by both the funding agency and by the institution itself, the budget can show their individual contribution distinctively too.

Practically speaking, approval / finalizing of proposal may require even two years from the date of sending the proposal to the funding agency. Hence the budgets may not reflect true costs by the time it is getting approved. To avoid this drawback the costs estimated should provide room for covering the inflation rates too. A revised budget would be better in case of activities deviating from its original initial plan.

Further, since the required output has to be achieved with the desired quality inspite of various resource constraints, annual budget alone will not be of much use. Therefore, a monthly breakup of this budget based on the period of occurrence of an activity will give a better projection. Hence a projected cash flow statement has to be prepared by the project in charge. This is nothing but scheduling the monthly expenditure for each in item/activity. (I.e.) identifying various items/activities of expenditures and relating it to the period of month when it is expected to happen/occur. Few activities are periodical (Training /workshop once in 6 months) and few activities are regular (salary etc) The month (period) is shown in the column head and items/ activities shown in the row head. The row total gives an idea of annual amount to be spent for a particular item/activity. The column total gives an idea on expenditure that could be incurred in a specific month. The statement also highlights the closing and opening balances available in a particular month. This helps in planning the right time for further request of funds from the funding agency. It helps not only in better funds management but also in better time management.

Financial Monitoring

A mere plan and projection of expenditure will not enhance better funds utilization unless actual expenditure is properly controlled. Proper control can be made possible only if the funds status (Overspent/Underspent) is available. This is possible only when a Monthly expenditure statement is prepared where the variation of actual expenditure from that of budget is understood along with the variation percentage or the spent rate. This statement provides a basis for analyzing the items/activities which were over spent/under spent and the underlying reasons. The project in charges have to use this statement extensively to identify areas where more cost controlling has to be done and also the activities that are unspent needs revision. It also serves as an alarm system to identify the postponed / delayed activities that should have been done much earlier. The postponement can be linked with the unspent amount for further exploration on remedial measures to be taken. The specimen of monthly expenditure statement can be as follows:

Accounting Procedures

The purpose behind monthly expenditure statement will be full - fledged only if the actual expenditure column reflects true figures. These figures will be reliable only if backed up by proper proof of

S.No.	Items / Activities	Budgeted amount for the month	Actual amount spent during the month	Variation (Budgeted - Actual)	Spend Rate or % of amount utilised (i.e) (Actual/Budget)*100

expenditure, appropriate records and a good book keeping system. Actual bills can be evidence for all the external expenditure involved.

In order to manage various projects, the resources available in the organization are widely utilized for project activities.(eg.)Electricity, Telephones, Vehicle, stationery, staff time etc. Hence it become inevitable to introduce an internal billing system to track the expenses incurred for the project. Internal bills can be raised in the organization's letter head as a proof of the internal expenditure incurred.

Moreover, separate account for each project would not ensure proper recording of expenditure on item/activity basis. Hence it becomes crucial to create different cost centers for each item of expenditure. If all the expenses incurred in the project are properly accounted under the respective cost centre from day one it becomes very easy at any point of time to generate the expenses statement.

Reporting Requirements

The system of reporting to the top management every month and to the funding agency as per the requirement decided earlier would be fruitful only if the reports reflect the accurate figures. The accuracy depends on the extent/degree of following the systems stated above.

Reporting is a basis on which the performance can be monitored. Funding agencies expect the organization to report regularly as feedback on the funds spent by them. Whereas the top management within the organization requires the project in charges to report regularly to monitor if the activities are going on in the right track within a reasonable time in spite of utilizing the funds properly. Hence it is essential to report to both the funding agency and the top management.

Reporting to the funding agency may be as per the agreed terms in the agreed format. Whereas a proper system should exist within the organization for periodical reporting to the top management on both the funds status and activity status. The period may be quarterly or monthly as the management decides. But it would be ideal to have the following three reports namely funds utilization and requirement status report, entire activity plan of individual projects, and monthly tracking report of individual projects.

Ultimately

The success of projects depends not only on managing them effectively from the above discussed factors but also on other factors like existence of well defined systems, procedures, clear-cut guidelines and self sustained project in charges. Any organization which is consistent in following these aspects will definitely result in making their projects financially viable and effective.