



**NETWORK OF PEOPLE LIVING WITH HIV AND AIDS IN NIGERIA  
(NEPWHAN)**

**FINANCIAL POLICIES AND PROCEDURES MANUAL**

**JUNE, 2009**

## OUR MISSION

To empower, strengthen and coordinate all support groups, state networks, constituencies, associations and organizations of people living with HIV/AIDS in Nigeria to contribute meaningfully to the national response.

### SPECIAL NOTICE

The provision of these policies, procedure and manual are subject to annual review by Management Board. Efforts shall however be made by Administration Department to issue due notice when changes and revisions occur and such changes will duly be incorporated in the next issue.

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## **NEPWHAN Background**

NEPWHAN refers to the umbrella administrative body of all support groups of people living with HIV/AIDS (PLWAs) who choose to register with the body throughout the country. Being an administrative body implies that it does not execute programs while it assists its member support groups to carry out its stated mission and activities leading to achievement of our goal and objectives. NEPWHAN however is actively involved in the mobilization of PLWAs throughout the Federation and organizing them into new or existing support groups thereby broadening its own organizational base.

HIV was given official recognition in Nigeria when the first case was announced in 1986. As in other parts of the world the infection came into Nigeria with its full complement of attending fear, stigma, discrimination and rejection. It is therefore not surprising that PLWAs tended to hide their status. Even when terminally ill, the cause of their illness is rather ascribed to other infections such as Tuberculosis. At that time, government was still in denial and there was therefore no commitment of any sort to HIV response by government and its arms. Responses to the epidemic in the country were mainly by non-governmental organizations (NGOs) including faith-based ones and international agencies that were only operating half-heartedly due to the political climate at the time.

Lack of capacity and basic infrastructure however severely limited activities of this young organization. In the year 2000, PLWAs from all over the nation were again called together to fashion a way to move the network forward and invigorate the executive. A new executive was put in place at this meeting. The mission of the network was set at - empowering and strengthening support groups of PLWAs and PABAs. Its goal was to advocate for the rights of PLWAs in Nigeria and seek to put in place comprehensive HIV/AIDS prevention and support services. The vision of the network was a country where PLWAs are given equal rights and opportunities like every other member of the society. In terms of directional thrust, the network set itself two main tasks:

- a. Mobilization of PLWAs all over the country, organizing them into support groups and empowering them to join in the national response with the aim of reducing and eventually eliminating further spread of the virus.
- b. Mitigating the impact of HIV and AIDS on the life of PLWAs, PABAs, orphans and other vulnerable children.

## Values at NEPWHAN

- Empowering individuals and institutions to improve the health status of populations at risk as a positive contribution to social justice.
- Personal integrity, high moral standard, commitment to our shared mission, and excellence in our work are expected.
- Common courtesy in our personal interactions, a collaborative working style, and concern for the rights of others are the chief manifestations of, and basis for, building NEPWHAN's mission.
- Pursuit of public health goals at NEPWHAN is driven by their importance, by the possibility of positive impact, and by technical and financial feasibility, not by potential profitability. Hence, NEPWHAN is constituted as a nonprofit corporation to serve the public interest.
- The immensity of the tasks we face in public health management requires a high degree of humility. Our individual energy, intellect, sense of humor, and dedication can make a difference.
- Management support for development means long-term commitments to our clients and colleagues. It demands that we work for the success of others, promoting their capacity to work more effectively and independently and placing a higher value on facilitating their success than on personal or organizational recognition.

## INTRODUCTION

This policy manual exists to promote unity through a common understanding of what is expected of NEPWHAN and her employees. This document shall be subject to a review annually, in order to reflect current practices.

NEPWHAN will hire and retain employees, and provide those benefits and rights under the guidelines of Nigerian labour law. In addition workplace and preventing the abuse of the child, as mandated by Nigerian law.

NEPWHAN will treat employees in a manner in keeping with the mission and ethical standards of the organization.

To support the mission, NEPWHAN is committed to:

- Employing staffs who are recognized for technical excellence, integrity and dedication.
- Collaboration with colleagues on the basis of mutual respect and shared goals.
- Providing a workplace that is professionally stimulating and supportive.
- Ensuring the protection of the health, safety and welfare of men and women in the NEPWHAN will take affirmative action to ensure that qualified applicants are employed and are treated without regard to their race, age, color, religion, sex, national or ethnic origin, social or marital status, physical disability or HIV status.

In accordance with the labour law of Nigeria, NEPWHAN will ensure equal opportunity for women, in relation to remuneration, employment security and provision of maternity and paternity leave.

NEPWHAN shall maintain ethical standards in the hiring and termination of all staff.

### **Office Operations Policy**

- NEPWHAN will set operation policies in collaboration with the management team, Following sound business practices and complying with any applicable Nigerian law and donor requirements where necessary.
- Providing a workplace that is secure, comfortable and efficient.
- Creating policies that treat employees equitably.
- Implementing procedures that safeguard assets and equipment from loss, fraud or misuse.

### **Standards of Ethical Conduct**

Personal integrity is considered to be the most important contribution an individual may bring to NEPWHAN. NEPWHAN expects all employees to adhere to the

highest standards of ethical conduct in their professional and private affairs. General standards of conduct include avoiding any action that might result in or create the appearance of:

- Obtaining personal financial gain from one's position or activities with NEPWHAN.
- facilitating the financial gain of a competitive organization or individual through disclosure of confidential information about NEPWHAN;
- failure to properly account for NEPWHAN fund with which one is entrusted;
- failure to report personal use of NEPWHAN facilities (e.g. vehicles, furniture, and other equipments)
- All employees shall be loyal to the policies, procedures and activities of NEPWHAN above all other considerations.

Fees, honoraria, and gifts of nominal value may be accepted by a staff member. However, acceptance of any gift, meal, or social invitation which is not in keeping with good business ethics, or which obligates the staff member or the recipient, is in conflict with NEPWHAN interest.

## CHAPTER ONE

### INTRODUCTION

#### 01.01 BACKGROUND

The NEPWHAN financial management is a process which brings together planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement, and the physical performance of the various program with the aim of managing resources to achieve the programs objectives. Sound financial management is critical to program implementation and hence the achievement of the desired program objectives. Relevant and reliable financial information provides a basis for better decision-making, improved management of physical and financial resources, and efficient implementation of program activities. An effective financial management system is vital for programs because of the need to deliver services to target groups quickly over a large geographical area and to a wide variety of stakeholders. Strong financial management systems provide:

- Essential information to those who manage, implement and supervise programs;
- Comfort to lenders and the donor community that funds have been used efficiently and for the purpose intended; and
- A deterrent to fraud and corruption, because they incorporate strong internal control and transparent financial reporting systems which identify unusual occurrences and deviations.

The responsibility for the establishment and maintenance of a financial management system for NEPWHAN Administration rests with the Board of Trustees, the Management Board and the NEPWHAN's Finance Department.

When preparing proposals for financing programs, NEPWHAN will always considers the following financial management issues.

- The capacity of the proposed financial management system, the availability of relevant and adequately qualified personnel to undertake financial management functions.
- That an appropriate organizational structure as well as adequate staffing is in place and will be maintained with clearly defined

responsibilities for program activities.

- That when program implementation begins, a financial management system, which will reliably record and report all programs financial transactions, is in place.
- That throughout the life of the programs, an appropriate financial management system, which will produce annual financial statements in compliance with acceptable standards is maintained.
  - That will assure the timely appointment of an independent auditor under acceptable terms of reference and ensure the timely submission of acceptable annual financial statements and audit reports.

## 01.02 **PURPOSE OF THE FINANCIAL POLICIES AND PROCEDURES MANUAL**

This manual provides broad guidelines for the development and maintenance of financial management system for NEPWHAN. The principles and themes outlined here are specifically to address the fiduciary aspects of the implementation of all Programs at country level. It is therefore not program or donor specific. However, many of the issues addressed here in the manual are applicable to other programs funded by governments and other donor organizations.

The financial procedures manual will ensure the institution of a reliable financial management system that promotes transparency and encourages orderly and systematic documentation of financial transactions in order to facilitate timely preparation of accurate, relevant, and reliable financial information that will enable the various stakeholders to plan, implement, monitor, and appraise overall progress towards the achievement of NEPWHAN objectives.

The manual:

- Outlines the NEPWHAN's accounting policies and lay down rules in preparing financial statements;
- Sets out appropriate procedures for accounting controls and checks;
- Recognizes adequate recording of funds flow through efficient recording and reporting on grant drawdown and usage, and thereby ensures proper monitoring of the application and utilization of funds;

- Sets out the structure and roles of the Finance Department, vis-à-vis the overall management and operation of all Programs;
- Provides a standard procedure and reporting system for the staff of the Finance Department and also specifies the basic job descriptions applicable to each function, position and personnel;
- Provides the yardstick by which the performance of the Finance Department can be measured;
- Provides assistance in the deployment of resources with the purpose of ensuring economy, efficiency and effectiveness in the use of such resources;
- Eliminates arbitrary and subjective application of methods and procedures in the treatment of financial transactions;
- Defines limits of authority and approvals for all activities which would have financial implications; and
- Outlines systems of procedures and controls for procurement and contracts/grants administration and monitoring;

Other uses of the manual include:

- A training resource for new and existing staff;
- A reference for staff in performing financial management tasks;
- A reference for the Finance Department to ensure compliance with financial management policies and procedures;
- A reference for auditors, consultants, and other partners and stakeholders to understand or evaluate the financial management system;
- A reference for the compliance with financial management policies and procedures; and
- A tool to be used to standardize financial management practices and procedures for all programs.

This manual will assist program planners and those implementing Programs (staff and Sub-Recipients) to meet NEPWHAN's and most donor specific financial management expectations and requirements. For instance, NEPWHAN and most donors require that a minimum financial management system should:

- Reliably record and report all assets and financial transactions of all programs including commitments;
- Provide sufficient financial information for managing and monitoring

of program activities; and

- Have in place appropriate audit arrangements to provide for an annual independent audit of financial statements.

### 01.03 INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

The institutional arrangements for the implementation of all Programs are structured in such a way that will facilitate the achievement of major objectives vis-à-vis: to provide some benefits to the maximum number of members and beneficiaries; and to deliver these benefits as quickly as possible.

Membership of the management (those that manage NEPWHAN on daily basis) shall be made up of relevantly qualified personnel with appropriate expertise in their chosen fields. Except those that were elected.

Management Staff will have the following functions:

- Preparing/Consolidating annual work program and reviewing quarterly financial monitoring reports and financial statements;
- Implementing the policy decisions regarding all programs and activity components;
- Coordinating, monitoring, and providing technical support to implementing officers and Sub Recipient;
- Preparing and submitting proposals for funding to donors and partners and other stakeholders;
- Evaluating proposals from Sub Recipient;
- Ensuring that the Balance Sheet, Income and Expenditure Account, Bank Reconciliation and Program Progress reports are prepared latest 3<sup>rd</sup> week after the month ends and after the approval of the management board (approval will be maximum of 7days after which is deemed to be approved), all necessary reports can now be submitted to the stakeholders if required.

A Finance Department will establish appropriate financial management to ensure that:

- All important business and financial processes are covered;
- Adequate internal controls are in place;
- Financial monitoring reports are prepared on a timely basis;
- The financial information required by and other stakeholders are prepared promptly;
- The annual financial statements are prepared on a timely basis; and

- The annual external audit is completed in time and audit findings and recommendations are implemented expeditiously.

The Finance Department will amongst other things:

- ✚ Be properly staffed;
- ✚ Have a clear reporting line;
- ✚ Be headed by a relevantly qualified Accountant with a minimum of 2 years post professional qualification;
- ✚ Have efficient and effective disbursement arrangements;
- ✚ Maintain all financial records and books of account, documentations, and internal controls;
- ✚ Ensure adequate internal audit arrangements and activities;
- ✚ Ensure adequacy and reliability of financial management arrangements;
- ✚ Be responsible for preparing budgets, reports, and provide regular/ad-hoc financial reports; and
- ✚ Ensure compliance with financial management requirements of the management, donors, partners and other stakeholders.

The **Accountant** who will be reporting to the Finance Manager will be an experienced and relevantly qualified accountant who will be responsible for the under-mentioned accounting functions:

- **Receipts and Payments:** This entails handling all banking operations, the preparation of payment vouchers and other related documentation, maintenance of major Cash Books including their reconciliation.
- **Prepayments/Advances and General Accounting:** This entails recording of all advances and their subsequent retirement as well as updating major subsidiary ledgers, including the maintenance of major books of accounts, the fixed assets register and other general accounting duties.
- **Grant and Budget:** Involves handling all matters of Grant - records, Statement of expenditures SOEs, replenishments, correspondences, and other issues that may have to do with the budget. It also entails the preparation of On-going Progress Update and Disbursement Request Report.
- **Audited annual financial statements:** This entails ensuring that the audited financial statements together with the Auditors

Report and Management Letters are submitted to the management and other stakeholders within agreed periods.

The Internal Auditor who will report to the management Board will have responsibility for the following internal audit functions:

- Reviewing and appraising the soundness, adequacy and application of accounting, financial, and other operating controls and promoting effective controls at reasonable cost.
- Determining the extent to which assets are accounted for and safeguarded from losses of all kinds.
- Ascertaining the reliability of management data developed within the organization.
- Appraising the quality of performance in carrying out assigned responsibilities.
- Ascertaining the extent of compliance and determine adherence with established institutional policies, plans, and procedures.
- Highlight areas for process improvements by making appropriate constructive criticisms and recommendations.

#### **01.04 RELATIONSHIP BETWEEN MANAGEMENT AND FINANCE DEPARTMENT**

The basic functions of the Finance Department will be accounting, planning, budgeting, reporting, internal control, internal auditing, management and administration of funds. Management will have the responsibility for achieving all programs and development objectives by providing an overall framework for planning, executing, controlling, monitoring and evaluating project, programs and activities.

#### **01.05 FINANCE DEPARTMENT ORGANIZATIONAL CHART**

Developing an organizational structure for the Finance Department involves determining the key areas of authority and responsibility and appropriate lines of reporting, taking into consideration segregation of duties to ensure that no single staff initiates, process and record a transaction alone.

#### **01.06 FINANCIAL MANAGEMENT COMMITTEE**

A Financial Management Committee (FMC) will be established to monitor and supervise the financial management functions. The finance manager shall be responsible to the FMC and provide necessary information. The composition of other members of FMC shall be determined by the

Management board. The FMC will meet at a periodic interval to review the financial reports generated by the financial management system, monitor financial management and procurement aspects of Programs and activities and resolve financial issues that arose. The Management Reports to be reviewed at a period interval will consist of the General Program Reports, Financial Reports, Procurement Report, Personnel Report and Progress Report from all activities.

## CHAPTER TWO

### ACCOUNTING PRACTICES AND POLICIES

#### 02.01 INTRODUCTION

This section summarizes the accounting practices and policies to be adopted. The procedures by which the policies are implemented are contained in the relevant sections of this manual.

#### 02.02 RESPONSIBILITY FOR ACCOUNTING POLICIES

The Finance Manager, the Internal Auditor and the External Auditors may recommend accounting policies to management for approval. However, the implementation of accounting policies shall be the responsibility of the Finance Manager and the Internal Auditor.

#### 02.03 THE ACCOUNTING SYSTEMS

The Finance Department's Accounting Systems shall be based on a rational combination of Accounting Policies and Practices best suited to report the financial affairs. The policies and practices are in conformity with Generally Accepted Accounting Principles namely:

- **Going Concern** - operations will be sustained into the foreseeable future and that there will be no significant liquidation of its assets due to a reduction in the scale of operations or Grant cancellation.
- **Consistency** - Accounting policies set below will be applied consistently from one accounting period to another, and within accounting period, except when there is a special reason to depart from such policies. However, such reason(s) will be fully disclosed in the Financial Statements.
- **Prudence** - Adequate restraint will be exercised in the determination of income to be included in the Income and Expenditure Account and that all known costs and liabilities are charged in relevant period accounts with due regard to the accounting basis.

- **Accrual Accounting-** Income and charges relating to a specific financial year will be taken into account when occurred and not only when the related cash are received or paid.
- **Cash Accounting** - Income is recognized when cash received and expenditure recorded when related cash are spent
- **Hybrid Accounting** -NEPWHAN will operate a hybrid of accrual and cash accounting.

### **Accounting Policies**

The following are the significant accounting policies to be followed in recording transactions and in financial position reporting:

- **Accounting Convention**  
The accounts are to be prepared under the historical cost convention.
- **Basis of Accounting**  
The Cash basis shall be adopted in the preparation of Financial Statements.
- **Fixed Assets and Depreciation**  
Fixed Assets are those intended for use over a period exceeding one accounting year.

In applying the capitalization policy, all related (landing) costs and installation costs are included in the acquisition cost of the fixed asset item.

Capital expenditure on contract works will be included on the basis of valuation certificates including retention.

No Depreciation is charged on the project's fixed assets as there are no revenues to be matched against such charges and but charged in total within the period it is incurred.

- **Inventory**

Inventory is valued at the lower of cost and net realizable value.

- **Debtors**

Debtors are stated after making specific provision for debts considered doubtful of recovery.

- **Foreign Currency**

Income and Expenditure items in foreign currencies are converted to Naira at the prevailing rates at the transaction dates. Assets and Liabilities expressed in foreign currencies are converted to Naira at the prevailing rates at the balance sheet date and gains or losses on such conversions are credited or charged to reserve in the period which they arise.

- **Indirect cost:** NEPWHAN shall charge an appropriate indirect cost rate on all projects being proposed.

## CHAPTER THREE

### BUDGET

#### 03.01 **NEPWHAN'S ANNUAL BUDGET:**

The Management board has the responsibility of final preparation and approval of NEPWHAN organizational budget, with the Finance Manager and Program Manager collating the Budget from various department and final submission for review and approval from Management Board. The circular/ Call for budget and plan activity from various departments for the coming year shall be before mid July of the current year. The next year's Annual budget must be approved by management by end of November on the current year.

#### 03.02 **BUDGETING AND BUDGETARY CONTROLS** **BUDGETING**

The budget shows expenditure by objectives, service delivery areas and /or activities, the nature of the expenditure, and expenditure timing.

The National coordinator must ensure that a good work plan is prepared from the approved budget to ensure timing of cash flow.

The Work Plan will use the trends and assumptions in the approved budget to set out specific objectives, targets, performance measures, indicators and financial plan for each year, and the way in which these will be met. The agreed Work Plan shall be the basis for developing an annual financial plan. The Financial Plan will lay emphasis on funds requirements as well as the timing.

The National Coordinator will submit the detailed work and financial plan to management Board for review and approval before implementation.

Once the Work and financial plan has been approved, the necessary budgetary control machinery shall be put in place to ensure effective monitoring of the activities under the various departments. The National Coordinator shall put in place an appropriate accounting

procedure that will monitor expenditure against the work plan. No expenditure will be authorized by the National Coordinator except in accordance with the approved work plan.

At the end of every month, quarter and year, the Finance Department shall prepare Financial Monitoring Report for the Management Board, which will include a Budget Report. The Budget Report shall comprise of the expenditure for the month as well as the accumulated figures, the latter figures being further compared with the corresponding budget figures, and variances between budgeted amounts and actual expenditure stated, both in amount (absolute) and percentage.

Significant variances shall be investigated and explained in a report. This report shall be sent to the Finance Manager, Head of units, relevant program Manager/officers and all requiring such reports. The process of informing management Board about the level of actual expenditure as compared to budget limits will be part of the monitoring system.

#### 03.04 **BUDGETING PROCESS**

The under-listed are the budgeting process to be adopted:

- Department timetable is drawn by the Finance Manager to all Heads of Budget /Budget holders.
- Finance Manager will call for budget retreat, which shall be attended by all the Heads of Department/ Budget holders
- Budget holders shall submit annual proposals to the Budget Committee, which consist of the management team.
- Management will convene another budget retreat to finalize the budget.
- Budget Committee reviews the proposals and invite the Unit heads / Budget holders for budget defence.
- The National Coordinator will send the final budget to the Management Board for vetting and approval before implementation
- The approved budget is then circulated to Heads of unit/ Budget holders for implementation.
- The Finance Department/Internal Audit is then charged with the monitoring/evaluation of the budget.

### 03.05 PAYMENT PROCEDURES AND WITHDRAWAL OF FUNDS:

#### ▪ **Payment Procedures**

The following steps are adhered to before payments are made:

- ✚ A link between progress of work done and the payments;
- ✚ An efficient and effective flow of funds;
- ✚ The need for a sufficient fund;
- ✚ Supporting documents for verification and payments;
- ✚ The meeting of the requirements of Financial Monitoring Reports.

#### ▪ **Report based payment arrangement**

This is a payment arrangement, whereby documentation and feedback report is required as part of conditions needed to effect payments, stating the date and duration of activities. The objectives of this are:

- ✚ To facilitate prompt payment of any size, which is required for smooth and efficient program implementation
- ✚ To reduce payment processing time
- ✚ To reduce transaction costs related to the submission of supporting documentation for disbursement
- ✚ To promote integrated monitoring of all financial management and work in progress for NEPWHAN activities.

### 03.06 FLOW OF FUNDS

The Finance Department will identify a major bank where a Domiciliary Account and a Naira denominated account will be opened. The authorized signatories to the account shall be as specified by the Management board. A system of early replenishment will be instituted such that the Finance Department will have adequate resources to enable NEPWHAN activities to be implemented. Equivalent foreign currencies (if any) will be converted and transferred into the Naira account to meet identified eligible local expenditure.

All bank accounts **MUST** be reconciled with the cashbook using the bank statements on a monthly basis. These reconciliations will be reviewed by the Finance Manager and approved by the Management Board.

### 03.07 FUNDS DISBURSEMENT

The Finance Manager shall prepare a letter of instruction in triplicate to the commercial bank(s) where the NEPWHAN Domiciliary Account is held to transfer the Foreign Currency equivalent of the Naira amount

to the Naira Account. The letter of instruction shall be approved and signed by the authorized signatories to the Domiciliary Account. The Finance Manager shall dispatch two copies of the letter of instruction to the bank(s) and forward the third copy to the Accounts Officer for his/her file. On receiving the letter of instruction, the bank(s) shall acknowledge receipt by stamping and signing the duplicate copy, which will be filed in bank correspondence file in Finance Department. The relevant transactions shall be posted into the Cash Books as appropriate, using Inter-Bank Fund Transfer Voucher IBFTV (See Appendix 20). Before any disbursement is made from the Naira Account, the approval of the National Coordinator shall be obtained and adequate directives for disbursement shall be given by the Finance Manager.

Accounting Implication shall be:  
Dr Bank (Naira Current Account)  
Cr Bank (Domiciliary Account)

The posting must be done using the currency of transaction, i.e. the foreign currency. The rate prevailing at date of transaction must be accordingly applied.

### 03.08 **BANKING ARRANGEMENTS**

With respect to banking arrangements and funds flow, donors will disburse grants through a domiciliary Account of foreign currency denomination or Naira account opened with a commercial bank(s) approved by management Board.

The Domiciliary Account shall be operated by bank transfers through transfer instructions to the Bank(s), while the Naira Account shall be operated as Cheque Accounts. If all cheques are presented and cleared as issued, the balance on these accounts should be equal to the balance in the cash book except for bank charges.

Expenditures/transactions payments shall be made by cheque. All cheques and letters of confirmation shall be signed by at least two (2) authorized signatories.

### 03.09 **Signatories:**

There shall be two (2) signatories with one each from Category A and

Category B.

Category A  
National Coordinator

Category B  
The National Secretary  
The National Treasurer

All Cash Books and bank statements shall be reconciled monthly within Ten (10) working days after the month end. Differences arising, if any, shall be investigated and resolved promptly. Un-presented cheques after six (6) months shall become stale and entries reversed in the Cash Book. (see Appendix 8 for sample Bank Reconciliation Statement)

All payment vouchers and cheques shall be written in the name of the beneficiary that appears on the supporting documents. When a beneficiary other than the person shown in the supporting documents requires to be paid an open cheque, a letter of indemnity must be obtained.

**Signing of blank cheque is prohibited.**

Unused booklets shall be kept in a safe custody by the Finance Manager.

Transfer of foreign currency to Naira shall be converted at the prevailing rate on the value date i.e. date of the transaction.

### 03.10 **BANK RECONCILIATION AND FINAL ACCOUNTS**

Bank Reconciliation Statements shall be prepared monthly for all bank accounts. It is, therefore, important that all accounting books are posted to date and balanced. Bank Statements shall be obtained from the banks and reconciliation statements prepared.

The Finance Manager shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularizing them.

All reconciliation statements shall be reviewed and approved by the

National Coordinator and the Internal Auditor.

When the bank reconciliation is completed, the Trial Balance and other Final Accounts are prepared for Management Team with all the supporting schedules. The final accounts and the relevant schedules shall form part of the Program Financial Monitoring Report.

The National Coordinator shall before the end of the third week (i.e. 15 working days) after the month end, submit to the Management Board the Bank reconciliation statement, the Trial Balance and other Final Accounts including a statement showing Budget versus Actual expenditures and their variances. The Management Board shall within one week of receipt vet and approve the reports.

## CHAPTER FOUR

### ACCOUNTING FOR RECEIPTS AND PAYMENTS

#### 04.01 CASH MANAGEMENT AND ACCOUNTING

The Finance Department shall have responsibility for ensuring that the procedures established for payments and receipts of cash are properly followed. Also, it is responsible for issuing receipts, preparing payment vouchers, and maintaining the cash records in accordance with the laid down procedures.

The main features of the accrual systems are as follows:

- At commencement of operation for local bank account, a cash book shall be kept by the Finance Department to record all receipts and payments on a daily basis.
- All cash and cheque receipts shall be banked intact within 24 hours;
- Funds received shall be banked with the appointed bankers in the account opened for the purpose;
- All cheques shall be signed only by the authorized signatories;
- The bank statements entries are compared every month with the cash book entries while discrepancies discovered are promptly taken up with the bank;
- Details of receipts and payment vouchers shall be posted into the appropriate Cash Book/computerized accounting system daily by the Finance Department in real time.
- Alterations of transactions in ledgers in the computerized accounting system can only be effected by the Finance Manager with the approval of the National Coordinator in writing.

#### 04.02 NEPWHAN EXPENDITURE

All expenditure shall receive the clearance of the head of Units/budget holder before they are authorized by the National Coordinator and no expenditure of Program funds shall be incurred or committed unless:

- Funds are available and expenditure within approved work plan.
- The proposed expenditure is an eligible expenditure under grant Agreement.
- The expenditure to be incurred is in line with approved NEPWHAN policies and procedures.

Staff giving clearance to expenditure must ensure that account description

properly portrays the nature of the expenditure, the activity, the component and program or project against which the expenditure is to be charged.

Under no circumstances should Project expenditure be incurred for private purposes.

Approval to incur expenditure shall rest with the National Coordinator who can delegate levels of financial authority and responsibility to various positions under the program.

#### 04.03 **MODE OF PAYMENT**

The Finance Department will process two types of payment:

- Sub Recipient related payments
- Other NEPWHAN Related payments

##### **Sub Recipient Related Payments**

When a proposal(s) is/are received with the supporting documents, the relevant program officer shall review the documentation for completeness and appropriateness and make recommendation (after which the Grants Manager and the program officer must have checked for budgetary limit) to the National Coordinator for his/her approval.

##### **Other NEPWHAN Related payments**

All payments shall be made by cheques, using Cheque Payment Voucher CPV (Appendix 1) except for minor expenditures below ₱10,000, which will be made out of the petty cash imprest system.

##### **Advances against Expenses**

Advances are defined as "payments" made by the Finance Department for delivery of services or goods in the normal course of business. An advance can be cleared by the retirement with receipt/invoices where appropriate or by refund of unutilized funds advanced.

Authorizing officers approving travels should ensure that travel advance is applied for and disbursed within a week of departure date. If approved travel does not take place or is cancelled, the travel advance should be refunded immediately and receipt issued for the purpose.

To obtain an advance against expenses, the recipients are required to complete "Cash Advance Requisition Form (CARF) (See Appendix 2) with all relevant information, which must be duly signed by the Head of Unit/budget holder.

Within Five (5) days of return from the date of completion of activities for which the advance was granted, the recipients must retire the account with supporting documents (receipts/ invoices, etc). This must be done by using Cash Advance Retirement Analysis Form CARAF (See Appendix 21)

Failure to retire within the stipulated time limit will earn the staff a notification letter and/or surcharge from the staff salary. Staff whose retirement of advances is outstanding may not be advanced funds for any new assignment till retirements of outstanding advances are reconciled accordingly. Other disciplinary action may be enforced.

Accounting Implication

**When the advance is taken**

Dr Staff Subsidiary Ledger in the Cash Advance Control Account

Cr Mode of Payment

**When the advance is being retired**

Dr Expense

Cr Staff Subsidiary Ledger in the Cash Advance Control Account

When the expenses incurred is more than advance collected, that is, reimbursement is required

Dr Expense, with full cost incurred

Cr Staff Subsidiary Ledger in the Cash Advance Control Account

**Payment against expenses**

Payment to suppliers, consultants and contractors shall be made on cash basis. That is, NEPWHAN shall recognise liabilities and expenses immediately they are incurred. Contractors/Supplier Invoice Voucher CSIV (See Appendix 3) shall be used to record transactions that are treated on accrual basis.

**Accounting Implication**

When invoice is submitted and certified for payment

Dr Asset/Stock/Expenses  
Cr Individual Subsidiary Ledger in the Creditors Control A/c  
When the invoice is due for payment  
Dr Cr Individual Subsidiary Ledger in the Creditors Control A/c  
Cr Mode of Payment

#### 04.04 **MOBILIZATION PAYMENTS**

The procurement officer will forward a copy of the approved Contract for services or the Purchase Order to Finance Department indicating that mobilization fee that is been required. The Finance Department will ensure that a bill from the Consultant or a Pro-Forma invoice from the supplier is submitted and processed for payment. At this stage the payment is charged to the advance payment account.

##### **Accounting Implication**

Dr Individual Subsidiary Ledger in the Creditors Control A/c  
Cr Mode of Payment

**Advance Payment Guarantee (APG)** from a reputable commercial bank or insurance company will be required before an advance payment is given to any contractor or consultant (Subject to the Amount involved). Advance payment will be a maximum of 50% of total cost of the contract.

The advance payment must be recovered from the subsequent payments due to the contractor or consultant.

##### **Accounting Implication**

Dr Asset/Stock/Expenses  
Cr Individual Subsidiary Ledger in the Creditors Control A/c  
Cr Individual Subsidiary Ledger in the Creditors Control A/c (with the balance on the invoice)

On satisfactory receipt of the goods or services, after receiving report has submitted(duly signed by internal auditor, procurement officer ,store and rep from finance department) the stores keeper/ end-user would promptly notify the Finance Department for full payment and where the

contract agreement provides for the deduction of 10% retention fees, this must be complied with.

**Accounting Implication, where deduction of retention fees is involved:**

Dr Asset/Stock/Expenses

Cr Individual Subsidiary Ledger in the Creditors Control A/c

Cr Individual Subsidiary Ledger in the Retention Fees Control A/c (with the 10% of retention amount)

Cr Individual Subsidiary Ledger in the Creditors Control A/c (with the balance on the invoice after retention fees)

**04.05 PERSONAL REIMBURSEMENTS**

All personal reimbursement/claims must be made on Cash Reimbursement Requisition Form CRRF (see Appendix 4) and should be accompanied by original receipts and supporting documentation.

**04.06 PETTY CASH**

The Finance Department shall maintain an Imprest Account to facilitate the purchase of minor items. The Accountant shall be responsible for the security, balancing and reimbursement of this Imprest Account. The Imprest Account will have a maximum petty cash float of ₦50,000 (Fifty Thousand Naira). The float shall be replenished when the cash till balance falls below ₦10,000 (Ten Thousand Naira). The Imprest holder shall be the Account Officer.

**PROCEDURES FOR PAYMENTS FROM THE PETTY CASH FLOAT:**

Petty cash claims by beneficiaries shall not exceed the threshold of Ten thousand Naira (₦10,000) only. However, claims exceeding this level should be reimbursed via a cheque.

Each request for petty cash payments will be forwarded to the Head of Unit for approval. The Finance Department will ensure that the petty cash so disbursed are adequately/appropriately documented. Petty Cash Vouchers shall be filed serially (with supporting documents attached) on a daily basis and PCVs (Appendix 5) for each year shall be filed separately.

The Accounts Officer must ensure that the petty cash float is validated weekly, the float is kept in a secure, locked place and a written report detailing any discrepancies is sent to the Accountant. The Accountant after investigation shall report to the Finance Manager who shall present the report to management within 24 hours of knowledge of the discrepancy. Petty cash shortages will be borne by the Accounts Officer responsible by way of immediate cash payment into the till. The petty cash float will be subject to regular and surprise independent checks by the Internal Auditor and a reconciliation of the petty cash float shall include all monies on hand at the time. All attached supporting documents must be stamped "PAID", signed and dated by the Accounts Officer after payment. Official receipts collected from third parties in respect of payment from petty cash should be attached to the Petty Cash Voucher.

#### **REFUND OF PETTY CASH EXPENDITURE:**

Program Staff seeking reimbursement of expenditure within the approved limit must present an approved Cash Reimbursement Requisition Form, showing the amount claimed with supporting documentation to the Financial Department. Before reimbursing a claim, the Finance Department should ensure that:

- the reimbursement does not exceed the approved limit
- the claim has been authorized by the Head of Unit.
- all support documents are attached
- all expenditure details have been entered to enable proper verification

Accounting Implication  
Dr Expenses  
Cr Petty Cash Account

#### **REIMBURSEMENT OF PETTY CASH FLOAT**

When cash on hand has been reduced below ₦10, 000, the Account Officer must commence the reimbursement process. This shall be accomplished by the preparation of Petty Cash Reimbursement Statement PCRS (See Appendix 6), which is to be supported by all the reimbursable petty cash vouchers for the Finance Manager's approval.

The Accountant shall:

- check to ensure that the Petty Cash Vouchers are in order and have been signed by an approved authorizing officer, do not exceed the petty cash limit and are coded to the correct account codes
- check the PCVs against the listing
- check that the reimbursement amount and the cash on hand balances to the petty cash float
- sign list to indicate that all necessary checks have been completed and approved

**Accounting Implication**

Dr Petty Cash Account

Cr Mode of Payment

**04.07 ACCOUNTING RECORDS**

The following books of account and records shall be kept to ensure that all monies received are properly brought to account, all payments are correctly made and properly authorized and recorded and that adequate control is maintained over all assets. These books and records might not be physically required in a computerized accounting system, because they will be automated in the system.

**04.08 CASH BOOKS**

This is for bank transactions detailing receipts and payments. Separate bank accounts as well as separate cash book will be maintained for each bank account and petty cash. The cash book shall form part of the double entry records.

## CHAPTER FIVE

### FIXED ASSETS AND LEDGER

#### 05.01 FIXED ASSETS REGISTER

This provides details of suppliers, description of goods, original cost, location and disposal of assets. The Fixed Assets Register FAR (See Appendix 7) highlights for each individual asset, the following information:

- supplier's name and address;
- description and location of the asset within the Program;
- asset reference (identification) number;
- purchase price (cost) and/or valuation;
- date of purchase and disposal;
- useful life and residual value;
- Serial or registration number
- additions to the asset; condition of asset, etc.

The Fixed Assets Register (FAR) shall be updated regularly by the Administration Department using the information from the appropriate source documents, such as, Cheque Payment Vouchers, Journal Vouchers JV (Appendix 8), etc. Periodically, the Fixed Assets Register will be reconciled with the Fixed Assets Ledgers, and a physical verification of fixed assets will be carried out. Any discrepancies shall be investigated and satisfactorily resolved with the approval of the Administration Manager. The FAR shall support the double entry records and for the extraction of depreciation charges for a particular period. Microsoft Excel spreadsheet shall be used to maintain the Fixed Assets Register.

#### **Accounting Implication**

Dr Depreciation Expense Account

Cr Accumulated Depreciation Account

#### 05.02 USE OF MOTOR VEHICLE:

Mileage log should be maintained for all vehicles (NEPWHAN &

Project) by the drivers and supervised by the Administration Manager. Where vehicles are used for personal use, or out of the destination of assignment, the officer concerned will be charged N5 per kilometer for such uses and be responsible for fueling.

**Accounting Implication**

Dr Cash Book

Cr Individual Ledger Account

**Cheques Issued Register (See Appendix 9)**

This lists all cheques drawn and evidence of their collection by payees

**05.03 LEDGER**

**Prepayments Ledger**

This will be used to record all types of prepaid expenses, such as prepaid rent, prepaid insurance, etc. A control account shall be maintained for this in the Chart of Account, while subsidiary ledgers will be created for each prepaid expense. On monthly basis, Journal entries shall be made to release the prepaid amount to the Income and Expenditure Account over the period covered by the amount prepaid.

**Accounting Implication**

When the prepayment is made

Dr Prepayment (Subsidiary Ledger of the expense being prepaid)

Cr Mode of Payment

When monthly release is made (using Journal Voucher)

Dr Expenses

Cr Prepayment (Subsidiary Ledger of the expense being prepaid)

**Advance Payment Ledger:**

This shall be used to record advances taken by staff and suppliers/consultants together with subsequent repayments or retirement. This shall form part of the double entry records.

**Accounting Implication**

If it involves suppliers/contractors (see Mobilization Payment)

If it involves staff (see Advance against expenses)

However, this might not be the case with computerized accounting software.

#### **Standard Journal Book**

This contains posting journals where transactions cannot be recorded direct from the source documents to update the general ledger/subsidiary ledger as in cases such as payroll and where adjustments or reversals of earlier wrong entries or omission are requested to be made, Journal Vouchers shall be prepared by the Accounts Officer and used as the source of posting to the ledger.

Journal Vouchers shall be submitted to the Accountant for review and approval. The Accountant shall review the journal voucher for arithmetical accuracy and proper coding. If the journal voucher is for correction of previous error or misclassification, he/she shall take necessary action to ensure that future re-occurrence is avoided After approval of the journal voucher, it shall be referred back to the Accounting Officer who shall cause the Journal Voucher to be posted. However, this might not be the case with computerized accounting system (Journal Adjustments should be with the notice of National Coordinator through the Finance Manager).

#### **General Ledger (GL)**

This contains separate folio for major expenditure items under each Of the categories, Objectives, Service Delivery Areas, Activities and programs or projects. A Trial Balance will be extracted monthly from the GL. However, this might not be the case with computerized accounting system.

#### **Register of Statement of Expenses (SOEs)**

This contains analysis of the SOEs on a monthly basis. This shall be a memorandum record for review and control of the SOEs (see Appendix 10).

#### **Stores Records (See Appendix 11)**

This shows the in and out movement of store items. The Store Records will serve as a memorandum record to monitor movements of

the store items only. However, this might not be the case with computerized accounting system

Each transaction shall be initiated on a source document like invoices, bills, receipts, staff claims, demand notice, bank pay-in-slip, debit advice, and so on. All the above will be kept posted up to date and presented for auditing or any other inspection from time to time.

### **Monthly, Quarterly, Bi-annual and Annual Statements**

At the end of every month, quarter, bi-annual and annual the following Statements and schedules will be prepared for management and relevant committees:

- Cash Flow Statements or Summary of Sources and Uses of Funds
- Uses of funds by Project activity
- Statement of Expenditures (SOEs) Schedule
- Cash Flow Projections for the following quarter
- Bank Account Statement /Reconciliation
- Statement of Actual vs. Budgeted Expenditures
- Trial Balance
- Income and Expenditure Statement
- Balance Sheet

At the end of the fiscal year, financial statements as shown above will be prepared. In addition, the following schedules and statements will be prepared for annual accounts:

- Schedules of debtors - Local and foreign,
- Schedule of advances,
- Schedule of cash and bank balances,
- Schedule of local and foreign creditors,
- Schedule of funds received by source,
- Schedule of fixed assets; and
- Statement of expenditure and financing.

### **Safe Custody of Accounting Records/ Filing Systems**

The main objective of a filing system is to ensure that accounting

documents are filed in logical sequence, so as to facilitate retrieval, support financial reports and help to establish a clear audit trail and provide feedback regarding the accuracy of the financial reports.

All accounting records shall be kept in secured rooms or fire proof locked cabinets when not in use. No accounting records shall be removed from the room or safe storage facility where they are normally kept, except for audit or legal purposes. In such cases an official receipt shall be obtained. Accounting records may however be retained by authorized accounts staff, but a register shall be maintained to monitor the movement of such records.

Separate files will be maintained in the Finance Department in respect of payment vouchers showing the following details:

- Voucher number, (specifying range i.e. from - to - )
- Period - (month)
- Financial year
- Name of Bank Account
- Project

All documents in electronic form shall be backed up and a copy kept by the Finance Manager and Accountant on site while another copy is kept by the Financial Secretary. Fireproof safes shall be the means of storing important financial documents.

#### **Source Document**

Cheque payment vouchers; petty cash vouchers; official receipts; stores issue/receipt vouchers e.t.c. shall form major source documents. These documents shall be accurately coded before posting into accounting system. At the end of each daily transaction, the Accountant must produce the daybook for review for possible errors or omissions and appropriate corrections, if any.

#### **05.04 RECONCILIATION OF ACCOUNTS (SEE APPENDIX 12)**

There shall be monthly reconciliation between control accounts and the subsidiary ledgers where detailed accounts are maintained and the memorandum registers. Any unusual account balances will be investigated and resolved promptly on a monthly basis.

Monthly Bank reconciliation will also be undertaken for all bank

accounts.

Where a disparity exists, the errors should be traced by a systematic checking of postings into the ledger accounts or the subsidiary ledger accounts. Where reconciliation has been successfully carried out for a particular month, subsequent reconciliation shall become limited to the current postings when tracing errors.

#### 05.05 CHART OF ACCOUNTS

To make sense of financial data, it is essential to be able to code and classify it. A chart of accounts is a means of coding and classifying accounting data in a way that will promote its use, lead to better management, and achieve more meaningful accountability. In effect, the chart of accounts drives what can be achieved from the financial management system.

Moreover, it is the basic information structure for all of the financial systems. It represents an organizing framework used to budget, record, and report on all financial transactions and accounts balances.

The codes identify the types of account in terms of the categories in the accounting system, that is, Program components and categories and also classes represents source of funding.

Once established, the chart of accounts should not be amended lightly. The final decision to alter the chart should be left to the Finance Manger who shall assess the need of the proposed change. Once the amendment has been approved by the National Coordinator the amended version of the chart should be printed and distributed to the Finance Department staff and the Manual of Accounts should be amended to highlight major changes.

The Finance Department shall institute and accordingly apply an acceptable coding and classification of accounts. This chart of accounts will maintain the key classification features of activities and sources of funds as spelt out in Grant Agreements as well as GAAP. (A copy of the chart of accounts is in Appendix 13).

The following are the major considerations in the design:

- *General simplicity;*
- *Ease of reporting major disbursements by Components,*
- *Ease of reporting Components by disbursement category,*
- *Ease of capturing Sources and Uses of Funds.*

## CHAPTER SIX

### STANDARD ACCOUNTING INSTRUCTIONS

#### 06.01 STORES AND STOCK CONTROL

##### **Receipt of Goods**

The Stores Section shall be responsible for:

- Receiving goods into the Stores using Store Received Voucher SRV (See Appendix 13) and issuing of goods using Store Issued Voucher SIV (See Appendix 14).
- Recording goods received into a Goods Received Register GRR (See Appendix 15). However, this would not be required in the computerized accounting system.
- Recording each item received into the stores in the Bin cards and continuously updating it with issues and receipts. However, this would not be required in the computerized accounting system.
- Ensuring that goods/stocks are held in suitable place(s) and under responsible officers who shall see that they are kept under suitable storage conditions.

##### **Receiving Procedures**

In conjunction with the experts on the procured goods, the Stores Section shall examine the quality and quantity in the presence of the supplier or his representative. The user department, Internal Auditor or his representative and a representative of the finance department shall also be present.

The Goods shall be received into the Stores after inspecting Waybill/Delivery Note and compare with the copy of Local Purchase Order/contract document and certified that the delivery agrees with purchase order or procurement specification. The Store Keeper shall sign the Waybill/Delivery Note as evidence of Delivery/receipt of goods and prepare a Store Received Voucher. The Store Received Voucher shall be signed by Stores Keeper, the both representatives of the user unit and finance department cum the Internal Auditor. The Store Received Voucher shall be in triplicate and be distributed

as follows;

- Original copy to the Finance Department
- Duplicate to procurement department
- Booklet copy to be retained in stores

The booklet copy of the Store Received Voucher is used to post into Goods Received Register (GRR). The Stores Keeper shall arrange the goods into their respective section of the stores, stacks them and posts quantity/volume received into the Stock Bin Cards (SBC) from the booklet copy of SRV. However, this would not be required in the computerized accounting system.

### **Issuing Procedures**

These shall be as follows:

- Requisitioning unit shall prepare a Store Requisition Note SRN (See Appendix 16) for stores items and be approved by the designated official.
- The stores section shall receive a properly authorized Requisition Note from the user department.
- The designated officer shall issue out the goods based on the requisition and prepares a Stores Issue Voucher (SIV). The Store Issued Voucher shall be in triplicate as follows:
  - Original copy to the Requisitioning unit
  - Duplicate copy to the Finance Department
  - Triplicate copy retained in the booklet

The National Coordinator shall assign a store keeper who would be in charge of issuing items out of the store and also account for unused items returned to stores.

### **Stock Bin Card**

Stock Bin Cards will be kept and maintained by the Stores section. Each card will show details of all receipts including date, name of supplier and quantity and where applicable the consuming department/unit. The balance of each stock item will be calculated

and entered in the Stock Bin Card after every stock movement.

However, this would not be required in the computerized accounting system.

The Stock Bin Card will have the following features:

- Stock Item name
- Stock Item code
- Stock Item part number
- Location
- Reorder level;
- Maximum stock level;
- Minimum stock level;
- Unit of measurement

### **Stock Reports**

The Stores Section shall prepare stock report which shall form part of the Financial Monitoring Report.

### **Stock Taking**

This shall be performed monthly by the store section, supervised by the Admin Officer and witnessed by Internal Auditor.

Procedures for stock taking:

- Identification of personnel involved
- Duration of the stock taking exercise must be determined by Administration manager
- Print detailed Stock Taking Form STF (see appendix 17) take into consideration expired date, draft a stock returned form from project)
- Stock Taking Form is submitted to Finance Department for stock evaluation purposes.
- Variances will be properly investigated.

## **06.02 FIXED ASSETS**

### *Fixed Assets Register*

Fixed Assets are tangible assets that have been procured, donated, or constructed and held for use over a period exceeding one accounting year and the value of which is not below what the accounting policy

stipulates (N50,000). Other non-qualifying expenditure of a capital nature shall be treated as small tools and expended, while a memorandum account shall be maintained for those assets. Attributable costs (Installation, Transportation and other costs required to activate the use of the asset) to be capitalized along with the initial cost of fixed assets shall be in accordance with the applicable accounting standards as mentioned above.

#### **06.03 MAINTENANCE OF FIXED ASSET REGISTER (FAR)**

- A Fixed Assets Register shall be maintained by the Administration department for recording all fixed assets procured, donated, or constructed from NEPWHAN's fund.
- The register shall contain detailed information concerning each asset as contained in the sample Fixed Assets Register.
- The Fixed Assets shall be code-numbered for proper identification as to categories and location.
- The fixed assets register shall be designed to accommodate the additions and disposals of assets.
- A summary of fixed assets shall be extracted from the Fixed Assets Register and form part of the Financial Monitoring Report and financial statements.
- All assets shall be tagged by Administration Department with asset identification number, while movable assets such as vehicles will carry the imprint of NEPWHAN.

#### **06.04 PROCEDURES FOR MAINTENANCE OF FIXED ASSET REGISTER**

- The Administration Manager shall scrutinize the Payment Voucher files and extract details relating to the purchase or acquisition of assets into Fixed Asset Register update Form FARF (see appendix 17)
- The invoice value of the fixed asset item shall be compared by the accountant with the contract documents and Fixed Asset Register update Form to ensure compliance and proper classification.
- Where joint costs (e.g. custom duties, insurance, freight and other incidental costs) are incurred, the Administration Manager shall apportion them to the specific assets acquired, using value as the basis of apportionment.
- The Accountant shall review the total cost of the assets and pass to the Accounts Officer for processing and ensure that appropriate

entries are made in the Fixed Asset Register. A separate file shall be maintained for all Fixed Asset Register update Form.

- The Finance Department shall obtain the distribution or location list of the assets from the Administration Department.

### **DEPRECIATION OF FIXED ASSETS**

Fixed assets shall be depreciated according to NEPWHAN's Policy on fixed asset depreciation the following rates will be used:

Motor Vehicles	25%
Equipments	20%
Furniture and Fittings	20%
Plants and Machinery	10%
Building	10%
Building improvement	10%

### **DISPOSAL OF FIXED ASSETS**

The store keeper shall conduct a periodic assessment of all NEPWHAN assets.

When an equipment is found to be beyond repair, or is out dated or has exceeded its useful life, the equipment shall be evaluated by the finance unit and turned over to the administration unit for disposal. The final approval for disposal or distribution shall rest with the Management Board.

Once removed, the equipment is gathered in a central area, the required equipment and property activity form filled.

### **FIXED ASSET ENUMERATION**

- Annually the Finance Manager through the Accountant shall issue guidelines for enumeration of fixed asset being carried in the books of NEPWHAN.
- Designated Officers shall conduct a physical verification exercise of all fixed assets at least twice in a year and supervised by the Internal Auditor to ascertain the existence, custody, and general status of the fixed assets.
- The result of the stock verification exercise shall be reconciled with the balances in the Fixed Asset Register and Fixed assets Ledger, and differences, if any, will be investigated and reconciled.

- Necessary correcting entries shall, thereafter, be made in the necessary books.
- At the end of the exercise, Management should be advised with respect to the status of Fixed Assets in the organization, with a recommendation of disposal or otherwise.

#### **ASSET REVALUATION**

Management shall engage the services of a professional valuer to carry out revaluation of NEPWHAN fixed asset at the interval of every four (4) years.

Post revaluation reports shall be submitted to NEPWHAN management for further planning and decision making.

#### **06.05 FINANCIAL MONITORING REPORTS**

Financial Monitoring Reports (FMR) are intended to assist in managing and monitoring the NEPWHAN's activities. It should provide information that will be useful to the stakeholders. Financial Monitoring Reports should comprise of:

- Financial Reports
- Physical Progress Reports
- Procurement Reports
- Personnel Reports

#### **FINANCIAL REPORTS**

This must include a statement showing:-

- Cash Flow Statements or Summary of Sources and Uses of Funds
- Uses of funds by Project activity
- Statement of Expenditures (SOEs) Schedule
- Cash Flow Projections for the following quarter
- Bank Account Statement /Reconciliation
- Statement of Actual vs. Budgeted Expenditures
- Trial Balance
- Income and Expenditure Statement
- Balance Sheet

These reports shall be produced and submitted by Finance Department management through the National Coordinator.

## **PHYSICAL PROGRESS REPORTS**

This must include:

- Narrative information and output indicators linking financial information with physical progress of Programs, Project and Activities.
- Highlight of issues that require attention.
- The Senior Programme Manager, the Programme Manager or Program Officer shall collate relevant information for the generation of the reports for onward submission to Management through for further planning and decision making.

## **PROCUREMENT REPORTS:**

Separate tables should be used to provide information on the following;

- Procurement of Goods
- Procurement of Services
- Selection of Consultants
- Procurement for Training

The Procurement Officer shall submit a report showing status of Local Purchase Order LPO (See Appendix 18)/Contract documents and un-serviced purchase requisition to Admin Manager who shall forward same to Management for planning and decision making through the National Coordinator.

**The reports should compare actual procurement performance against the work plan agreed for the period under consideration among other things.**

## **PERSONNEL REPORT**

This must include:

- Staff cost Report (Salary-related costs)
- Staff cost (Training, Medical, Pension contribution, e.t.c.)
- Staff Enumeration Report
- Leave Report (Casual, Sick, Annual, Study, Maternity, leave of absence)
- Monthly Summary of individual Time Sheet Report

These reports shall be prepared and submitted by Administration Department to management through the National Coordinator.

## MANAGEMENT INFORMATION SYSTEM

These reports are designed to assist in managing, monitoring, evaluating and controlling. They comprise Financial Reports, Physical Progress, Procurement Management and Personnel Reports. The Monitoring Report comprises the following:

### Program Financial Reports

Report No.	Description	Relevance	Relevant Office
1A	Sources and Uses of funds	Summarizes the sources and uses of finance	Finance Department
1B	Uses of funds by Program, Project and/or Activity	States expenditure by activities, Programs and or Projects	Finance Department
1C	Statement of Expenditure for Disbursement Categories and funding sources.	Provide expenditure by disbursement categories and funding sources comparing actual, budget and extracting the variances.	Finance Department
1D	Cash flow Statement for the Month/Quarter	Provide cash flows and disbursement for the period on monthly and or quarterly basis, year to date comparing with last period actual and forecast for next two quarter.	Finance Department
1E	Bank Account Statement	Shows the movement in the Bank Accounts.	Finance Department
1F	Statement of Expenditure for Components and funding source.	States expenditures by components and funding sources comparing actual, with budget and reviewing the variances.	Finance Department
1G	Balance Sheet	Gives the periodic position of assets, liabilities and funding of NEPWHAN	Finance Department
1H	Disbursement by funding source and categories	Summarizes by disbursement categories, the current period's expenditures showing	Finance Department

		the amount of eligible expenditures	
II	Income and Expenditure Statement	Summarizes all income/funds received and total expenditure for period stated	Finance Department
1J	Cash Forecast	Summarized forecast total expenditures and eligible expenditures by categories and funding source.	Finance Department

### PROGRAM PROGRESS REPORT

Report No.	Description	Relevance	Relevant Office
2A	Program, Project or Activity Completion and Inspection Report	Gives activity cost data	Program Department
2B	Work In Progress Report	Shows cost of Programs or activities not completed	Program Department
2C	Completed Program or activity Report	States valuation to completion comparing with budget and over or under expenditures	Program Department/ Finance Dept
2D	Program or activity Status Report	Gives percentage of physical completion and comparing actual cost with budget	Program Department/ Finance Dept

### PROCUREMENT MANAGEMENT REPORT

Report No.	Description	Relevance	Relevant Office
3A	Procurement Process Monitoring	Provides details of the status of procurement	Procurement Office

### Personnel Management Report

Report No.	Description	Relevance	Relevant Office
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4A	Staff cost Report (Salary-related costs)	Provides details of the total staff salary costs.	Administration Department / Finance Dept
4B	Staff cost (Training, Medical, Pension contribution, e.t.c.)	Provides details of the total cost of staff training, Medical and Pension contributions	Administration Department / Finance Dept
4C	Staff Enumeration Report	Provides details of staff strength for the reporting period	Administration Dept
4D	Leave Report (Casual, Sick, Annual, Study, Maternity, leave of absence)	Provide details of leave granted to staff	Administration Dept
4E	Monthly Summary of individual Time Sheet Report	Provides details of total hours worked by each staff for the month.	Administration Dept

#### **METHOD OF PREPARATION**

The management information reports will largely be generated from the computerized accounting system. However some information would be extracted from sundry sources for completing the Performance Monitoring Reports (PMR) by the relevant officials.

- Monthly reports will be prepared and distributed before the following month, while quarterly reports will not exceed the end of proceeding month. The annual reports shall be prepared and distributed after one month of the preceding year. All financial report and Program Progress reports are prepared latest 3<sup>rd</sup> week after the month ends and after the approval of the management board (approval will be maximum of 7days after which is deemed to be approved), all necessary reports can now be submitted to the stakeholders if required

## 06.05 **INTERNAL CONTROL AND INTERNAL CONTROL SYSTEMS**

An Internal Control Process will be implemented by the National Coordinator to ensure that the objectives of NEPWHAN are met in order to achieve:

- Effectiveness and efficiency of operations;
- Reliability of financial and operational reporting;
- Compliance with applicable laws and regulations; and
- Transparency of operations to stakeholders and beneficiaries.

The internal control structure of NEPWHAN will have the following elements:

- The information system;
- Control procedures;
- The control environment; and
- Risk assessment and monitoring.

### **The Information System**

Transactions will remain the major focus of the information system as they comprise exchanges of assets and services between NEPWHAN and third parties and the transfer or use of assets within the Program and activities.

A major focus of controls in the information system will therefore ensure that transactions are initiated and processed in a way that prevents misstatements and promotes transparency and credibility. NEPWHAN's information system will therefore:

- Identify and record all valid transactions that occurred in the current period of reporting;
- Ensure that recorded assets and liabilities are the result of transactions that produced rights to or obligations for those items;
- Measure the value of transactions in a way that allows their accurate monetary value to be recorded;
- Capture sufficient detail of all transactions to allow their proper presentation in the financial report;
- Provide timely, accurate and relevant information to management for efficient program or activity implementations;
- Ensure effective communication between NEPWHAN and donors, other partners and stakeholders.

The Finance Department of NEPWHAN shall provide:  
A complete audit trail for each transaction.

- Evidence that connects account balances and other summary results with original transaction data through:
  - proper coding
  - appropriate cross references, and
  - adequate documentation.

#### **CONTROL PROCEDURES**

- Control procedures will be established to ensure, as far as possible, that NEPWHAN's overall objectives are achieved. Control procedures shall include general (where the system is computerized) and/or applications controls including proper authorization, appropriate documentation and independent checks; segregation of duties, physical controls and performance reviews.
- Authorization procedures shall ensure that all transactions are authorized by staff acting within their limits of authority.
- Documents and records shall have reference to the source documents, which provide evidence that transactions occurred, and the applicable price, description and terms are captured.
- Documents and records will be pre-numbered to maintain control and accountability and be designed to ensure that they capture all relevant information and authorizations.
- On completion of processing, all NEPWHAN's financial documents and records shall be filed in an orderly manner.
- Duties within the Finance Department would be segregated to ensure checks and balances.
- Signatories to NEPWHAN's Bank Accounts must compare the amounts on cheques prepared with amounts on supporting documents before signing the cheques.
- Supporting documents and Payment Vouchers must be initialed by the Signatories as evidence of performance of independent checks.
- The Internal Control Checklist (See Appendix 19) will be used by management as a guide for assessing the adequacy of the Internal Control System.

#### **RISK ASSESSMENT AND MONITORING.**

To provide reasonable assurance regarding the achievement of NEPWHAN's objectives, risk management and monitoring will focus on:

- Program or activity management and other personnel,
- Strategy setting and Program or activity Implementation,
- Potential events that may affect the Program or activity, and
- Risks tolerance level assessment.

#### 06.06 **AUTHORISATION AND APPROVAL LIMIT**

- In order to achieve effective control; expenditure on behalf of NEPWHAN shall be authorized only by the National Coordinator.
- The Finance Manager has the responsibility for ensuring that the various authority limits are adhered to. She/he shall review these limits periodically and recommend appropriate changes to management Board through the National Coordinator.
- Officers who are authorizing or approving any document shall ensure that the documents presented and the relevant attachments are in order and conform to the established procedures of NEPWHAN. Officers are not permitted to authorize or approve expenditure relating to them. Where expenditure affects an officer, she/he shall obtain the approval of a superior officer, or that of the Finance Manager/ National Secretary.

##### **Delegated Authority**

Where an authorized officer has delegated his powers to a subordinate officer, s/he nevertheless remains responsible for the efficient performance of the delegated authority. Management can also delegate authority to a junior staff in the absence of a superior officer in writing.

##### **Specimen Signature**

Specimen signatures and names of officers authorized to sign Vouchers and other security documents will be made available to the Finance Manager and appropriate staff responsible for processing payment vouchers. All payment vouchers, which shall precede the payment of cheques and cash, shall be authorized by the National Coordinator.

An officer may not make payment against a voucher unless:

- It is properly signed, authorized and approved for payment by the appointed signatories;
- It bears the appropriate classification and accounts code/name;
- All computations have been properly checked and confirmed as such.

### **Authorization and Approval Schedule**

The authorization and approval limits for various documentations and processes are the responsibility of the Management Board.

No expenditure shall be authorized until the necessary clearance is obtained by the Heads of Department/ budget holders to confirm that the expenditure is within the approved budget and activity plan.

## **06.07 AUDIT ARRANGEMENTS**

### **Internal Audit Function**

NEPWHAN's activities would be reviewed by the Internal Auditor (IA), who is INDEPENDENT of the Finance Department and any other department for that matter. The internal audit function shall ensure the orderly and efficient conduct of operations including, among others:

- adherence to NEPWHAN's policies
- adherence to rules and regulations
- safeguarding of assets
- prevention, detection and reporting of errors and irregularities
- Promoting the accuracy and reliability of the accounting records

The IA should work within a well-defined framework of programs and reporting requirements. Importantly, the internal audit function should complement NEPWHAN's monitoring and evaluation system. The internal audit program for each year should be developed by the internal auditor and discussed with the National Coordinator and management board.

The Internal Auditor will carry out both the traditional compliance audit and the non-financial or operational audit.

### **Compliance Audit**

Internal audit is a control function that evaluates the adequacy and effectiveness of other controls as a basis for improving managerial performance. The scope of the internal audit should be to evaluate the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.

In an attempt to overcome the issue of independence and any undue interference which may jeopardize the objectivity of his/her work, Internal Auditor shall report to the Management Board but with copies of his/her quarterly reports advised to the National Coordinator. The following measures shall be put in place:

A statement of purpose, authority and responsibility for the internal audit unit:

- Detailed work-plans to carry out the responsibilities of the internal audit function with appropriate emphasis on identified risks;
- Written policies and procedures to guide audit staff;
- A program for the coordination of internal and external audit exercises; and
- A quality assurance program to evaluate the operations of the internal audit function.

#### **NEPWHAN's Monitoring and Evaluation systems**

As NEPWHAN become more decentralized with increased delegation of authority, operational auditing or monitoring and evaluation becomes a more valuable and critical tool for improving the delivery of services being provided.

NEPWHAN's monitoring and evaluation systems shall be a systematic process of evaluating effectiveness, efficiency and economy of operations under management control, and reporting the results of the evaluation along with recommendations for improvement. In essence the procedure:

- Appraises the economy and efficiency with which resources are employed; and
- Reviews NEPWHAN's operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Impact of NEPWHAN's operations on end users.
- Monitoring and Evaluation officer shall ensure that all departments are working in compliance with relevant policies and procedures to achieving set goals and objectives of the organization.

#### **External Audit and External Auditors**

Most donors and partners will require NEPWHAN to have its financial statements audited each year and that they are in accordance with

acceptable standards. Examples of these standards are the International Standards on Auditing (ISA) published by the International Federation of Accountants (IFA) and Auditing Standards issued by the International Federation of Accountants (IFA). The use of independent audit firms should be promoted and every effort should be made to appoint auditors who fulfill the criteria required by the International Standards on Auditing.

Audit scope and guidance can be obtained in Appendix 16: Donor and partners Agreement Document.

While the Terms of Reference provides the opportunity for drawing special attention to areas of concern that may not be covered or emphasized during a normal audit, such as compliance with Grant agreements, and the special review of procurement documents, International Standards on Audit and the standards of Nigeria's professional auditing organizations suggest that the auditor determines the scope of the audit of financial statements in accordance with requirements of legislation, regulations, and generally accepted auditing standards.

Accordingly, the Terms of Reference must not restrict the auditor's obligations with respect to such requirements. In other words, the auditor will not be allowed to claim in the event of poor performance that the Terms of Reference prevented him or her from performing to statutory, regulatory or professional requirements. The scope of the audit should always include the requirement to give an opinion on NEPWHAN's specified financial statements.

### **The Auditor's Formal Contract**

The auditor's formal contract shall set out the responsibilities of the auditor. The contract shall include:

- Confirmation of acceptance of the appointment including the Terms of Reference;
- Management's responsibilities, particularly in the preparation of financial statements;
- Access to premises and documents the auditor may require;
- The form of audit report
- Arrangements regarding the involvement of internal auditors,

other external auditors and any other financial consultants of NEPWHAN. The expected date the audit report will be issued.

- The basis on which fees are determined, and billing arrangements.

**Term of appointment of Auditors**

There shall be only one audit firm appointed for NEPWHAN who shall have the responsibility for auditing all Programs, projects and activities irrespective of sources of funding. An Audit firm shall be appointed before the end of the fiscal year by the Management Board.

**Scope of Audit**

In addition to complying with donor requirements, annual audits need to comply with government requirements and any other terms agreed between donors, partners and NEPWHAN. Annual audit report shall include:

- An assessment of the adequacy of the accounting and internal control systems;
- Whether NEPWHAN has maintained adequate documentation on all relevant transactions;
- Verification that expenditure documented to each funding source are allowable and unallowable expenditure;
- A separate opinion as to whether the financial statements of NEPWHAN gives a true and fair view of it's financial position;
- A management letter from the auditor which evaluates overall management performance within the audit period.

**Timing of submission of audit reports**

The submission of audited financial statements shall not be later than six months after the end of the fiscal year.

**06.08 ADDITIONS, DELETIONS AND AMENDMENTS**

Any main section or sub-section of this Financial Procedures Manual may be amended if the need arises, subject to the recommendation of the Finance Manager in consultation with the IA and NEPWHAN Management. The Chief executive Officer/National Coordinator shall approve such changes before they can be effected.

**List of Appendixes**

No	Name	Acronym
1	Cheque Payment Voucher	CPV
2	Cash Advance Requisition Form	CARF
3	Contractor/Supplier Invoice Voucher	CSIV
4	Cash Reimbursement Requisition Form	CRRF

5	Petty Cash Voucher	<b>PCV</b>
6	Petty Cash Reimbursement Statement	<b>PCRS</b>
7	Fixed Assets Register	<b>FAR</b>
8	Journal Voucher	<b>JV</b>
9	Cheque Issue Register	<b>CIR</b>
10	Register of Statement of Expenses	<b>RSOE</b>
11	Store Record	<b>SR</b>
12	Bank Reconciliation Statement	<b>BRS</b>
13	Store Received Voucher	<b>SRV</b>
14	Store Issued Voucher	<b>SIV</b>
15	Goods Received Register	<b>GRR</b>
16	Store Requisition Note	<b>SRN</b>
17	Fixed Assets Update Form	<b>FAUF</b>
18	Local Purchase Order	<b>LPO</b>
19	Internal Control Checklist	<b>ICC</b>