

**RESCUE & SUPPORT THE HELPLESS  
FOUNDATION  
(RESH)**



**FINANCIAL OPERATING PROCEDURES  
MANUAL 2025**

# TECHNICAL CONTENT OF THE FINANCIAL OPERATING PROCEDURES

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## **1. OVERVIEW OF RESH FOUNDATION'S FINANCIAL MANAGEMENT SYSTEM**

### **1.1 BACKGROUND**

The RESH Foundation's financial management system is a comprehensive process that integrates planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement, and the physical performance of various programs to manage resources and achieve organizational objectives effectively. Sound financial management is also essential to programme implementation because it provides a basis for better decision-making, improved management of physical and financial resources, and, crucially, the efficient implementation of programme activities.

RESH's financial management system provides:

- a. Essential information for those who manage, implement, and supervise programmes;
- b. Comfort to funders and the donor community that funds are being used efficiently and for the purpose intended; and
- c. A deterrent to fraud and corruption, because they incorporate strong internal control and transparent financial reporting practices that identify financial irregularities.

Responsibility for establishing, administering, and ensuring compliance with the Neem Foundation's financial management system rests with the Board of Trustees, the Management Team, and the organisation's Finance Department.

When preparing proposals for financing programmes, Neem Foundation will always consider the following financial management issues:

- a. The capacity of the financial management system and the availability of relevant and adequately qualified personnel to undertake financial management functions.
- b. That an appropriate organisational structure as well as adequate staffing is in place and will be maintained with clearly defined responsibilities for programme activities.
- c. That is when programme implementation begins, and a financial management system is in place that will reliably record and report all the programme's financial transactions.

- d. That throughout the life of any programme, an appropriate financial management system, which will produce annual financial statements in compliance with acceptable standards, is maintained.
- e. That there is a timely appointment of an independent auditor under acceptable terms of reference, and ensure the timely submission of acceptable annual financial statements and audit reports.

## **1.2 PURPOSE OF THE FINANCIAL OPERATING PROCEDURES MANUAL**

This manual provides comprehensive guidelines for the development and implementation of a financial management system for the Neem Foundation. The principles and themes outlined specifically address the fiduciary aspects of implementing all programs at the federal, State, and Local levels. It is therefore not programme- or donor-specific. However, many of the issues addressed apply to programs funded by governments, individuals, and donor organizations.

The financial operating procedures manual is designed to ensure the establishment of a reliable financial management system that promotes transparency and encourages a systematic process for documenting all financial transactions. This process is designed to facilitate the timely preparation of accurate, relevant, and reliable financial information, enabling stakeholders to plan, implement, monitor, and evaluate the overall progress toward achieving RESH's objectives. The manual achieves the following:

- a. Outlines the organisation's accounting policies and laid-down rules in preparing financial statements;
- b. Sets out appropriate procedures for accounting controls and checks;
- c. Ensures adequate accounting of fund flows through efficient recording and reporting on grant drawdowns and usage, thereby ensuring proper monitoring of the application and utilization of funds.
- d. Sets out the structure and role of the Finance Department, in respect of the overall management and operation of all Programmes;
- e. Provides a standard procedure and reporting process for the Finance Department staff, specifying the basic job descriptions applicable to each position and personnel.
- f. Provides the yardstick by which the performance of the Finance Department can be measured.

- g. Assists in the deployment of resources to ensure economy, efficiency, and effectiveness in the use of such resources;
- h. Eliminates arbitrary and subjective application of processes and procedures in the treatment of financial transactions;
- i. Defines limits of authority and approvals for all activities that would have financial implications; and
- j. Outlines procedures and controls for procurement and contracts/grants administration and monitoring.

Other uses of this manual include:

- a. An orientation/training resource for new and existing staff;
- b. A reference for staff in performing financial management tasks.
- c. A reference for the Finance Department in ensuring compliance with financial management policies and procedures;
- d. A reference for auditors, consultants, partners, and stakeholders to better understand or evaluate the financial management system.
- e. A reference for the compliance with financial management policies and procedures; and
- f. A tool to be used to standardize financial management practices and procedures for all programmes.

This manual will assist programme planners and programme implementation staff in meeting the specific financial management expectations and requirements of the Neem Foundation, as well as those of most, if not all, donors. For instance, donors require that a minimum financial management system should:

- Reliably record and report all assets and financial transactions of all programmes, including commitments;
- Provide sufficient and accurate financial information for managing and monitoring programme activities; and
- Have in place appropriate audit arrangements to provide for an annual independent audit of financial statements in accordance with the Statement of Accounting Standards.

### **1.3 INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS**

The institutional arrangements for implementing all programmes are structured to facilitate the achievement of major objectives by providing benefits to the maximum number of beneficiaries and delivering these benefits as quickly as possible.

Membership of the management (those who manage the Neem Foundation daily) shall comprise relevant, qualified personnel with appropriate expertise in their chosen fields, except for those who may be elected to the Board of Trustees.

Management Staff shall have the following functions:

- a. Preparing and consolidating all annual work programmes and reviewing quarterly financial monitoring reports and financial statements;
- b. Implementing policy decisions regarding all programmes and activity components;
- c. Coordinating, monitoring, and providing technical support to programme officers;
- d. Preparing and submitting proposals for funding to donors, partners, and other stakeholders;
- e. Evaluating proposals from a Sub-Recipient where necessary;
- f. Ensuring that Balance Sheets, Income and Expenditure Account, Bank Reconciliation, and Programme Progress reports are prepared by the 3<sup>rd</sup> week after the month ends and after the approval of the Management Team (approval shall take a maximum of 7 days after which approval is deemed to have been given), all necessary reports can be submitted to any stakeholder if necessary.

The Finance Department shall establish appropriate financial management to ensure that:

- a. All important business and financial processes are covered.
- b. Adequate internal controls are in place.
- c. Financial monitoring reports are prepared on a timely basis.
- d. All financial information is ready promptly.
- e. Annual financial statements are prepared on a timely basis; and
- f. The annual external audit is completed in time, and audit findings and recommendations are implemented expeditiously.

The Finance Department will, amongst other things:

- a. Be properly staffed;
- b. Have a clear reporting line.
- c. Be headed by a qualified Accountant with cognate professional experience;
- d. Have efficient and effective disbursement arrangements;
- e. Maintain all financial records and books of account, documentation, and internal controls;
- f. Ensure adequate internal audit arrangements and activities;
- g. Ensure adequacy and reliability of financial management arrangements;
- h. Be responsible for preparing budgets, reports, and providing regular/ad-hoc financial reports; and
- i. Ensure compliance with the financial management requirements of management, donors, partners, and other stakeholders.

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

- a. **Receipts and Payments:** This entails handling all banking operations, preparing payment vouchers and other related documentation, and maintaining major Cash Books, including their reconciliation.
- b. **Prepayments/Advances and General Accounting:** This entails recording all advances and their subsequent retirement, as well as updating major subsidiary ledgers, including maintaining the major books of accounts, the fixed assets register, and other general accounting duties.
- c. **Grant and Budget:** handling all matters of Grant records, Statement of expenditures (SOE), replenishments, correspondences, and other issues that may have to do with the budget. It also entails preparing the Ongoing Progress Update and Disbursement Request Report.

- d. **Audited annual financial statements:** This entails ensuring that the audited financial statements, along with the Auditor's Report and Management Letters, are submitted to management and other stakeholders within the agreed-upon periods.

The Internal Auditor who will report to the Management Team shall have responsibility for the following audit functions:

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

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

The primary functions of the Finance Department encompass accounting, planning, budgeting, reporting, internal control, internal auditing, management, and the administration of funds. Management will be responsible for achieving all programmes and development objectives by providing an overall framework for planning, executing, controlling, monitoring, and evaluating projects, programmes, and activities.

##### **Finance Department Organisational Chart**

Developing an organisational structure for the Finance Department involves determining the key areas of authority and responsibility, as well as the appropriate lines of reporting, taking into consideration the segregation of duties to ensure that no single staff member initiates, processes, and records a transaction alone.

## **1.5 FINANCIAL MANAGEMENT COMMITTEE**

A Financial Management Committee (FMC) shall be established to monitor and supervise the financial management functions. The composition of the FMC shall be determined by management. The FMC shall meet at periodic intervals to review the financial reports generated by the financial management system, monitor financial management and procurement aspects of Programmes and activities, and resolve any financial issues that may arise. Management Reports to be reviewed at periodic intervals shall consist of General Programme Reports, Financial Reports, Procurement Reports, Personnel Reports, and Progress Reports from all activities.

## **2 ACCOUNTING PRACTICES AND POLICIES**

### **2.1 Introduction:**

This section summarizes the accounting practices and policies to be adopted. The procedures for implementing the policies are outlined in the relevant sections of this manual.

### **2.2 Responsibility for Accounting Policies**

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

### **2.3 The Accounting System**

The Finance Department's Accounting System shall be based on a rational combination of Accounting Policies and Practices best suited to report the financial affairs of Neem Foundation. The policies and practices shall conform to generally accepted accounting principles, namely:

- a. **Going concern** – operations will be sustained into the foreseeable future, and there will be no significant liquidation of its assets due to a reduction in the scale of operations or Grant cancellation.
- b. **Consistency** – The accounting policies set below will be applied consistently for all accounting periods, and within an accounting period, except when there is a special reason to depart from these policies. Such reason(s) must, nevertheless, be fully disclosed in the Financial Statements.

- c. **Prudence** – Adequate restraint will be exercised in the determination of income to be included in the Income and Expenditure Account, and all known costs and liabilities shall be charged in the relevant period accounts with due regard to the accounting basis.
- d. **Accrual Accounting** – Income and charges relating to a specific financial year will be taken into account when they occur, not only when the related cash is disbursed or received.
- e. **Cash Accounting** – Income is recognized when cash is received, and expenditure shall be recorded when related money is spent.

## 2.4 Accounting Policies

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

- a. **Accounting Convention:** Accounts shall be prepared using the historical cost convention method.
- b. **Basis of Accounting:** The cash basis shall be recognised in the preparation of Financial Statements.
- c. **Fixed Assets and Depreciation:** Fixed Assets are those intended for use over a period exceeding one accounting year.
  - i. In applying the capitalisation policy, all related (landing) costs and installation costs shall be included in the acquisition cost of the fixed asset item.
  - ii. Capital expenditure on contract works will be included based on valuation certificates, including retention.
  - iii. No Depreciation shall be charged on a project's fixed assets where there are no revenues to be matched against such charges, but it shall be charged in total within the period in which it is incurred.
- d. **Inventory:** Inventory shall be valued at the lower of cost and net realisable value.
- e. **Debtors:** Debtors are stated after making specific provision for debts considered doubtful of recovery.

- f. **Foreign Currency:** Income and Expenditure items in foreign currencies shall be converted to Naira at the exchange rates prevailing on the transaction date. Assets and Liabilities expressed in foreign currencies shall be converted to Naira at the rates ruling on the date of completing the balance sheet. Gains or losses on such conversions shall be credited or charged to the reserve in the period in which they arise.
- g. **Indirect Costs:** The Neem Foundation shall charge an appropriate indirect cost rate on all proposed projects (e.g., overhead costs).
- h. **RESH's Annual Budget:** The Management Team is responsible for the final preparation and approval of RESH's budget. The Finance Manager and Assistant Executive Director collate budget submissions from various departments for final review and approval by management. The circular/call for budget and plan activity from various departments for the next year shall be before mid-September of the current year. The next year's Annual budget must be approved by management by the end of December of the current year.

### **3 BUDGETING AND BUDGETARY CONTROLS**

#### **3.1 Budgeting**

The budget shall present expenditures by objectives, service delivery areas, and/or activities, the nature of the expenditures, and the timing of the expenditures. The Assistant Executive Director must ensure that a comprehensive work plan is prepared based on the approved budget to ensure the timing of cash flow.

The Work Plan will utilize the trends and assumptions outlined in the approved budget to establish specific objectives, targets, performance measures, indicators, and a financial plan for each year, along with the methods by which these will be achieved. The agreed-upon Work Plan shall serve as the basis for developing an annual financial plan. The Financial Plan will emphasize both the funding requirements and the timing.

The Assistant Executive Director shall submit a detailed work and financial plan to the Management Team for review and approval before implementation.

Once the work and financial plans have been approved, the necessary budgetary control machinery shall be put in place to ensure effective monitoring of the activities under the various departments. The Assistant Executive Director, in conjunction with the Finance Manager, shall establish an

appropriate accounting procedure to monitor expenditures against the work plan. The Executive Director will authorize no expenditure except in accordance with the approved work plan.

At the end of every month, quarter, and year, the Finance Department shall prepare a Financial Monitoring Report for the Management Team, which will include a Budget Report. The Budget Report shall comprise 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 will be sent to the Finance Manager, the Head of Units, relevant senior programme officers, and all individuals who require such reports. The process of informing the Management Team about the actual expenditure level compared to budget limits will be part of the monitoring system.

### **3.2 Budgeting Process**

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

- a. A budget timetable shall be drawn up by the Finance Manager or Officer and distributed to all Department/Unit Heads.
- b. All Department/Unit Heads shall submit annual proposals to the Budget Committee, which shall consist of the Executive Director, Assistant Executive Director, One Department/Unit Head, and the Finance Manager or Officer.
- c. The Finance Manager or Officer shall call for a budget retreat, which shall be attended by all Department/Unit Heads, to review, approve, or reject a budget proposal.
- d. The Budget Committee shall invite all Department/Unit Heads for budget defence.
- e. The Budget Committee shall convene another budget retreat to finalize budgets; reconsider and approve initially rejected budgets where applicable.
- f. The Assistant Executive Director shall submit the final budget to the Management Team for review and approval before implementation.
- g. The approved budget is then circulated to Department/Unit Heads for implementation.

- h. The Finance Department/Internal Audit is then responsible for monitoring and evaluating the budget.

### **3.3 Payment Procedures and Withdrawal of Funds**

The following steps shall be adopted before payments are made:

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

### **3.4 Report-Based Payment Arrangement**

This Report-Based Payment Arrangement is a payment arrangement that requires documentation and a feedback report as part of the conditions necessary to effect payments, specifying the date and duration of the activities. The objectives of this are:

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

### **3.5 Flow of Funds, Funds Transfer/Disbursement, Banking Arrangement, Signatories, Bank Reconciliation, and Final Accounts.**

- a. The Finance Department will identify a major bank where a Domiciliary Account and a Naira-denominated account will be opened.
- b. The authorized signatories to the account shall be the Executive Director and the Assistant Executive Director. In addition signatories may, however, be nominated based on project or other considerations and may be changed from time to time with the approval of the Management Team, which includes the Executive Director and the Assistant Executive Director.
- c. A system of early replenishment shall be instituted, ensuring the Finance Department has adequate resources to support the implementation of RESH's activities. Equivalent foreign currencies (if any) shall be converted and transferred into the Naira account to meet identified eligible local expenditure.
- d. All bank accounts must be reconciled with the cashbook monthly using the bank statements. These reconciliations will be reviewed by the Finance Manager, approved by the Assistant Executive Director, and presented to the Management Team.

### **3.5.1 Funds Transfer/Disbursement**

The Finance Manager shall prepare a letter of instruction in triplicate to the commercial bank(s) where the RESH's Domiciliary Account is held, authorising the transfer of 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 or Officer shall dispatch two copies of the letter of instruction to the bank(s) and file the third copy. Upon receiving the letter of instruction, the bank(s) shall acknowledge receipt by stamping and signing the duplicate copy, which will be filed in the bank correspondence file in the Finance Department. The relevant transactions shall be posted into the Cash Books as appropriate, using Inter-Bank Fund Transfer Voucher (IBFTV). Before any disbursement is made from the Naira Account, the approval of the Executive Director or Assistant Executive Director must be obtained, and the Finance Manager must provide adequate directives for disbursement.

#### **Accounting Implication shall be:**

- Dr Bank (Current Account)

- Cr Bank (Domiciliary Account)

The posting must be done using the transaction currency, i.e., the foreign currency. The ruling rate applicable on the date of the transaction must be applied accordingly.

### **3.5.2 Banking Arrangements**

- a. With respect to banking arrangements and flow of funds, donors shall disburse grants through a Domiciliary Account of foreign currency denomination or a Naira account opened with a commercial bank(s) approved by the Management Team.
- b. Bank transfers shall operate the Domiciliary Account through transfer instructions to the bank(s), while the Naira Account shall be operated as a Cheque Account. 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.
- c. The Domiciliary Account can also be operated as a cheque account if it is in the best interest of Neem Foundation and its programmes.
- d. Expenditure/transaction payments shall be made by cheque. All cheques and letters of confirmation shall be signed by at least two (2) authorized signatories.

### **3.5.3 Signatories**

- a. There shall be two (2) signatories, with one each from Category A and Category B.

#### **Category A**

- Executive Director
- Assistant Executive Director

#### **Category B**

- a. Finance Manager
- b. Head of Administration

**Note:** In line with Section 3.5(b), the Management Team shall determine alternative signatories (from staff of Neem Foundation) to Category B as may become necessary from time to time in the best interest of Neem Foundation.

- b. All Cash Books and bank statements shall be reconciled monthly within ten (10) working days after the month's end. Any differences that may arise shall be investigated and resolved

promptly. Unpresented cheques after six (6) months shall become stale and entries reversed in the Cash Book.

- c. 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 payment by open cheque, **a letter of indemnity** must be obtained.
- d. The signing of blank cheques is prohibited, and unused booklets must be kept in safe storage by the Finance Manager or Assistant Executive Director.
- e. Transfer of foreign currency to Naira shall be converted at the prevailing rate on the value date, i.e., the date of the transaction.

#### **3.5.4 Bank Reconciliation and Final Accounts**

- a. 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.
- b. The Finance Manager shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularizing them.
- c. All reconciliation statements shall be reviewed and approved by the Assistant Executive Director and the Internal Auditor.
- d. When the bank reconciliation is completed, the Trial Balance and other Final Accounts shall be prepared for the Assistant Executive Director with all supporting schedules attached. The final accounts and the relevant schedules shall form part of the Programme Financial Monitoring Report.
- e. The Executive Director shall present the Bank reconciliation statement, the Trial Balance, and other Final Accounts, including a statement showing Budget versus Actual expenditures and their variances, at the quarterly meeting of the Management Team.

## **4. ACCOUNTING FOR RECEIPTS AND PAYMENTS**

### **4.1 Cash Management and Accounting**

The Finance Department shall be responsible for ensuring that the procedures established for the payment and receipt of cash are properly followed. In addition, it is responsible for issuing receipts, preparing payment vouchers, and maintaining cash records in accordance with established procedures.

The main features of the accrual systems are as follows:

- a. At the commencement of operation of a local bank account, the Finance Department shall maintain a cashbook to record all daily receipts and payments.
- b. All cash and cheque receipts shall be banked intact within 24 hours.
- c. Funds received shall be deposited into the account opened for this purpose with the appointed bankers.
- d. All cheques shall be signed only by the authorized signatories.
- e. The bank statement entries are compared every month with the cash book entries, while discrepancies discovered are promptly addressed with the bank.
- f. Details of receipts and payment vouchers shall be posted into the appropriate cash book or computerized accounting system daily by the Finance Department in real-time.
- g. Alterations to transactions in the computerized accounting system's ledgers can only be made by the Finance Manager with the approval of the Executive Director or Assistant Executive Director in writing.

### **4.2 Neem Foundation Expenditure**

All expenditure shall receive the clearance of the budget holder (Department/Unit Head or Senior Programme Officer) before they are authorized by the Executive Director or Assistant Executive Director, and no expenditure of Programme funds shall be incurred or committed unless:

- a. Funds are available, and the planned expenditure is within an approved work plan.
- b. The proposed expenditure is an eligible expenditure under the Grant Agreement with a donor.

- c. The expenditure is in line with approved Neem Foundation policies and procedures.
- d. Any Neem staff member approving an expenditure must ensure that the account description accurately portrays the nature of the expenditure, the activity, the component, and the programme or project against which the expenditure is to be charged.
- e. Under no circumstances should project expenditure be incurred for private purposes.
- f. Approval to incur expenditure shall rest with the Executive Director or Assistant Executive Director, who can delegate levels of financial authority and responsibility to various positions under the programme.

### **4.3 Mode of Payment**

The Finance Department shall process two types of payment:

#### **a. Neem Foundation Related Payments**

All payments shall be made by cheques, cash, or bank transfers, using a Payment Voucher (PV), except for minor expenditures below **₦10,000.00 (Ten Thousand Naira) only**, which are paid out of the Petty Cash/Imprest system.

#### **c. Other/Sub-Recipient Related Payments**

When a proposal is received with supporting documents, the relevant programme officer shall review the documentation for completeness and appropriateness, and make a recommendation (after which the programme officer must have checked for budgetary limits) to the Assistant Executive Director for their approval.

### **4.4 Advances against Expenses**

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

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

## **Procedures**

- a. To obtain an advance against expenses, a recipient is required to complete an "**Advance Request Form**", with all relevant information, which must be duly signed by the Department/Unit Head.
- b. Within ten (10) days of return from the date of completion of activities for which the advance was granted, the recipient must retire the account with supporting documents (receipts/invoices). It must be completed using the "Retirement Form."
- c. Failure to retire within the stipulated time limit will result in a notification letter and/or a surcharge being deducted from the staff member's salary. No other assignment will be given until retirements are made 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 are more than the advance collected, that is, reimbursement is required

- Dr – Expense, with full cost incurred
- Cr – Staff Subsidiary Ledger in the Cash Advance Control Account

### **4.5 Payment against Expenses**

Payment to suppliers, consultants, and contractors shall be made on a cash basis. That is, Neem the Foundation shall recognise liabilities and expenses immediately they are incurred. Contractors/Supplier Invoice Vouchers (CSIVs) shall be used to record transactions that are treated on an accrual basis.

## **Accounting Implication**

When the 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 – Individual Subsidiary Ledger in the Creditors Control A/c
- Cr – Mode of Payment

## **4.6 Mobilization Payment**

- a. The Procurement Officer or their designee shall forward a copy of the approved Contract for services or the Purchase Order to the Finance Department, indicating the mobilization fee required.
- b. The Finance Department shall ensure that a bill from the consultant or a Pro-Forma invoice from the supplier is submitted and processed for payment.
- c. 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
- d. Advance payment will be a maximum of 50% of the total contract cost.
  - e. The advance payment must be recovered from 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)

- f. On satisfactory receipt of the goods or services, after receiving the report submitted (duly signed by the internal auditor, Procurement Officer, and Finance Officer), staff must promptly notify the Finance Department for full payment. Where the contract agreement provides for the deduction of any retention fees, this must be complied with.

**Accounting Implication, where the 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 % of retention amount)
- Cr – Individual Subsidiary Ledger in the Creditors Control A/c (with the balance on the invoice after retention fees)

- g. Monthly schedules of outstanding advance payment shall be generated for the management team.

**4.7 Personal Reimbursements**

All personal reimbursement/claims must be made on a **Retirement Form** and should be accompanied by original receipts and supporting documentation.

**4.8 Petty Cash**

The Finance Department shall maintain an Imprest Account to facilitate the purchase of minor items. The Finance Officer shall be responsible for the security, balancing, and reimbursement of the Imprest Account, and manage disbursements from the Imprest Account. The Imprest Account will have a maximum petty cash float of **₦100,000.00 (One Hundred Thousand Naira) per month only**. The float shall be replenished when the cash balance within a month of operation falls below **₦10,000.00 (Ten Thousand Naira)** only. The Imprest holder shall be the Finance Officer.

**4.8.1 Procedures for Payments from Petty Cash Float**

- a. Petty cash claims by beneficiaries shall not exceed the threshold of **₦10,000.00 (Ten thousand Naira) only**. However, claims exceeding this amount will be reimbursed by cheque.

- b. Each request for petty cash payments shall be forwarded to the relevant Department/Unit Head, Executive Director, or Assistant Executive Director for approval.
- c. The Finance Department must ensure that the petty cash disbursed is appropriately documented.
- d. Petty Cash Vouchers (PCVs) shall be filed serially (with supporting documents attached) daily, and PCVs for each year shall be filed separately.
- e. The Finance Officer must ensure that the petty cash float is validated weekly and that the float is stored in a secure and locked location. A written report detailing any discrepancies must be sent to the Finance Manager and Assistant Executive Director within 24 hours of becoming aware of the discrepancy.
- f. Petty cash shortages will be covered by the Finance Officer, who will make an immediate cash payment into the till.
- g. 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.
- h. All attached supporting documents must be stamped "PAID", signed, and dated by the Financer Officer after payment. Official receipts collected from third parties in respect of payment from petty cash should be attached to the Petty Cash Voucher.

#### **4.8.2 Refund of Petty Cash Expenditure**

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

- a. The reimbursement does not exceed the approved limit.
- b. The relevant Department/Unit Head has authorized the claim.
- c. All supporting documents are attached.
- d. All expenditure details have been entered to enable proper verification.

### **Accounting Implication**

- Dr – Expenses
- Cr – Petty Cash Account

#### **4.8.3 Reimbursement of Petty Cash Float**

When the cash on hand reaches N5,000.00, the Finance Officer must initiate the reimbursement process. This reimbursement shall be accomplished by preparing the Petty Cash Reimbursement Statement (PCRS), which must be supported by all reimbursable petty cash vouchers for the Finance Manager's Approval and cheque issuance.

The Finance Manager shall:

- a. Verify that the Petty Cash Vouchers are in order and have been signed by an authorized officer.
- b. Verify that the expenditure does not exceed the petty cash limit and is properly coded to the corresponding account codes.
- c. Check the PCVs against the PCRS.
- d. Verify that the reimbursement amount and the cash on hand balance with the petty cash float, and sign the list to indicate that all necessary checks have been completed and approved.

### **Accounting Implication**

Dr – Petty Cash Account

Cr – Mode of Payment

## **5. ACCOUNTING RECORDS**

The following books of account and records shall be kept to ensure that all monies received are properly accounted for, all payments are correctly made, properly authorized, and recorded, and that adequate control is maintained over all assets. These books and records may not be physically

required in a computerized accounting system, as they will be automated within the system, and file documentation shall also be maintained.

### **5.1 Cash Books**

The Cash Books is for bank transactions detailing receipts and payments. Separate bank accounts as well as separate cash books, shall be maintained for each bank account and petty cash. The cash book shall be part of the double-entry records.

### **5.2 Fixed Assets Register**

- a. This Fixed Assets Register provides details of suppliers, a description of goods, the original cost, location, and disposal of assets. The Fixed Assets Register (FAR) shall highlight for each individual asset the following information:
  1. Supplier's name and address;
  2. Description and location of the asset within the organisation;
  3. Asset reference (identification) number;
  4. Purchase price (cost) and/or valuation;
  5. Date of purchase and disposal;
  6. Useful life and residual value;
  7. Serial or registration number
  8. Additions to the asset, such as the condition of the asset, etc.
- b. The FAR shall be updated regularly by the Administration Unit using information from appropriate source documents, such as Cheque Payment Vouchers and Journal Vouchers.
- c. Periodically, the FAR shall be reconciled with the Fixed Assets Ledgers, and a physical verification of fixed assets shall be carried out. Any discrepancies shall be investigated and resolved with the approval of the Administration Manager.
- d. The FAR shall support double-entry records and facilitate 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

### **5.3 Use of a Motor vehicle**

A Mileage log shall be maintained for all vehicles (Neem Foundation & Project Vehicles) by the drivers and confirmed by the Administration Manager. Where vehicles are used for personal purposes or outside the scope of their assignment, the officer concerned will be charged N15.00 per kilometre for such use and be responsible for fueling.

### **Accounting Implication**

- Dr – Cash Book
- Cr – Individual Ledger Account

### **5.4 Cheques Issued Register**

This shall list all cheques drawn and evidence of their collection by payees

### **5.5 Prepayment Ledger**

This will be used to record all types of prepaid expenses, such as prepaid rent and prepaid insurance. A control account shall be maintained in the Chart of Accounts, while subsidiary ledgers will be created for each prepaid expense. Monthly, journal entries shall be made where necessary 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 a monthly release is made (using Journal Voucher)

- Dr – Expenses
- Cr – Prepayment (Subsidiary Ledger of the expense being prepaid)

## **5.6 Advance Payment Ledger**

This will be used to record advances made by staff and suppliers/consultants, along with subsequent repayments or retirements. 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.

## **5.7 Standard Journal Book**

- a. This will contain posting journals where transactions cannot be recorded directly from the source documents to update the general ledger/subsidiary ledger, such as in cases involving payroll.
- b. Where adjustments or reversals of earlier wrong entries or omissions are requested to be made, Journal Vouchers shall be prepared by the Financer Officer and used as the source of posting to the ledger.
- c. Journal Vouchers shall be submitted to the Finance Manager for review and approval. The Finance Manager shall review the journal voucher for accuracy and proper coding.
- d. Suppose the journal voucher is for the correction of a previous error or misclassification. In that case, the Finance Manager shall take the necessary action to ensure that such a recurrence is avoided in the future.
- e. After approval of the journal voucher, it shall be referred back to the Finance Officer, who shall post the Journal Voucher.
- f. However, this might not be the case with a computerized accounting system (Journal Adjustments should be within the notice of the Finance Manager).

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

This shall contain a separate folio of major expenditure items under each of the categories, objectives, Service Delivery Areas, Activities, and programmes or projects. A Trial Balance will

be extracted monthly from the GL. However, this might not be the case with a computerized accounting system

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

This register will contain an analysis of the SOEs' monthly performance. This register shall serve as a memorandum record for the review and control of the SOEs.

### **5.10 Store Records**

This record shall show the in and out movement of store items. The Store Records will serve as a memorandum record to monitor movements of store items only. However, this might not be the case with a computerized accounting system.

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

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

a. At the end of every month, quarter, and year, the following statements and schedules shall be prepared for the Management Team:

- 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

b. 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 the 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
- Statement of Expenditure and Financing.

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

The primary objective of a filing system is to ensure that accounting documents are filed in a logical sequence, facilitating retrieval, supporting financial reports, and establishing a clear audit trail to provide feedback on the accuracy of the financial reports.

All accounting records shall be kept in secure rooms or fireproof, 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 staff in the Finance Department, but a register shall be maintained to monitor the movement of such records.

Separate files shall 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, with a copy kept by the Finance Manager on-site, and another copy kept with the Assistant Executive Director. Fireproof safes are the recommended means of storing important financial documents.

### **5.13 Source Document**

Cheque payment vouchers, petty cash vouchers, official receipts, stores issue/receipt vouchers, e.t.c. shall form major source documents. These documents must be accurately coded before being posted into the Foundation's accounting system. At the end of each day, the Finance Officer shall produce the daybook for review to identify possible errors or omissions and make any necessary corrections.

### **5.14 Reconciliation of Accounts**

- a. There shall be a monthly reconciliation between control accounts and the subsidiary ledgers, where detailed accounts are maintained, as well as the memorandum register. Any unusual account balances will be investigated and resolved promptly monthly.
- b. Monthly Bank reconciliation shall also be undertaken for all bank accounts.
- c. Where a disparity exists, the errors shall be traced by a systematic check of postings into the ledger accounts or the subsidiary ledger accounts. Where reconciliation has been successfully completed for a particular month, subsequent reconciliation shall be limited to postings made after that period when tracing errors.

### **5.15 Chart of Accounts**

To make sense of financial data, it is essential to code and classify it. A chart of accounts is a means of coding and classifying accounting data in a way that promotes its use, leads to better management, and achieves 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 the financial system. It represents the framework used to budget, record, and report all financial transactions and account balances.

The codes identify the types of accounts in terms of the categories in the accounting system, namely programme components and categories, as well as the source of funding.

Once established, the Chart of Accounts should not be amended without consultation. The final decision to alter the chart shall be left to the Finance Manager, who will assess the need for the proposed change. Once the amendment has been approved, the amended version of the chart should be printed and distributed to staff at the Finance Department. The Manual of Accounts should also be amended to highlight the major changes.

The Finance Department shall establish and apply an acceptable system of coding and classification for 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 Generally Accepted Accounting Practices (GAAP)

The following are the major considerations in the design:

- a. General simplicity
- b. Ease of reporting major disbursements by Components
- c. Ease of reporting Components by disbursement category
- d. Ease of capturing Sources and Uses of Funds.

## **6. STANDARD ACCOUNTING INSTRUCTIONS**

### **6.1 Store and Stock Control**

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

The Administration Manager shall be responsible for:

- a. Receiving goods into RESH's Store(s) using the Store Received Voucher (SRV) and issuing goods using the Store Issued Voucher (SIV).
- b. Recording goods received into a Goods Received Register (GRR). However, this shall not be required for a computerized accounting system.
- c. Recording each item received at the store in the Bin cards and continuously updating them with issues and receipts. However, this would not be required for a computerized accounting system.
- d. Ensuring that goods/stocks are stored in suitable places and under the supervision of responsible officers who are accountable for their safe storage.

#### **6.1.2 Receiving Procedures**

- a. When goods are supplied to Neem Foundation, it is the responsibility of the Administration Manager to examine the quality and quantity in the presence of the supplier. The Internal Auditor or his representative shall also be present.

- b. The goods shall be received into the store after inspecting the Waybill/Delivery Note and comparing it with a copy of the Local Purchase Order/contract document, and it shall be certified that the delivery agrees with the purchase order or procurement specification.
- c. The Administration Manager or Officer shall sign the Waybill/Delivery Note as evidence of delivery/receipt of goods and prepare a Store Received Voucher (SRV). The Store Received Voucher shall be signed by the Administration Manager or Officer, a staff member from the requisitioning Department/Unit, and the Internal Auditor. The Store Received Voucher shall be in triplicate and be distributed as follows:
  - 1. Original copy to the Finance Department
  - 2. Duplicate to the Administration Department
  - 3. Booklet copy to be retained in store
- d. The booklet copy of the SRV shall be used to post into the Goods Received Register (GRR). The Administration Officer shall arrange the goods into their respective sections of the store, stack them, and post the quantity/volume received into the Stock Bin Cards (SBC) from the booklet copy of SRV. However, this would not be required for a computerized accounting system.

### **6.1.3 Issuing Procedures** These

shall be as follows:

- a. A requisitioning Department/Unit shall prepare a Store Requisition Note (SRN) for store items, signed by the Department/Unit Head or their designee, and obtain approval from the Admin Manager or Assistant Executive Director.
- b. The Administration Officer shall issue the requested items based on the requisition and prepare a Store Issue Voucher (SIV). The SIV shall be in triplicate as follows:
  - 1. Original copy to the Requisitioning Department/Unit
  - 2. Duplicate copy to the Finance Department
  - 3. Triplicate copy retained in the booklet

- c. Every Department/Unit Head shall assign an officer who will be responsible for issuing items and also account for unused items returned to the store.

#### **6.1.4 Stock Bin Card**

Stock Bin Cards will be kept and maintained by the Administration Unit. Each card will display details of all receipts, including the date, name of supplier, 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. This requirement shall not apply to computerized accounting systems.

The Stock Bin Card will have the following features:

- a. Stock Item name
- b. Stock Item code
- c. Stock Item part number
- d. Location
- e. Reorder level;
- f. Maximum stock level;
- g. Minimum stock level;
- h. Unit of measurement

#### **6.1.5 Stock Reports**

The Administration Unit shall prepare a stock report, which shall form part of the Financial Monitoring Report.

#### **6.1.6 Stock Taking**

- a. This shall be performed monthly by the Administration Unit and witnessed by the Internal Auditor.
- b. Procedures for stock taking:

1. Identification of personnel involved
2. The Administration Manager must determine the duration of the stock-taking exercise
3. Complete a Stock Taking Form, which must contain information on the item's expiry date. Where a requested item is returned, the returning Department/Unit shall complete a Stock Returned Form.
4. The Stock Taking Form shall be submitted to the Finance Department for stock evaluation purposes.
5. Variances in stock records must be properly investigated by the Admin Manager, Finance Manager, and Internal Auditor.

## **6.2 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 (₦50,000). 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) that shall be capitalized along with the initial cost of fixed assets must be in accordance with the applicable accounting standards mentioned above.

### **6.2.1 Maintenance of Fixed Asset Register (FAR)**

- a. A Fixed Assets Register shall be maintained for recording all fixed assets procured, donated, or constructed with RESH's funds.
- b. The register shall contain detailed information concerning each asset.
- c. The assets shall be code-numbered for proper identification based on categories & location.
- d. The assets register shall be designed to accommodate the addition and disposal of assets.
- e. A summary of fixed assets shall be extracted from the Fixed Assets Register and form part of the Financial Monitoring Report and financial statements.

- f. The Administration Unit shall assign an asset identification number to all assets. Movable assets, such as vehicles, shall carry the imprint of the Neem Foundation or the donor's logo.

### **6.2.2 Procedures for Maintenance of Fixed Asset Register**

- a. The Administration Manager shall scrutinize the Payment Voucher files and extract details relating to the purchase or acquisition of assets into the Fixed Asset Register Update Form (FARUF).
- b. The Finance Officer shall compare the invoice value of the fixed asset item with the contract documents and FARUF to ensure compliance and proper classification.
- c. Where joint costs (e.g., customs 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.
- d. The Administration Manager shall review the total cost of the assets and submit them to the Finance Officer for processing, ensuring that appropriate entries are made in the Fixed Asset Register.
- e. A separate file shall be maintained for all Fixed Asset Register update forms.
- f. The Finance Department shall obtain the distribution or location list of the assets from the Administration Unit.

### **6.3 Depreciation of Fixed Assets**

Fixed assets shall be depreciated according to RESH's fixed asset depreciation policy, determined based on the following rates:

- Motor Vehicles                    25%
- Equipment                        20%
- Furniture and Fittings        20%
- Plants and Machinery        10%
- Building                        10%
- Building Improvement        10%

## **6.4 Disposal of Fixed Assets**

When equipment is beyond repair, outdated, or has exceeded its useful life, it shall be marked for disposal and turned over to the Administration Unit. The Unit shall evaluate the equipment for replacement or redistribution. The final approval for disposal or distribution shall rest with the Management Team.

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

## **6.5 Fixed Asset Enumeration**

- a. Annually, the Finance Manager shall issue guidelines for the enumeration of fixed assets carried in the books of Neem Foundation.
- b. Designated Officers shall conduct a physical verification exercise of all fixed assets at least twice a year and supervise by the Internal Auditor to ascertain the existence, custody, and general status of the fixed assets.
- c. The result of the stock verification exercise shall be reconciled with the balances in the Fixed Asset Register and Fixed Asset Ledger, and differences, if any, shall be investigated and reconciled.
- d. Necessary correcting entries shall thereafter be made in the necessary books.
- e. At the end of the exercise, the Management team shall be advised on the status of Fixed Assets in the organisation, along with a recommendation for disposal or otherwise.

## **6.6 Asset Revaluation**

The Management team shall engage the services of a professional valuer to carry out a revaluation of the Neem Foundation's fixed assets at intervals of every four (4) years.

Post-revaluation reports shall be submitted to RESH's management for further planning and decision-making.

## **7. FINANCIAL MONITORING REPORTS**

**7.1** Financial Monitoring Reports are intended to assist in managing, evaluating, and monitoring RESH's activities. It provides information that will be useful to the Management Team and

stakeholders of Neem Foundation. Financial Monitoring Reports shall comprise: a. Financial Reports

- b. Physical Progress Reports
- c. Procurement Reports
- d. Personnel Reports

### **7.1.1 Financial Reports**

This must include a statement showing:-

- a. Cash Flow Statements or Summary of Sources and Uses of Funds
- b. Uses of Funds by Project Activity
- c. Statement of Expenditures (SOEs) Schedule
- d. Cash Flow Projections for the following quarter
- e. Bank Account Statement /Reconciliation
- f. Statement of Actual vs. Budgeted Expenditures
- g. Trial Balance
- h. Income and Expenditure Statement
- i. Balance Sheet

These reports shall be produced and submitted by the Finance Department.

### **7.1.2 Physical Progress Reports** This

must include:

- a. Narrative information and output indicators linking financial information with the physical progress of programmes, projects, and activities.
- b. Highlights of issues that require attention.
- c. The Senior Programme Officer or Programme Officer shall collate relevant information to generate reports for onward submission to management for further planning and decision-making.

### **7.1.3 Procurement Reports**

- a. Separate tables should be used to provide information on the following;
  1. Procurement of Goods
  2. Procurement of Services
  3. Selection of Consultants
  4. Procurement for Training
- b. The Administration Officer shall submit a report showing the status of Local Purchase Orders (LPOs) and Contract documents, as well as unserviced purchase requisitions, to management for planning and decision-making purposes.
- c. The reports should compare actual procurement performance with the work plan agreed upon for the period under consideration, among other things.

### **7.1.4 Personnel Report**

This must include:

- a. Staff Cost Report (Salary-related costs)
- b. Staff Cost (Training, Medical, Pension contribution, insurance, e.t.c.)
- c. Staff Enumeration Report
- d. Leave Report (Casual, Sick, Annual, Study, Maternity, leave of absence)
- e. Monthly Summary of the Individual Time Sheet Report

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

### **7.2 Method of Preparation**

The Financial Monitoring (or Management Information System) Reports shall largely be generated from the computerized accounting system. However, some information would be extracted from various sources to complete the reports by the relevant staff.

Monthly reports shall be prepared and distributed within three (3) weeks of the following month, while quarterly reports shall not exceed the end of the first month of the following quarter. The annual reports shall be prepared and distributed after two (2) months of the following year.

All financial reports and Programme Progress reports shall be prepared by the third week after the end of each month. After the approval of the Management Team (approval shall be deemed granted after management has been allowed a maximum period of 7 days from the submission of the reports), all necessary reports shall be submitted to stakeholders as needed.

## **8. INTERNAL CONTROL AND INTERNAL CONTROL SYSTEMS**

The Assistant Executive Director shall implement an Internal Control Process to ensure that the objectives of Neem Foundation are met to achieve:

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

The internal control structure of Neem Foundation will have the following elements:

- a. The information system.
- b. Control procedures;
- c. The control environment, and
- d. Risk assessment and monitoring.

### **8.1 The Information System**

- a. Transactions will remain the primary focus of the information system, as they involve exchanges of assets and services between the Neem Foundation and third parties, as well as the transfer or use of assets during Programme activities.
- b. A major focus of controls in the information system will be to ensure that transactions are initiated and processed in a way that prevents misstatements and promotes transparency and credibility. RESH's information system will therefore:
  - 1. Identify and record all valid transactions that occurred in the current period of reporting.
  - 2. Ensure that recorded assets and liabilities are the result of transactions that produced rights to or obligations for those items;

3. Measure the value of transactions in a way that accurately records their monetary value.
4. Capture sufficient detail of all transactions to allow their proper presentation in the financial report;
5. Provide timely, accurate, and relevant information to management for efficient programme or activity implementations;
6. Ensure effective communication between Neem Foundation, its donors, other partners, and stakeholders.

**8.1.1** The Finance Department of Neem Foundation shall provide:

- a. A complete audit trail for each transaction.
- b. Evidence that connects account balances and other summary results with original transaction data through:
  1. Proper coding;
  2. Appropriate cross references; and
  3. Adequate documentation.

**8.2 Control Procedures**

- a. Control procedures shall be established to ensure, as far as possible, RESH's overall objectives are achieved. Control procedures shall include general controls (where the system is computerized) and/or application controls, including proper authorization, documentation, and independent checks; segregation of duties, physical controls, and performance reviews.
- b. Authorization procedures shall ensure that all transactions are authorized by staff acting within their authorized limits.
- c. Documents and records shall reference the source documents that provide evidence of transactions, including the applicable price, description, and terms.
- d. Documents and records shall be pre-numbered to maintain control and accountability and shall be designed to ensure that they capture all relevant information and authorizations.

- e. On completion of processing, all RESH's financial documents and records shall be filed in an orderly manner.
- f. Duties within the Finance Department would be segregated to ensure checks and balances.
- g. Signatories to RESH's Bank Accounts must compare the amounts on cheques prepared with the amounts on supporting documents before signing the cheques.
- h. Supporting documents and Payment Vouchers must be initialled by the Signatories as evidence of performance of independent checks.
- i. The Internal Control Checklist shall be used by management as a guide for assessing the adequacy of the Internal Control System.

### **8.3 Risk Assessment and Monitoring**

To provide reasonable assurance as it relates to the achievement of RESH's objectives, risk management and monitoring will focus on:

- a. Programme or activity management and other personnel,
- b. Strategy setting and Programme or activity Implementation,
- c. Potential events that may affect the programme or activity, and
- d. Risk tolerance level assessment

### **9. AUTHORISATION AND APPROVAL LIMIT**

- a. To achieve effective control, all expenditures on behalf of the Neem Foundation shall be authorized only by the Executive Director or the Assistant Executive Director.
- b. The Finance Manager is responsible for ensuring that the various authority limits are adhered to. She/he shall review these limits periodically and recommend appropriate changes to the Management Team through the Executive Director or Assistant Executive Director.

- c. Officers who are authorizing or approving any document shall ensure that the documents presented and the relevant accompanying attachments are in order and conform to the established procedures of Neem Foundation.
- d. Officers are not permitted to authorize or approve expenditure relating to them. Where an officer originates an expenditure, he/she shall obtain the approval of a superior officer, or that of the Finance Manager or Assistant Executive Director.

### **9.1 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. A member of the Management Team can also delegate authority to an immediate subordinate in writing, in the absence of a superior officer.

### **9.2 Specimen Signature**

Specimen signatures and names of officers authorized to sign Vouchers and other security documents shall 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 Executive Director or Assistant Executive Director.

The Finance Department shall not make payment against a voucher unless:

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

### **9.3 Authorization and Approval Schedule**

- a. The setting of authorization and approval limits for various documentation and processes is the responsibility of the Management Team.
- b. No expenditure shall be authorized until the necessary clearance is obtained by the relevant Department/Unit Head to confirm that the expenditure is within the approved budget and activity plan.

## **10. AUDIT ARRANGEMENTS**

### **10.1 Internal Audit Function**

RESH's activities shall be reviewed by an Internal Auditor, who is **INDEPENDENT** of the Finance Department. The internal audit function shall ensure the orderly and efficient conduct of operations, including, among others:

- a. Adherence to RESH's policies
- b. Adherence to rules and regulations
- c. Safeguarding of assets
- d. Prevention, detection, and reporting of errors and irregularities
- e. Promoting the accuracy and reliability of the accounting records

The Internal Auditor shall work within a well-defined framework of programmes and reporting requirements. Vitally, the internal audit function should complement RESH's monitoring and evaluation system. The internal audit programme for each year shall be developed by the internal auditor and discussed with the Executive Director, Assistant Executive Director, and the Management Team.

The Internal Auditor shall conduct both traditional compliance audits and non-financial or operational audits.

### **10.2 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 shall be to evaluate the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities.

To overcome undue interference with independence, which may jeopardize the objectivity of the Internal Auditor, they shall report to the Assistant Executive Director, providing copies of their quarterly reports to RESH's Management. The following measures shall be put in place:

- a. A statement of purpose, authority, and responsibility for the internal audit unit;
- b. Detailed work plans to carry out the responsibilities of the internal audit function with appropriate emphasis on identified risks;
- c. Written policies and procedures to guide audit staff;
- d. A programme for the coordination of internal and external audit exercises; and
- e. A quality assurance programme to evaluate the operations of the internal audit function.

### **10.3 RESH's Monitoring and Evaluation Systems**

As the Neem Foundation becomes more decentralized, with increased delegation of authority to other officials, operational auditing and monitoring, as well as evaluation, become more valuable and critical tools for improving the delivery of services.

RESH'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 shall:

- a. Appraise the economy and efficiency with which resources are employed.
- b. Review RESH's operations or programs to determine whether the results are consistent with established objectives and goals, and whether operations or programs are being carried out as planned.
- c. Impact of RESH's operations on end-users.
- d. The Monitoring and Evaluation Officer shall ensure that all departments are working in compliance with relevant policies and procedures to achieve the organisation's set goals and objectives.

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

Most donors and partners will require the Neem Foundation to have its financial statements audited annually and ensure that they are in accordance with accepted standards. Examples of these standards include the International Standards on Auditing, published by the International Federation of Accountants (IFAC), and Auditing Standards issued by the International Federation of Accountants (IFAC). The use of independent audit firms should be promoted, and every effort

should be made to appoint auditors who fulfil the criteria required by the International Standards on Auditing (ISA).

### **10.5 Donor and Partners Agreement Document**

While a Terms of Reference (TOR) 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 organisations 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, any Terms of Reference drawn up 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 them from performing in line with the statutory, regulatory, or professional requirements. The scope of the audit should always include the requirement to give an opinion on RESH's specified financial statements.

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

The auditor's contract shall clearly outline the auditor's responsibilities. The contract shall include:

- a. Confirmation of acceptance of the appointment, including the Terms of Reference;
- b. Management's responsibilities, particularly in the preparation of financial statements;
- c. Access to premises and documents the auditor may require;
- d. The form of the audit report
- e. Arrangements regarding the involvement of internal auditors, other external auditors, and any other financial consultants of Neem Foundation;
- f. The expected date the audit report will be issued.
- g. The basis on which fees are determined and billing arrangements.

## **10.7 Term of Appointment of Auditors**

There shall be only one audit firm appointed for the Neem Foundation, which shall be responsible for auditing all programmes, projects, and activities, irrespective of the source of funding. The Management Team shall appoint an Audit firm before the end of the fiscal year.

## **10.8 Scope of Audit**

In addition to complying with donor requirements, annual audits must also comply with government requirements and any other terms agreed upon with donors or partners. RESH's annual audit report shall include:

- a. An assessment of the adequacy of the accounting and internal control systems;
- b. Whether Neem Foundation has maintained adequate documentation on all transactions;
- c. Verification that all expenditures documented to each funding source are allowable and unallowable expenditures;
- d. A separate opinion as to whether the financial statements of Neem Foundation give a true and fair view of its financial position; and
- e. A management letter from the auditor that evaluates the overall management performance within the audit period.

## **10.9 Timing of Submission of Audit Reports**

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

## **11. JOB DESCRIPTION OF KEY PROJECT OFFICERS**

### **11.1 Assistant Executive Director**

The Executive Director shall be responsible for directing the activities of Neem Foundation in line with this manual and all Grant agreements. Other responsibilities shall include, but not be limited to:

- a. Report regularly to the Management Team, Board of Trustees, Donors, Partners, and other stakeholders.

- b. Direct the activities of the Neem Foundation in accordance with all grant agreements.
- c. Review all aspects of RESH's work plan in light of the results of operations and prevailing economic conditions.
- d. Establish effective links with key stakeholders to facilitate the implementation of effective programmes, projects, or activities.
- e. Ensure that all financial and accounting requirements are met.
- f. Prepare annual work plans and budgets in consultation with other Management staff and relevant staff.
- g. Initiate corrective measures to address internal shortcomings and irregularities as the need arises.
- h. Undertake any other responsibility required to ensure the achievement of RESH's objectives.
- i. Direct supervision of the Finance Department.
- j. Liaise with statutory auditors to prepare the annual financial reports.
- k. Liaise with banks and tax authorities regarding bank matters and tax issues, respectively.
- l. Any other duties as may be assigned by the Management Team.

## **11.2 Finance Manager**

Qualified Finance Officers shall support the Finance Manager with the following functions:

- a. Ensure compliance with RESH's financial management requirements.
- b. Coordinate periodic financial reports (i.e., monthly/quarterly/annually)
- c. Provide leadership in preparing annual budgets and work plans.
- d. Follow up on prompt release of funds, once approved.
- e. Ensure relevant records are maintained for RESH's financial transactions.
- f. Review and approve monthly Bank Reconciliation Statements for all Bank Accounts.
- g. Together with the Assistant Executive Director, maintain, develop, and update the Financial Procedures Manual regularly.
- h. Liaise with the internal/external auditors and follow up on any audit queries/management letters.
- i. Supervise all financial management functions and staff of the Finance Department.
- j. Ensure that the Finance Department's payments and other support services are carried out satisfactorily.
- k. Approve the release of prepayment and retirement of cash advances.
- l. Ensure prompt preparation of monthly staff salaries and other related payments.
- m. Ensure timely submission of relevant monthly, quarterly, and yearly reports on programme or activity implementation to all stakeholders.
- n. Educate staff on statutory laws and regulations, fiscal policies, and any changes thereto.
- o. Engage in other duties as may be assigned by the Assistant Executive Director.

### **11.3 Finance Officer**

The Finance Officer shall report to the Finance Manager and perform the following functions:

- a. Ensure that all accounting records are maintained in line with this manual, GAAP, and Donors and Partners requirements;
- b. Preparation of periodic financial reports (i.e., monthly/quarterly/annually);
- c. Preparation of the monthly staff salary payroll and other related payments;
- d. Posting and updating the prepayment and cash advances subsidiary ledger;
- e. Draw up annual budgets and work plans together with other responsible officers;
- f. Ensure relevant books and records are maintained for RESH's Programmes and activities;
- g. Ensure that all accounting records are updated promptly.
- h. Prepare monthly Bank Reconciliation statements for all Bank Accounts;
- i. Supervise Programme Officers and the Administration Officer to ensure compliance with the internal control systems for all areas of RESH's operation;
- j. Responsible for managing payments and the imprest account.
- k. Responsible for issuing receipts, preparing and posting of Payment Vouchers, and maintaining the cash books in accordance with laid down procedures;
- l. Monitoring of Advance Payments control accounts and generation of periodic advance payments schedule;
- m. Ensure that all registers, including the Cheque Register, Fixed Assets Register, and other subsidiary ledgers, are appropriately kept and up to date;
- n. Processing of the release of prepayments and retirement of cash advances;
- o. Preparation and processing of invoices for payment; and
- p. Engage in other duties/ special assignments as may be directed by the Financial Manager.

## **11.4 Internal Auditor**

The internal auditor shall be responsible to the Assistant Executive Director, and responsibilities shall include:

- a. Ensure that an adequate internal control system is in place.
- b. Ensure compliance with the internal control system and RESH's policies and procedures.
- c. Ensure that the data contained in prepared financial reports is accurate by conducting substantive tests on them periodically.
- d. Contribute to the preparation of the annual audit work plan, with an emphasis on identified risk areas.
- e. Ensure that expenditures are in line with the approved budget.
- f. Review the adequacy of the internal control system at regular intervals to recommend appropriate improvements.
- g. Develop and monitor audit Programmes and procedures to cover all financial and administrative operations of Neem Foundation.
- h. Report any irregularities to the Management Team promptly.
- i. Provide guidance, supervision, and on-the-job training to all Internal Audit staff.
- j. Regularly (and on an ad-hoc basis) audit the accounts, records, assets, and store(s) of Neem Foundation as well as its programmes, projects, or activities.
- k. Other activities as may be directed by the Assistant Executive Director.

## **12. Additions, Deletions, and Amendments**

Any main section or sub-section of this Financial Procedures Manual may be amended if the need arises, particularly when recommended by the Finance Manager, and in consultation with the Management team. The Assistant Executive Director shall approve such changes before they can be made.

## ACRONYMS

SOE	Statement of expenditures
FMC	Financial Management Committee
IBFTV	Inter-Bank Fund Transfer Voucher
Dr	Debit
Cr	Credit
FAR	Fixed Assets Register
PCRS	Petty Cash Reimbursement Statement
CPV	Cheque Payment Voucher
CRRF	Cash Reimbursement Requisition Form
PCV	Petty Cash Vouchers
CSIV	Contractors/ Supplier Invoice Voucher
SRV	Store Received Voucher
CARAF	Cash Advance Retirement Analysis Form
CARF	Cash Advance Requisition Form
GL	General Ledger
GAAP	Generally Accepted Accounting Practices
SIV	Store Issued Voucher
GRR	Goods Received Register
SBC	Stock Bin Cards
SRN	Store Requisition Note
FARUF	Fixed Asset Register Update Form
LPO	Local Purchasing Order
IFA	International Federation of Accountants
ISA	International Standards on Auditing
TOR	Terms of Reference



