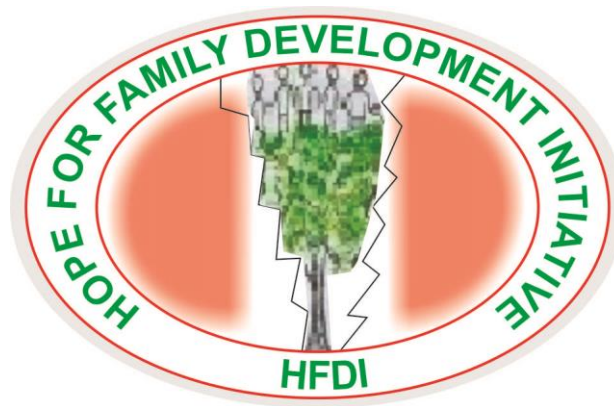


HOPE FOR FAMILY DEVELOPMENT INITIATIVE (HFDI)



FINANCIAL PROCEDURES MANUAL

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INTRODUCTION

Background

Overview of Donor Funded Program Financial Management

The Donor Funded program 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 geographic 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 all programs rests with the Board of Trustees, the Management of Hope For Family Development Initiative (HFDI) and the JONATHAN Hope For Family Development Initiative's Finance Department When reviewing proposals for financing programs, most donors always considers the following financial management issues.

- The capacity of the proposed financial management system, the availability of relevantly 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.

Purpose of the Financial Procedures Manual

This manual provides broad guidelines for the development and maintenance of financial management system for all Programs. 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 individual, Board of Trustees, 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 program objectives.

The manual:

- Outlines the Hope For Family Development Initiative's (HFDI) 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 procedural 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 economic 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 Hope For Family Development Initiative's and most donor specific financial management expectations and requirements. For instance, 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.

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 shall be made up of relevantly qualified personnel with appropriate expertise in their chosen fields.

Management will have the following functions:

- Preparing/Consolidating annual work program, and reviewing and signing off on 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;
- Ensuring that the relevant periodic reports and annual financial statements are submitted to the stakeholders on a timely basis.

A Finance Department will be established appropriate financial management staff 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 5 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 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.

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.

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.

Financial Management Committee

A Financial Management Committee (FMC) will be established to monitor and supervise the financial management functions. The FMC will be chaired by the Executive Director. Other members of the FMC shall include Directors, Managers, the Accountant, the Procurement Officer, and the Program Officers. 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.

ACCOUNTING PRACTICES AND POLICIES

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.

Responsibility for Accounting Policies

The Accountant, 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 Accountant and the Internal Auditor

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.

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 accrual 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 (landed) 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 program'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 rates ruling at the transaction dates. Assets and Liabilities expressed in foreign currencies are converted to Naira at the rates ruling at the balance sheet date and gains or losses on such conversions are credited or charged to reserve in the period which they arise.

BUDGETING AND BUDGETARY CONTROLS

Budgeting - Programs

Costs are included in the program budget document. The budget shows expenditure by objectives, service delivery areas and /or activities, the nature of the expenditure, and expenditure timing.

The Accountant 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 those 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 Finance Department will submit the detailed work and financial plan to management for review and confirmation 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 of the Program. The Finance Department shall put in place an appropriate accounting procedure that will monitor expenditure against the work plan. No expenditure will be authorized by the Finance manager and or program officers 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, 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 Executive Director, Finance Manager, Head of units, relevant program officers and all requiring such reports. The process of informing management about the level of actual expenditure as compared to budget limits will be part of the monitoring system.

Budgeting

The under-listed are the budgeting process to be adopted

- Budget timetable is drawn by the Finance Manager to all Heads of Budget holders.
- Finance Manager will call for budget retreat, which shall be attended by all the Heads of Department
- Budget holders 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 for budget defence.
- Budget Committee shall prepare and recommend for approval from the Executive Director.
- The approved budget is then circulated to Heads of unit for implementation.
- The Finance Department/Internal Audit is then charged with the monitoring/evaluation of the budget.

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. The objectives of this are:

- To facilitate prompt payment of any size, which is required for smooth and 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 mgt and work in progress for program activities

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 under the Banking Arrangements. A system of early replenishment will be instituted such that the Finance Department will have adequate resources to enable the program 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 Accountant and approved by the Finance Manager.

Funds Disbursement

The Accountant shall prepare a letter of instruction in triplicate to the commercial bank where the Programs Domiciliary Account is held to transfer the Foreign Currency equivalent of the Naira amount to the Naira Account. The letter of instruction (disposal instruction) shall be approved and signed by the authorized signatories to the Domiciliary Account.

The Accountant shall dispatch two copies of the letter of instruction to the bank and forward the third copy to the Accounts Officer for his/her file. On receiving the letter of instruction, the bank 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. Before any disbursement is made from the Naira Account, the approval of the Executive Director shall be obtained and adequate directives for disbursement shall be given by the Finance Manager.

Accounting Implication shall be:

Dr Bank (Domiciliary Account)

Cr Bank (Naira Current Account)

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

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 approved by management.

The Domiciliary Account shall be operated by bank transfers through transfer instructions to the Bank, 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.

Signatories:

There shall be three (3) signatories with one Category A and any of Category B shall have a maximum of 2 people.

Category A

Executive Director (first signatory)

Category B

The finance manger (first signatory)

The Programme Manager (alternate signatory)

The Management secretary (alternate signatory)

All Cash Books and bank statements shall be reconciled monthly within five (5) 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. All Cheques will be pre-crossed and unused booklets kept in a safe custody by the Accountant.

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

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 Accountant 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 Executive Director and the Internal Auditor.

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

ACCOUNTING FOR RECEIPTS AND PAYMENTS

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 approval of the Executive Director or Finance Manager

Program Expenditure

All expenditure shall receive the clearance of the budget holder (program officers) before they are authorized by the Program Manager 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 Program 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 Program Manager who can delegate levels of financial authority and responsibility to various positions under the program.

Mode of Payment

The Finance Department will process two types of payment:

- Sub Recipient related payments
- 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 Finance Manager for payment. The Finance Manager shall ensure that the recommended payment is in order and then authorize the proposal for payment. The Grants Manager writes a confirmation letter which must be signed by the Executive Director.

Related payments

All payments shall be made by cheque, using Cheque Payment Voucher CPV (Appendix 1) except for minor expenditures below ₦ 5, 000.00, 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.

To obtain an advance against expenses, Program officers are required to complete "Cash Advance Requisition Form (CARF) with all relevant information, which must be duly signed by the Head of Unit.

Within three (3) days of return from the date of completion of activities for which the advance was granted, the program officer must retire the account with supporting documents (receipts/invoices). This must be done by using Cash Advance Retirement Analysis Form CARAF (See Appendix 21)

Failure to retire within the stipulated time limit will incur a query and/or surcharge from the staff salary. 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 accrual basis. That is, Hope for Family Development Initiative (HFDI) 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

Mobilization Payment

The procurement officer will forward a copy of the approved Contract for services or the Purchase Order to Finance Department indicating that mobilization fee is 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.

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, the stores manager/ end-user would promptly notify the Finance Department for full payment and where the contract agreement provides for the deduction of 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 %age of retention amount)

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

Monthly schedules of outstanding advance payment shall be generated for management use.

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.

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 ₦100, 000 (one hundred Thousand Naira). The float shall be replenished when the cash till balance falls below ₦20, 000 (Twenty 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 will be filed serially (with supporting documents attached) on a daily basis and PCVs (Appendix 5) for each year will 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 and 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 Accountant 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 Executive Director approval and signing of cheque

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

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.

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.

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 Finance 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 Executive Director 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

Cheques Issued Register (See Appendix 9)

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

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.

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

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 Executive Director off-site. 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.

Reconciliation of Accounts

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.

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 Accountant who shall assess the need of the proposed change. Once the amendment has been approved 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.

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.

STANDARD ACCOUNTING INSTRUCTIONS

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 Internal Auditor or his representative will 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 designated officer 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 Manager, the representative of the user unit and 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 Officer 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 Executive Director shall assign a project officer who would be in charge of issued items 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 and witnessed by Internal Auditor.

Procedures for stock taking;

Identification of personnel involved

- Duration of the stock taking exercise must be determined
- 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.

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.

Maintenance of Fixed Asset Register (FAR)

- A Fixed Assets Register shall be maintained for recording all fixed assets procured, donated, or constructed from HFDI's fund.
- The register shall contain detailed information concerning each asset as contained in the sample Fixed Assets Register.
- The assets shall be code-numbered for proper identification as to categories and location.
- The 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 HFDI

Procedures for Maintenance of Fixed Asset Register

- The Accounts Officer 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 Accountant 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.

Fixed Asset Enumeration

- Annually the Director of Finance through the Accountant shall issue guidelines for enumeration of fixed asset being carried in the books of Hope for Family development Initiative (HFDI)
- 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 Hope for Family development Initiative (HFDI) fixed asset at the interval of every four (4) years.

Post revaluation reports will be submitted to Hope for Family development Initiative (HFDI) management for further planning and decision making.

FINANCIAL MONITORING REPORTS

Financial Monitoring Reports (FMR) are intended to assist in managing and monitoring the Hope for Family development Initiative's (HFDI) 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.

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 Project Manager or program officer shall collate relevant information for the generation of the reports for onward submission to Management 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 of 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 Management for planning and decision making .

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

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	Accountant
1B	Uses of funds by Program, Project and/or Activity	States expenditure by activities, Programs and or Projects	Accountant
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.	Accountant
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.	Accountant
1E	Bank Account Statement	Shows the movement in the Bank Accounts.	Accountant
1F	Statement of Expenditure for Components and funding source.	States expenditures by components and funding sources comparing actual, with budget and reviewing the variances.	Accountant
1G	Balance Sheet	Gives the periodic position of assets, liabilities and funding of	Accountant
1H	Disbursement by funding source and categories	Summarizes by disbursement categories, the current period's expenditures showing the amount of eligible expenditures	Accountant
1I	Income and Expenditure Statement	Summarizes all income/funds received and total expenditure for period stated	Accountant
1J	Cash Forecast	Summarized forecast total expenditures and eligible expenditures by categories and funding source.	Accountant

Program Progress Report

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

Procurement Management Report

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

Personnel Management Report

Report No.	Description	Relevance	Relevant Officer
4A	Staff cost Report (Salary-related costs)	Provides details of the total staff salary costs.	Administration Officer/ Accountant
4B	Staff cost (Training, Medical, Pension contribution, e.t.c.)	Provides details of the total cost of staff training, Medical and Pension contributions	Administration Officer/ Accountant
4C	Staff Enumeration Report	Provides details of staff strength for the reporting period	Administration Officer
4D	Leave Report (Casual, Sick, Annual, Study,	Provide details of leave granted to staff	Administration Officer

	Maternity, leave of absence)		
4E	Monthly Summary of individual Time Sheet Report	Provides details of total hours worked by each staff for the month.	Administration/ Human Resource Officer

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.

INTERNAL CONTROL AND INTERNAL CONTROL SYSTEMS

An Internal Control Process will be implemented by the Finance Department to ensure that the objectives of Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI) 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. Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI) and donors, other partners and stakeholders.

The Finance Department of Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI)'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 Hope for Family Development Initiative (HFDI)'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 Hope for Family Development Initiative's (HFDI) 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 Hope for Family Development Initiative'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

AUTHORISATION AND APPROVAL LIMIT

- In order to achieve effective control; expenditure on behalf of Hope for Family Development Initiative (HFDI) shall be authorized only by the Executive Director .

- 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.
- 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 Hope for Family Development Initiative (HFDI). Officers are not permitted to authorize or approve expenditure relating to them. Where expenditure affects an officer, he/she shall obtain the approval of a superior officer, or that of the Director of Finance.

Delegated Authority

Where an authorized officer has delegated his powers to a subordinate officer, he nevertheless remains responsible for the efficient performance of the delegated authority. Management can also delegate authority to an immediate subordinate 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 Accountant 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 designated officers.

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;
- 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 Management/ Executive Director .

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.

AUDIT ARRANGEMENTS

Internal Audit Function

Program activities would be periodically reviewed by the Internal Auditor (IA) who is part of the Finance Department. The internal audit function shall ensure the orderly and efficient conduct of operations including, among others:

- adherence to Hope for Family Development Initiative (HFDI) Management 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 Hope for Family Development Initiative (HFDI) 's monitoring and evaluation system. The internal audit program for each year should be developed by the internal auditor and discussed with the DF and management.

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 Executive Director through the Finance Manager with copies of his/her quarterly reports advised to Hope for Family Development Initiative (HFDI) 's Management. 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.

Hope for Family Development Initiative (HFDI) monitoring and evaluation systems

As Hope for Family Development Initiative (HFDI) 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.

Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI) operations on end users.

External Audit and External Auditors

Most donors and partners will require Hope for Family Development Initiative's (HFDI) 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 Hope for Family Development Initiative (HFDI) '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 Hope for Family Development Initiative (HFDI) ;
- 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 Hope for Family Development Initiative (HFDI) 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.

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 Hope for Family Development Initiative (HFDI) . Annual audit report shall include:

- An assessment of the adequacy of the accounting and internal control systems;
- Whether Hope for Family Development Initiative (HFDI) 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 Hope for Family Development Initiative (HFDI) 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.

JOB DESCRIPTION OF KEY PROJECT OFFICERS

Finance Manager

The Finance Manager shall be responsible for directing the activities of Hope for Family Development Initiative (HFDI) in line with this manual and all Grant agreements. Other responsibilities shall include but not limited to:

- Report regularly to the Executive Director, top management, Board of Trustees, Donors, Partners and other stakeholders.
- Direct the activities of Hope for Family Development Initiative (HFDI) in line with all the Grant Agreements.
- Review all aspects Hope for Family Development Initiative (HFDI) 's work plan based on the results of operations and changing economic conditions.
- Establish effective link with the key stakeholders to facilitate effective program, project or activity implementation.
- Ensure that all financial and accounting requirements are met.
- Prepare annual work plans and budgets in consultation with other relevant staff.
- Initiate corrective measures to address internal shortcomings and irregularities as the need arises.
- Undertake any other responsibility required to ensure the achievement of Hope for Family Development Initiative (HFDI) 's objectives.
- Direct supervision of the accounts department.
- Liaise with statutory auditors for the preparation of the annual financial reports.
- Liaise with banks and tax authorities with respect to bank matters and tax issues respectively.
- Any other duties as may be assigned by the ED.

Accountant

The Accountant will be supported by qualified accounting officers, with the following functions:

- Ensure compliance with Hope for Family Development Initiative (HFDI) 's financial management requirements.
- Coordinate periodic financial reports, (i.e. monthly/quarterly/annually)
- Provide leadership thoughts in the area of preparation of annual budgets and work plans.
- Follow up on prompt release of funds, once approved.
- Ensure relevant books and records are maintained for Hope for Family Development Initiative (HFDI) 's financial transactions.
- Review and approve monthly Bank Reconciliation Statements for all Banks.
- Together with the management team, maintain, develop and update the Financial Procedures Manual on a regular basis.
- Liaise with the internal/external auditors and follow up any audit queries/management letters.
- Be a signatory to the Bank accounts.

- Supervise all financial management functions and staff of the Finance Department.
- Ensure that payments and other support services of the Finance Department are carried out satisfactorily.
- Approval of the release of prepayment and retirement of cash advances.
- Ensure prompt preparation of monthly staff salaries and other related payments.
- Ensure timely submission of relevant monthly, quarterly and yearly reports on program or activity implementation to all stakeholders.
- Educate staff on the statutory laws and regulations, fiscal policies and any changes thereon.

Accounts Officer

The AO will be responsible to the Accountant, shall have the following functions:

- Ensure that all accounting records are maintained in line with this manual, GAAP and Donors and Partners requirements.
- Preparation of periodic financial reports, (i.e. monthly/quarterly/annually)
- Preparation of monthly staff salary payroll and other related payment.
- Posting and updating prepayment and cash advances subsidiary ledger.
- Draw up annual budgets and work plans together with other responsible officers of Hope for Family Development Initiative (HFDI) .
- Ensure relevant books and records are maintained for Hope for Family Development Initiative (HFDI) s Programs and activities.
- Ensure that all accounting records are updated promptly.
- Prepare monthly Bank Reconciliation statements for all bank accounts;
- Supervise Accounts Clerk to comply with the internal control systems for all areas of Hope for Family Development Initiative (HFDI) operation.
- In charge of payments and management of the imprest account.

Accounts Clerk

- Responsible for issuing receipts, preparing and posting of Payment Vouchers and maintaining the cash books in accordance with laid down procedures;
- Monitoring of Advance Payments control accounts and generation of periodic advance payments schedule.
- Ensure that all registers including Cheque Register, Fixed Assets Register, and other subsidiary ledgers are appropriately kept and up to-date;
- Processing of the release of prepayments and retirement of cash advances;
- Preparation and processing of invoices for payment;
- Carry out other duties/special assignments as may be delegated by superior officers.

Internal Auditor

The internal auditor will be responsible to the Executive Director or Finance Manager . The responsibilities shall include:

- Ensure that there is adequate internal control system in Hope for Family Development Initiative (HFDI)

- Ensure compliance with the internal control system and Hope for Family Development Initiative (HFDI) 's policies and procedures.
- Ensure that the data of financial reports prepared are accurate by carrying out substantive test on them from time-to-time.
- Contribute to the preparation of the annual audit work plan with emphasis on the identified risk areas.
- Ensure that expenditure is in line with approved budget.
- Review at regular interval the adequacy of the internal control system with a view to appropriately recommend improvements to the systems.
- Develop and monitor audit programmes and procedures to cover all financial and administrative operations of Hope for Family Development Initiative (HFDI)
- Point out irregularities to the Hope for Family Development Initiative (HFDI) 's Management without delay.
- Provide on the job training for Internal Audit staff.
- Regularly (and on ad-hoc basis) audit the accounts, records, assets and stores of or its program, project or activity.
- Other activities as may be directed by the Director of Finance and Management.

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 Accountant in consultation with the Executive Director and the HFDI Management. The Executive Director shall approve such changes before they can be effected.

List of Acronym

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	PCV
6	Petty Cash Reimbursement Statement	PCRS
7	Fixed Assets Register	FAR
8	Journal Voucher	JV
9	Cheque Issue Register	CIR
10	Register of Statement of Expenses	RSOE
11	Store Record	SR
12	Bank Reconciliation Statement	BRS
13	Store Received Voucher	SRV
14	Store Issued Voucher	SIV
15	Goods Received Register	GRR
16	Store Requisition Note	SRN
17	Fixed Assets Update Form	FAUF
18	Local Purchase Order	LPO
19	Internal Control Checklist	ICC
20	Inter Bank Fund Transfer	IBFTV
21	Cash Advance Retirement Analysis Form	CARAF