



Society for Family Health

...Creating Change, Enhancing Lives

SFH Financial Policies and Practices

 **Society for Family Health**
Honourable Justice Iyeyinwa Hzeaka Hzeaka
8 Port Harcourt Crescent, Area 11 Garki
Abuja-Nigeria

Handwritten signature in green ink

 SOCIETY FOR FAMILY HEALTH	Page 2 of 67
Financial Policies and Practices	Date Last Revised: June, 2019

3.1.1	Charitable organization status	17
3.1.2	Important points to note on finance policies	17
3.1.3	The basis for SFH's accounting records	18
3.1.4	Support and revenue for SFH	18
3.1.5	Fiscal year	18
3.1.6	Accounting system and reports	18
3.1.6a	Accountants Roles & Authorization in SAP	18
3.1.7	Functional and Presentation Currency	20
3.1.8	Use of judgements and estimates	20
3.1.9	Measurement of fair values	20
3.1.10	Significant accounting policies	21
3.1.11	Foreign currency transactions	22
3.1.12	Financial instruments	22
3.1.13	Property, plant and equipment	23
3.1.14	Intangible assets	25
3.1.15	Grant income	25
3.1.16	Other income	25
3.1.17	Taxation	25
3.1.18	Leases	25
3.1.19	Inventories	27
3.1.20	Impairment	27
3.1.21	Employee Benefits	29
3.1.22	Provisions and contingent liabilities	30



3.1.1	Revenue	30
3.1.2	Finance income	30
3.1.3	Statement of cash flows	30
3.1.4	Funds and deferred income	30
3.1.5	Payroll	31
3.1.6	Procurement	31
3.1.6a	Accountability over use of assets	31
3.1.7	Sub – agreement monitoring	32
3.2	<u>Financial Policies & Practices</u>	
3.2.1	Basis of SFH audit	33
3.2.2	Corporate Annual Statutory Audit Policy	33
3.3	<u>Common Cost Policy from SFH Finance Policy Manual</u>	
3.3.1	Preamble	33
3.3.2	Basis of Apportionment of Common Costs	34

**Financial Policies and Practices**Date Last Revised:
June, 2019

3.3.3 Authorization	37
3.3.4 Liquidation/ Settlement	37
3.4 <u>Procedures for Handling of Cash Receipts in the Treasury Unit</u>	
3.4.1 Custody of Receipt Booklets	
3.4.2 Cash Refunds by Staff	38
3.4.3 Lodgments to the Bank	38
3.4.4 Recording of Receipts	39
3.5 <u>Project Codes and Chart of Accounts</u>	39
3.5.1 Introduction	40
3.5.2 Project Code	40
3.5.3 General Ledger Code	40
3.5.4 Rules for the Proper Maintenance of the Chart of Accounts	41
3.5.5 Primary Account Code Classification	41
3.5.6 Sub Account Codes	42
3.5.7 Program Grant and Fund Codes	42
3.6 <u>Voucher System and Documentation</u>	
3.6.1 General Principles	42
3.6.2 Processing of Vouchers	42
3.6.3 Filing in finance unit shall be by SAP generated transaction number based on	43

**Financial Policies and Practices**Date Last Revised:
June, 2019

3.6.4	Maintenance of Documents Generated in Finance Division	44
3.6.5	Retrieval of Documents	44
3.6.6	Document Retention	45
<u>3.7 Revenue System</u>		
3.7.1	Lodgment of Income & Product Sales Reconciliation	46
3.7.2	Commissions	46
3.7.3	Credit Sales	46
3.7.4	Disposal of Assets	46
<u>3.8 Staff Travel/Project Advances and Retirements</u>		
3.8.1	General Conditions	47
3.8.2	Specific Conditions	47
3.8.3	Policy on Per Diem	47
3.8.4	Advances for International Travels	49
3.8.5	Advances for Per Diem for Local Travels	49
3.8.6	Advances for Hotel Accommodation/Lodging	49
3.8.7	Processing of Advances for Travel/Project Activity	49
3.8.8	Retirement of Travel/Project Advance	50
3.8.9	Excess or Insufficient Travel/Project Advance	51
3.8.10	Sub Account for Advances and Aging Analysis	51

**Financial Policies and Practices**Date Last Revised:
June, 2019

3.8.11	DSA and Per Diem for Public Sector Consultants	52
3.9	<u>Cash & Bank Management</u>	
3.9.1	Responsibility	53
3.9.2	Unrestricted Fund Bank Account	53
3.9.3	Receipts & Documentation	53
3.9.3.1	Receipts Book	53
3.9.3.2	Cash Receipts	54
3.9.3.3	Receipt of Cheques	55
3.9.3.4	Deduction from Receipts	55
3.9.3.5	Banking of Receipts	55
3.9.3.6	Lodgment	55
3.9.3.7	Dishonoured Cheques	56
3.9.4	Transfers/Cheque Payment Procedures	56
3.9.4.1	Authorized Bank Account Signatories	56
3.9.4.2	Responsibility of the Paying Officer (Custodian/designee)	57
3.9.4.3	Retention of Used Cheques	57
3.9.4.4	Unpresented Cheques	57
3.9.4.5	Overdraft	58
3.9.5	Bank Reconciliation	58
3.9.6	Petty Cash Fund	58
3.9.6.1	Imprest Ceiling	58

**Financial Policies and Practices**Date Last Revised:
June, 2019

3.9.6.2	Fund Maintenance & Disbursement Procedures	58
3.9.6.3	Audit of Petty Cash Fund	60
3.9.7	Conversion of Foreign Currency	60
3.9.7.1	Responsibility	60
3.9.7.2	Procedures	60
3.10	<u>Field Financial Operations Guidelines</u>	
3.10.1	Introduction	61
3.10.2	Field Office Funding Practice	62
3.10.3	Cash Request for Trips / Disbursement	62
3.10.4	Vendor Payment	63
3.10.5	Monthly Reports from each Field Office to the Head Office	64
3.10.6	Security of Vouchers and Documents	64
3.10.7	Financial Reviews	64
3.10.8	Vouching of Documents for Retirement	65
3.10.9	Hotel Bills	65
3.10.10	Group Expenses	65
3.10.11	Per Diem	65
3.10.12	Taxi	65

**Financial Policies and Practices**Date Last Revised:
June, 2019

	3.10.13	Fuel Receipt	65
	3.10.14	Medical	65
	3.10.15	Trip Report	65
	3.10.16	General Checks	65
	3.10.17	Territorial/State Program Managers Retirement	65

1.1 - Purpose of this Manual:

This Finance and Accounts Policies & Procedures Manual has been produced as an overall guide to the general principles, practices, procedures and operations of the Finance and Accounts Division, Society for Family Health. This is to enable heads of Units, Departments, Divisions, partners and other SFH staff to get a broad view of the implications, expectations and inter-relationships of the various operations of the organisation which lead to accounting and management information.

1.1.1 - Definition:

The Finance Manual is a document which sets out the policies, accounting and management routines or procedures required to be followed in the administration of the financial transactions of the organisation. The manual also, where necessary, provides specimen forms, accounting entries and project codes needed in the implementation of these routines. This manual is a living document and will be updated regularly with new issues and developments in the sector based on best practice

This manual has been arranged into two sections

Section 1: SFH Finance and Accounting Policies

Section 2: SFH Finance and Accounting Procedures

1.1.2 - Objectives of the Manual:

1. Set out SFH accounting & financial policies, procedures and practices to be followed.
2. To identify the accounts books, software, documents and other records used in SFH.
3. Ensure uniformity of accounting and financial procedures throughout SFH.
4. Provide a ready means of reference for Finance and Accounts staff.
5. Describe policies and procedures for the financial transactions and activities of regional offices.
6. Provide a comprehensive, authoritative source of important financial information to all staff
7. Serve as a training tool in all areas covered in the manual
8. Provide a set of standing accounting and financial instructions to all staff with the intention that Heads of Divisions, Departments and Units need only look up one reference for all accounting and financial purposes. It therefore, embodies all the essential requirements of the Financial Regulations needed for Society for Family Health's operations.

1.1.3 - Issuance of this Manual:

The issuance of this Finance & Accounts manual is not a personal one but based on appointment, role and position; thus the signed copy should be handed over from one officer to another taking over and should be specifically mentioned in hand over notes.

This manual does not contain any express or implied agreement with any partner, contractor, client or any other individual or organisation with which SFH has any dealings other than its employees.

1.1.4 - Exemptions, Amendments and Additions:

The Managing Director (in consultation with the Chief Finance Officer or designate and Head of Internal Audit) may in writing only, authorize exemptions in particular cases from the procedures laid down in this Manual.

Additions and amendments may be made to this manual from time to time by the Chief Finance Officer with authorisation from the Managing Director. Such additions and amendments as authorised by the Managing Director will be inserted at the appropriate section in the Manual. This manual is a living document and is presented in a loose-leaf format to facilitate updates to policies and procedures as SFH evolves. The manual is confidential and should not be duplicated or given to anyone not employed by SFH or its stakeholders without written consent from the Managing Director. The Chief Finance Officer has the responsibility for coordinating maintenance and updates of this Manual.

1.1.5 - Limitations of this manual:

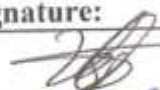
This manual does not fully cover all Human Resources policies, all procurement policies, all sales policies and all warehouse operations policies. For more details about these, please consult their respective policy manuals.

1.1.6 - Interpretation of Procedures in this Manual:

Any procedure and provisions in this manual requiring further explanation should be cleared with Chief Finance Officer.

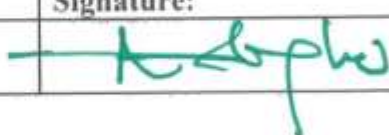
1.1.7 - Reviews and updates of this manual:

This document has been edited and reviewed by:

Name:	Position:	Signature:	Date:
Marshall Uge	Head of Finance & Compliance		June, 2019
Joseph Ani	Chief Finance Officer		June, 2019

1.1.8 – Authorization of this manual:

This document has been reviewed and authorized by:

Name:	Position:	Signature:	Date:
Omokhudu Idogho	Managing Director		June, 2019



1.2 Overview of Authority and Responsibilities:

1.2.1 - The Managing Director's General Authority:

The Managing Director (MD) is responsible for the use and management of all SFH resources, from whatever source, and also for their recording, reporting, and safeguarding. Resources may be in the form of funds, equipment, supplies or commodities from partners, donors, governments, foundations, or private individuals. They also include incidental proceeds from these resources in the form of programme income.

The MD has the authority to use these resources in a manner consistent with SFH policy, donor agreement, restrictions, and covenants and as delegated by SFH Board of Trustees.

1.2.2 - Managing Director's Responsibilities

The Managing Director is responsible for the following:

1. Accounting System: Ensure that the financial reports from the accounting system in use (SAP at present) are in compliance with SFH requirements.
2. Inventory System: Establish a system (MIS/closing the loop procedures) to track, monitor the acquisition and storage of programme commodities. These assets include donated commodities, packaging materials and commodities bought with SFH own funds.
3. Fixed Assets: Establish a system to monitor the acquisition and use of high-value assets for the society. These assets include Abuja Head Office Building, Ota Warehouse Complex, furniture, equipment, and vehicles.
4. Financial Controls: Establish a system of controls to minimize the possibility of loss or theft of project funds, assets and equipment, including staff advances and accounts receivable.
5. Financial Staffing: Recruit competent and adequate number of finance staff for the society.
6. Budget Management: Prepare, implement, and monitor budgets, consistent with SFH objectives and donor agreements, and use resources appropriately. The MD cannot delegate the responsibility for this role beyond the Chief Finance Officer and/or Head of Finance & Compliance.
7. Reporting: Report timely and accurately financial information to the Board and donors, as required.
8. Audit: Perform or arrange periodic informal and formal program audits. Resolve and follow up on any audit findings and recommendations timely.
9. Vendor and Subcontractor Performance: Ensure that funds committed for project activities are used by vendors and subcontractors in the manner intended

1.2.3 - Board of Trustees Responsibilities:

The Board of Trustees has the fiduciary responsibility to ensure that SFH and donor resources are used for the purposes intended. The Board accomplishes this role through the following specific systems and tasks:

1. Financial Reporting Formats: Specify the formats for reporting financial data.
2. Financial Policies and Controls: Establish policies and guidance on primary financial responsibilities.
3. Audit: Provide the scope of work for external audits, internal audits and assist in their evaluation. Review audit reports and management letters for compliance and arrange independent audits of programmes and the organisation's corporate audit periodically.
4. Technical Assistance: Provide for and assist in identifying appropriate financial and accounting technical assistance to the organisation.
5. Authority and Responsibility Roles: Specify the approvals limits, authorization policy and responsibility matrix for the organisation.
6. Financial Staffing: Recruit Chief Finance Officer for SFH.

2.1 Summary of Structure:

2.1.1 – Introduction:

Society for Family Health (SFH) is a multi-donor organisation. The organisation's operations must therefore meet diverse accounting, reporting and audit requirements which should be supported by an adequate structure comprising of experienced and competent staff.

This manual conveys general financial and accounting policies and procedures; and will continue to be updated as changes occur. Projects Finance and Operations Directors and other Finance and Accounting staff are responsible for implementing and adapting accounting procedures required for their programmes and projects based on the guidance provided in the manual.

All finance and accounts staff are required to obtain relevant professional certifications like ACA and ACCA in order to hold key accounting positions in the Finance division.

2.1.2 – Chief Finance Officer Responsibilities:

The Chief Finance Officer (CFO) reports to the Managing Director and is directly responsible for overseeing all fiscal and fiduciary responsibilities in Society for Family Health as delegated by the Board through the Managing Director.

Due to the different awards, grants and contracts that SFH implements, the CFO becomes the central point to support compliance management of our diverse portfolio of contracts, grants and cooperative agreements. In addition to supporting programme staff to have a better understanding of award terms and conditions, the incumbent will monitor award related work flows and help develop and implement systems to strengthen compliance with award and sub- award terms as well as applicable regulations and SFH policy.

The CFO is responsible for building and managing effective and streamlined operations, processes and systems relating to finance, accounting, treasury, procurement and information technology (IT). The CFO will focus on strengthening his/her team's capacity to develop, implement and manage value for money (VFM), and cost benefit practices, with particular attention to adequate internal control systems and procedures.

2.1.3 – Head of Finance and Compliance Responsibilities:

The Finance and Accounts Division has a Director/Head of Division who coordinates the activities of the whole division. The Director/Head of Division reports to the Chief Finance Officer with the following responsibilities;

1. Responsible for all financial and accounting operations.
2. Responsible for corporate financial planning and structures.
3. She/he will coordinate, analyse and report on all financial performances
4. Prepare financial forecasts and budget variances
5. She/he will work with the Projects Director of Finance and Operations and other projects staff to ensure compliance with terms and conditions of Awards.
6. Ensure implementation of audit recommendations.

2.1.4 – Finance and Accounts Departments:

The Finance and Accounts division comprise the following units:

1. Project Accounting Units
2. Corporate Treasury Unit
3. SFH Access Initiative Unit
4. Compliance and Financial Reporting Unit
5. Billing Unit/Shared Cost Unit
6. New Business Unit

The **Project Accounting Units** performs the following functions:

1. Internal controls of their projects
2. Cost share management
3. Advance and Liquidations
4. Donors reports preparation and submission
5. Projects financial management
6. Program income reporting
7. Preparation of Fund Accountability Statements and other Financial management reports
8. Award compliance and Sub Recipient monitoring
9. Project audit management
10. Federal financial reports preparation and submission
11. Financial planning and budgeting
12. Adherence to cost principles for cost allowability (For USAID awards ensure compliance with section 2 C. F. R 200 Subpart E)

The **Corporate Treasury** Unit perform the following functions:

1. Banking and treasury activities
2. Cheque writing and bank transfers
3. Filing and Archiving of vouchers
4. Petty cash handling.
5. Cash flow projections and monitoring
6. Safe keeping of monetary instruments

The **SFH Access Initiative Unit** perform the following functions:

1. Inventory management and reconciliations
2. Wholesalers accounts reconciliations
3. Central warehouse accounts management
4. Payment and management of Suppliers accounts
5. Closing the Loop of stock, sales and cash receipts
6. Analytical review of sales performances

The **Compliance and Financial Reporting Unit** is responsible for:

1. Implementation of audit recommendations
2. Coordination of external audits
3. Preparation of management reports
4. Review of bank reconciliation reports for accuracy and completeness
5. Internal Reviews including review of advance retirements before posting
6. Due Diligence monitoring and reporting
7. Preparation of audit completion checklists
8. General compliance duties
9. Regulatory compliance
10. ERP management
11. Severance

Billing and Share cost Unit is responsible for:

1. Common cost allocation and apportionments
2. Billing of projects for shared costs
3. Management of fees from projects and unrestricted fund

New Business Unit is responsible for new business budgets, work plans and proposals.

2.2 Preparing Job Descriptions:

2.2.1 – Preparing Job Descriptions for Finance Staff:

All Society for Family Health job functions require formal job descriptions. Job descriptions are an important and essential tool for managers to document the following for each position. Every staff of finance and accounts division must have a job description that details daily and periodic work tasks, performance objectives to be measured and analyzed and reporting relationships.

The SFH staff handbook describes policies and procedures for job descriptions. A job description is:

1. Used by managers to recruit, screen, train, compensate, and evaluate employees.
2. A written profile of a position's duties, responsibilities, qualifications, deliverables and expectations.

Gathering data about the duties, tasks and responsibilities to be included in a finance job description can be accomplished by a number of informal methods:

1. Requesting an employee familiar with a job to list the job's duties. This person may be a manager or supervisor or the employee who currently holds the position.
2. Obtaining sample job descriptions from organizations similar to SFH, Donors, Partners or from consulting firms.
3. Interviewing staff about a series of tasks that need to be accomplished.
4. Reviewing project agreement accounting, reporting and compliance requirements.

Other general guidelines for preparing job descriptions include:

1. Design and write accounting and financial job descriptions so that duties are properly segregated and to achieve good financial control.
2. Ensure that duties and tasks are segregated as much as possible.

3.1 Financial Policies & Practices:

3.1.1 - Charitable Organization and Not-for-Profit Status:

Society for Family Health is an incorporated Nigerian charitable trust registered under the provisions of Companies and Allied Matters Act, in 1985. The Society's registered office is at 8 Port-Harcourt Crescent, Area 11, Garki Abuja.

SFH Vision is 'Healthy lives for All'. While the Mission is "to improve health outcomes by ensuring communities have access to affordable, quality health services and commodities.

3.1.2 - Important Points to Note on Finance & Accounting Policies:

Finance & accounting policies are the specific accounting rules and bases selected and consistently followed by any organisation as being, in the opinion of its management, appropriate to its circumstances and best suited to present, fairly, its results and financial position. The following important points regarding accounting policies are itemized.

1. The financial statements of SFH are expected to include a clear explanation of the accounting policies followed for dealing with those key items which are judged material or critical for the purpose of determining and fully appreciating its financial position.
2. The selection and application by management of the appropriate accounting policies and the preparation of accounts should pay due regard to the concept of substance over form. Thus, where there is a conflict between the financial realities and the legal form of a transaction, proper consideration should be given to its substance in accounting for the transaction. In this light, it is necessary to disclose material post balance sheet events, which are reversals of transactions entered into before the balance sheet date.
3. There is the need to disclose the accounting policies that are judged material or critical in stating SFH financial position as an integral part of the accounts. The policies should be disclosed in one statement or as notes to the accounts.
4. Wrong or inappropriate treatment of items in the financial statements is not rectified either by the disclosure of accounting policies used or by notes or other explanatory materials.
5. The organisation should ensure that the disclosure of accounting policies is adequate, consistent from year to year and in accordance with the facts. Accounting policies have to be applied properly and consistently in accordance with statutory requirements and standard accounting practice.
6. If the organisation changes its accounting policy, the effect should be quantified and if material, disclosed in the accounts as a restatement of the financial statements. However, a change in accounting policy should not be made unless it can be justified on the grounds that the new policy is preferable to the one it replaces because it will give a fairer presentation of its financial position.

3.1.3 - The Basis for SFH's Accounting Records:

As a Nigerian non-profit organization, SFH follows International Financial Reporting Standard (IFRS) required by the Financial Reporting Council of Nigeria for corporate reporting but uses modified cash basis for projects accounting.

SFH receives a significant percentage of its funding from Foreign donors including U.S. Agency for International Development (USAID), U.K. Agency for International Development (UKAID), The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bill and Melinda Gates and other donors. SFH is subject to the administrative, accounting, and audit requirements of each of the donors as described in terms and conditions of the grant/award and their financial management policies and manuals.

3.1.4 - Support and Revenue for SFH:

The costs of SFH's projects are supported by grants, contracts, and awards from international donors (USAID, Gates Foundation, DFID, UNFPA, UNICEF, Global Fund, etc.), foundations and private contributions, programme income, and donated services and commodities.

3.1.5 - Fiscal Year:

SFH's fiscal year is the calendar year (January 1 to December 31). A project or program may also have a different fiscal year mandated by the donor but the financial records maintained in SAP must follow the SFH fiscal year.

3.1.6 - Accounting System and Reports:

SFH's accounting system is designed to support fund accounting. Receipts and disbursements are segregated through fund accounting and maintained by individual project agreement. All Project Accountants must use the prescribed Chart of Accounts in SAP to identify the cost, funding source and project from which the receipt or disbursement of funds is derived. Written policies and procedures provide guidance to SFH's offices on the accounting system, documentation requirements, internal controls, segregation of duties and safeguarding of assets.

3.1.6a Accountants Roles and Authorisations in SAP

Financial transactions in SAP records the preparer's USER ID and includes a time stamp on each transaction which facilitates an easy audit trail. SAP Roles granted to accountants are based on their position and responsibilities.

Authorisation for transactions available to an accountant is granted upon approval by the CFO or Head of Finance and compliance.

SAP Finance transactions have a three-level process before it impacts the GL i.e. Park, Complete and Post/Approve. This ensures segregation of duties as an individual who initiates a transaction is not authorised to complete it. Only system automated processes and transactions such as Invoices with POs from inter-departmental processes (Purchase Orders or Payroll) can be processed directly by specified officers.

An accountant who parks and completes a transaction is not granted the authorisation to approve such a transaction or reverse it. While an officer who approves a transaction is not granted authorisation to initiate that transaction.

The Chief Finance Officer (CFO) or designate shall ensure that the SAP accounting

system records are closed monthly by the 15th day of the subsequent month. Any request for back-posting (if unavoidable) must be in writing and has to be approved by the CFO or designate.

The Head of Finance and Compliance shall submit monthly financial reports to the Chief Finance Officer. These reports include:

1. Monthly income and expense transactions by project (Consolidated Income and Expense by Project Report)
2. status of assets, liabilities, and net assets of the organisation (Consolidated Comparative Balance Sheet Report).
3. Staff Advances Aging Analysis.
4. All bank reconciliations statements.
5. Burn Rate Analysis

The Chief finance Officer shall submit Quarterly financial reports to the Board

Audit Finance Committee through the Managing Director.
These reports include:

1. Unrestricted Fund Report
2. Consolidated Financial Position and Income and Expenditure Report
3. Annual Operating Budget
4. Budget Performance

3.1.7 – Functional and Presentation Currency:

Though SAP ERP reports in multi-currency, SFH financial statements are presented in Naira, which is the organisation's functional currency.

Projects financial statements are reported in donor currency and comparatively in naira when it is a requirement.

3.1.8 – Use of Judgements and Estimates:

In preparing financial statements, management makes estimates and assumptions that affect the application of the organisation's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3.1.9 – Measurement of Fair Values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some of the organisation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the organisation uses observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: input other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the input used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The organisation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred

3.1.10 – Significant Accounting Policies:

The following is the principal accounting policies adopted by SFH. The policies shall be applied on consistent basis.

SFH maintains only one book of accounts reflecting the reporting currency – the Naira. This book of accounts is maintained in SAP which is the reporting software of SFH. The financial statements could also be converted to any other currency as contained in the terms and conditions of the grants/awards. Consolidation is done electronically every month-end on SAP.

The consolidated books of accounts of SFH shall be prepared on accrual basis, however, donors financial statements are prepared on modified cash basis subject to the terms and conditions of the grants/award.

3.1.11 - Foreign currency transactions:

Transactions denominated in foreign currencies are translated to the functional currency at a weighted average exchange rate of the month of transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.1.12 - Financial instruments

i. Non-derivative financial assets:

The organisation initially recognizes receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the organisation becomes a party to the contractual provisions of the instrument.

The organisation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the organisation is recognized as a separate asset or liability.

SFH has the following non-derivative financial assets:

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand; demand deposits and fixed deposits in commercial banks with original maturities of three months or less.

Receivables:

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. Receivables with short-term duration and no stated rates of interest are measured at original invoice amounts where the effect of discounting is not significant.

Held to maturity financial assets:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and

ability to hold to maturity. They are shown as investments in the statement of financial position. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

ii. Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the organisation becomes a party to the contractual provisions of the instrument. SFH derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The organisation has Payables as its non-derivative financial liability.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Short term payables with no stated rates of interest are measured at original contractual amounts where the effect of discounting is not significant.

3.1.13 - Property, Plant and Equipment:

i. Recognition and measurement

Items of property, plant and equipment in corporate accounts are measured at cost less accumulated depreciation and accumulated impairment losses. Assets costing more than USD 500 with an expected useful life of more than one year are capitalized.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in statement of comprehensive income.

Proceeds on sale of Project assets less sale costs are reported as programme income since cost of project assets are expensed immediately on purchase.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Society and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Project assets are expensed immediately on purchase. Depreciation can only be charged to a donor when it is expressly agreed in the contract.

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the organization will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives for the current period are as follows:

Leasehold land	–	Lease period
Buildings	–	25-50 years
Plant and machinery	–	3 years
Fixtures, fittings and equipment	–	3 years
Computer equipment	–	4 years
Motor vehicles	–	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

All project assets are fully expensed at the point of recognition in SAP, therefore, above policies does not affect project assets

3.1.14 – Intangible Assets:

Intangible assets that are acquired by SFH and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

The organisation's only intangible asset with finite useful life is SFH SAP computer software. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific intangible asset to which it relates.

Amortization is calculated over the cost of the asset, less its residual value. Amortization of an intangible asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful live of intangible asset. The estimated useful life of the computer software is eight (8) years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Year amortisation value of SFH SAP Computer software is not chargeable to donors. When occasion arises to charge amortisation to donors it will be as agreed in contract.

3.1.15 – Grant Income:

Grant income comprises grants and donations in form of assets and cash from SFH's donors.

The organisation uses the income approach to account for its grants and donations. Under this approach, grants and donations are recognized in the statement of comprehensive income on a systematic basis over the periods in which the organisation recognizes as expenses, the related costs for which the grants and donations are intended to compensate.

The excess of grant received over expenses incurred during the period are reported as deferred income/ fund balance on the statement of financial position at each reporting date.

3.1.16 – Other Income:

Other income includes gain on assets disposal, reversal of provision no longer required and other miscellaneous income

3.1.17 – Taxation:

Society for Family Health (SFH) is registered as a not-for-profit organization. In accordance with Section 23(1) of the Companies Income Tax Act (CITA) Cap C21, L N 2007 (as amended), the Society is exempted from corporate income tax when it acts for charitable purposes.

However, when the Society engages in profit-oriented activities, income tax is charged on taxable profits earned on such activities in accordance with the Companies Income Tax Act using the statutory tax rate of 30%. Tertiary education tax is assessed at 2% of assessable profits from the profit-oriented activities.

3.1.18 – Leases:

- i Determining whether an arrangement contains a lease

At inception of an arrangement, the Society determines whether the arrangement is or contains a lease. At inception, or on reassessment of an arrangement that contains lease, the Society separates payment and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Society concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Society incremental borrowing rate.

ii Leased assets

Assets held by the Society under leases that transfer to the Society substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases that do not meet the criteria of a finance lease are classified as operating leases and are not recognized in the Society's statement of financial position.

iii Lease payments

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.1.19 – Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The costing formula for all inventories is the weighted average cost.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

3.1.20 – Impairment:

i. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Objective evidence that financial assets are impaired can include default by a debtor, restructuring of an amount due to the Society on terms that the Society would not consider otherwise, indications that a debtor will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

ii. Non-financial assets

The carrying amount of the Society's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Society's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.1.21 – Employee Benefits:

i. Defined Contribution (Pension) Plan

Defined contribution plan is a post-employment benefit plan (pension fund) under which the Society pays fixed contributions into a separate entity. The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014, the Society has instituted a defined contribution pension scheme for its staff. Employee contributions to the scheme are funded through payroll deductions while the Society's contribution is charged to the statement of comprehensive income. The Society and local employees contribute 10% and 9% respectively of the employees' basic, housing and transport allowances to the scheme.

ii. SFH Terminal Benefits/ Severance Scheme

The SFH terminal benefit scheme is a defined contribution scheme. Therefore, monthly provisions will be computed based on each staffs' salary at the time and according to the corresponding basis for the qualifying years of service. Provisions will start from the date of resumption for a new staff and will be charged directly to the project(s) paying the staffs' salary. The terminal benefits' provisions are invested for each staff and at the time of separation, the staff is entitled to the benefit provisions and the accrued interest.

Computation of Severance is as below:

- 0-4.99 years (1.5 months basic salary), 5-9.99 years (2.5 months basic salary), 10-14.99 years (3.5 months basic salary) and above 15 years (4 months basic salary)

iii. Short-term employee benefits

Short-term employee benefit obligations i.e. salaries, leave allowance etc (see HR Manual for details) are measured on an undiscounted basis and are expensed as the related service is provided. Liability is recognized for the amount expected to be paid under short-term cash basis if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iv. Termination benefits

Termination benefits are recognized as an expense when the Society is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Society has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.1.22 – Provisions and Contingent Liabilities:

Contingent liabilities

Provision is recognized if, as a result of a past event, the Society has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3.1.23 – Revenue:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists that the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the service and the amount of revenue can be measured reliably.

3.1.24 – Finance Income:

Finance income comprises interest income on deposits with commercial banks. Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.1.25 – Statement of Cash Flows:

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes and other non-cash items, have been eliminated for the purpose of preparing the statement. Interest income received is included in investing activities. Finance cost paid is also included in financing activities while interest income received is included in investing activities.

3.1.26 – Funds and Deferred Income:

The Society maintains three types of funds. Unrestricted funds are funds available for use at the discretion of the Board of Trustees in furtherance of the general charitable objectives. Internally restricted funds (designated unrestricted funds) are monies set aside by the Board from unrestricted funding for specific purposes. Restricted funds are funds subject to specific conditions imposed by donors and are shown in the statement of financial position as deferred income/fund balance. At the year-end any fund deficits are maintained only when the management are of the opinion that such deficits will be eliminated by future committed giving.

3.1.27 – Payroll:

SFH maintains a labour effort reporting system. All employees are required to complete time sheets. Time sheets document each employee's hours expended on project, general and administrative activities, compensated leave, and other activities.

(For details of SFH's Human Resources and Payroll policies and procedures, please refer to SFH Staff Policy Handbook)

3.1.28 - Procurement:

To the extent practicable, procurement of goods and services shall observe a competitive and transparent bidding process. All instances of sole-source awards must be justified and approved in writing by the Managing Director. SFH has an Approval and Authorization Matrix approved by the Board of Trustees.

(For details of SFH's procurement policies and procedures, please refer to procurement policy)

3.1.29 - Accountability over Use of Assets:

All capital and other assets acquired on a donor-paid award or owned by SFH will be used to further the objectives of its mission and programs. Assets may not be diverted to personal or after-office hours use without suitable reimbursement to SFH and, in turn, to its applicable donor.

(For details of SFH's Personal Use of Assets Policies, please refer to SFH Staff Policy Handbook).

3.1.30 - Sub-Agreement Monitoring:

As a primary grant recipient for certain projects, SFH assumes responsibility for complying with donor requirements including running program operations, maintaining property and financial records, Monitoring the use of funds and advances, arranging sub-recipient audits, assuring the resolution of any audit findings relevant to a project.

3.1.30 (a) -Sub-Agreement Financial Oversight

SFH's audits are planned and controlled so as to ensure that they are carried out efficiently and promptly in accordance with SFH and donor audit policies and approved relevant auditing standards. The assets, liabilities, revenues and expenditures of SFH are consolidated in one financial statement which are audited annually by recognised chartered accounting firms.

Donor financial statements are separately audited annually depending on agreement with donor.

3.2. Financial Policies & Practices

3.2.1 - Basis of SFH Audit:

SFH external audit and related financial statements comply with Financial Reporting Council of Nigeria (FRC), International Financial Reporting Standards (IFRS), and Generally Accepted Accounting Principles (GAAP) and other donor's audit provisions.

SFH audits ensure compliance with donor agreements and SFH's organizational policies and procedures. The assets, liabilities, revenues, and expenditures of all SFH Offices and Sub-Recipients are included in SFH's audit when SFH has financial fiduciary responsibility.

3.2.2 – Corporate Annual Statutory Audit Policy:

SFH policy is that all projects and accounts must be audited by independent auditors every fiscal year. Funding for this requirement should be allocated to all active projects during the audit period.

Donors may also require audits of their respective projects. SFH meets these requirements through provision of support in addition to the provision of sample scopes of work, assistance with the development of requests for audit proposals and assistance with the evaluation and selection of an audit firm.

SFH Audits should be designed to:

1. Address the needs of SFH Nigeria and the relevant donors.
2. Be conducted as soon as feasible after the end of the fiscal year.
3. Be completed in sufficient time to submit a final audit report to SFH Board of Trustees by June following the year under audit.

(For details of FRC, IFRS, GAAP, US OMB Circulars and Global Fund Audit Guidelines, please refer to their respective manuals)

3.3 - Common Cost Policy from SFH Finance Policy Manual:

3.3.1 Preamble

Operating costs may sometimes be incurred for the management and support of the organization as a whole. These are called indirect or common costs and may include labour and fringe benefits, office repair and maintenance, fuel and maintenance of office generator, security, utilities, communication & internet connectivity, reproduction/copying/printing and other miscellaneous costs.

The basic guidelines & procedures for common costs are outlined below:

- 1) Document the processing and recording of these transactions the same way with any other expense.
- 2) Payment is to be taken from the corporate pool bank account.
- 3) For head office, disbursement should be recorded to the usual series of account codes and charged to cost centre 1000 (or the common cost pool/ internal order code in the accounting systems in SAP).
- 4) For field offices, common cost disbursements should be posted to the corresponding cost center of the field office but the internal order will be blank.
- 5) On the month following the close of the accounting period, apportion the common costs (accumulated in cost centre 1000 for head office or with blank internal order for the field office) to various projects using the allocation/number of employees whose salaries are charged to projects. Total common costs apportioned to all projects should be equal to the total of common cost centre 1000.

3.3.2 Basis of Apportionment of Common Costs

To ensure fair and equitable sharing of common or indirect costs, the allocation shall be based on the number of employees in the location assigned under each project rather than salary values.

For the field offices that have more than one project, common/indirect costs incurred by the field office will be allocated to the projects based on the number of employees in the location by project. The allocation should be done by the Accountant in the Field/branch office prior to closing of the monthly financial reports. The Accountant should ensure that all common cost charges (or with blank internal order) are allocated to the various projects and allocation journals are posted timely in SAP. An expense transaction listing by field office/cost center filtered for blank internal order should be generated from SAP and reviewed by the Director of Finance and Operations in the Field location or the Senior Accountant in the Field Office.

The head of the Billing/ Common cost Accounting unit will determine and communicate to field offices allocation rates on or before 7th of subsequent month. This rate shall be duly approved by the Head, Finance and Compliance based on the HR monthly payroll report

For the head office, common/indirect costs incurred by the head office will be allocated using the number of employees assigned in the head office by project. The head of the Billing/Common Cost Accounting Unit is responsible for the timely and accurate allocation of the head office common/indirect costs. Allocation is to be done on monthly basis using the labour rate that has been determined based on the number of employees for the month.

- A. To ensure that incurred costs are charged properly to the projects and to reduce the common/indirect cost to be apportioned, the expenses listed below will be allocated using the method indicated:

Nature of Expense	Method of Allocation
1. Travel costs incurred by Human Resources (HR) Dept for interviewing job applicants	Direct charge to the project that requested the hiring.
2. Training or staff professional development	Direct charge to the project training the staff
3. Consultants/temporary help	Direct charge or joint/shared cost among projects/programs that the consultant is working for
4. Program/field staff meetings or retreats	Direct charge or shared cost based on the number of employees by project/program in the location
5. Wholesalers/detailers meetings	Direct charge to the project or shared to projects that have products/called the meeting
6. Field staff travels	Direct/shared charge to projects
7. Social marketing conferences	Direct charge to projects
8. Collaboration conference	Direct/shared charge to projects
9. PPMV Training	Direct charge to project
10. Field office rent	Shared cost based on the number of employees in the location, by Project or charged 100% to project if one project is operating in a location
12. Head Office rent	As agreed with donor, Rent for Head Office/HQ is charged according to office space allocated to a project
13. Professional Audit Fees	Direct charge to the project audited; For corporate audit – Common cost, allocation based on project expenditure during the year being audited.
14. Information System Support/IT Retainer	Direct/shared charge to projects
15. Group Insurance	Allocate based on the number of employees under each project
16. Stock/Inventory Insurance	Direct charge to the program or project owning the stock/inventory
17. Vehicle Insurance, Business or	Direct charge to the project owning

Property Insurance	the vehicle/equipment.
18. Equipment maintenance	Direct charge to the project owning the equipment. Cost is shared in case where the asset is owned by SFH but put to general use
19. Office Supplies, Stationeries, Printing & Photocopying	Direct charge to the project requesting or shared cost based on the number of employees in the location, by program.
20. Postage & Delivery	Direct charge to the project requesting or shared cost based on the number of employees in the location, by project.
21. Dues, Fees & Subscription	Direct charge to where the employee's salary is being charged.
22. Bank Charges (from the corporate fund/common cost bank account)	Allocate based on disbursement incurred for each program.
23. Staff Internet Modem and Recharge Cards	Direct charge to the project where the employee's salary is being charged.

- B.** The following indirect costs/common cost will be apportioned based on the number of employees in a project in the location under each project:
- a) Office repairs and maintenance
 - b) Maintenance and fuel for generator
 - c) Communication (office phone)
 - d) Utilities (including Lights and Water)
 - e) Contract Services for Office Cleaning and Security
 - f) Milk, tea/coffee, & sugar distributed to staff
 - g) MVOs' uniform
 - h) SAP maintenance cost
 - i) Head Office and Field Office system and internet bills
- C.** Purchase cost of vehicle, equipment, or furniture shall be charged directly to the project requesting the item.
- D.** The usable square meter of space will be used to allocate the following costs incurred for the warehousing and storage of commodities/products and packaging materials:
- a) Rent
 - b) Repairs & Maintenance

- c) Lights/fuel, water and other utilities
- d) Other warehouse administration costs

This allocation base is applicable to the SFH Warehouse Ota. . The 'usable space' is defined as the area that has been designated for the storage of the donor/project commodities/products, and/or packaging materials whether it is fully or partially filled.

Note: The percentage allocation per donor/project is to be calculated as:

$$\frac{\text{Area designated to the project/donor}}{\text{Total Area}} \times 100$$

3.3.3. Authorization:

SFH management shall have an Annual Operating budget that aggregate the available resources across all project, have it reviewed and approved by the Senior management at the beginning of each year. The overall budget broken down into quarters will guide implementation throughout the year with recourse to the Project Directors for any changes or update.

The corporate bank account shall initially be funded from SFH unrestricted fund as a revolving funds to fund common and share cost expenses before projects are invoiced for reimbursement.

The Inter project account 295001 automatically tracks amount due from each project to SFH corporate account at each point in time.

3.3.4. Liquidation/Settlement

Before reimbursing the SFH Corporate bank account for the apportioned common/indirect cost and the shared/joint cost the project accountants will review the allocations and apportionments for accuracy and thereafter transfer the funds from project account to SFH corporate account upon approval by the Project Director.

Documentation

To ensure complete audit trail of the liquidation/settlement, corporate accountant shall ensure that the invoice is accompanied by the following document:

1. details/ print out of SAP entries showing the expenses by the corporate pool on behalf of the project.
2. Common cost apportionment statement showing percentage apportionment to each donor

3.4: Procedures for Handling of Cash Receipts in the Treasury Unit

3.4.1 Custody of Receipt Booklets

- 1) SFH shall print official receipts for the acknowledgement of all cash/cheques received. All official receipts will be serially pre-numbered and shall be in triplicate.
- 2) The Head of Treasury will have custody of the Receipt books. S/he will maintain a register for the Receipt books with the 'RECEIVED' side showing:
 - ✓ Date
 - ✓ Name of printer
 - ✓ Quantity of Receipts Books Received
 - ✓ Inclusive Serial Numbers

and the 'ISSUED' side showing:

- ✓ Date
 - ✓ Serial Numbers
 - ✓ Name of requisitioner/to whom issued
 - ✓ Signature
- 2) Receipt books shall be requisitioned from the Head of Treasury by the Custodian who shall sign in the register. Receipt book should be issued to the Custodian upon exhaustion of the previous one.
 - 3) Receipts books shall be issued strictly in the order in which they are bound and serially numbered.

3.4.2 Cash Refunds by Staff.

- 1) The Custodian shall issue the Receipt in triplicate immediately upon collection of money from staff or other paying individuals. All refunds should be made directly into SFH/Project account with deposit slip/receipt presented to the head of treasury
- 2) Head of treasury shall issue receipt to the staff with the mode of payment indicated on the Receipt form. If cheque is received, the cheque no. and depository bank should be indicated on the corresponding portion of the Receipt.
- 3) Printed name and signature of the Custodian or treasury staff who received the money should be legibly indicated on the appropriate portion of the Receipt form.
- 4) The original copy of the Receipt should be given to the staff making the refund while the duplicate and triplicate are left un-detached from the book.

3.4.3 Lodgements to the Bank

- 1) Cheques collected and receipted must be lodged into the bank on daily basis.
- 2) Lodgements and teller slip should be made separately per each receipt. There should be no lodgement in a lump sum.
- 3) Each lodgement must be traceable to each receipt issued. For cash deposit, the corresponding Receipt no. should indicate on the teller slip. For cheque deposit, the Receipt no., cheque no. and from whom the cheque is received should be indicated on the teller slip.
- 4) In case of direct online transfer to SFH bank, evidence of transfer will be presented to the Head of Treasury for confirmation and issue of receipt.

3.4.4 Recording of Receipts

The Receipts will be posted individually and in numerical sequence. The Receipt/money received will be debited to the receiving bank account and credited to the staff who made the refund on SAP.

3.5. PROJECT CODES & CHART OF ACCOUNTS

3.5.1 Introduction

Each financial transaction of SFH is assigned a project or activity code and account code. project or activity codes shall be used for a donor contract/award. The SFH standard Chart of Accounts is used for the coding of assets, liabilities, income and expenditure transactions.

Under this system,

- (a) a more detailed information can be promptly supplied for managerial control,
- (b) Departmental transactions can easily be collated for departmental information and control,
- (c) project activities/reports can easily be obtained
- (c) Budgetary control is best achieved, and
- (d) Essential prerequisite in running reports on SAP is set in motion.

SFH has been divided into budget centers corresponding with the program areas in order to identify expenditure and income thus ensuring adequate information to meet management/donors' requirements.

The nature of expenditure or income is also provided with group of codes. Coding of documents is the concern of all officers involved in any transaction so as to ensure that the correct project and account code have been charged. Consequently, the department or division on which behalf expenditure is incurred must indicate on each of the documents initiating the transaction the project code and account code (or budget line item) to be charged. All these have to be done in accordance with the approved annual program budgets. The account code is set up in SAP and updated on need basis.

A brief description of the structure of each type of code is as follows:

3.5.2 Project Code

The project code consists of Fund, Cost Center, Internal Order, and Grant each of which is made up of different digits. Fund has 8 digits starting from 10000000, Cost Center is made up of four

(4) digits starting from 1000, Internal Order is made up of up to 12 freely definable alphanumeric characters and six (6) digits for Grants. These details are used for booking into the SAP.

3.5.3 General Ledger Code

A general ledger code has six digits. The first. The first digit generally classifies the type of account: 1 to 3 for balance sheet accounts and 4 to 6 for Income and Expenditure accounts. Further detail on how they fit into the account hierarchy is described in section 3.5.5. In recording of financial transaction, income and expenses and assets and liability are captured by account code and project code.

3.5.4 Rules for the Proper Maintenance of the Chart of Accounts

The Society's chart of accounts is designed to enhance effective reporting on SAP. SFH uses the standard chart of accounts to record all financial transactions.

SFH also recognizes some rules for the proper maintenance of the chart of accounts, which are detailed as follows:

- (1) No other primary code may be added without specific permission from the Chief Financial Officer (CFO)/Designee.
- (2) Account codes for assets and liabilities may be created if necessary, by the Head of Finance and Compliance
- (3) No primary account code should be added to income and expense accounts. Permission from the CFO must be sought if this is deemed necessary.
- (4) No inactive account code should be deleted from the accounting system unless if the code has never been used in previous transactions.

3.5.5 Primary Account Code Classification

The table below shows details of the SFH primary account code scheme.

100000 -151026 151027-211002	Assets	Fixed assets, Bank accounts, cash on hand, petty cash funds, advances and miscellaneous receivables Receivables, prepayment and payables
211003 – 217337 217338 - 295001	Liabilities	Payments due to creditors or vendors, taxes, pensions or provident fund/social security contributions due to the government Other Payable Accounts
330000 - 399999	Fund Balances (or Retained Earnings)	For deferred income/fund accounts, excess of fund transfers against expenditures or net income (NOT to be used for standard accounting entries)
400000-499999	Revenue	Receipts from local donors, program income and other income
500000 - 599999 600000 - 690000	Expenses	COGS/ production and production offset accounts Expenses Direct operating costs
700000 - 79999	Year End Adjustment	For period and year-end Gain/Loss realized on foreign currency Revaluation, Current and Fixed asset revaluation and adjustment accounts
899998 – 9		Opening balance migration account

3.5.6 Sub Account Codes

At SFH, specific account assignment codes are assigned to all financial transactions. Reference should be made to the Chart of Accounts and master data listing of Funds, Grants, Cost Center, Internal Orders and WBS Element Listing in SAP.

3.5.7 Program Grant and Fund Codes

SFH assigns codes to segregate cost for each project and functional program areas.

3.6 VOUCHER SYSTEM AND DOCUMENTATION

3.6.1. General Principles

SFH uses a voucher system to support all financial transactions. Vouchers are completed to identify and summarize all financial and accounting transactions.

These transactions include:

- Disbursements by check, cash, or bank transfers; and
- Adjustments or reclassifications of general ledger and codes; project codes; reconciliation of project/travel advances and/or corrections of errors from closed periods.

The Society has one Voucher type which can be used for different purposes i.e.

- ✓ **Receipt Vouchers:** for cash receipts transactions, including fund received from donors, cash sales or credit collections from commodities, or cash received from employees (unspent advance or refund of outstanding balance on upfront payments).
- ✓ **Payment Vouchers:** for payment transactions made by check, fund transfer or cash (Petty Cash Vouchers if paid through the Petty Cash Fund)
- ✓ **Journal Vouchers:** for disbursements; adjustments or reclassification of accounts or project codes, corrections of errors, and other non-cash transactions (e.g., bank charges/service fees or commissions, reconciliations or write offs etc).

3.6.2 Processing of Vouchers

The processing of vouchers shall be carried out strictly in consonance with the following rules:

- 1) Vouchers shall be generated directly from SAP, with clear description of the financial transaction details
- 2) No erasures by whatever method either in typescript or manuscript shall be allowed. No alterations to the Payee or to the amount on a voucher whether in words or in figures shall be permitted.
- 3) The Payment Voucher and supports should be reviewed by the Head of Finance and compliance, Head of Project Accounting or designate before a cheque/transfer is written/made by the Treasury office.

- 4) The originals of Payment Vouchers printed from SAP shall contain the signature of the preparer and the approving authority
 - 5) Every voucher shall be authentic, self-explanatory and detailed in all respects as to payee, date, authority, code, services and amounts in figures.
 - 6) The voucher shall be supported with the all relevant documents including the following where applicable: -
 - ✓ Payment Certificate
 - ✓ Purchase Order
 - ✓ Goods Received Note
 - ✓ Appropriate Approval
 - ✓ Service completion certificate Letters of Award
 - ✓ Acceptance
 - ✓ Delivery note/waybill
 - ✓ Receipts (if payments is made by cheque/cash not direct bank transfer)
 - ✓ Hotel bills
 - ✓ Invoice
 - ✓ Pictures (where applicable)
 - 7) All project accountants and treasury shall stamp all documents PAID & POSTED (where applicable) and as well maintain a register to record all financial transactions generated on SAP (Payment Voucher, Receipt Voucher and journal vouchers), these documents shall be retrieved by the filing and archiving staff on daily basis after signing out the voucher from the register.
 - 8) The filling and archiving unit shall maintain a register for all vouchers generated daily.
 - 9) The retrieved vouchers shall be processed in the filing and archiving unit for scanning and saving on share point, thereafter filed.
 - 10) Only scanned copies shall be made available to staff on request for audit purposes.
 - 11) Any staff who needs to have access to the original voucher, shall send a mail, listing all documents required to the Head Finance and Compliance, who will approve the release of such document(s)
 - 12) The initiator of the mail requesting for the release of original documents shall return such documents after use to the filing and archiving division, with a mail sent to the Director of Finance and Compliance stating that all documents retrieved have been returned in good faith
- 3.6.3 Filing in finance unit shall be by SAP generated transaction number based on;**
1. 5105 series (Invoice with PO Receipt)
 2. 1000 series (GL Accounting Documents)
 3. 1500 series (Payment Documents)
 4. 1900 series (Vendor Invoice without PO receipt)
 5. Any other as may be approved by the Chief Finance Officer or Designate

3.6.4 Maintenance of Documents Generated in Finance Division

1. All payment and journals vouchers Shall be recorded in a Document movement register by the Project Accountant/Treasury/Corporate Accountant
2. Filing & Archiving staff shall retrieve financial documents from Project Accountant/Treasury/Corporate Accountant daily
3. All transaction generated and registered by Project Accountant /Treasury/Corporate Accountant shall be retrieved by filing and archiving by signing off the register maintained in the unit
4. Documents retrieved shall be taken to the archiving unit for processing, after which they are moved to the scanning room
5. Scanned documents shall be moved to filing & archiving unit for documentation in arch liver file on project basis

3.6.5 Retrieval of Documents

1. Hard copy documents are not to be accessed by staff, except on exceptional cases
2. Staff in need of hard copy documents shall send a mail to the head of Archiving Unit copying Head of Finance and compliance stating the following:
 - Document number
 - Reason for requesting for the document/s.
3. Archive unit staff shall register the document(s) requested in the Document movement register indicating the date, the document number retrieved, the officer retrieving the document(s) retrieved, the officer retrieving the document(s) and the project for which the document relates.
4. The officer retrieving the document(s) shall sign-off the document movement register.
5. ALL hard-copy documents retrieved from Archive MUST be returned within the month , except:
 - Document(s) retrieved are for Internal / External Audit purposes

6. The officer returning the documents will submit such documents at the Archive Unit for proper documentation.
7. Soft copies of scanned documents can be accessed on share drive by authorized staff only
8. Only soft copies shall be made available to auditors, except there is need for hard copy to be provided for clarification
9. Documents in file offices are scanned and uploaded on shared point drive after approval of the Project accountant or Designate

3.6.6 Document Retention

All SFH financial documents shall be retained for at least seven years after the date of the last disbursement by a donor

3.7 REVENUE SYSTEM

The major sources of revenue of SFH are grants from donors and income from sales of donated commodities sold at subsidized prices. Sales of the commodities are done on cash basis only.

3.7.1 Lodgment of Income & Product Sales Reconciliation

Head of SFH Access Initiatives or designate will:

- Check the particulars of all receipt vouchers to Invoices, MDS monthly reports and Bank statements.
- Check that all deposit for products purchase should be made directly into project dedicated sales account
- Review the summary report of all cash sales against bank deposit slips and verify for any discrepancy.
- The completeness of sales invoice series submitted should also be reviewed with a view to identifying any missing number.
- Record the programme income for cash sales during the period in the accounting system. The summary report should be attached to the sales journal vouchers.
- Complete the monthly reconciliation report for inventory accounting and receivables (closing the loop form) and post into CTL on the 10th of subsequent month.
- Goods damaged in transit by haulage company should be treated as sales and deducted directly from invoice value of such company

3.7.2. Commissions

The Head of SFH Access Initiative should review the computation sheets for commission before they are paid to the relevant sales agents after approval.

3.7.3 Credit Sales

Credit sales are not approved by SFH. Sales of products are made on cash basis only.

3.7.4. Disposal of Assets

Assets that are no longer in use or meet SFH's needs may be disposed -off. The donor award guidelines under which the asset was acquired should be strictly adhered to. An effective bidding process will ensure SFH obtains the best value for the disposed assets.

3.8 STAFF TRAVEL/PROJECT ADVANCES AND RETIREMENTS

ONBOARDING OF STAFF ON SAP

Upon recruitment and resumption of a new staff, HR department will send a mail to IT instructing that the staff should be created on SFH IT infrastructure. This mail suffices to enable IT create an SAP user ID for that staff and grant the staff authorisation to Employee Self Service (ESS) on SAP. ESS grants the staff access to Travel Request and Retirement, Leave application, Time sheets, Appraisal, Salary and benefits details and Employee Personal Information.

This mail also grants authorisation for an Employee Vendor account to be created for the staff on SAP. This will enable advances and retirements for that staff to be posted to an account unique to him/her.

If the staff position or role requires further authorisation on SAP, a mail is sent to the DFA/CFO seeking for approval for further authorisation for that role to be granted to the staff. Authorisation is only granted upon approval from the CFO/DFA.

When a staff leaves the organisation, the staffs final emolument is passed through the staff vendor account to ensure that all outstanding advances are paid off and balance is remitted to staff.

IT department is expected to disable the staffs SAP user ID from further use upon final disengagement.

3.8.1. General Conditions

- Advance request both travel and project must be applied through SAP system by the employee.
- The applicant must not obtain a new advance until s/he had completed retirement or paid for the old advance
- All requests must be approved by the Head of department or designate who are expected to exercise discretion in screening request.
Request for advance is on an individual basis. Group advance is only allowed in exceptional situations e.g. group meetings and retreats

3.8.2. Specific Conditions

Each request for an advance should be granted in accordance with laid down regulations of the society regarding the specific advance.

3.8.3. Policy on Per Diem and DSA

a) General Policy

The M & IE (meals & incidental expense) per diem on the departure and arrivals will be calculated as a flat rate of 75% of the total due for a full day, while for the days in between the normal 100% full day per diem will be earned.

b) For International Travels (departure and return)

An employee will earn the per diem rate of the destination point of travel immediately the travel commences. For example, the employee travelling to Mali from Abuja, will start earning the per diem rate of Mali, from the point of departure in Abuja and will do so for the duration of the journey...

c) For Local Travels

When an employee is moving from any location, the per diem of the destination point will be used to calculate and it will start counting from the point of departure.

d) For DSA Policy

DSA is paid on project basis if agreed with the donor. The amount payable per night is as agreed with the donor. Payment of DSA must be supported with evidence of trip such as boarding pass, trip report, taxi receipts etc.

3.8.4. Advances for International Travels

Advances for per diem for meals and incidental expenses (M & IE) will be given to employees traveling at international destination at not more than 80% of the daily rate. The M & IE rate will be based on the US State department (USAID) monthly published rates.

3.8.5 Advances for Per Diem for Local Travels

Advances for per diem will likewise be given at 80% of the daily rate. Per diem rates for M & IE for local travel for SFH employees are as follows:

Location	M & IE Rate
Abuja and Port Harcourt	N 9,000
Other location	N 8,000

3.8.6 Advances for Hotel Accommodation/Lodging

Advance for Hotel accommodation for travels on per diem will be provided at 100% of the prevailing Hotel rates. However, SFH employees should observe the existing or updated rates as provided in the SFH Personnel Handbook or issued by the HR office. The SFH Personnel Handbook or the HR office should be consulted as necessary for updated rates.

3.8.7 Processing of Advances for Travel/Project Activity

All requests for travel and project advances should be reviewed by the head of department before approval. In processing advances, the following procedures are to be observed:

- 1) Staff after obtaining approval via email or based on work plan should raise advance on SAP for final approval by his/her department head. The staff prints approved SAP copy and submits the request to the project accountant.
- 2) The project accountant checks the amount requested against activities and duration and verifies the status of the employee's advance account on SAP.
- 3) If the requesting staff has an advance balance, the project accountant should ask the staff to obtain written approval from the CFO/ Head of Finance/ Territorial Manager etc before processing the request.

- 4) The Project accountant forwards the advance request to the Head of Treasury for approval and payment.

3.8.8 Retirement of Travel/Project Advance

The following rules apply on the retirement of travel or project advances:

The travel/project advance must be retired within 5 working days from the date of return from travel or end of project activity on SAP and printed out

- 1) All relevant supporting documents, in original copies, should be attached to the SAP retirement sheet.
- 2) An original hotel bill is required for reimbursement of lodging or hotel accommodation expenses except when the employee opted for 'in lieu' where he/she is entitled to 50% of the per diem rate for the location as per HR policy/Personnel Handbook. (Note that 'in lieu' is applicable only to local travels). This requirement is not applicable to trips on DSA.
- 3) No receipts should be submitted for meals and incidental expenses (M & IE)
- 4) In situations where hotel accommodation/lodging rate includes meals, reimbursement of the M and IE portion of the per diem, for both international and local travels, will be determined as follows:

Hotel Rate includes:	% M & IE per diem to be deducted
Breakfast	15%
Lunch	25%
Dinner	25%

- 5) Staff Must submit the following:
 - a) Tickets/receipts covering the two ways air travel (or return tickets) for all official assignments.
 - b) Submit the e-ticket itinerary; original payment receipt (where ticket is purchased by staff) and boarding pass stubs. If boarding pass is not issued by the airline, a justification must be provided in writing approved by the Managing Director/Designate or the Chief Financial Officer.
 - c) Official receipts should be used as evidence of receipt of funds by a third party ***and where an official receipt is not available, an acknowledgement of money on letterheaded or plain paper may be accepted*** but it must contain at the minimum, the name, address and telephone number of the vendor or supplier and it must be signed by the said vendor or supplier.

- d) SFH receipt is limited to use by SFH staff only. It can only be accepted as a support document where it is not possible to obtain receipts from third parties however; this should be limited to intra city taxi/bus fare and only where the cost does not exceed N5, 000 per transaction. ***SFH receipt should not be used for airport taxis originating from the airport.***
- e) Retirement of an advance received for a project, which cannot be executed within five (5) working days, should be returned to the Custodian and a receipt obtained. A new advance should be applied for when the project can be executed.
- f) Partial retirements can be made where it is anticipated that an activity may exceed a one-month period. Also, one-off retirements should be made for same advance where a major procurement or payment has been incurred during the activity. Staff must ensure that such partial retirements are used to liquidate the outstanding project advance.

Staff may be sanctioned for repeated cases of not retiring advances after five (5) working days of completing a travel/activity or within the time agreed for the retirement of such expenses.

3.8.9 Excess or Insufficient Travel/Project Advance

If the retirement of the travel/project advance shows that the total expenditure is less than the advance, the surplus should be returned to the project bank account and a receipt obtained from Treasury.

However, if the advance is less than the total expenditure, the difference should be reimbursed to the staff following the normal payment procedures.

3.8.10 Sub Account for Advances and Aging Analysis

- All advances should be posted with appropriate project fund and grant details
- Expenses incurred with advances should only be charged as expenses on the submission of an advance reconciliation or expenses report duly approved by the relevant head of department.
- Each employee shall have a six-digit Vendor sub account number which comprise code of 50 followed by the staff number. The sub account number should be used to capture all advance and retirement transactions relating to the employee.

- An aging analysis of the advance account should be generated from SAP and reviewed by the Internal Control Unit on monthly basis.
- Advances outstanding for more than 30 days should be verified and followed up with relevant employees by Internal Control Unit.
- Outstanding advances that are NOT reconciled after the prescribed period should be deducted from the employee's payroll.

3.8.11 DSA and Per Diem for Public Sector Consultants

It has in recent times been observed that there exist some irregularities concerning the payment of Daily Sustenance Allowance (DSA) paid to the public sector employees and SFH staff members.

Due to the nature of our operations that seldom requires our interaction and working with public sector employees and also our understanding of how their daily sustenance allowance is paid when they are on travels, we have decided to accommodate their mode of payment as a means towards ensuring their continued support and cooperation whenever there is a need to work together. In order that things be clarified and to remove any ambiguities surrounding the payment principles of both, the following shall apply.

- DSA will be applicable and payable when SFH engages external consultants for field activities only, who are public sector employees that will be required to make their own travel arrangement personally.
- The applicable rate which will be paid as a bulk sum will comprise of the SFH per diem rate prevailing at the location in question plus an average hotel rate of N10, 000.00.
- When travel is involved, the cost of airfare from consultant's location to base or a N20 per kilometer charge if going by road will be added.
- The payment for airfare will be done on presentation of the original ticket and boarding pass either for one way or return depending on what is presented. If the consultant presents a one-way ticket, the SFH staff coordinating the event should buy (or book online if easier) the air ticket for departure and then hand over to the consultant.
- For intra city movements the rate will be N1000.00 per day. This sum(s) will be paid directly into the consultant personal account. The transfer instruction or acknowledged copy of cheque will serve for retirement purposes.
- These payments which will be done by an SFH staff will be based on sighting a duly signed attendance sheet and also the submission of a means of identification. This will not apply to travels that involve activities organized by SFH wherein SFH employees have to disburse money directly to people regarded as private consultants. However, for

public sector employees; the bulk sum payments will still be made. Such events will include but not limited to; training, product launch and strategic retreats.

- g) SFH employees and their consortium members will not be eligible to receive such payments.
- h) SFH reserves the right to determine when DSA will be paid in line with signed agreement with donor.
- i) This policy will remain subject to change(s) based on donor requirements and SFH policy

3.9 CASH & BANK MANAGEMENT

3.9.1. Responsibility

Cash and bank transactions are the responsibility of the Head of Treasury Department with appropriate supporting staff.

3.9.2. Corporate Bank Account

Disbursements for common/indirect costs e.g. example: utilities, office supplies) will be paid from corporate bank account and transactions recorded in corporate books on SAP. Retirements and refunds of advances or reimbursements to employees should likewise be processed and received into corporate bank.
Projects are invoiced monthly for the share of common cost expenses

3.9.3. Receipts & Documentation

3.9.3.1 Receipts Book

- 1) The society shall print official receipts for the acknowledgement of all cash received.
- 2) All official receipts will be serially pre-numbered and shall be in triplicate.
- 3) A register of official receipt books shall be kept by the Head of Treasury or designate. The register shall have a "RECEIVED" side showing:
 - ✓ Date
 - ✓ Name of printer

✓
Serial numbers
an "ISSUED" side showing:
✓ Date
✓ Serial numbers
✓ Name of requisition
✓ Signature

- Receipt books shall be requisitioned on need basis by the Treasury manager from the Director of Finance and Compliance to the field finance staff/Custodian, who shall sign in a register.
- Receipts shall be issued strictly in the order in which they are bound and serially numbered.
- Un-issued receipt books in stock shall be kept under lock and key by the Director of Finance and Compliance.
- There shall be no alterations on the receipt. Spoiled, altered or invalid receipt shall be cancelled and all copies kept securely in the receipt book.
- Receipt books in current use shall remain in the possession of the custodian, and be kept under lock and key when not in use.
- Issue of un-official receipt for whatsoever reason shall not be permitted and whoever issues un-official receipt shall be personally liable.

3.9.3.2. Cash Receipts

- 1) All monies paid/refunded to the society shall be paid directly into SFH designated banks as advised by the Head of Treasury. All staff are prohibited from receiving cash on behalf of the society.
- 2) The Head of Treasury/Designate shall issue an official receipt in triplicate immediately on confirmation of deposits. The official receipt shall be distributed as follows:
 - Original copy to payer
 - Duplicate copy to staff accounts/project accountant for attachment to the retirement/journal voucher
 - Triplicate copy retained in the booklet

3.9.3.3. Receipt of Cheques

- 1) Cheques received should be immediately crossed "Account Payee Only" by the Head of Treasury; if not already crossed.
- 2) Cheques received should be scrutinized to ensure that:
 - ✓ they are not post-dated or stale;
 - ✓ amounts in figures and words agreed with one another and represent the full amount purported to be tendered;
 - ✓ drawer's signature is appended and in the case of companies and corporations, the name is indicated on the cheque;
 - ✓ the cheque/draft is not mutilated or torn;
 - ✓ alterations of any kind are signed by the drawer;

3.9.3.4. Deduction from Receipts

Where any amount is received after deduction of any sums, the revenue/income allocation code should show the gross and the deducted amount allocated to the relevant debit code on the receipt.

3.9.3.5. Banking of Receipts

General Principles

- 1) All cheques collected must be lodged intact into SFH's bank accounts not later than the following working day.
- 2) Private money will in no circumstance be paid into the SFH's account nor SFH's money be paid into a private account.

3.9.3.6. Lodgment

Revenues from the sales of project commodities are deposited in SFH bank account or designated project sales income accounts. However, the income could also be deposited in a separate interest yielding account if required by specific project agreements.

3.9.3.7. Dishonoured Cheques

- When a cheque already credited to revenue/income account or to the credit of a debtor is returned by the bank, the amount will be credited in the cashbook and debited to the relevant revenue/income account.
- The Head of Treasury department shall ensure that the cheque is replaced.
- Where problems are encountered for replacement, the case should be referred to SFH Management for necessary action.
- A register shall be maintained to record details of all dishonoured cheques which should include the:
 - ✓ Cheque no. and date
 - ✓ Date dishonoured
 - ✓ Name of drawer
 - ✓ Amount
 - ✓ Reasons for dishonor
 - ✓ Bank on which drawn
 - ✓ Date of replacement
 - ✓ Remarks

3.9.4. Transfers/Cheque Payment Procedures

- 1) Each payment is made against pre-audited payment voucher which has been duly authorized.
- 2) The cheque counterfoil shall be completed in every particular detail (Where Cheque is used for payment).
- 3) Any cancelled cheque shall be reflected on the counterfoil and retained in the cancelled cheque file after booking into the accounting system.
- 4) Transfer instructions and relevant documents are forwarded to the appropriate authorized signatories for signature.
- 5) The cheques/transfer instructions, payment voucher and supporting documents shall be stamped "PAID" and dispatched to the paying officer.

3.9.4.1. Authorized Bank Account Signatories

- 1) The Chief Finance Officer or designate shall provide all banks where the society maintains accounts with specimen signatures of the Officers authorized to sign cheques/transfer instructions drawn and issue instructions on the operations of such

accounts with a clear mandate in writing regarding the limit of authority of each of such signatories.

- 2) Any changes in the signatories shall be promptly advised in writing to the bank.
- 3) There are two types of signatories to the society's bank accounts, viz: "A" Signatory and "B" Signatory.
- 4) The bank account signatories shall, when signing the cheques/transfer instructions ensure that they are all supported by pre-audited SAP payment printout and the SAP printouts appear appropriate, having regard to all material details.

3.9.4.2 Responsibility of the Paying Officer (Custodian/designee)

The Custodian shall:

- a) promptly notify payees when cash/cheques are ready to avoid cheques going stale (where cheque is used);
- b) make payment to payee and obtains acknowledgment signature on the payment voucher;
- c) dispatch transfer instructions for salaries and all approved payments to appropriate banks;
- d) maintain arch-lever file for all cheques/ transfer instructions
- e) All SAP supporting documents should be registered for retrieval by filing and archive unit staff

3.9.4.3 Retention of Used Cheques

The counterfoil of used cheque books must be put in a card box, bound in sequential order and safely retained for seven years after the date of the last disbursement by a donor

3.9.4.4. Unpresented Cheques

When a cheque is un-presented for 6 months or has become stale, it must be reversed in the cashbook by recording it on the receipt side. The reversed cheque should be credited to the account and project code that was originally charged when the cheque payment was processed.

3.9.4.5. Overdraft

The society's bank accounts may not be overdrawn nor any temporary financial accommodation be obtained without the authority of the Managing Director through Chief Finance Officer

3.9.5. Bank Reconciliation

A bank reconciliation statement must be prepared for each bank account by the 10th day of the following month

- The reconciliation must be performed by a project finance/accounts staff, reviewed by the Internal Control and approved by the project Director. The Director of Finance and Compliance is to approve SFH Corporate bank reconciliation. All reconciliations must be done and printed from SAP bank reconciliation portal
- All approved bank reconciliation statements should be sent to internal Control unit on or before 15th of subsequent month for review
- Un-cleared deposits and payments for over a month must be investigated and cleared by the project accountant/designee before the next reconciliation date.
- The reconciliation summary and detail reports together with the original copy of the bank statement must be kept on file for each bank account.

3.9.6. Petty Cash Fund

SFH has in place a petty cash fund that is maintained on an imprest system at a level that sufficiently covers its local operating expenditures not normally paid by bank cheques/bank transfers e.g. taxi fares, fuel and other minor expenses.

3.9.6.1. Imprest Ceiling

- The imprest ceiling for head office is N500,000.
- The imprest ceiling for the territorial offices is within N100,000 and N150,000.

The maximum amount of expense that can be paid from the petty cash fund is N 15,000.

The fund should be replenished when the cash balance is less than 30% of the imprest amount.

3.9.6.2 Fund Maintenance & Disbursement Procedures

- 1) A petty fund Custodian is responsible for maintaining the fund.
- 2) Petty cash should be maintained in a mini safe, which should at close of business be locked in fire proof safe for adequate security.

- 3) All transactions are properly documented using a Petty Cash Voucher or a Petty Cash Advance slip as applicable.
- 4) Fund disbursements from the petty cash fund are approved by the Director of Finance and Account/Designate.
- 5) A surprise cash count should be conducted monthly by Head of Internal Control/Designee. Results of the cash count should be documented in cash count sheet, which is submitted to the Director of Finance and Compliance. The petty Custodian is responsible for any cash shortage.
- 6) All employees in need of petty cash will send receipts or invoices to the petty cash custodian.
- 7) The petty cash custodian forward the petty cash voucher with all supporting documents to the Head of Treasury for approval, effect payment after proper acknowledgement by the payee, stamp the petty cash voucher and all supporting documents, keep all paid petty cash vouchers on the pending files waiting for replenishment.
- 8) All completed petty cash vouchers are kept in a safe place preferably under lock and key to avoid loss.
- 9) When replenishing the fund, the custodian takes the following steps:
 - a) Collect and summarize all the paid petty cash vouchers in appropriate format and prepare the Fund Replenishment Report (FRR). Advances from the fund should not be included
 - b) Reconcile total expenses with the cash on hand and outstanding advances. Any un-reconciled difference without adequate explanation is paid by the petty Custodian.
 - c) Submit FRR with the petty cash vouchers and other supporting documents to the Head of Treasury.
- 10) The Head of Treasury shall:
 - a) Review and approve the fund replenishment report (FRR) against the attached petty cash vouchers and other supporting documents.
 - b) Forward the FRR, petty cash vouchers and relevant supports to the Common Cost accounting unit for payment processing.
- 11) The Treasury Office shall:
 - a) Process Cheque payment to the petty Custodian
 - b) Mark "Paid" on the FRR and the Petty Cash Vouchers and supports.
 - c) File the original copy of the FRR together with the petty cash vouchers to the covering payment voucher.

3.9.6.3. Audit of Petty Cash Fund

The designated staff of Internal Control Unit shall conduct a surprise cash count at least once every month.

The following procedures shall be adopted:

- 1) The date of the surprise cash count shall not be made known to the petty Custodian
- 2) The following documents/items shall be cross checked: cash, unreplenished petty cash vouchers, petty cash advances, un-encashed petty cash replenishment cheque.
- 3) Reconcile the available cash and un-replenished expenses/vouchers with the fund accountability/imprest amount and resolve any discrepancy with the Petty Cash Fund (PCF) Custodian. Any cash shortage shall be paid by the PCF Custodian.
- 4) Submit a report to the Director of Finance and Account.

3.9.7 Conversion of Foreign Currency

3.9.7.1. Responsibility

The responsibility for the management of the society's foreign exchange rests with the Director of Finance and Account.

3.9.7.2. Procedures

The following procedures are in place to ensure efficient and effective management of foreign exchange.

- 1) The Head of Treasury monitors the exchange rates (rates used in converting U.S. Dollars and other currency to Naira) on daily basis by being in close touch with the Central Bank of Nigeria rates.
- 2) The amount of foreign exchange to be converted to Naira is usually approved by the Chief Finance Officer or Designate
- 3) A letter duly signed by the authorized signatories requesting the relevant bank to convert the specified foreign exchange is usually prepared by the Head of Treasury and submitted to the Bank.
- 4) All corresponding documents relating to forex sales are put in a file.

3.10 FIELD FINANCIAL OPERATIONS GUIDELINES

3.10.1 Introduction

The Field Financial Operations Guideline is developed to adequately support the territorial offices. It will provide a basis for effective budgeting process and retirement of expenses in accordance with established expense and project codes.

• Coding to Budget Lines

- All expenses should be coded in line with SAP chart of accounts and project codes in SAP.

• Imprest Accounting

- A Float or Imprest system of accounting will be operated at the Field Office level whereby an initial amount is sent to the field office bank account and replenishment made from time to time based on spending pattern.
- Request for float replenishment should be accompanied with detailed list of payments, to the Program Manager for approval.
- An amount in the region of N 100,000 and N 150,000 depending on the size of the Field Office shall be set aside for this purpose from the Territorial Corporate bank account.
- A request for the petty cash shall be done through an IOU (I owe you) which must be approved by the Program Manager/ his designate.
- The amount to be spent from petty cash shall not be more than N 10,000.
- Petty cash replenishment must be done once the balance is 35%.
- All petty cash expenses shall be approved by the Program Manager/ his designate before it's posted on SAP.
- Petty cash float shall be kept in a safe
- Each Project accountant at the Field office shall be the custodian of petty cash float
- No petty cash expense can be incurred without the Program Manager/his designate approval.
- Petty cash certification must be done by the Project accountant at the field and approved by the program Manager/his designate by the 5th of every new month

3.10.2 Field Office Funding Practice

- There shall be a dedicated project bank account for all projects operating in each Field Office where the transfers will be done directly by the project for funding of all the projects' activities
- The Program Manager and one focal staff for each project shall be the signatories to each project bank account and this is subject to review from time to time.
- Also, there shall be an SFH Corporate bank account in each Field Office to take care of all common/shared cost transactions. A program Manager shall be a signatory to this account with one other senior Field staff.
- There shall be a dedicated sales bank account in each Field Office where sales activities are taken place. Transfer to this account shall be done by all projects that are supporting sales activities. All bank accounts must have at least two signatories excluding the accountant
- As part of the control, The Head of Field Accountant shall be the custodian of all the cheque books of all the bank accounts operating in each Field office and He /She shall not be a signatory to any bank account operating in the Territory.
- All returns for disbursement must be lodged into the Field Office project or common cost account and official SFH receipt issued to the staff.

3.10.3 Cash Request for Trips / Disbursement

- All expenditure shall be based on SFH Field Office approved quarterly budget and work plan. The SFH Program Manager shall authorize withdrawal of cash or payments out of the Field bank account.
- Disbursement by petty cash shall be limited to N10,000 per transaction. Any disbursement in excess of N10,000 shall be by check made payable to the vendor or staff. Checks shall be drawn in the name of Field office staff for collection at the bank.
- All cash request that is above petty cash limit shall be done by raising an advance on SAP
- An advance request shall be raised on SAP for all program activities in line with an approved quarterly budget.
- All advances shall be raised on SAP at least 48hrs to the planned program activities.
- An advance request shall be approved on SAP by the Program Manager/his designate.
- All advances shall be settled on SAP by the Accountant before the disbursement of cash.
- The Accountant shall check all the project bank account balances online before payments are made so as to avoid overdrawing of bank account.

- The Accountant after raising all the necessary entries on SAP shall prepare a cheque/ bank transfer instruction from the concerned project bank account together with all the supporting vouchers/documents for the approval of the Program Manager/his designate.
- New advance shall not be given to any staff that has not fully retired the previous advance collected. Except in special cases at the discretion of the Program Manager.
- Program managers must ensure that blank checks are not written and signed in advance in the state offices. Appropriate procedures must be followed before checks are issued and signed.
All blank checkbooks must be kept in safe custody by the Accountant. The Accountant or designated staff will issue cheques when payments are to be made and after ensuring that complete supporting documentation has been attached.
- Original retirement vouchers and supporting documents on all projects expenses must be duly filed on project basis. This has to be scanned and uploaded in share drive on monthly basis
- All trip / project advances shall be retired within (5 working days) after the completion of the trip or project (in the case of project activities). Trip advance retirement along with trip report and other supporting documents shall be submitted to the Project Accountant after it has been duly reviewed and approved by the Program Manager.
- No new trip / project advance shall be approved for or paid to any staff who has not fully retired the previous advance (except after giving justifications/approval for the need for new advance)
- All trip/project retirements shall be made on SAP. The Program Manager shall review supporting documents before approval is made on SAP. And thereafter submitted to the Project accountant for settlement and clearance on SAP
- All retirements shall be properly retired on SAP through the use of the appropriate GL, Internal Order and Cost Center.
- All unspent advance/refund shall be paid into the appropriate project bank account and receipted by the F&A.

3.10.4 Vendor Payment

- These are payments to third parties for the supply of goods or services for which the benefit has been enjoyed by members of Field office.
- A request must be made in writing/mail by a staff demanding for the Vendor payment with all the supporting documents.
- All Vendor payments must be booked and approved on SAP before the cash is released from the bank through cheque/bank transfer
- A project accountant at the field shall prepare all the necessary cheque/ bank transfer instruction from the appropriate project bank account with all the supporting documents and presented to the Program Manager/ his designate for approval.
- A cheque register shall be maintained by each Field office detailing all the cheque payment within the Territory.

3.10.5 Monthly Reports from each Field Office to the Head Office

- Each Field office shall maintain SAP accounting software for recording all financial transactions of the s office or regions under the territory.
- Each Field office shall retain original copies of all vouchers (invoices, receipts, petty cash vouchers, payment vouchers, check stubs, unretired IOUs, certificate of cash counts etc).
- The following monthly reports must be by the finance on the 5th of every month
 - Bank reconciliation statement for each field bank account. Project accountant and are to be provided internet access in the field on all accounts. Bank Reconciliation should be completed by 5th of the new month
 - Petty cash Count Certification Report - 5th of the new month
 - Projects scanned Documents should be sent in CD or in soft copy to HQ by 25th of the new month.
 - Aging analysis of outstanding staff / project advances by 5th of a new month Fund balance analysis (i.e. Net Income analysis) by 10th of a new month
 - Budget versus Actual Analysis by 10th of a new month
 - o Common Cost Allocation Schedule / Certification by 8th of a new month o

3.10.6 Security of Vouchers and Documents

- Each Field office shall maintain efficient filing system and ensure that vouchers/documents are preserved in a secured place. Such vouchers and supporting documents shall be made available for audit or inspection by the internal auditors of SFH, donor or external auditors at all time.
- Documents/ vouchers must not be destroyed but must be kept for seven after project closure or as agreed with donor.

3.10.7 Financial Reviews

- Internal Control and HQ Finance & Accounts staff shall visit each Field office at least once a quarter, to carry out Quarterly financial reviews to ascertain the validity, accuracy and completeness of recorded transactions in the last quarter.
- HQ Internal Control and Finance staff shall during this visit provide training and capacity building of Field Office managers and accountants financial management skills and discuss areas and processes that may require improvements.

3.10.8 Vouching of Documents for Retirement

- i. All expenses should be retired using the right project GL.
- ii. When in doubt of the right GL to use for retirement, the Project Accountant should be contacted for clarification.

3.10.9 Hotel Bills

Bills and official receipt from the hotel must support all claims for hotel expenses. SFH receipt should not be used for hotel expenses claim.

3.10.10 Group Expenses

- i. Hotel bills for group trips should be issued on individual basis to show amount incurred by each member of the group. Where this is impossible, there should be clearly.
- ii. An analysis sheet showing individual consumption and the sheet totals must agree with amount on the group bill and receipt issued by the hotel.
- iii. Group expenses must be properly allocated to projects using reasonable basis of apportionment or overhead absorption rates which shall be approved by the Director of Finance and Compliance and must be consistently applied.

3.10.11 Per Diem

Duly filled and approved ***multiple claims form*** should be used to indicate departure and arrival time on each trip and not on SFH receipt.

3.10.12 Taxi

The use of SFH receipt for taxi claims should be avoided except where taxi receipt cannot be obtained. All claims for taxi fare from airport must be backed up by airport taxi receipt and not SFH receipt.

3.10.13 Fuel Receipt

All drivers must endeavor to use filling stations that have official receipts. SFH receipt is not acceptable for fuel claims except in cases of purchase from black market and such claims must be backed up by written approval of the ProgramManager. (The rates, Qty (Litres) and total amount must be indicated in the receipt)

3.10.14 Medical

- i. All medical claims must be forwarded to HQ HR Division for payment. Territorial staff are encouraged to use SFH designated hospitals in the regions as much as possible and invoice should be sent to HQ for payment as quickly as possible.

3.10.15 Trip Report

Trip report must be attached to all travel advance retirement and signed by territorial/state program manager or designate before processing.

3.10.16 General Checks

Arithmetical accuracy of claims should be checked by the Field Project accountant or designated staff. Where in doubt of amounts claimed, third party confirmation can be obtained from vendors via phone calls or from head office finance as the case may require. All documents attached to retirements must be posted and stamped paid

3.10.17 Field Program Managers Retirement

- i. All advance and retirements made by Program Managers must be approved by another senior Field staff.
- ii. Program managers must sign all transactions before booking into SAP
- iii. When Program Managers are on leave, back stopping staff is responsible for signing /approving transactions in their absence.
- iv. For proper checks and balances, all transactions must be checked and approved by at least two people. One person should not originate and check/ approve the same transaction. Preparation and recording functions must be segregated



Handwritten signature in green ink.