Finance & Accounts Manual

Please Note:

This document is permitted to be review in its entirety by other Members of FAROF & interested persons for corrections, omissions, and other revisions on the approval of the CEO/Chair and Head of Finance

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Introduction

FAROF Finance Policy Manual

This Finance policy Manual is designed to promote the financial attitude and value of Freehearts Africa Reachout Foundation (FAROF) with regard to standards of excellence; terms of audit; financial expenditure and procurement process.

The policy and procedural guidelines contained in this handbook are designed to:

- Protect the assets of FAROF.
- Ensure the maintenance of accurate records of FAROF's financial activities.
- Provide a framework of operating standards and behavioral expectations.
- Ensure compliance with federal, state, and local legal and reporting requirements.

Changes or amendments to these policies may be approved by the Board of Trustees at any time. A complete review of the policies shall be conducted every three years by the Finance Committee and Board designee.

All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of these policies and guidelines.

CEO/Chair

1.0 BACKGROUND

The FREEHEARTS AFRICA REACHOUT FOUNDATION (FAROF) is a not for profit non-governmental organization (NGO) registered with the Corporate Affairs Commission (CAC) with RC number **CAC/IT/NO 61548.**

OUR VISION

Envision serving as a source to humanitarian excellence, where every child and women's right are protected with improved quality health care, illiteracy and better living standard.

OUR MISSION STATEMENTS

FAROF mission is committed to creating a safe and healthy community for the most disadvantaged children and women through quality health care, education, protection against violence and exploitation, and community development that are sustainable, replicable and appropriate for hard-to-reach-area.

FAROF CORE VALUE

Our core values are: **Excellence** (quality in service delivery), **Humanitarianism** (care for our target individuals), **Transparency** (Openness in our dealings), **Accountability** (responsible and answerable), **Commitment** (dedicated to our service) and **Resourcefulness** (value addition).

FAROF FINANCE UNIT MISSION STATEMENT

The Finance Unit of FAROF is committed to providing timely, accurate, clear and complete information. In a spirit of excellence, integrity, and accountability we will strive to reduce education and health challenges as well as give support to charitable works and the community at large.

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1.1 INTRODUCTION

The aims and objectives of the organization include:

- Improving the educational system, health condition and well-being of people in local environments in Nigeria in line with global standards;
- Promoting veritable knowledge, skills and education by challenging self and others towards achieving greater ability to restore and improve the lives of children and young people;
- To strengthen the economic system of women and reduce the level of unemployment, poverty and hunger in our society through Agricultural practice, empowerment and life building skills programs.
- Building capacity and establishing sustainable, scalable Education, Health, Women Empowerment initiatives and other development programs.
- Implementing evidence based education, child protection, empowerment and health care programs and services.
- To address the causes, preventive measure, support and treatment of opportunistic infections (HIV/AIDS,/STI), and promote sexual reproductive health and rights programs and stop Spread of sanitation related diseases that affects children, Adolescents and young people in our society.
- To improve the nutrition of mothers and children, as well as reduce the number of maternal death rate and illness from various disease/infection in our society.

Through funding agreements with donors, the organization has been able to raise a considerable amount of income for in-country activities such as provision of orphans and vulnerable children (OVC) and education services. The organization hopes to automate its financial management system using Quickbooks, which is an off the-shelve financial accounting and enterprise resource planning system. Quickbooks Accounting System (QAS) offers fund accounting, core financial accounting, and award management

1.2 PURPOSE OF MANUAL

This manual describes the financial policies and procedures for ensuring accountability and the effective and efficient use of restricted (donors) and unrestricted funds in the diverse settings that the organization operates in.

The essence of providing accurate, complete and timely financial information is cardinal.

Financial information that bears the above qualities assists in decision making and enhances the organization's ability to report to Board of Trustees (BOT) and Donors.

The rationale of this financial manual is to serve as a reference point for all staff, providing the basis for good financial practice and standardization to achieve the highest levels of professional competence and integrity. The principles, policies and procedures are compulsory for all staff and each staff is responsibility to ensure they have read and understood the manual and its implications to them as members of FAROF.

To conduct its business with economy, effectiveness and efficiency, the organization needs to

ensure that it has sound financial management systems and controls in place and that they are adhered to. One part of this process is the establishment and communication of the financial regulations that are set out in these Financial Policies and Procedures.
This manual is intended

- To set out the details of financial controls necessary in the organization.
- To provide guidelines for the management of programs in general. Financial control is ultimately the responsibility of the Chief Executive Officer (CEO), but implementation may be delegated to other staff. This manual provides guidelines for all staff and can be used to appraise their performance.
- To be used as a monitoring tool and also to provide confidence for external and internal auditors when assessing the financial management systems, policies and procedures.
- To provide a basis for good and uniformity of practice. The organization seeks to achieve the highest levels of professional competence and integrity.
- To be used as a training tool for finance staff and capacity building for others

The structure of the Finance and Accounts Manual is based on a framework of financial definitions, principles, policies, procedures and guidelines and is guided by the Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). The manual seeks to set out acceptable organizational level of financial control necessary for its operations. It is also intended to cover all financial transactions, records and reports required for the effective management of the organization.

This manual should be used in conjunction with other policies and procedures.

1.3 FINANCIAL PRINCIPLES

The financial Principles drawn up in this manual is underpinned by a set of broader principles as follows:

- **Honesty** – The organization expects that all staff will always abide by these acceptable policies and procedures and all laws, rules and regulation and never defraud, steal or knowingly mislead in the performance of their duties.
- **Selflessness** – It is expected that staff will take financial decisions solely in terms of the organization's interest. They should not take decisions in order to gain financial or other material benefits for themselves, their families or friends.
- **Integrity** – Staff have a duty to declare any private interests relating to their duties and to take steps to resolve any conflicts arising in a way that protects the organization's interests.
- **Objectivity** - In carrying out organization's business, such as procurement (awarding service contracts or selecting preferred suppliers), travels, trainings, etc., staff are expected to make objective choices based on merit.
- **Accountability** – Staff are accountable for their decisions and actions. The organization should be able to explain and justify to any stakeholder how best it has used financial resources to achieve its vision, mission and objectives.

- **Openness** – Staff should be open and transparent about their decision making and the actions they take.
- **Stewardship** - Staff must take good care of the resources they are entrusted with and make sure that they are used for the purposes intended.
- **Leadership** – It is expected that staff will want to promote and support organizational principles by good leadership and example.

1.4 AUTHORITY

The Board of Trustees and the Chief Executive Officer (CEO) are responsible for establishing organizational financial Policies and procedures. The finance department is responsible for proposing and implementing the financial policies and procedures, monitoring their compliance by all other staff while regularly evaluating their effectiveness. The Head of Finance is responsible for the management of financial systems and the reporting procedures. The CEO has overall responsibility for the management of the activities of the organization including oversight of the use of funds.

Effective Procedures, Processes and Guidelines are those that have identified the risks and incorporate the appropriate internal controls to mitigate those risks, safeguarding organization's assets and providing reasonable assurances against fraud and error.

Although Financial Policies and Procedures offer protection against the possibility of serious errors, irregularities and fraud, no framework can be full proof without the support of staff. It is essential that all staff make the time to read and understand the contents of this manual. Compliance with financial policies and procedures is mandatory. These are there to protect the interests of individual members of staff and the organization.

This manual is produced by the Finance Department. Please address comments or queries to the Head of Finance- HOF or CEO.

1.5 FRAMEWORK OF THE FINANCE AND ACCOUNTS MANUAL

Within the Chapters of the Manual:

- The definitions are provided
- The Principles are explained.
- The Policies are defined and based on the principles,
- The Procedures, Processes and Guidelines then follow;
- Processes and procedures developed are relevant to the statutory and cultural environment in Nigeria and donor rules and regulations.

1.6 FINANCE UNIT ORGANOGRAM

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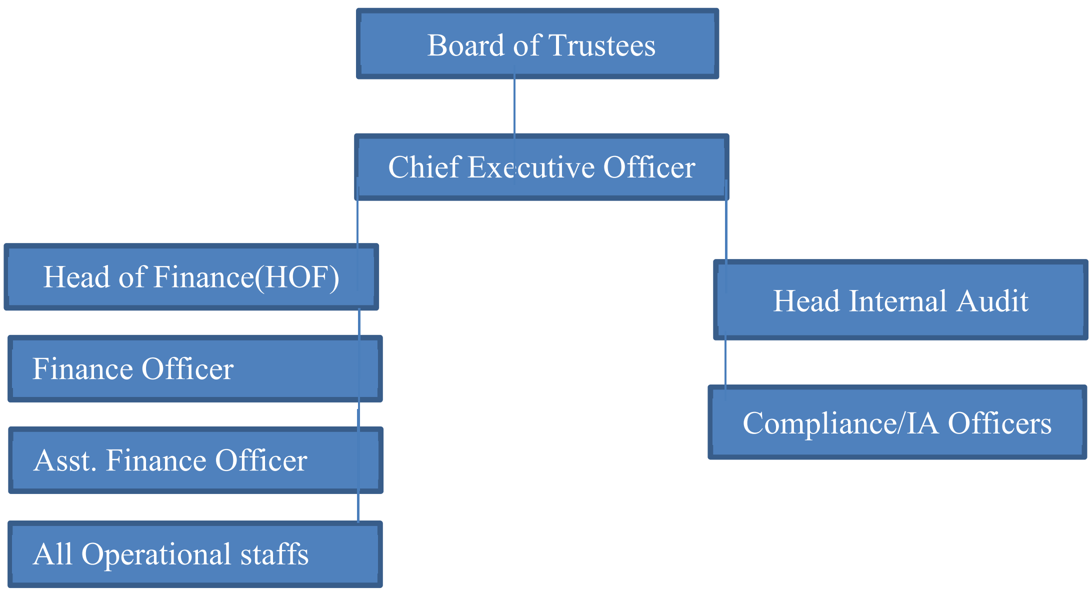
Finance Organizational Structure



2.0 CORPORATE GOVERNANCE POLICIES

2.1 Definition

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of an organization, as well as to external forces such as consumer groups, clients, and government regulations. Well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the organization adheres to accepted ethical standards and best practices as well as to formal laws. To that end, the organization has been formed at the national level.

Internal controls are 'the whole system of controls financial and otherwise, established by management in order to carry out the business of the organization in an orderly and efficient manner.' Good internal controls minimize the risk of anything going wrong.

Internal control procedures should be written and communicated to everyone

In recent years, corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of the organization.

2.2 DELEGATION OF AUTHORITY POLICY

Principle

Delegations are made to ensure decision making is at the most appropriate level for operational effectiveness whilst giving due consideration to the level of risk attached to the decision making. The Board of Trustees is an Advisory and decision-making body which offers strategic direction to the organization. The CEO is responsible for and monitors the overall performance of the organization.

Policy

Delegation from Board of Trustees to Chief Executive Officer

- The role of Board of Trustees (BOT) to the organization is in line with its article of association as specified in its constitution.
- The BOT is responsible for ensuring the organization meets legal and statutory requirements of a Nigerian NGO in compliance with the Corporate Affairs Commission guidelines.
- The Board of Trustees delegates authority to the Chief Executive Officer to manage the plans, budgets, properties and staffing resources of the organization within the strategic policy framework.
- The CEO operates within organization's policies and priorities agreed and approved by the BOT and have delegated responsibility for the effective and efficient management of the organization. The CEO is ultimately responsible for the organization.

The following are areas of delegation that are specifically finance related:

- The CEO will present to BOT annual and project budgets for approval.
- The CEO may, for the efficient management and proper operation of the organization, delegate any or all of the responsibilities contained within this scheme to other senior employees. This further delegation of responsibilities does not release the CEO from overall responsibility as the most senior manager of the organization.
- The CEO is also expected to report any irregularity that involves significant risk to the organization to the BOT.

Delegation from CEO

(i) Head of Finance (HOF)

- Day-to-day financial administration is led by HOF who is responsible to the CEO for:
    - ensuring financial plans are prepared
    - ensuring management information is prepared and made available for decision making.
    - ensuring there is monitoring and control of expenditure against budgets
    - ensuring the organization prepares daily, monthly, quarterly and annual accounts, donor reports and other financial statements, which the organization is required to prepare by law and funding agencies
    - ensuring that the organization maintains satisfactory financial systems and controls
    - providing professional advice on all matters relating to the financial policies and procedures

- liaison with internal and external auditors in order to achieve efficient processes

ii) Budget Holders (BH)

- Budget Holders are responsible for the financial management of the areas or activities they control.
- Delegation of budgetary responsibility and accountability must be strictly hierarchical. As an illustration the ultimate budget holder is accountable to the Head of Finance Department, who is accountable to the CEO, who is accountable to the BOT. In all cases the responsible manager at each level should be clear on the line of accountability. Budget responsibility should never be held jointly.

iii) All members of staff

- All members of staff shall be responsible for making themselves aware of the contents of the finance and accounts manual and are accountable for following the policies, procedures and processes contained in the manual.
- All members of staff have a general responsibility for the security of the organization's property, avoiding loss and ensuring there is due economy in the use of resources.
- All members of staff should ensure that they are aware of financial authority levels and the value to which purchase orders, quotations and tenders are required.
- All members of staff must make available any relevant records or information to the CEO and HOF in connection with the implementation of the Financial Policies and Procedures.
- All members of staff must notify the CEO whenever any matter arises, which involves, or is thought to involve, irregularities concerning organization's cash or property. The CEO shall take such steps, as he or she considers necessary by way of investigation and reporting.

2.3 SUSPECTED FRAUD, SERIOUS NEGLIGENCE AND SERIOUS MALPRACTICE

Principle

Fraud or serious malpractice against the organization, by staff, partners' staff or others will not be tolerated because it diverts vital resources from the beneficiaries, breaches the organization's ethics and values and damages its reputation with donors, government, supporters and the general public.

Policy on fraud and negligence

- The full policy on dealing with suspected fraud and serious negligence is as contained in the HR manual. This policy must be fully read and understood by all staff. The following summarizes some of the key elements of the policy.

Definition of fraud and negligence

The following are definitions of the types of fraud:

- **Fraud by false representation:** Dishonestly making a misrepresentation with the intent of making a gain for themselves or another, or to cause loss to another. A representation is false if it is untrue or misleading, and the person making it knows that it is.

- **Fraud by failing to disclose information:** Failure to disclose information that one is under a duty to disclose but has the intention of benefitting others and themselves with the intention of causing loss to another as well.
- **Fraud by abuse of position:** Someone occupies a position in which they are expected to safeguard the financial interests of another, and dishonestly abuses that position with the intent of making a gain for another or themselves or causing loss to another.
- **Negligence:** Negligence is the failure to exercise the degree of care considered reasonable under the circumstances, resulting in an unintended injury or loss to another party. For the purpose of this policy, negligence is defined as the lack of care in looking after organization's interests.

Policy on reporting Serious Malpractice (or whistle blowing policy)

- This policy provides guidance to staff on how to report concerns when they believe that abuse, serious malpractice or professional misconduct has taken place, or likely to take place.
- It explains how to raise matters up the management line, if the member of staff feels unable to report to their own line manager.
- The policy is included in HR manual.

Responsibilities of staff

- Staff must not commit fraud and any actual or attempted fraud by an employee will be regarded as gross misconduct and grounds for dismissal.
- A Staff is expected to report any suspicion of fraud, serious negligence or serious malpractice to their line manager, whether this involves FAROF staff or the staff of a partner organization. If they suspect that their own line manager is involved they should report the matter to more senior managers or the CEO

2.4 PERSONAL INVOLVEMENT & CONFLICTS OF INTEREST

Principle

In some instances, personal interests might conflict with staff's responsibility to the organization. Employees should be open about potential conflicts of interest enabling transparently unbiased decision-making processes to take place.

Policy

- Staff should always act in the best interest of the organization.
- Where staff find that their personal interests and loyalties might conflict with their responsibility to the organization they are expected to be open and transparent, raising this with their manager.
- Conflict of interests' issue should be declared in writing to CEO;
- Where a potential conflict of interests arises, and this could be perceived to influence the staff member, i.e. their judgement or advice may be compromised then the staff member must abstain themselves from any decision relating to this conflict of interests.

- Examples of such potential conflicts of interests might be where the relative of a staff member is employed by a supplier, or where a person responsible for awarding contracts has a personal relationship with a contractor, or where a member of staff is on the committee/advisory board/board of trustees of a partner organization. These are examples only and this list is not exhaustive.

2.5 CODE OF CONDUCT / ETHICAL CONDUCT

Principle

FAROF is committed to the highest standards of openness, integrity and accountability. The organization expects its staff, the staff of its partners, volunteers and trustees, wherever in the world they are based, to conduct their working lives professionally and lawfully.

Policy

FAROF expects all staff to observe its detailed financial procedures, which provide guidance on conduct in relation to financial matters. It is important that all staff are aware it is an offence for members of staff (in any of its operations) to accept corruptly any gift of consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity.

2.6 CONFIDENTIALITY

Principle

The organization aims to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the organization

Policy

- The organization has a policy of open management and most information is freely available to staff. To outsiders, the organization will demonstrate openness and honesty, and with common-sense, may disclose most information to genuine enquirers.
- There will be times however, when it is necessary to protect the information staff hold on behalf of the organization. This may be because it is confidential personal information, or it may cause distress or confusion to staff / partners if published out of context or in an unmanaged way. The organization is required by law to keep confidential some information.
- Personal information on staff or volunteers (example home addresses, nationality, and marital status) is strictly confidential and should never be disclosed to a third party, except by the individual concerned.
- Documents must be kept safe. Means of disposal or storage should always be appropriate (i.e. compliant with data protection policies and confidentiality policy).

2.7 GIFTS AND HOSPITALITY

Principle

FAROF will not pay bribes, give or accept gifts to influence decision making by a third party. This is considered to be unethical and unacceptable behavior which will lead to disciplinary action.

Policy

- Staff members must not receive or give any gift, loan, fee, reward or advantage, from or to a third party, for doing or not doing something, or showing favour or disfavour to any person in their official capacity.
- FAROF does not condone the payment of bribes; this practice must be avoided wherever possible.
- If a staff member is offered hospitality, gifts or personal services either free or at less than market price they must ensure this will not compromise the integrity of FAROF and/or the staff member. Any such offer must be approved by the Head of Department/CEO.
- As a general rule, gifts should be refused. Gifts delivered should be returned to the sender with a diplomatically worded letter explaining why it cannot be accepted. The staff member's line manager should be informed, and the incident recorded.
- Staff are occasionally offered minor articles, often by way of trade advertisements, which will be used for FAROF business, e.g. diaries, calendars, office items etc, and these will not be regarded as the acceptance of a gift.
- Occasionally staff may be invited to a promotional event arranged by a supplier, which can be accepted after checking with the line manager that this will not be or perceived to be a conflict of interest issue.
- Staff may be offered small artefacts as a token. They may be accepted only if they have a nominal value (e.g. less than N3000). If there is any doubt about the propriety of accepting anything, the gift should be refused.
- Where it is felt that refusal of a gift, such as from a partner organization, may damage the relationship, the gift can be accepted, and this should be recorded as such.
- The organization does not pay for staff entertainment, with the exceptions of contributions to official parties, i.e. arranged by the organization, to which all staff are invited. The organization does not contribute to out of office events unless all staff members are invited and can reasonably attend. Neither does the organization contribute to birthday celebrations or team social events.

2.8 FINANCIAL MANAGEMENT SYSTEM

Principle

The financial management system refers to the accounting software, policies, procedures, and internal controls. This system ensures that adequate documentation of transactions is maintained, and the organization's assets are safeguarded properly and efficiently used to achieve the organizational objectives.

Policy

The finance staff led by the Head of Finance (HOF), have the primary responsibility for operating the financial management system.

Strong financial management is critical to the efficient and effective use of the organization's funds for activities and programs. The ability to provide accurate, timely financial information enables the organization to adhere to accounting standards, to comply with the reporting obligations of donors and to meet the requirements of governments and regulatory agencies. Accurate, detailed, and timely financial information helps in decision-making, budgeting, and program monitoring, and enhances the organization's ability to obtain additional funding

2.9 STAFF RESPONSIBILITIES

Financial management is the job not only of the finance staff but also of all staff with responsibilities for administration, procurement, grants and program implementation and management.

All personnel engaged in program management have several significant financial responsibilities:

- Plan for expenditures (i.e., prepare budgets) in conjunction with the finance staff
- Monitor expenditures against budgets
- Ensure, in conjunction with finance staff, that expenditures are allowable and are allocated to the correct line items (sub-codes)
- Ensure that staff effort is appropriately charged to funding sources

2.10 INTERNAL CONTROLS

Definition

Internal control is a process for assuring achievement of the organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to the organization

Principle

FAROF uses internal control as the means by which the organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical (e.g., property, plant and equipment, cash and other current assets) and intangible (e.g., reputation).

Internal controls should be cost effective such that the cost of a control should not exceed the benefit to be derived from it, but should add value, be proactive, and decrease risk of errors, omissions, and fraud.

Internal controls ensure that:

- Transactions are properly recorded and accounted for to permit the preparation of reliable financial statements, maintain accountability over assets, and demonstrate compliance with laws and regulations.
- Transactions are executed on time and in compliance with laws and donor rules and regulations.
- Funds, property, and other assets are safeguarded against loss from unauthorized use, theft, or disposition.

Policy

The organization's policies and procedures should be regularly reviewed and adhered to, the right information should be communicated, and risk assessment monitoring should be done in order to ensure effective internal controls. It is the responsibility of the Chief Executive Officer in conjunction with Head of Finance to ensure that internal controls are effective.

Procedures

The rest of this sub-section discusses staff responsibilities, segregation of duties, and information systems. Internal controls relating to activities in the organization are discussed in each of the relevant sections.

Staff Responsibilities

All employees are responsible for managing internal controls. The Chief Executive Officer, assisted by the HOF has the responsibility of providing leadership by establishing, properly documenting, regularly reviewing, and improving the internal controls.

Staff training, and documentation of policies and procedures are also elements of control. Supervisors must ensure new employees know their responsibilities for managing internal controls. In addition, close supervision is vital to ensure that control systems are working and that weaknesses will be identified and corrected. For information on how supervisors should train and monitor staff, see HR manual on orientation and staff development and on performance management.

Finance staff must be vigilant about enforcement of *Conflict of Interest Policy*, as laid out in both the finance and Accounts and the HR manuals especially the part on avoiding all financial and commercial benefit to employees.

Segregation of Duties

There must be clear and documented segregation of duties such that no one person has complete control over all aspects of a financial transaction. Each transaction should be divided into tasks completed by different individuals in order to increase the chance of detecting unintentional errors and preventing fraud. As an example, the person who prepares vouchers for payment should not prepare or sign checks. Also, staff with physical access to cash, such as the petty cash custodian, should not approve disbursement of cash. The chart below includes other examples of the appropriate segregation of duties:

PERSON WHO…	SHOULD NOT…
Prepares vouchers	Approve vouchers
Prepares checks	Sign checks
Has access to blank checks	Post payments to the register

Prepares checks	Prepare bank reconciliation
Is responsible for the physical security of assets	Perform the physical inventory of assets

Office safe: The keys to the office safe must be held by the HOF and the Chief Executive Officer must hold the duplicate.

2.11 FISCAL YEAR

The organization's fiscal year is January 1st to December 31st. It also observes other grants fiscal periods in line with its awards.

2.12 AUTHORITIES (**Payment Approval** (Bank and Cash payment voucher approval):

Principle

Only employees properly authorized shall have authority to approve requests to incur expenditure on behalf of the organization. Such authority shall be subject to any limits or other conditions imposed specifically in this manual. Authorized signatories are accountable to the CEO for the proper exercise of their authority in accordance with the financial manual.

Policy

The organization shall have the following signature authority for incurring expenditures

Title	**Office**	**Signature Limit**	**Additional Info**
Chief Executive Officer (CEO)	HQ	Unlimited. All expenditures must be approved by the CEO	Procurement above NGN5, 000,000 needs BOT approval
Programme Manager	HQ/State Office	Programme Manager can approve – up to a limit of N200, 000. Based on the approval from the CEO.	Expenditure Authorization is within the approved programme area budget except fixed assets costs
Head of Finance	HQ	The HOF Keeps blank checks and do not sign checks for checks purposes	Expenditure Authorization is within approved budget for support costs.

3.0 ASSETS

These are resources controlled by the organization, as a result of past event, from which economic benefits are expected to flow to the organization

3.1 NON- CURRENT ASSETS –

3.1.1 PROPERTY, PLANTS AND EQUIPMENT (PPES)

DEFINITION

- PPE – tangible assets that are held for use in provision of services and for administrative purposes and are expected to be used during more than one period
- Cost – the amount paid, or fair value of other consideration given to acquire an asset
- Carrying amount – The recorded cost of an asset, net of any accumulated depreciation or accumulated impairment losses
- Residual value – An asset's residual value is the estimated amount that it will be worth at the end of its useful life
- Useful life – the period over which an asset is expected to be utilized

Principles

Property, Plants and Equipment are items purchased or donated and which have a useful economic life of more than one year. PPE include items such as lands & buildings, motor vehicles, furniture & fittings, office equipment (computers, photocopiers, etc) and Laboratory equipment. Because PPE would be used over a period exceeding the financial year for which it was purchased, the cost associated with it needs to be spread over its useful life. PPE of the organization are capitalized in the financial accounts. The fundamental purpose of capitalization is to match the accrual of expenses (depreciation) in each financial period with the benefit of use of that asset i.e. spreading the expense over the period of use. Depreciation is a term used to describe any method of attributing the historical or purchase cost of an asset, across its useful life, roughly corresponding to normal wear and tear. The security of fixed assets and their fitness for purpose (i.e. do they still work?) must be monitored. Insurance of fixed assets is mandatory for some classes of assets (e.g. motor vehicles) and optional for others. Insurance should be bought where this provides a reasonable protection for reasonable cost.

Policy

- The organization shall maintain a PPE Register of all single items with a value in excess of N100,000 (the current financial limit)) that have an economic benefit likely to last beyond the end of the financial year at the date of purchase.
- All assets purchased with FAROF funds or donor funds must be recorded in the Fixed Assets Register (FAR)
- All assets must be properly tagged and indicate funding source
- The Register will have the following information:
    - Acquisition date
    - Method of acquisition
    - A description of the equipment
    - Manufacturer's serial number, model number, tag number, or other identification number
    - Source of funding for purchase of the equipment, including the award number
    - Title

    - Location and condition of the equipment and the date the information was reported
    - Unit acquisition cost
    - Status
    - Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the donor awarding agency for its share
- All assets valued over N100,000 with a useful economic life (UEL) of over one year are capitalized and depreciated
- Disposal of assets would be in line with the organization's policy and procedures on assets disposal and donor requirements must be followed when disposing a donor asset. Disposals should be clearly indicated in the register for that year, with date of sale and sale proceeds noted.
- Assets purchased with donor funds are treated as expenditure during the year of purchase and recorded in the register
- The organization would also maintain an inventory list for those items below N100,000. This is necessary for both security and insurance purposes.

Procedures

- Requester completes the requisition form
- HOF authorizes the request
- CEO approves the request
- Stores Officer issues the assets and completes the issue form and registers in the stores issues register
- Requester signs the issue form
- The Finance Officer will be responsible for maintaining and updating the register. Assets would be added to the Register as they are purchased based on the monetary limit above. This is to comply with security and insurance guidelines.
- HOF will review the register on quarterly basis and will prepare required donor assets reports for CEO to approve
- HOF will be responsible for calculation of depreciations expenses to be reviewed and approved by CEO
- HOF will be responsible for Assets accounting
- HOF will be responsible for engaging an insurance broker to insure all assets in line with the procurement policy

ACCOUNTING ENTRIES ON FIXEDASSETS ACQUISITION

On purchase with Private funds

DR PPE A/C
CR FAROF Bank A/C

On purchase with Donor Funds

DR Assets Expense A/C
CR Donor Bank A/C
DR PPE A/C
CR Donor Assets A/C

Donated to FAROF

DR PPE A/C

CR FAROF Assets (equity) A/C
Transferred by Donor
DR PPE A/C
CR Donor Assets A/C

3.1.1.1 DEPRECIATION POLICY

Depreciation of PPE assets is computed on a straight-line basis over their estimated useful lives of assets according to the following rates:

Asset Rates	%
Land & Building	5
Furniture & Fittings	10
Vehicles	20
Office Equipment	20
Computer/IT	33%

Residual value of 1% of the cost of the assets will be retained in the books. Therefore, the computation of depreciation shall be:
Cost –Residual value /useful life (C –RV/UEL)

ACCOUNTING FOR DEPECIATION
When depreciation is calculated the accounting, entries are:

FAROF & DONOR ASSETS:
DR Donor Assets A/C
DR FAROF Assets A/C
CR PPE Assets A/C
To reduce the value of assets by the depreciation amount

3.1.1.2 MAJOR EQUIPMENT

Major equipment, also known as capital equipment, has special procurement and inventory regulations associated with it. Examples of major equipment are vehicles, and generators

3.1.1.3 Transfers and Gifts in Kind

Transfers by donors or Gifts of donated major equipment that have a useful life greater than one year should be added to the fixed asset module to ensure an accurate accounting of all organization owned equipment.

3.1.1.4 TITLE

The title of assets purchased with the organization's private funds (unrestricted funds) shall be vested with FAROF while the title of assets purchased with donor funds (restricted funds) shall remain vested with the donor.

3.1.1.5 ASSETS DISPOSITION

Principle

The purpose is to provide guidance in the overall management of asset disposals and to ensure that properly manage asset disposals occurs and to maintain the disposal method and date of disposition to properly control and document disposal activity. When a capitalized asset is disposed of, its value is removed from the financial balances reported and from inventory reports; however, the asset record, including disposal information, remains on the master file for three years. This preserves an audit trail for disposed items.
A disposal action is appropriate only when certain conditions occur resulting in an asset no longer being in the possession of the organization. Assets that are no longer in use and remain in the possession of the organization are considered surplus property and not a disposal. It is important to accurately post asset disposals to the Accounting and Control System in a timely manner.

Policy

- Capital assets can be disposed of in one of seven ways:
    - Sale or Trade-In
    - Abandonment
    - Lost or Stolen
    - Transfer
    - Donation
    - Casualty Loss
    - Cannibalization
- Only when the asset is no longer in the possession of the organization because of one of the six conditions listed above is the disposal action appropriate. For an asset to be no longer under the control of the organization generally means that it is no longer at the organization. It usually will have been either sold or auctioned for surplus or transferred or donated to another organization. It could have been lost or stolen or traded-in.
- All assets no longer in the possession of the organization due to one of these seven qualifying conditions will be removed from FAR and considered disposed. Organization management is responsible for reviewing disposal reports, evaluating causes and trends leading to disposals, and implementing procedures to manage and control disposals when the dispositions represent problems, inefficiencies, and/or the occurrence of unnecessary cost.
- At the time the disposal transaction is processed, the book value of the asset is removed from the financial system to ensure that financial statements that are prepared from the financial system are accurate.
- The HOF should periodically review the FAR information to ensure that assets that are no longer under the control of the organization have been properly disposed in the financial system. Disposal date must be accurate, as should the other disposal-related fields.
- The HOF must review the funding agreement to see what procedure and conditions are specified for disposal of major equipment and use of the proceeds resulting from the sale.
- Prior approval must be obtained from funding agency to sell a donor funded capital asset
-

Procedures

All disposals of assets must be carefully controlled and approved by the CEO. Adequate segregation of duties must exist between persons physically responsible for assets and those

requesting and approving assets disposals. All disposals of a suspicious nature (i.e. assets missing for unknown reasons) should be investigated as appropriate, based 0n the nature of the asset and value.
Although each specific method of disposal contains some slight variation, the basic disposal procedures are the same. The below table show staff responsible for disposals of different types of assets:

Type of Assets	Responsible persons
Computer/IT equipment	IT Officer
Vehicles, furniture & fittings, office equipment	Administration Officer

Steps to follow:

- Responsible Officer will identify the asset(s) to be disposed.
- Responsible officer fills out the Property Disposal Form (PDF)and submit to supervisor or the Head of department
- HOD or supervisor reviews and signs the PDF and submits it to HOF
- HOF reviews and verifies request for disposal and makes recommendation on the PDF to CEO for approval
- CEO approves the PDF
- HOF initiates independent valuation process and obtains the report
- HOF sets up an asset disposal committee (ADC)
- ADC carries out the disposal in line with established procedure.

3.1.1.6 METHODS OF DISPOSAL

(Refer to procurement manual for details)

i) Sale or Trade-In

Sale is a disposition of surplus assets by out-right sale in line with the procedure outlined in procurement policy and procedure
The organization may upgrade existing items by participating in trade-ins. For the organization funded assets, gains and losses on the trade-in of assets are recognized upon completion of the transaction. For donor funded assets, no gain or loss on the trade-in of property is recognized. Instead, the trade-in of the old asset is processed as a disposal and the new asset is entered in the financial system at the invoiced price which should reflect not only the cash paid but the value of the asset trade-in as well.

ACCOUNTING ENTRIES

DR DISPOSAL A/C
CR FA A/C
DR ACC. DEPRE A/C
CR DISPOSAL A/C
SALE:
DR BANK A/C
CR DISPOSAL A/C

ii) Abandonment

Capital assets retaining no salvage or disposal value will occasionally be discarded or abandoned as scrap. Utilization of this disposal method must be in accordance with the procedures established in the procurement policy. It is anticipated that few, if any, capital asset items will be scrapped directly by the user departments

iii) Lost or Stolen

The organization capital asset items which are unaccounted for following physical verification must be removed from the financial system. Stolen items must be reported, and the appropriate theft report information must be submitted to the HOF. The responsible officer reported must report lost or stolen irrecoverable items to the HOF and such items must be removed from the FAR .

iv) Transfer

At the end of a project, a donor may instruct that all assets bought with project funds be transferred to either the donor or to another of its project. A PDF will be completed, and the items will be removed from the financial system and the FAR

v) Donation

This is a disposition of surplus assets by giving way to another without receiving any amount. Donated assets must be removed from the financial system and the FAR

vi) Casualty Loss

Capital asset items that are destroyed by fire or other catastrophic circumstances must be removed from the financial system and FAR. Adequate and necessary information must be retained to provide an audit trail and to assist in risk management.

vii) Cannibalization

In some cases, capital assets that are no longer functional are cannibalized to obtain parts, which can be utilized to repair other like assets. The original item is considered surplus and disposed of by filling in the PDF. All remaining cost and accumulated depreciation will be removed from the appropriate asset account.

3.1.1.7 FIXED ASSETS VERIFICATION PROCEDURES

Principle

Physical verification is conducted to verify the accuracy of the Organization's property records as contained in the Fixed Assets Register (FAR) as well as the existence and activity status of the assets. Results of performed verification provide an overall assessment of the effectiveness of property management and the level of compliance with established policies and procedures, as well as donor agencies regulations.

Policy

Property verification is conducted at least every year to comply with donor regulations.

Developing and managing the schedule for physical verification is the responsibility of the Internal Audit to be carried out during internal audit exercise**.**

Procedure

Physical verification is primarily done on a 100%, wall-to-wall basis, for assets meeting the criteria listed below. However, alternate methods such as sample verification may be used for special verification, if needed.

The internal audit will partner with administration and partner sites to conduct the physical verification.
Verification of the existence and accountability of the property is done through physical verification of specific attributes and reconciling to the property record such as (at a minimum):

- Property Asset tag number
- Description
- Manufacturer
- Model Number
- Serial Number
- Vehicle Identification number
- Location
- Use Status
- Condition

The Preliminary results will be reported within 5 business days after the completion of the exercise and a plan will be developed to implement approved recommendations.

Preparation for Verification
As with most tasks, preparation is a key factor to the success of the verification process. In collaboration with the administration unit and the partner sites and following a few routine steps, the verification process should move very smoothly with minimal errors. To prepare, the below checklist should be followed (these tasks should be performed as a matter of routine, not just prior to the verification):

- Maintain and update the register
- Tag or label all assets appropriately
- Send out notice by email approximately 1-2 weeks prior to the exercise to schedule the verification. This email will include the current FAR, a schedule of dates and times available for verification, physical verification procedures and ground rules.

Disposals & Missing Assets
The administration unit is responsible for reporting all disposals, transfers, sales or discards of purchased equipment, using the required Property Disposal Form (PDF). The form should be completed with appropriate approvals and any supporting sales documents.
If an asset is not located during the physical verification, the internal audit will make every attempt to locate the equipment, with the help of the Principal Investigator for grant funded assets. If the item is thought to be stolen, the Police will be notified immediately. A 30 days period will be given to locate the asset(s) in question. If after 30 days the asset(s) cannot be located, a Property Disposal Form (PDF) will be completed as noted above. If the asset(s) in question is still missing after 45 days, the asset(s) will be removed from the Register.
The Principal Investigator is responsible for notifying the sponsoring agency of any loss or disposal of grant funded assets.

Verification Results and Reports
Results of a physical verification are sent to administration unit and reports are generated within 30 days after the completion of the reconciliation period. After analyzing the results for each unit or site, corrective actions for property management practices may apply and the Internal Audit

will work with administration unit and each partner site to correct these problems

3.1.2 INVESTMENTS IN FINANCIAL INSTRUMENTS

Definition
A financial instrument is any contract that gives rise to a financial asset of the organization.

Principle
The organization will invest any excess of its own funds in low risks financial instruments such as Bonds, time deposits, etc. to generate income for its activities.

Policy
- All investment decision must be approved by the BOT
- The organization will only invest in low risks securities

Procedures
- HOF will present a report of any excess private (unrestricted) funds to the CEO
- HOF will identify viable investments and negotiate favorable rates of return
- CEO will present a request to invest funds to the BOT for approval
- BOT will approve the purchase of financial instruments (securities)
- HOF makes purchase

Accounting Entries

DR Investment A/c

CR Bank A/c

3.2 CURRENT ASSETS

3.2.0 CASH AND BANK

Definition:

Cash comprises cash on hand and demand deposits

3.2.1. CASH MANAGEMENT

Principle
Cash management has many aspects and is primarily concerned with risk management, internal control, and facilitation of organization operations.
Policy
The duties of collection and custody of cash, maintaining documentation, and reconciling records should be segregated among different individuals. The organization maintains strict individual accountability and thorough management supervision and review.

3.2.1.2 PETTY CASH

Principle

The purpose of the petty cash fund is to allow for the reimbursement of minor recurring expenses of not more than NGN5, 000. Examples of such expenses include local transportation cost on official business, minor office supplies and consumable and repairs

Policy

The Petty Cash limit of NGN 50,000.00 is kept in-line with the cashless policy. Petty cash is used only when it is necessary to pay for goods or services not exceeding the stipulated amount of N5, 000

- with a minimum level of NGN 10,000.00 as a buffer that will trigger the replenishment process (TOP UP). A single cash payment up to a maximum of NGN 5,000.00 would be made at any time. In case of emergency, this limit should not exceed NGN 10,000.00.
- The petty cash will operate under the impress system rules.
- A petty cash voucher will be raised for any cash issued so that, at any point, cash plus vouchers is equal to the total of the petty cash float NGN 50,000.00.
- At the end of the week (or month) or recoupment, the vouchers are processed through the accounting records and the cash is made up to the original cash flow amount.
- The HOF or designate shall be responsible for petty cash approvals.
- The Finance Officer (FO) shall be responsible for the accounting for petty cash
- The petty cash custodian shall be responsible for cash and payments.
- Reconciliation of the petty cash floats shall be carried out monthly by the Compliance Officer and a cash count certificate must be prepared and signed by both the petty cash custodian and the CO.
- Spot checks of the cash floats shall be held at the discretion of the HOF or designate
- Cash Count is done every last working day of the month.

Procedures

The following basic procedures shall apply to payments through the petty cash;

- Requests for petty cash payments must be adequately supported by a duly completed payment request form, invoice or receipt and be approved by the supervisor of the person requesting payment.
- The Finance Officer (FO) must ensure that the details on all relevant supporting documents all agree before raising a petty cash voucher.
- The HOF approves the petty cash voucher
- The FO will forward the approved voucher to the petty cash custodian for payment.
- The petty cash custodian pays out the amount and ensures the voucher is signed by the person collecting the funds.
- The petty cash custodian stamps the payment voucher 'PAID', records the transaction in the petty cash register, retains a copy and returns the original to the Finance Officer.
- The Finance Officer maintains a Petty Cash Account that records all petty cash transactions by Detail Code
- The FO files all supporting documentation for petty cash transactions.
- Any refunds to petty cash will be handed back to petty cash custodian and promptly receipted. The approved petty cash voucher and a copy of the receipt will be attached together as evidence of the transaction undertaken.

- To avoid the possibility of duplicating payments all processed invoices will be respectively attached, stamped "PAID" and filed chronologically
- Petty Cash will be kept in a locked cash box and stored in a secured drawer, cabinet, cupboard, or safe during the day and overnight. Only the Petty Cash custodian should have access to funds
- The CO will conduct a physical count of the petty cash every last working day of the month and complete and sign the cash count certificate. A copy will be retained by the custodian; a copy will be given to the HOF while a copy will be retained in the cash count file.
- At month end, the HOF or designate will conduct a petty cash reconciliation to be approved by the CEO.

Replenishing Petty Cash:

- The petty cash will be operated on an impress basis.
- Except in the case of extraordinary circumstances and with written permission from the CEO, the petty cash balance will not exceed the amount of NGN50,000.
- Petty Cash will be replenished for the exact amount of expenditure incurred when the balance is at, or below, NGN10,000.
- A Petty Cash Advance Request Form must be filled by the custodian reviewed and signed by the HOF and approved by the CEO before the petty cash reimbursement check is written. The replenishment request must include the worksheet listing all the disbursements and the original receipts. The HOF or his/her designee (not the custodian) must review the request for accuracy and ensure all supporting documents are attached.
- A check payment must be done in the name of the custodian, who will cash the check at the bank.

Petty Cash Register:

- The custodian **(Admin Officer)** will maintain a register that records all petty cash disbursements.
- The FO will maintain a petty cash account per detail code.
- The petty cash register will be updated on a daily basis.
- The petty cash register will facilitate the reconciliation process when replenishing the petty cash.
- At the close of each financial reporting period, the petty cash journal balances will be carried over for the next reporting period's beginning balance.

Custodians: The petty cash custodian is usually the employee serving as Administration Officer or Administrative Executive Assistant. He/she is responsible for reconciling the fund on a regular basis (at least monthly), maintaining required records regarding disbursements that have been made from the fund, and requesting replenishment of the fund. The custodian may not approve his or her own petty cash voucher/log or that of his/her supervisor. If an exception must be made, this requires prior approval of the HOF, who will ensure compensating internal controls are in place.

Security of Funds: All petty cash funds must be kept in a petty cash box that is stored in the office safe or a locked cabinet. Only the petty cash fund custodian and the HOF may have keys to the box and cabinet.

Closing a Petty Cash Fund: The custodian of a petty cash fund must close the fund immediately if the purpose for which the fund was established ends or changes significantly. The fund should be reconciled, and any excess cash returned to and signed off by the HOF.

Changing the Custodian: To change the custodian of a petty cash fund, the current custodian must reconcile the fund and the HOF must sign the reconciliation form, and then transfer the fund to its new custodian.

Monitoring: The HOF is expected to make unscheduled cash counts and checks at least quarterly to ensure that the custodian is abiding by all the rules and regulations.

Reconciliation: The Custodian is expected to perform a monthly reconciliation between the authorized amount of the fund (N10,000, or other) and cash and receipts on hand. The custodian must use the *Petty Cash Reconciliation Form*.

3.2.1.3 CASH SECURITY

The organization's cash handling policy has several goals associated with the handling, safekeeping, and custody of cash and checks:

- To prevent mishandling of funds and safeguard against loss or theft of cash
- To minimize the risk that cash will decline in value
- To minimize the risk that its presence will jeopardize staff safety

CEO must review the cash receipt and disbursement processes at least semi-annually to ensure that the organization is achieving these goals.

Cash Security

Staff who handle cash and checks are responsible for the safekeeping of these assets. Physical security of cash stores and the individuals managing them must be emphasized to every employee involved in the cash-handling process.

The organization must have a burglarproof, fire-resistant safe for storage of cash, items with cash value (such as air tickets), and important documents and records. The safe must be located in a lockable room. If the safe has a combination lock, the combination code must be changed at least once a year and whenever there is turnover in personnel who have the combination. If a key is used to access the safe, the HOF must ensure that the key is kept in a secure place. Only the HOF or designate and the CEO should have access to the safe.

Cash Handling Procedures

The following procedures must be followed to help maintain the integrity of the cash handling area:

- Unauthorized persons must not be allowed in areas where cash is handled.
- Safe doors must be kept closed during working hours and locked at times when it is not necessary to be in and out of the safe.
- Large sums of cash must be counted and handled out of sight of the general public.

- Petty cash funds must be kept at a minimum amount, with a maximum float of N50,000, unless the CEO has granted an exception.
- Checks received (e.g., reimbursement of the remainder of a travel advance) should be deposited within 48 hours of receipt.
- Cash must never be left unattended. This includes checks. If an employee leaves his or her workstation for any reason, cash must be appropriately secured in a locked place.
- Cash must be placed in a safekeeping device appropriate for the amount of cash, such as a safe or locked container for overnight storage and when cash is not being used.
- Under no circumstances should individual keep the organization's cash with his/her own personal funds, deposit the organization's funds in a personal bank account, or take the organization's funds to his/her home for safekeeping.

3.2.2 BANK ACCOUNTS

Principle

The banking system is the most effective and efficient way for the organization to hold and distribute money. FAROF will only use banks that have a sufficiently high enough credit rating to protect the resources they hold on behalf of the organization as well as having global security and efficiency in operations and CBN regulations. The BOT chooses a financial institution which provides the most appropriate services with consideration for Value For Money-VFM. The location of the financial institution is taken into account.

Policy

- FAROF will maintain foreign currency (FC) and local currency (LC) bank accounts that are specific to each direct award in line with donors' request for separate bank accounts in the HQ office.
- A naira account and domiciliary account is acceptable by the organization. The naira account is acceptable to cover both the payroll account and operating account, while the domiciliary account is used for receiving and replenishing the naira account for the purpose of the projects.
- Each project may have its own project account for easy monitoring of Cash transactions
- Salary payment to staffs/volunteers or contractors/vendors shall be done through bank and not hand payment.
- Interest Bearing Accounts shall be used where possible to gain interest on buffers or where specified by donors.
- Banks will be selected based on efficiency, security of deposits, credit rating and whether they meet the operational requirements of FAROF.
- The BOT will maintain an organizational overview of all FAROF bank accounts, and signatories, as the Trustees are responsible for safeguarding the assets of the organization.
- In deciding on the use of a bank, authorized signatories and their signing limits in FAROF, the following would be considered:
  - Appropriate controls to safeguard funds
  - The needs of the organization and partners to move funds effectively and efficiently.
- All bank accounts shall bear the name FREEHEARTS AFRICA REACHOUT FOUNDATION (FAROF) or it could bear both the Grantor/Donor or FAROF name.

- Check books shall be held in a safe when not in use. The safe would have restricted access to specific individuals.
- Check books must be used in sequence.
- The list of signatories for the bank accounts would be restricted to the executive management and BOT. Signatories for the accounts are appointed and approved by the BOT.
- The decision on opening and closing bank accounts would be based on the recommendations of HOF and CEO and approved by the BOT
- Signatories:
    - All cheque and transfer payments must be signed by two authorized signatories.
    - The CEO would be the principal signatory on all bank accounts for FAROF (but would not be required to sign all cheques – see authorization limits).
    - Staff on probationary periods (CEO exempted), or if suspended from their duties cannot be account signatories.
    - Staff who have given notice of resignation should be removed as bank signatories immediately.
- The following classifications of signatories are recognized and their level of authorization is assigned below:
    - Principal Signatory (A) BOT Chair or appointee
    - Principal Signatory (A) Chief Executive Officer
    - Co-signatories (B);
        - Head of Programmes
        - Head of M&E
        - BOT appointee
- Head of Finance shall keep the check book, and may not sign checks for check purpose.

Procedures

The following procedures apply to all bank accounts opened for FAROF Programme offices

- **<u>Opening Bank Accounts</u>**

    - The BOT will give a written approval to the CEO to open a bank account
    - The CEO will give a written approval to the HOF to open a bank account
    - The HOF will open the account.
    - The BOT will be notified of the new bank account
- A Register of bank accounts and the signatories shall be maintained and updated immediately on any changes with a copy of the update sent to the BOT highlighting the changes. The register shall hold the following details:
    - Name and address of the bank
    - Details of the type of account
    - Account number
    - The signatories on that account
- A signing convention shall be in place in line with the delegation of authorities as follows;

1. The CEO shall sign all transactions from Foreign Currency (FC) account and naira accounts
2. The Programme Manager or appointed delegated from the BOT shall sign as 'B' signatory to 'A' on all FC transactions
3. Any 'B' signatory shall sign as second signatory to 'A' on all LC transactions
4. In the absence of 'A' signatory, Approval must be given by Signatory 'A' before any two 'B' signatories can sign LC transactions.

- Signing conventions cannot exceed the delegated authorities above
- Signature limits must not be evaded by issuing multiple payments.
- Cheques should be issued sequentially from cheque books.
- Bank reconciliations must be done monthly on all bank accounts.
- The bank reconciliation must be reviewed and signed off the HOF and CEO or designate
- The HOF would review the stability of FAROF's banks on an ongoing basis and should immediately report to the CEO any risks arising with the banks.
- A review of dormant bank accounts should be done on an ongoing basis.
- Banking stationery such as cheque books should be held in a safe when not in use. The safe should have restricted access to nominated individuals from finance only.
- Details of who is on the list of signatories, and any signing limits or arrangements, would be held confidentially within the finance department.
- The number of staff dealing with banks would be limited to a few nominated individuals within the finance department.
- The CEO or HOF or designate will confirm all cheque payment to the bankers before funds are paid from any bank account.
- **Check Signatory Responsibilities**

  - The Board appoints the signatories for each project, Usually the first signatory is the CEO, then any other appointed member or project Manager. Two must sign mandate is recognized, having the first signatory as the CEO and any other two can sign with the authorization from the CEO, without the authorization from the CEO, that transaction is considered null and void.

  - Cheque signatories are expected to review thoroughly all payments to ensure that they have proper proof of payment and a valid business purpose and are both allowable and allocable under organization's funding mechanisms.
  - For every payment, the following details must be verified before a check is signed or EFT approved:

    - The payee and total amount to be paid tally with all documents supporting the payment. If not, reasons must be given in writing.
    - The reason(s) for payment is indicated and is for a legitimate business purpose.
    - All invoices are original documents. If photocopies are used, then a reason for such use must be indicated on the copy invoice, signed, and dated.
    - All relevant documentation (including missing receipt documentation where necessary) is attached and appropriate approval has been given, e.g., the

Travel Authorization Form or quotations for purchase of equipment.

- Signing of blank cheques or making payments that do not meet the above criteria **is not permitted**. Under no circumstances should a person who will be out of the office sign blank checks prior to departure.

- **Closing Bank Accounts**

The HOF can recommend the closure of a bank account to the CEO if the bank is adjudged to be a high risk or if the project for which the account was opened is ended. To close a bank account, the steps are as follows:

1. HOF sends a request to the CEO and include the following information:
    - Account designation (USD or local currency)
    - Bank name, bank address, SWIFT/BIC Code
    - Account location (country and city)
    - Purpose for closing the bank account
2. CEO reviews the request and submits it to Board with recommendation.
3. The Board of trustees approves closing the account.
4. The CEO communicates the approval back to the HOF and provides instructions on how to transfer the balance of funds.

3.3 OTHER CURRENT ASSETS

Definition

These are organizational assets that do not include securities (investments) and cash. This is predominately Advances,

3.3.1 Advances

Principle

FAROF may give advances for legitimate businesses to staff and vendors and as approved on a *Travel Advance Request Form or Advance Authorization to vendors*

Policy

FAROF recognizes three types of advances that may be given:

- Staff Travel Advance
    - This is an advance given to employees for legitimate business travel and as authorized on the Travel Advance Form
    - Only one travel advance will be given at a time
    - All staff travel advances must be fully retired before another one can be given
    - CEO must expressly approve another travel advance where there is an outstanding advance.
- Advance Payment to Vendors
    - This is an advance given to a vendor or service provider where the contract provides for advance payment
    - Only 50% of the amount shall be advanced

Procedures

- Documentation for advances must be maintained in the Advances Register which must be updated with each advance by the FO. A monthly report of outstanding advances must be prepared by the FO and submitted to the HOF
- All staff travel advances must be retired and reconciled within seven (7) working days after the employee's return from the business trip.
- A second advance may not be given until the original advance is cleared, with the exception of the case where an employee with a travel advance takes a second trip within three working days of the first.
- The HOF or designate is responsible for tracking advances and must ensure that the person requesting an advance has no outstanding advance unless the CEO has given an express approval for the person to be given a new advance.
- Delinquent advances (two months outstanding) will be submitted to the CEO for approval to recover the amount from salary.
- If a traveler makes a trip without getting advance, the HOF checks to ensure that the traveler doesn't have an outstanding advance before reimbursing the traveler for the second trip.
- ***To Record an Advance:*** Advances are recorded in two locations: on the pertinent Advance Register and on the pertinent Check Register. The Advance Register is a tracking sheet to be used by the finance team to determine who has received an advance and to determine the value of the advances that are outstanding.
- ***To Reconcile an Advance:*** Three different scenarios may arise when reconciling an advance:
    a) Scenario One: Travel Expense Equals the Advance Amount
    b) Scenario Two: Travel Expense is less than the advance amount
    c) Scenario Three: Travel Expense if greater than the advance amount.
    See below accounting treatment/entries

Advance Accounting Entries

These are payments for which actual amounts of expenditures are uncertain but only estimated. The amount advanced is to incur actual expenditures that will be retired in due course. The accounting entries are:

Part 1- Payment

- DR Advances Account (register)
- CR Bank
- Record in advance register

Part 2 – Retirement (actual amount of expenditure ascertained)

a) Amount retired equals amount advanced (Scenario One)
    - DR Expenditures
    - CR Advances Account or Register

- Record in advances register

b) Amount due to the organization (Scenario Two)

- DR Expenditures
- DR Cash or Bank
- CR Advances account or Register
- Issue receipt for money refunded
- Record in advances register

a) Amount due to Staff (Scenario Three)

- DR Expenditures
- CR Bank
- CR Advances account or Register
- Raise PV for cheque payment
- Record in advances register

All payments should be retired with a cash receipt or an acknowledgement of receipt.

3.3.2 SALARY ADVANCES

Principle

Emergency circumstances may arise that would put employees in a tight financial positions requiring cash bailouts thereby justifying a salary advance. The organization here seeks to define under what limited circumstances a salary advance may be made.

Policy

It is the policy of FAROF to discourage salary and wage payments at times other than normal payroll check release dates. Understanding that there may be emergency circumstances that would justify a salary advance, this policy defines under what limited circumstances a salary advance may be made.

- A salary advance may be requested in situations of bereavement of immediate family member or extraordinary medical cost of the staff or immediate family member that are not covered by insurance or other natural disasters such as fire or flood regarding living quarters
- Only approved Requests for Salary Advance Forms will be considered
- Only 50% of monthly net salary pay will be advanced
- Any salary advance will be recovered in maximum of three instalments from the employee's next regular consecutive paychecks.

Procedures

- Staff fills out the Request for Salary Advance Forms
- Supervisor reviews and authorizes Salary Advance Forms
- HR Certifies forms
- HOF Reviews forms

- CEO Approves request.

3.3.3 SUB-RECIPIENTS ADVANCES

Principle

The organization will make sub-awards to sub-recipient partners to carry out its project activities. Such sub-awards will be treated as advances to be retired by the sub-recipient organizations.

Procedures

- HOF will draft agreements with sub-recipients to be signed both by FAROF and sub-recipient organization
- HOF will make quarterly requests for quarterly advance of funds to sub-recipients for DDP to authorize and CEO to approve.
- Finance unit makes advance transfers to sub-recipients.
- HOF advices sub-recipients of the transfers
- Advance transfers are entered in the Quickbooks Accounting System (QAS)

Accounting Entries

DR Sub-recipients Advances A/C
CR Bank A/C

4.0 LIABILITIES

Definition

An essential characteristic of a liability is that the organization has a present obligation. An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner.

Principle

The settlement of a present obligation usually involves the organization giving up resources embodying economic benefits in order to satisfy the claim of the other party. Settlement of a present obligation may occur in a number of ways, for example, by:

- Payment of cash;
- Provision of services;

4.1 CURRENT LIABILITIES

These are present obligations that must be settled within the fiscal year. Examples include Accruals, remittances: Pay As You Earn Tax (PAYE), Pension, With Holding Tax/Value Added Tax (WHT/VAT), National Social Insurance Trust Fund (NSITF), National Housing Fund (NHF),

Accounting Entries

DR Current Liabilities
CR Bank A/C

5.0 DONOR FUNDS

These are obligated, and unobligated funds received, or receivable arising from grants, contract and cooperative agreements and reveal the organization's present obligation or exposure to funding agencies

5.1 DONORS ASSETS

These are assets bought with donor funds and whose titles are still vested in the funding source.

6.0 EQUITY

Equity is the residual of recognized assets minus recognized liabilities. **It** is the residual interest in the assets of the organization after deducting all its liabilities.

7.0 INCOME

Definition

Income is inflow of cash that the organization receives in exchange for providing service, donations, fund raisings, disposal of PPEs and or through investing capital. Income is consumed to fuel day-to-day expenditures

Policy

The organization categorizes income into two (2): Restricted and Unrestricted income

7.1 RESTRICTED INCOME OR DONOR FUNDS

Restricted income or fund is a reserve of money that can only be used for specific purposes. Restricted funds provide reassurance to donors that their contributions will be used in a manner they have chosen. Restricted funds include grants, cooperative agreements and contracts

The CEO and the HOF are responsible for accessing restricted funds in line with donor guidelines

7.2 UNRESTRICTED OR PRIVATE FUNDS

Unrestricted funds are a reserve of money that can be used for any purpose the organization sees fit. These include donations, Facility and Administration costs earned (indirect cost) on CO-AG, consultancy fees, fund raising, philanthropies, disposal of non-donor assets, investment interests, etc

Procedures

- On receipt of notice of award or any funding support, the CEO notifies the BOT within 24 hours.
- HOF prepares journal entries for CEO and approval

Accounting Entries (FC=Foreign Currency, LC=Local Currency)

On receipt of Notice of Award (Restricted Funds)

DR Funds Receivable A/c -FC

CR Donor Funds A/c -FC

On receipt of actual funds

a) **Draw down- FC**

- DR Bank A/C -FC
- CR Funds Receivable A/C -FC

b) **LC**

DR Donor Funds A/C -LC

CR Income - LC

7.3 CURRENCY CONVERSION AND INTER-ACCOUNT TRANSFERS

Principle

Since a majority of payments will be in local currency, it is expected that the Head Office will transfer funds from the foreign currency account to the local currency (NGN) account.

Policy

- When the balance in the Local Currency account is not sufficient for making payments, the HOF will seek approval from the CEO to covert foreign currency (FC) to local currency –Naira (LC) at the most favorable exchange rate.
- The HOF will prepare a report of all possible payments, the balance in the LC account and the amount of FC that needs to be converted and the exchange rate as advised by the bank for the HOF to review and CEO to approve.
-

Procedures

- Plan the month's payments and ideally make at least two transfers every month to cover all payments. The first transfer should be made on or before 6th of the month to cover other expenses while the second transfer should be on or before 20th for payroll expenses only.
- The HOF will negotiate the best possible exchange rate with the official bank and know what exchange rates are offered by other banks and also refer to those shown on the OANDA site –www.oanda.com.

- Once a rate is negotiated with a bank, the HOF should obtain the bank's acknowledgment of that rate in writing and communicate same to the CEO.
- Send a memo or mail requesting CEOs approval for the stated amount to be converted and the report of possible payments.
- The HOF writes the approved FC amount on the check for the signatories to sign and makes all sales of FC with the bank.

ACCOUNTING ENTRIES

On conversion of FC to LC

DR Donor A/C-FC

CR Bank A/C -FC

DR Bank A/C –LC

CR Income A/C- LC

On conversion to FC (Reporting)

DR Expenses A/C - FC

CR Income –FC

7.4 CASH FLOW MANAGEMENT AND FORECASTING

Principle

FAROF seeks to manage its cash to minimize risk, maximize interest returns and minimize working capital requirements so as to maximize the funds available for program activities in the medium term and ensure that sufficient funds are readily available to finance approved plan

Policies

- Funds held in organization will be limited to the current month's projected expenditure and the following month's projected expenditure as a buffer.
- The organization would prepare a cash flow forecast annually and submit this with the annual budget. This is a fundamental management tool to ensure there is sufficient cash to continue operations.
- The organization will request cash from the donor on a monthly basis and/or as agreed and disburse within the stipulated time.

Procedures

- It is the responsibility of the HOF to ensure that the organization has adequate funds at all times for smooth operations.
- The HOF will prepare the monthly, quarterly and annual cash flow forecast to be approved by the CEO.
- Cash transfers from donors to the organization are based on the donors' guidelines. The HOF will prepare the cash advance requests after getting projections from programs and

administration departments to be approved by the CEO. Transfers are made in to the FC accounts. Specifically,

- HOF prepares donor monthly spend plan in consultation with technical and Administration departments
- The CEO approves monthly donor spend plan
- The HOF sends approved spend plan to donor agency and response to any queries
- The HOF makes request for release of funds to the organization
- The CEO approves the request
- On receipt of the funds, the HOF makes the accounting entries

- The HOF will inform the executive board well in advance of any expected shortfall in cash flow so that appropriate adjustments can be made on the financial/activity plan to cover the short fall.
- If there are no funds in the bank, no payments will be made to avoid the bank returning cheques and tainting organization's reputation or subject the organization to potential prosecution.
- HOF would regularly monitor cash flows to ensure there is sufficient cash to allow planned operations to continue without delay until the next cash request is received.

8.0 EXPENSES

Definition:

An expense is an outflow of money or asset to another individual or company as payment for a good or service. Technically speaking, an expense is an event where an asset is used up or a liability is incurred. With regards to the accounting equation, expenses effectively reduce owner's equity. Expenses are recorded on the debit side of an expense account (which is an income statement account) and a credit is recorded to either a liability or an asset account in accordance with double-entry bookkeeping.

Principle

All expenditures must be reasonable and for the purpose of advancing organizational program objectives, and must comply with the rules and regulations of the organization and funding agencies.

Policies

- All expenses must be approved
- All costs must be allowable.
- Unallowable costs must not be incurred
- All donors cost principles must be strictly adhered to
- Any expenditure that appears to be contrary to policy will result in an immediate query.
- Untimely or unsatisfactory resolution of these issues may result in delay in advance of funds to respective recipient.
- Unresolved or repeated problems will result in disciplinary action up to dismissal.

Procedures

- All requests to incur expenses must be approved in line with the approval process and limits

- If a staff incurs an unallowable cost, the incident and expense must be reported to the organization as specified in the whistle blowing policy.
- The Finance unit will investigate the incident and expense and report to the CEO who will make a final determination on the matter which may involve the staff concerned bearing such unallowable expenses should it be established that an unallowable cost has actually been incurred.
- If the unallowable cost was incurred through knowledgeable violation of organizational policies and procedures, the employee responsible for the expenditure may be subject to disciplinary measures.

8.1 Procurement/Purchasing

All procurement of equipment, vehicles, and services must be done in accordance with the requirements of organizational procurement/purchasing policies and procedures.

Purchases up to ₦200, 000 are approved by the CEO.

Purchases greater than ₦200,000 and above are approved by the Board of Trustees.

Generally, FAROF seeks three quotations for purchases greater than ₦ 100,000 where at least three suppliers are available for that service or product.

Staff Expenses

The organization will only make payment of allowable staff expenses. These are salaries and allowances, fringe benefits and staff developments cost.

Office Expenses

Office expenses are those incurred in running the organization's offices as necessary to conduct activities. They include, but are not limited to, the following:

- Office rent, cleaning, security, repairs and insurance
- Office utilities and communication costs – electricity, water, telephone, fax, Internet, courier, photocopying, printing, etc.
- Office equipment, furniture, and supplies
- Vehicle fuel, repairs, insurance, and alarm systems

Travel Expenses

These are expenses incurred while travelling on the organization's business and they include lodging, perdiem and mileage. These expenses must be properly reported and documented in the *Travel Expense Report*

Types of Expenses

The organization recognizes and maintains the following types of expense accounts:

a) Employees Benefits (Personnel Expenses) which comprises of
   1) Salaries and Allowances and
   2) Fringe Benefits

b) Consultants' Expenses
c) Supplies Expenses
d) Travels Expenses
e) Contractual Expenses
f) Other Categories Expenses

The organization will in addition maintain specific expense accounts required by donors. (See chart of accounts below for details). Below are the details of expenses accounts that will be maintained in the organization.

PERSONNEL EXPENSES (EMPLOYEE BENEFITS)

Definition

All forms of consideration given in exchange for services rendered by employees.

- **Short-term employee benefit** – those which fall due wholly within twelve months after the end of the period in which the employee renders the related services (other than terminal benefits). This include:

  - **Gross Salary**

    This is the employee total income made up of the basic Salary and allowances before statutory deductions

  - **Fringe Benefits** (Including long tern employees' benefits)

    A fringe benefit is a form of pay for the performance of services. It is an incidental or additional advantage, especially a benefit provided by the organization to supplement its employees' regular pay. The organization offers its employees the following fringe benefits:

  - **Employer's Pension Contribution**

    The organization is under legal obligation to register and make contributions to the Pension Contributory Scheme. On a monthly basis, the organization will contribute to the Pension Contributory Scheme ten per cent (10%) of each employee's monthly emolument as the employer's contribution. This amount and the employee's pension contribution will be remitted to a Pension Fund Administrator (PFA) of the employee's choosing. This rate can be reviewed at Executive management's discretion.

  - **Medical Health Insurance**

    The organization views Health insurance as probably the most important benefit that it provides to its employees. For workers, employer-provided health coverage gives them some security about their own and their family's health in a way that is typically more affordable than individual insurance. For organization, offering health coverage is often a necessary compensation form to remain competitive in the marketplace. The organization will contract a Health Management Organization (HMO) to provide this health insurance to the staff, spouse and maximum of four children. The landscape of employer-provided health insurance is impacted by law. The organization will purchase a health insurance plan and pay for the health insurance premium for each employee

- **Group Life Insurance**

In addition to health insurance, the organization offers its employees, life insurance benefits. The organization will contract with an insurance company to provide cover for all its staff and pay the annual premium. The organization will make provision of up to 8% of staff total basic salary annually for life insurance premium payment.

- **Leave or Vacation Allowance**

The organization pays ten percent (10%) of annual basic salary as leave allowance to the employees in the month of June. The amount will be pro-rated for employees joining or leaving the organization's employment.

- **Severance**

Employee reductions and terminations are an unfortunate result of economic downturns. Even in good economic times, however, the organization will carefully assess its operational structures and may sometimes decide to reduce its workforce. When the organization is forced to issue layoffs, it will provide these laid-off employee's severance pay. Severance is typically a cash payment- similar to temporarily continued wages- made to employees who lose their jobs. Severance pay eases the employee's transition to being unemployed and, in the ideal world, briefly replaces lost wages until an individual finds new employment. Laid off employees will be paid 25% of their annual basic salary as severance pay. The organization will make provision for severance pay of 0.5% of its total staff basic salary annually.

- **Professional Development Assistance**

Professional Development Assistance program is a benefit that pays for the job-related education, annual practice license fees and subscriptions of employees. This program allows employees to improve their knowledge and skills in a field that they can apply to the organization's business and maintain current financial status. Thus, professional development assistance can be mutually beneficial to both organization and employees. The organization will make provision of 0.5% of total basic salary annually.

- **Gratuity**

Gratuity is a part of salary that an employee receives from the organization in gratitude for the services offered. Gratuity is a defined benefit plan and is one of the many retirement benefits offered by the organization to the employee upon leaving the organization's employment. An employee who leaves the organization's employment as a result of retirement/superannuation, for a better job elsewhere, on being retrenched or by way of voluntary retirement is entitle to gratuity payment. The organization will approach a life insurer in order to purchase a group gratuity plan and will pay annual contributions based upon the terms of the group gratuity scheme. Gratuity will be paid as follows

Years	Basis of payment
Below 2 years	None
2 – 5 years	One-month basic salary for every year
6 – 10 years	Two months basic salary for every year
11 – 15 years	Three months basic salary for every
Above 15 years	Six months basic salary for every year

The organization will make provision of 0.5% of total basic salary annually.

- **National Social Insurance Trust Fund (NSITF)**

The organization will ensure the provision of social security protection and safety nets for all its employees against deprivations and income insecurity in accordance with national and international laws, conventions and world best practices. Therefore, the organization will contribute 1% of employees' emoluments to the National Social Insurance Trust Fund every month.

- **Long Service Awards**

The organization will recognize and demonstrate the appreciation of loyalty and commitment of long serving employees and to define the categories of long service awards. This policy applies to all employees who have completed 5; 10; 15; 20 and 25 years continuous paid service. Details are contained in the HR Policy. Annually, the organization will make provision of 0.5% of the total basic salary.

- **Outstanding Achievement and Special Recognition Awards**

The organization will recognize contributions and achievements, or single instances of extraordinary work performed by employees. Details of this policy are contained in the HR policy. The organization will make provision of 0,5% of total basic salary annually.

- **Relocation allowance**

Where an employee is relocated to another location of employment at the instance of the organization, the relocated employee will be entitled to

- 30 days hotel accommodation or N5000 per day in lieu of hotel accommodation

b) Up to N150, 000.00 in moving expenses to move his/her belonging to the new location. A transporter's invoice must be presented, and the payment will be made directly to the transporter.

- Consultant
- Supplies
  - Equipment by donors
  - Other supplies
- Staff Travels
  - Accommodation
  - Per diem
  - Mileage/air transportation
  - Staff meetings
  - Staff meetings/retreats facilitation fees
- Contractual
  - Program management
- Other Category
  - Training
    - Participants Accommodation
    - Participants per diem
    - Participants transportation
    - Facilitators' honorarium
  - Vehicle expenses
    - Fueling

        - Spare parts
        - Servicing and repairs and maintenance
    - Generator expenses
        - Fueling
        - Servicing, repairs and maintenance
    - Office running
        - Consumables
        - Repairs and maintenance
        - Courier
        - Photocopying and printing
        - Facility management
        - Advertising & recruitment expenses
        - Organizational subscriptions and dues
        - Local transportation
        - Communication
    - Professional services
        - Accountancy and audit fees
        - Legal fees
        - HR & organizational development
    - **Bank Charges.** All bank charges incurred during transaction shall be solely the responsibility of the Donors**.**

9.0 PAYROLL MANAGEMENT SYSTEM

Definition

A **payroll** is the organization's list of its employees, the total amount of money that the organization pays to its employees, the organization's records of its employees' salaries and wages, allowances, deductions and net pay. Payroll in the sense of "money paid to employees" plays a major role in the organization for several reasons.

- From an accounting perspective, payroll is crucial because payroll and payroll taxes and pension contributions considerably affect the income of the organization and because they are subject to laws and regulations
- From a human resources viewpoint, the payroll department is critical because employees are sensitive to payroll errors and irregularities: Good employee morale requires payroll to be paid timely and accurately. The primary mission of the payroll department is to ensure that all employees are paid accurately and timely with the correct withholdings and deductions, and that the withholdings and deductions are remitted in a timely manner. This includes salary payments, tax withholdings, and pension and other statutory deductions.

Principle

Payroll generally refers to the process of identifying employees, calculating the pay and payroll deductions (taxes, pension, etc) recording the payroll transactions and making the payments

General Policies:

1. The BOT or CEO holds the authority to appoint all staff employed by the organization and authorizes employees' salary pay and benefits.
2. Keep a file of all employees in the finance and HR departments
3. Include all current employees in the organization's payroll.
4. Pay Period is once a month. Net Salary pay check will be directly deposited into individual employee provided bank account on the 25th of the month. If the 25th falls on a weekend, salary will be paid a day before or after the 25th.
5. All employees are required to submit a time sheet, which must be received by the HOF on 21st of the month for the period from 21st of the previous month to the 20th of the current month (i.e. 21st June – 20th July for July payroll).
6. All additions or changes in payroll must be done on the "Employee Data Form", signed by the employee and submitted to the Chief Executive Officer for signature and filing by HR in the personnel file. This form is used for all individualized changes to an employee's status including salary or wage, job title, working status, address, name or fringe benefits.
7. Payment to all employees will be based on the approved time sheets.
8. A new employee will not be put on payroll without the Employee Data Form signed by the CEO.

Procedures:

a. Each employee will complete and submit a signed individual time sheet showing hours worked, sick time, vacation time and holiday time taken to his or supervisor
b. Each supervisor will review for accuracy and sign time sheets. All time sheets are to be sent to the Chief Executive Officer for approval and signature.
c. CEO sends approved time sheets to HOF
d. The HOF to prepare the payroll indicating the payee's name, gross salary/wage, PAYE taxes withheld, pension deduction, housing advance deduction and other deductions if any and net pay
e. HOF reviews the payroll for accuracy and completeness
f. CEO approves the payroll
g. HOF prepares EFT report for HOF review and CEO approval. Salary payments must

be done by check or EFT to the employee's bank account: no cash payments are to be done.

h. These accumulated deductions will be submitted to the proper entity on or before their due date.
i. The HRO will distribute pay slips to all staff as part of the payroll documentation. Staff are instructed to verify that the deductions are correct and maintain their pay slips
j. Keep pay and tax records of all employees for seven years, in accordance with the organization's record retention guidelines, or as required by the local tax authorities, whichever is greater.

Confidentiality of Salary Information:

To ensure the confidential management of salary information, the following guidelines must be applied:

- Salary information must be accessible only to the CEO, HOF and the HR
- Other staff must not have access to salary figures

ACCOUNTING ENTRIES

i. For Net salary payment
   DR Salary Expenses A/C
   CR Bank A/C
ii. For PAYE Tax deductions
   DR Salary A/C
   CR PAYE A/C
iii. For Employees Pension Deductions
   DR Salary A/C
   CR Pension A/C
iv. For Employer's Pension Contribution
   DR Employer' Pensions Contribution A/C
   CR Pension A/C
v. Other Fringe Benefits
   DR Fringe Benefits A/C (Leave, medical, etc)
   CR Bank A/C
vi. For Remittances
   DR PAYE A/C
   CR Bank A/C
   DR Pension A/C
   CR Bank A/C

10.0 CASH AND PAYMENTS

Internal controls are important for cash and payments:

- The petty cash fund must be kept in a locked petty cash box. This box must be stored in the safe when not in use and particularly at the close of every day.
- All checkbooks and uncollected signed checks must be kept in the safe at all times.
- Bank reconciliations of all accounts and petty cash counts must be done at least once monthly.

- All payments, whether by EFT, check or cash, must have original supporting documentation
- All payments must be approved by an employee who has the assigned authority.

10.1 APPROVAL PROCESS

- Request authorization to incur expenditure (undertake activity) from your supervisor attaching all relevant supporting documents
- Supervisor approves request
- Fill fund request form and attach the approval to incur expenditure and other support documents e.g. trip plan, invitation letter, conference agenda, training profile, etc.
- Submit approved request to CO for pre-audit and certification of compliance and completeness
- Submit request to CEO or designate for approval
- Submit approved request to finance unit for processing.

10.2 SUPPORTING DOCUMENTATION

Principle

Each expense charged to the organization must have correct documentation supporting that expense.

Policy

- Proof of payment must be appended for each expense to clearly indicate that payment has been made.
- Each expense must be reasonable and allowable
- Each expense must be allocable. An allocable cost is a cost incurred to advance the work of, or it is necessary to the overall operation of the organization and is deemed to be assignable to its activities.
- Every expense item must have a valid business purpose and be related to the work of the organization against which the expense is charged. The business purpose must be clearly described on the pertinent check register, petty cash register, or advance register. In all cases, the description of the business purpose should include enough information so that an uninvolved third party would understand why the expense qualifies as both the organization's expense and/or an expense allocable to the particular grant.
- ***Translation:*** Receipts that are not in English must have all the following parts translated: the name of the vendor, date, business purpose, and the quantity, unit cost, and total price of the items procured.

Receipt:

This is a piece of paper on which the things that you buy or the services that you pay for are listed with the total amount paid and the prices for each

- Receipts must be appended for all expenditures.
- The amount claimed as an expense must match the receipt.
- First and last names must be provided when identifying the person who incurred the expense.

If a receipt is lost or proof of payment is not clearly documented, an Exception Memo must be prepared and signed both by the employee incurring the expense and the respective supervisor. Employees must not copy another receipt to submit in its place or alter original receipts in any way.

Electronic Copies of documentation for proof of payment, including copies of all receipts, should be printed and attached.

Additional Documentation Required

The organization and funding agency policies require additional documentation in the following cases:

- ***Payroll:*** Office payroll must include all current employees and be recorded on a payroll register with all relevant information. Also, approved time sheets and pay slips must be maintained /attached.

- ***Rent payments:*** When reporting the payment on a lease, a copy of the signed lease agreement must be attached.
- ***Conferences/trainings:*** The standard *Travel Expense Report* must be used for reimbursement of all conference and training expenses. Conference fliers or meeting agendas, profiles, and invitation letters must be appended for conference/training expenses and of individual travel expenses associated with the conference/training. A list of attendees and signed accommodation bills, receipts or a per-diem payment list must be included for overall conference/training expenses. Participants will be paid directly into their bank accounts
- ***Consultancy:*** Copies of the *Contractor Employee Biographical Data Sheet*, Consultant Agreement Letter, and – in the case of international consultants – funding agency approval must be attached to **every single** consultant invoice, not just the first one for that particular consultancy.

Note: *For international consultants, funding agency approval must be obtained by the organization when the consultant agreement is originally processed.*

- **Per diem:** The standard *Travel Expense Report* must be used for payment of all per diems.
- **Vehicle-related expenditures:** Vehicle-related expenditures (operation, maintenance, and insurance) must clearly identify the vehicle with which they are associated. For the organization's vehicles, the *license plate number* of the vehicle must be written on the invoice. If the vehicle is not owned by the organization, the entity owning the car must be noted and a justification provided as to why the organization should cover expenses related to it.

- **Utility expenses:** Utility expenses must clearly indicate for which facility the expenses were incurred, e.g., a certain organization's office
- **Lodging receipts:** Lodging receipts or hotel bills must be attached to each *payment*

voucher.

10.3 PAYMENT PROCESSES FOR EXPENSES

Principle

All payments made must be in conformity with relevant organizational policies and procedures, and approved in accordance with existing signature authorities

Policy

- Before authorizing any payment or signing any check, the approver must review supporting documentation, question unusual items, and make sure that all necessary information is provided.

Procedures

1. **By Check or Electronic Funds Transfer (EFT)**

All bank account signatories must refer to the parts that discuss authorities and limits and check signatory responsibilities and be guided accordingly.

2. All payments by check or EFT must follow these procedures:

- Create a Payment Voucher on which the payment information is summarized – payee, invoices, description of expense(s)/business purpose, amount per invoice, and total amount to be paid.
- Attach all required supporting documents. This must include three quotations or a *Sole/Single Source Justification Form* purchases and per procurement procedures
- Obtain the requisite approvals for the check or EFT.
- Deliver the check or transmit the EFT. Have the payee sign the payment voucher when he/she collects the check. If the check is sent to the payee, then this must be indicated on the payment voucher. In both cases, an official receipt from the payee is preferred.
- Make a photocopy of the signed check or EFT, to be signed by the payee and attach it to the payment voucher.
- Stamp invoices "PAID [Date]."

Where banks have an EFT system available, this should be used instead of checks, especially for payment of staff salaries and for supplies by known vendors. The following is required:

- The bank's system must have passwords and different access rights and levels of authority. (Ideally, the system forces users to change passwords periodically.)
- Only bank account signatories can have the right to authorize and release payments. Also, no user of the system is permitted to have rights to create a payment and subsequently authorize and release the same payment.
- For transfers to staff members' personal bank accounts, the banking details must be obtained from the respective staff members. This information is confidential and must be kept in locked filing cabinets and unauthorized access forbidden.
- For transfers to vendor bank accounts, the banking details must be sent to the HQ Office on official letterhead and signed by a known official of the company.
- The establishment of vendors and individual staff members as recipients of funds through the EFT system can only be done by a designated user, verified by the HOF or his/her designee, and approved and released by CEO. All details about a newly added vendor or staff member must be thoroughly checked to avoid errors and fraud.

The processing of any EFT payment will have the following steps:

1. The HOF creates the payments and prints out a report.The HOF or his/her designee verifies on the system and signs the report.
2. The CEO authorizes and releases payment on the system and signs the report.
3. The signed report is filed together with all supporting documents.

To minimize errors and likelihood of fraud, where possible, the payroll system and/or the accounting system should be directly linked to the EFT system, so that payments are downloaded into it.
For cash security reasons, the organization will use checks or electronic transfer of funds when paying for large procurement transactions.

For unpresented up to three months must be investigated and "stale" checks (six months must be cancelled.

By Petty Cash

Petty cash floats may only be used for the following authorized purposes:

- *Necessary* and *reasonable* small business transactions, not to exceed N5,000
- *Emergency* purchases of office supplies costing N10,000 or less
- *Necessary* and *reasonable* food (such as sandwiches and beverages) brought into the office for business meetings, costing N10,000 or less
- Local transportation, parking, and tolls (all airfare, train tickets, and car rentals are to be submitted through travel expense reports)

Petty cash may NOT be used for advances.

All reimbursements from the float:

- Are to be done using a petty cash voucher and must be for approved expenses. It is the responsibility of the custodian to ensure that each voucher is complete, accurate, and accompanied by original documentation.
- Must have the staff member's signature on the petty cash voucher noting the amount of funds received.
- Must be recorded on a worksheet with dates, business purpose, and amount shown.
- Must be reconciled against the petty cash account.

An individual, including the custodian, may not approve his or her own petty cash voucher/log or that of his/her supervisor. If an exception must be made, this requires prior approval of the HOF, who will ensure compensating internal controls are in place.

11.0 RECORD KEEPING

Principle

Proper financial records must be maintained for audit purposes and to avoid disallowance of expenses by donors. In general, financial record keeping requires good systems for managing electronic and hard-copy files. It also requires diligent staff – both finance staff and others – to ensure that expenses are allocated correctly.

Policy

- The organization's financial records must be maintained in onsite, fireproof, secured file cabinets and electronic back-up copies of the Quickbooks Accounting software. If additional storage space is required even after disposition of records that no longer need to be retained, the Office should rent secured storage space.
- The organization will keep all financial records, supporting documentation, statistical records, and all other pertinent records ***for seven years*** from the date of the submission of the final expenditure report in line with its records retention policy. If local laws require retaining documents for a longer period, then the FAROF Office must comply.

Procedure

- The FA is responsible for filing of all financial documents
- PVs and General Journal (GJ) should be filed serially
- Records must keep records ***on site for three years*** after which they are considered inactive records and may be stored off-site for the remaining four years.
- Records prepared for storage must be accompanied by an inventory for each box or compact disk (CD), with a copy of such inventories maintained in active files on site for reference.
- In addition, boxes and CDs should be well labeled.

- ***Exceptions:*** If there is any litigation, claim, audit, or other action involving an award or subaward, all associated records must be retained until that action is completed and resolved. In some cases, this will mean retaining records beyond the end of the seven-year period.

All staff who handle records must be aware of the record retention policy and associated door regulations. It is an important responsibility of managers to ensure that their staff are complying with this policy.

12.0 BUDGETS/BUDGETING

Principle

Budgeting is an important component of financial success and lies at the foundation of every financial plan. It helps the organization to make conscious decisions about how it would prefer to allocate its money. It's really about understanding how much money it has, where it goes, and then planning how to best allocate those funds

Policy

- Each year, the organization prepares an operational budget for its activities.
- To standardize and facilitate the operational budget process, budget templates and comprehensive guidelines are to be developed and updated each year, and final, revised

templates and guidelines are to be made available to all staff and states.
- Draft budgets should be prepared and reviewed
- Final budget should be approved

Procedure
- HOF to develop or update budget templates and guidelines
- CEO to review and approve template and guidelines.
- HOF to send out approved templates and guidelines to all departments and state offices
- All departments to collaborate and develop their draft budgets within two weeks.
- All departments to submit their budgets to HOF on or before 31st July.
- HOF collates all budgets and prepares 1st draft to be reviewed by heads of departments on or before 15th of August
- HOF to prepare 2nd Draft to be reviewed by heads of department on or before 30th August
- HOF to prepare final budget on or before 15th of September
- Executive management reviews and approves final budget on or before 20th September
- CEO presents final budget to BOT for approval for implementation on or before 30th September

Develop annual budgets

As the end of each fiscal year approaches, the organization will need to develop revenue estimates and budgets for the upcoming fiscal year. Budgets must be submitted for one-year period (12 months from January through December). In developing each budget, each department and state office and sites should use the latest, revised operational budget template distributed by each year in July. Donor funded awards may be required to plan and budget funds according to established program-area categories or budget codes as applicable to their programs. If the donor requires a different budget format, other than the standard organization's templates, head office will need to complete *both* the donor templates and the organization's templates.

The organization will estimate quarterly expenditures in order to assist in tracking expenditures and projections throughout the year. It will also be useful in doing pipeline budget analyses.

Budgets should be realistic and balanced, and to the extent possible, all funds should be programmed. A budget does not need to be completely exact, but it should reflect as accurately as possible the projected expenses for the year, and these expenses should be reflected under the appropriate budget category and line item. As mentioned above, it also needs to be in line with the projected revenue forecasts. Budgets should be based on the activities to be laid out in the workplan for the program year,

Reference should be made to the annual budget guidelines for further details on what should be included in operational budgets and specific guidance on how to complete the operational budget template.

12.1 BUDGET MONITORING

Principle

Expenses against the approved budgets must be monitored on a monthly basis in the organization.

Policy

- Produce monthly budget vs actual (Variance Analysis) Report(s)

Procedure

- The HOF to prepare monthly reports showing budget figures vs. actual expenditures to all managers with budget monitoring responsibilities.
- The executive management to meet monthly when the Finance Report is completed and ready for sign-off and use this opportunity to review budgets vs. actual expenditures.
- When budget modifications are made by the executive management, the HOF must distribute updated budgets to all managers as quickly as possible.
- Technical staff (e.g., clinical staff or monitoring and evaluation staff) must have access to budgets for management purposes.
-

12.2 BUDGET MODIFICATIONS

Principle

Any change to the approved budget during the fiscal year.

Policy

- The organization makes budget modifications twice annually – after the quarters ending March 31st and June 30th.
- Departments and state offices should make input to the process
- There shall be a 25% cap on line-item flexibility and a 10% cap flexibility on major cost categories.
- Budget modification must be approved
- Funding agencies budget flexibility guidelines must be complied with.

Procedure

- HOF sends instructions to heads of departments and state offices requesting that they submit proposed changes within 5 business days after the end of the quarter for management consideration.
- Executive management to meet and consider submitted modifications
- Once the budget modifications are approved, the HOF will prepare a revised budget and send to out. Only after receiving this communication from HOF may the departments and state offices adopt and begin using the revised budget.

12.3 PROJECT BUDGETS

The organization operates under grants, cooperative agreements, and contracts with sources from several funding agencies at any given time. Awards typically are approved for multiple years, but budgets are usually awarded on an annual basis for a specified program year. The organization is responsible for working closely with the donors on budget development, management, monitoring, and modifications.

PROJECT BUDGET DEVELOPMENT

During the application process for new grants/contracts or continuing applications, or carry-over funds or renewals, the HOF prepares specific budgets and budget justifications according to funding agency guidelines to be reviewed and approved by the HOF and CEO respectively. In the case of a renewal, this will likely include producing a financial report for the specific

grant/contract, presenting past expenditures on the existing award and forecasted spending for the remaining time period. The prepared budget is reviewed and submitted to the funding agency.
When an application for new funds is approved, the Finance team sets up specific accounts. It is then the responsibility of HOF to prepare or revise the organization's 12-Month Expenditure Forecast, incorporating data from the newly approved budget to be reviewed by the HOF and approved by the CEO. Approved costs include, but are not limited to:

- Staff hire salary and fringe benefits
- Office-related expenses: telecommunications, office rent, office supplies, etc.
- Equipment expenses:
- Supplies expenses: minor medical supplies that will be purchased by the organization
- Travel expenses: travel by air and land, per diem, etc.
- Conference and training: supplies, trainers, space rental, materials, etc.
- Vehicles running expenses

13.0 ACCOUNTING DOCUMENTS AND PROCEDURES

Principle
FAROF will maintain an accounting system where transactions (detailed accounting records) and events are reliably processed and summarized into useful financial statements and reports and has established procedures that must be followed in carrying out financial transaction.
Policy

- All transactions must be documented
- All transactions must be approved

Procedures
Check Registers

- A register will be maintained for all checkbooks received by FAROF. The register will show the date of receipt of the checkbook and the serial numbers.
- A register will be maintained to record all checks issued from the FAROF accounts. It will have the following details: serial number, date, cheque number, PV number, Name of Payee, Description, amount and the signature of the person collecting the check. The main purpose of the register is to ensure there is a record in place that provides evidence that checks have been collected by the respective payees.

General Journal
The journal voucher is used to account for entries that cannot be processed through the cheque or cash disbursement registers. When processing the journal, supporting documentation must be readily available to validate the reason for affecting the journal.

Bank Books
The following information will be required when preparing transactions to be included in the bank books:

- Check number
- Payment Voucher number
- Receipts (deposit slips and direct deposits)

- Debit orders (bank statements and supplier invoices)
- Intra account transfers (bank statements and letters of request)
- Foreign payment (Payment Voucher and check number)
- Electronic transfers (Payment voucher and electronic transfer sheet)
- Cancelled/void checks

Advances Register

The following information will be included in the advances register

- Date
- Name of staff
- Purpose of the advance
- PV number
- Check number
- Amount
- Date of retirement
- Amount retired
- Signature

Approval Process

- Raise funds request via memo, email or fill funds request form and attach all relevant supporting documents.
- Supervisor authorizes the request
- Internal audit unit certifies request (pre-audit)
- CEO or designate approves

Payments Process

Disbursements from bank accounts are made only for approved and for valid transactions.

The payment for goods and services, whether accomplished by check or bank transfer, is organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period. Additionally, physical access to cash and unissued checks is restricted to authorized personnel only. The following steps should be adhered to.

- Finance Officer receives approved fund request
- Finance Officer raises payment voucher(PV) and attaches the approved fund request
- Internal audit certifies payment voucher, check or electronic transfer letter
- HOF or designate (signatory 'B') signs PV and cheque or electronic transfer letter
- CEO signs PV and cheque or electronic transfer letter
- Finance Assistant records in cheque register and advances register if applicable
- Finance assistant disburses the cheque

When processing the transaction, every transaction must have a reference. A guide on referencing each transaction is as follows:

- Payment Voucher number
- Check number
- Receipt number
- Inter-Account Transfers (Month, TRF, Depositor's details)
- Electronic transfer letter number
- Foreign payment check number

References on the transaction must be consistent with those that appear on the source documents should further queries arise. Transactions processed using the respective source documents must be stamped “Paid” to avoid duplication.
All payments above NGN5,000 will be issued by Check. Payments below NGN5,000 may be paid from Petty Cash. All Check payments will be accompanied by: payment voucher, approved fund request, reports where applicable, invoices, delivery notes, and approved purchase orders/purchase requisitions. Payments for service contracts will only be accompanied by a requisition, invoice and any other reliable required information such as a copy of the signed contract agreement. All checks will be signed in accordance with the FAROF signatory policy. FA is expected to make photocopies of all signed checks. The photocopied checks should be attached to the payment voucher. All supporting documentation together with the payment voucher will be stamped PAID once check has been paid out to the payee. Once the transaction is complete, the payment voucher with all support documents are filed together.
For non-check transactions including receipt of wire transfers, intra account transfers, voided checks and bank charges, a Journal voucher will be raised by the Finance Officer and attaches supporting documentation for the transaction.
Similarly, all such transactions will have to be approved and authorized by HOF
A summary of all disbursements should be maintained (e.g., check register), and an analysis should be performed in order to charge the proper expenses ledger accounts.

Receives
For all funds received, the following procedures should be performed:

- The staff making refund of travel advance will make payment directly to the bank and present the deposit receipt as part of his or her retirement
- All other funds received by the organization must be receipted
- A journal voucher will be raised by the FO and approved accordingly by the HOF

Bank Reconciliation
Bank reconciliations are to be performed monthly by the FO, reviewed HOF and approved by the CEO. The following procedures should be performed:

- Ensure that all bank statements for each bank account are at hand before attempting the reconciliations.
- Journalize bank debits/credits in the same month they occur
- Review outstanding checks older than two months.
- Maintain on the file the End of Month Official Exchange Rate Notification from the bank.
- Use reference appearing on the bank statement to cross-reference outstanding items on the reconciliation.
- Investigate long outstanding items (more than 90 days) on the reconciliation and if necessary write back items that are not likely to be cleared, paying particular attention to long standing deposits and checks if any (Checks that are outstanding for more than 6 months are regarded as stale and must be reversed).
- Prepare the bank reconciliation statements by the 5th of the month.
- Bank statements must be filed together with the bank reconciliation, a copy of the journal entry sheet, and any other supporting documents

14.0 COST PRINCIPLES

14.1 Reasonable, Allowable and Allocable Costs

A cost is reasonable if in its nature or amount it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

For any cost to be allowable it must meet the following general criteria:

- Be reasonable for the performance of the project and allocable thereto
- Be consistent with the organization's and funding agencies' policies and procedures
- Be determined in accordance with generally accepted accounting principles
- Conform to any limitations, restriction, or exclusions set forth in the agreement/contract as to types or amount of cost items
- Be adequately supported and documented

Donors such as USG and others may have guidance on other specific costs which are allowable (for USG regulations on allowable costs).(www.federalregister.gov/uniform-administrative-requirement)

A cost is allocable if the goods or services involved are chargeable or assignable in accordance with relative benefit received or other equitable relationship. It has to be consistent with policies, regulation and procedures and above all adequately documented.

Below is an example of a list of expenses that are not allowed to be charged to the organization. This list is not exhaustive but provides a reminder of common unallowable expenses.
1. Alcohol
2. Business Class Travel*
3. 4. Entertainment (including costs of staff celebrations such as birthday/good-bye)
5. Expenses with improper/incomplete documentation
6. Gifts (including: staff birthday or good-bye gifts;)
7. First Class Travel
8. Hotel Costs above Maximum Lodging*
9. Personal Expenses
10. Personal Use of organization/Project Vehicle
12. Taxis for personal use
13. Bribes, Tips

15.0 FINANCIAL REPORTING

General Principle

Each month, the organization will produce Finance Reports (FR) summarizing all financial transactions for the month. The report reconciles the month's transactions against the bank statement. The reconciliation helps to ensure that funds are used in accordance with the organization and donor regulations, thereby assuring that assets are safeguarded.

General Policy

- The head office closes its books on the last day of the month
- Finance Reports are due by the 5th of each month.
- Annual financial reports are due on the 31st of December
- Donor reports are due on the last date of donors fiscal year

Procedure

1. FA files all financial reports
2. FO prepares annual financial reports by 20th of December and in line with donors' fiscal year
3. HOF reviews annual financial reports by 25th of December and in line with donors' fiscal year
4. CEO approves annual financial reports by the 28th of December and in line with donors' fiscal year
5. BOT approves annual financial reports or donors' reports

15.1 ANNUAL CLOSING/FINANCIAL STATEMENTS

Principle

To provide information on the organization's financial operation to management, Trustees, and other interested parties.

Policy

1. The HOF is responsible for:

A. Establishing and coordinating the annual financial closing and related audit with the organization's external auditor

B. Establishing all closing schedules in consultation with the technical department to ensure that the financial statements are completed by the end of each fiscal or donors' fiscalyear; and

C. Preparing the financial statements in accordance with Generally Accepted Accounting Principles for Non-governmental organizations

2. The annual financial statements include all funds whether private or grants/contracts used for the organization's operations.

3. The financial statements shall be subject to annual audit by the organization's independent Auditor as appointed annually by the Board of Trustees.

4. The annual financial report will be submitted to the Trustees of the organization for approval at the Board meeting.

5. The fiscal year of the organization is January 1 through December 31. However, donors fiscal year will be observed too.

Procedures

- HOF to draft closing schedule
- FO to produce financial reports
- HOF to review Financial reports
- CEO to approve financial reports
- CEO to present financial reports BOT
- BOT approves financial reports
- BOT to appoint external auditor to audit

15.2 MONTHLY CLOSINGS/REPORTING

Principle

To establish policies and procedures governing the monthly accounting, closing and reporting of the organization's financial operations.

Policy

1. The HOF is responsible for:

   A. Preparing monthly financial statements in accordance with Generally Accepted Accounting Principles for NGOs
   B. Establishing monthly closing schedules.
   C. Establishing and coordinating quarterly reviews of the financial statements;
   D. Supporting executive management in the areas of financial reporting and analysis;
   E. Monitoring control of all organizational financial activity at a high-level through preparation of variance analysis of all financial statement accounts to detect possible errors and/or provide explanations for significant fluctuations;

2. All State offices will comply with the closing schedule as established.

Procedures

- FO to prepare month end financial reports by the 2nd of the month
- HOF to review financial reports by the 3rd of the month
- CEO to approve financial reports by the 5th of the month
- BOT approves quarterly financial reports

15.3 FINANCIAL REPORTING TO DONORS AND OUTSIDE AGENCIES

Purpose

The organization is required by governmental and donor agency regulations to provide various periodic financial reports.

Policy

1. The HOF is responsible for the timely preparation, approval and submission of all required financial reports,

2. The financial accounting system and the related subsystems are the source for preparation of all required financial reports.

3. Any financial information included in reports to any outside third party, either directly or by reference, must be approved by the CEO prior to distribution.

Procedure

- FO to prepare reports in prescribed formats
- HOF reviews reports
- CEO approves reports
- HOF sends out report.
- FA files all reports

15.4 CONTENTS OF FINANCIAL REPORTS

The following are the documents for the Finance Report that must be prepared each month:

1. Monthly Statement of Financial Position (Balance Sheet) (FC & LC)
2. Monthly Income and Expenditure Account or Profit and Loss Account (FC & LC)
3. Budget vs Actual report. A variance analysis must also be included in this report, along with an explanation of any significant variance (for example, "office rent must be paid on an annual basis; therefore, the full expense appears only once rather than being spread out over 12 months").
4. Official Bank Statements
5. Bank Reconciliation Forms (Excel)
6. Bank Accounts (FC & LC)
7. Petty Cash Account
8. Petty cash reconciliation certificate
9. Outstanding Advance Report

Note: Quickbooks accounting software can produce any other management report that is required.

15.5 INSTRUCTIONS FOR SCANNING DOCUMENTS

Documents must be scanned as portable document format (PDF or .pdf) files with all stamps, markings, and text clearly visible. The preferred resolution for scanned documents is 300-600 dots per inch (dpi). Scanned documents do not have to be in color, as long as all stamps, markings, and text are clearly visible.

Documents scanned into file formats other than PDF (GIF, JPEG, etc.) should be avoided.

16.0 CURRENCY CONVERSION RATE

The organization operates both foreign currency and local currency account; therefore the currency conversion rates used in the Finance Report must be calculated as the *weighted average conversion rate* of the current month's bank transfers from the foreign currency bank account to the local currency bank account.
For reimbursable awards or sub-awards, the prevailing exchange rate for billing will be the current currency exchange as found on OANDA website www.oamda.com and this is to be used for billing of expenses.

17.0 STOCK MANAGEMENT AND ACCOUNTING

Principles
Stocks are items of inventory kept and used for the daily running of office or projects. These are inventory items expected to be consumed in the operations and normally within a year. These assets are continually turned over in the course of a business during normal business operations.
The organization holds stock items to:

- Meet unexpected demand
- Meet variations in demand
- Hedge against price variations
- Smooth seasonal demands
- Take advantage of price discounts
- In preparation for specific future works

For accounting purposes stock falls into 2 categories;
· Stock Control items (SCI) – these are stock items used as part of a project, for example – Drugs, reagents, supplies. Stock does not include prepaid fuel and mobile phone cards.
· Non-Stock Control Item (NSCI) – these are items used by FAROF for administrative purposes for example stationary, inexpensive car parts and other consumables.

Policy

- The Admin Officer (or Administrative Assistant- AA) shall be responsible for procurement of non-stock control items.
- The store officer shall be responsible for stock management
- All stocks should be held in secure and control location.
- The following records will be used to monitor movement of all stock items
    - Goods Received Notes (GRN)
    - Goods Issue Notes (GIN)
    - Goods Requisition Form (GRF)
- All stock must be received in to the store
- Stock items must only be issued based on properly approved GRF
- A stock control sheet (or card) must be held for each type of stock
- The HOF shall conduct regular independent spot checks on stocks on a quarterly basis

and conduct a full stocktaking at the year end.

Procedures

- The store officer will make a list of non- stock control items required in the store and submit to the AO or AA. Copies of the stock control sheet or card must be attached
- The AO or AA will request for an advance to replenish the stocks attaching the list received from the store officer and submits to the HOF
- HOF reviews and signs and submit request to CEO for approval
- CEO approves request and returns it to AO or AA
- AO or AE sends email to all qualified vendors obtained for vendors database requesting for quotations for supply of stocks (list of required stocks should be attached to the email
- Interested vendors are to send their quotations to the compliance officer (CO)
- The SO, AO or AA and HOF will make an analysis of all quotations and recommend vendor(s)for the purchase to the HOF for approval
- HOF approves
- FO raises and issues local purchase order (LPO) to selected vendor(s) after CEO approves
- Vendor(s) supply stocks
- The store officer checks and receives all items of stock supplied and completes a Goods Received Note (GRN) for deliveries from suppliers and updates the stock control sheet records accordingly. As soon as stock is delivered to the office it should be counted and checked into the stores by the Admin and Stores Officers, checked against the original order, a goods received note (GRN) issued and filed. Any discrepancies between stock ordered and received must be investigated by the HOF and taken up with the supplier straight away.
- The Store officer gives a copy of the GRN to the supplier and forwards all delivery and GRN notes without delay to the Finance Officer.
- The Finance Officer checks the invoice received against the GDN, GRN and LPO to ensure that all goods have been received and raises payment voucher
- HOF reviews the PV and check for accuracy and completeness
- HOF signs PV and check
- CEO or second 'B' signatory signs PV and check
- FO enters check in check register and issues check to vendor(s)
- FA files the transaction documents

18.0 AUDITS

FAROF is audited annually and the funding agency may request a specific audit of its award. Also, the BOT may commission specific audits for routine management purposes, to address specific questions or concerns, and/or in some locations, in accordance with the terms and conditions of registration, whereby the organization is required to submit annual audited accounts. While regulations governing an award may vary according to the funding agency, the fundamental questions of an audit remain the same:

- Are all expenses incurred by the organization or project(s) supported by correct

documentation?
- Is documentation filed and stored correctly?
- Do all expenses meet applicable regulations? Are all expenses allowable and allocable under the term of the award agreement?
- Were all expenses incurred appropriate for the objectives of the organization or program?
- Is there an appropriate level of oversight of organization or program funds?

The most common mistake found by auditors is poor documentation. Audits frequently occur after the end of a fiscal year or a program is finished, so it is critical that all documentation be prepared and properly filed at the time expenses are incurred.

18.1 INTERNAL AUDIT

Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes

Principle

The Chief Executive Officer and the Board of Trustees have the overall responsibility for ensuring that the organization is well run. The Internal audit process oversees all systems, controls and processes that may have an impact on the organization's ability to meet its aims. In particular it ensures that:

- Adequate risk management processes are in place
- An adequate internal control environment is established
- The Organization's financial management processes are operating effectively.

Internal Audit acts as an independent assurance and consulting activity. It brings a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The overall objective of internal audit is to provide Trustees and management with an independent opinion on the adequacy and efficiencies of the organization's arrangements for risk management, governance and control.

The internal audit is an opportunity for the organization to improve the efficiency of its operations and those of its partners. The audit also helps the Chief Executive Officer, and Audit Committee to form a view of the risks facing the organization and the measures in place to address them.

Policy

- Internal Audit's work covers all areas of the organization's activities across all states, including financial and non-financial systems.
- The program of internal audits is planned on the basis of risk and identified weaknesses.
- Staff have a duty to support and assist internal audit as it undertakes its audit work.
- Internal audit has a duty to report to management and the Board of trustees on the results of its audit work and make recommendations on dealing with the weaknesses identified.
- It is the responsibility of management to respond to the recommendations of internal audit, agreeing an action plan to remedy identified weaknesses and completing the action plan within the agreed timeframe. The Compliance/Internal Audit is required to report on progress against required actions to the executive management.

Procedures

- Internal audit and management will work in partnership to identify risks and potential weaknesses in internal controls and agree a program of audits for Internal Audit. This will be approved by the Chief Executive Officer and taken by the Head of Internal Audit to the Audit Committee meeting, for endorsement, setting out planned activities for the next financial year.

- Internal Audit will work with management to produce an independent assessment of risk management and internal controls and to help identify improvements.
- Internal Audit will provide CEO with an independent assessment of particular areas of the organization together with manager's action plans.
- Audit Committee, the Chief Executive Officer and Directors will also request Internal Audit review of particular areas where they may have concerns and think that an independent assessment is necessary.
- Internal Audit will provide advice on internal controls and risk management to managers across the organization so far as it can.
- Internal Audit will visit all state offices quarterly each year based on an assessment of the risks facing the program implementation. Factors to be considered include previous audits, recent trip reports and evaluations, external audits, and quarterly reports and a consideration of the program's sources of funding and whether they have demanding grant requirements.
- The focus of the internal audit will generally look at the following areas:
    - Accuracy of accounting records
    - Compliance with financial procedures
    - Controls over expenditure and procurement procedures
    - Program implementation procedures
    - Partner monitoring systems
    - Planning and budget monitoring
    - Grant (contract) management systems
    - Monitoring and evaluation environment
    - Human resource management
- The audit will include a review of the FAROF offices and a visit to a selection of partners to look at the FAROF's system for monitoring partners. The emphasis of the work will depend on the type and size of partners.
- The recommendations in the audit report are made by internal audit. These are mainly addressed to the CEO who is responsible for setting an action plan in response to each recommendation of the report, unless otherwise indicated.
- The BOT is accountable in all respects for the internal audit report.
- Internal Audit has a special role in investigating cases of fraud (which should be reported to the Head of Internal Audit) and cases reported under the Whistle Blowing Policy.
- Internal audit reports are seen by management and executive summaries are presented to the Audit Committee, who monitors progress against the recommendations.
- The document is for internal use only, but is reviewed by external auditors.
- The Internal Audit terms of reference can be found in the annex.

18.2 External Audit

Definition

An external audit is an independent examination of the financial statements prepared by the organization. It is usually conducted for statutory purposes (because the law requires it). An audit results in an audit opinion about whether the financial statements give a 'true and fair' view of the state of affairs of the organization and operations for the period

Principle
FAROF will have an annual audit by an independent external auditor.
Policy

- The external auditor must be approved by the BOT.
- The firm must be a reputable firm, with NGO experience and preferably with international experience, following a tendering process.
- The Audit Committee of BOT should be included in the tendering process giving advice and support to the CEO in selecting and retaining the most appropriate firm.
- The executive management team will ensure that the auditors chosen fulfil the requirement of the organization and all donor awards. The award may specify that an internationally recognized firm be used and that project specific audits must be carried out.
- The choice of auditors shall be reviewed regularly and put out to formal tender every three years. At the tender the firm that will provide the best audit service and has the best cultural fit for the country would be selected and retained. This may be the existing audit firm.
- Tenders would be obtained from at least 3 auditor firms. The auditors chosen for the selection process would include firms with experience of auditing similar NGOs; it is good practice to ask other organizations' for their recommendations.

Procedures

- The HOF would prepare the tender requesting audit firms to bid for the CEO to approve.
- The HOF will compare the tender submissions for price, quality of service, knowledge of the sector, tax and statutory experience etc in order to make a recommendation. Auditors should be independent of the organization both locally and globally. Being independent means that the auditor must not have been involved in keeping the accounting records and is not personally connected in any way with the organization being audited.
- The HOF would document the reasons for selecting the auditor and this would be approved by the executive management before being sent to the BOT for final approval.
- An engagement letter would be signed with the auditor before commencing the audit assignment. This is the contractual agreement with the auditors and would clearly state the deliverables expected from the auditors including the audit opinion, a letter to management on identified control weaknesses, comment on compliance with statutory requirements (including tax). In advance of the audit commencing a clear audit plan would be drawn up with the auditors. This would set out a timeline and accountabilities for FAROF staff and the auditor's staff to deliver an efficient and cost effective audit meeting the deadline.
- The external auditors audit a set of accounts for a particular period including an income and expenditure statement, a balance sheet and notes to the accounts as at the end of that period. The purpose of external audit is to verify that the annual accounts provide a true and fair picture of FAROF's finances; have been prepared in accordance with FAROF's accounting policies and that the use of funds is in accordance with the aims and objects of

FAROF.

- The auditors would give an 'audit opinion' in their report as to the 'true and fair' view of the state of affairs of FAROF and its operations for the period. 'True' means that the transaction did take place and that an asset exists. 'Fair' means that a transaction is fairly valued and that assets and liabilities are fairly stated.
- If the auditor does not think the accounts show a true and fair view then they can issue a 'qualified' audit report which says that the auditor disagrees with some issues, or some uncertainty exists. This can be damaging to future prospects of raising funds from donors.
- The external auditors would also provide a letter to the management detailing any systems and procedures weaknesses that they have found. These are points which are not serious enough for the auditors to give a qualified report so does not form part of the audit opinion, but are areas where they recommend improvements should be made. This letter would be discussed with the auditors by the HOF and a management response given to each point. If there is disagreement with the auditors' suggestion this would be written in the reply with the reason. This letter should be useful feedback to help FAROF improve its areas of weakness adding value to the audit process.
- It is important that the management letter is used as a point of action and sent with the audited accounts to BOT.
- An action plan would be drawn up with a timescale and person responsible. The CEO will monitor progress against the action plan as part of the performance management of HOF. Progress should be reported to the Audit Committee.

19.0 RISK MANAGEMENT

Definition

The process of identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks.

Principle

Risk can be defined as 'any event, action or inaction that may adversely affect an organization's ability to achieve its objectives. Within FAROF risk is categorized as follows:

- Financial
- Strategic
- Operational
- Hazard

It is the responsibility of staff at all levels to identify risks to the organization, assess their potential likelihood and impact and take action to minimize the impact where considered necessary.

Policy

- Each department must identify and analyze the risks of their own program, and produce an action plan to identify, control and minimize those risks, recording this in a risk register (Appendix)
- The register is a working document which is regularly reviewed and updated. This is a document to help prioritize the risks that have been identified, and minimizes the effects of the most damaging and most likely events. It must document key risks in the

department in terms of
  - Likely impact (and where there is potential monetary loss, an estimate of the amount)
  - Likelihood of the event happening (high, medium or low)
  - Proposed action to be taken to mitigate these losses.
- The register should include any controls already and any proposed actions to be taken to further mitigate the risks.
- It is the responsibility of trustees and management to assess risk regularly and ensure that strategies are in place to minimize the effect of any risks.

Procedure

- The risk identification process can start by reviewing the objectives of the organization/department and asking:
  - What risks would prevent these objectives from being achieved
  - What would be the effect of the risk
  - What controls could be strengthened or adopted to minimize key risks to an acceptable level
- Once potential risks are identified; they can be classified on a grid depending on: a) How likely they are, and
  b) How big the impact would be.
- For each risk identified, a decision needs to be taken about how to treat them, for example:

  - Minimize the impact
  - Accept the risk because nothing can be done or the cost would be onerous (not just financial costs)
  - Transfer the risk by use of insurance
  - Reduce the risk
- Priority should be given to addressing those risks that are both likely and will have a big impact; these are 'critical' risks. Each risk must be allocated – a person responsible for reviewing the risk and mitigating its effect.
- The risk register must be updated regularly and reviewed formally each year by the BOT.
- Partners should be encouraged to consider their risks, and to control and manage them in the same way. FAROF should ensure that capacity building activities required to enable partners to manage their own risks are included in operational and financial plans.
- Partner risk registers should be reviewed regularly as part of the partner support process.

20.0 COST SHARE GUIDELINES

(Full descriptions of USG cost-share principles can be found in the ADS 303)

Section Contents:

20.1 Introduction to Cost Share

Cost sharing, matching or cost-share contribution represents the portion of a funded project that the organization must contribute in order to share the costs of meeting the objectives of the project outlined in the grant agreement (herein referred to as grant project). This contribution may be in cash, goods, or services. For instance, the cost share may be in the form of funds from other (non-US Government) donors; it may be the labor of organization employees or volunteers; or it may be the use of an organization's meeting room to hold a workshop for the grant project. Backup documentation is used to verify the source and value of the cost-share contributions. The types of backup documentation required vary according to the type of cost share. Examples of backup documentation include:

- Donation letter from a donor for cash or in-kind contributions and copy of bank statement (for cash contributions only)
- Time sheets
- Rate calculations
- Valuation of donated goods and use of space
- Independent appraisals (for donated equipment, building or land)

Cost sharing offers the following advantages:

- Improves program sustainability by establishing secure funding mechanisms.
- Facilitates greater commitment by increasing partners' stake in program outcomes.
- Promotes accountability on the part of program sponsors and implementing organizations for delivering real project benefits
- Helps build confidence in communities' abilities to help themselves.

Cost share can come from a variety of sources, as described below. The organization will explore different cost share possibilities within the organization as well as pursuing other potential donors that could contribute to project costs.

It is critical that all forms of cost share are documented as described in Sections II and III throughout the duration of the grant.

20.2 Allowable and Unallowable Cost Share

All costs, whether reimbursable or contributions to cost share, must have the following three characteristics:

1. Costs must be reasonable, meaning they are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.
2. Costs must be allocable, meaning they are incurred specifically for the grant project.
3. Costs must be allowable, meaning that they must conform to any limitations in the Project's award.

Applicable regulations

Contributions, whether cash or in-kind, are acceptable as part of cost share if they meet ALL of the following criteria:

1. Cost-share contributions must be verifiable from the organization's records.
2. Cost-share contributions may not be included as contributions for any other U.S. Government-assisted program.
3. Cost-share contributions must be necessary and reasonable for proper and efficient accomplishment of grant project objectives.

4. Cost-share contributions must be types of charges that would be allowable under the applicable cost principles.
5. Cost-share contributions may not be paid by the U.S. Government under another grant or cooperative agreement.
6. Cost-share contributions must be provided for in the approved budget when required by the funder.
7. Cost-share contributions must conform to other provisions of funding guidance.

The source, origin, and nationality requirements and the restricted goods provision established in the Standard Provision entitled "USAID Eligibility Rules for Goods and Services" do not apply to cost sharing expenditures.
For further details on regulations, see Mandatory Standard Provisions for Non-US, Nongovernmental Recipients (continually updated): http://www.usaid.gov/policy/ads/300/303mab.pdf See specifically the applicable standard provisions on Cost Sharing (Matching) (Standard Provision Number 21).

Examples of cost share and determining their value

A. Volunteer Services – Volunteer services may be provided by professional and technical personnel, consultants, and other skilled and unskilled labor. They may be counted as cost sharing if the service is an integral and necessary part of an approved Cost Share Guidelines program. Volunteer services may include services provided by grant project volunteers or services provided through employee time donated by another organization. Examples of specialized skills include: accounting, financial, educational, electrical, legal, medical, research, writing, evaluation, secretarial, etc. Example: You recruit volunteer peer educators to carry out the program. You should do a review of how much an educator makes and use that to estimate a value of the services provided by the volunteer peer educators. Note: If a doctor volunteers to act as a facilitator for a workshop, the rate at which the doctor's time is valued is at a typical facilitator's rate, not at his/her rate as a doctor.

→ Calculating rates for volunteer services

Rates for volunteers should be consistent with those paid for similar work in the organization's organization. If required skills are not found in organization's organization, rates should be consistent with those paid for similar work in the labor market (you can use the government or NGO salary scale as a guide). In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation. Services rendered at a reduced rate may also count towards cost share for the portion of the reduced rate only. Note on donated employee time: When another organization provides the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that is reasonable, allowable, and allocable, but exclusive of overhead costs), provided that these services are in the same skill for which the employee is normally paid. The employee's salary must not be covered under any other U.S. Government-funded project and not counted as cost share by any other organization.

B. Donated Supplies – Donated supplies may include items such as expendable equipment, office supplies, laboratory supplies, software, contributed utilities (electric, telephone, computer network, janitorial services), and workshop supplies. The value assigned to expendable personal property included in cost share must be reasonable and must not exceed the market value of the property at the time of the donation. Example: An organization (non-US Government-funded) donates office supplies so that the organization may use them to complete grant project tasks. The organization should get a letter from the donating organization stating that the donation has been made. If a bill, invoice or voucher is not available, the organization should get quotes to determine the fair market value of the donated office supplies. The quotes could come from a magazine, printed catalogue, or online. If the quotes are verbal, please include all information such as date, company called, and person talked to, and sign the page. Other examples include donated condoms, a donated computer for grant project work, and donated brochures or other education materials needed to carry out the project.

→ Calculating rates for donated supplies:

Value given to donated supplies must be reasonable and must not exceed the fair market value of the supplies at the time of the donation. Bills, invoices, and vouchers are sufficient proofs of valuation. The donated supplies must be necessary and reasonable for accomplishment of grant project objectives.

C. Cash Contributions - Cash contributions may include funding from other non-U.S Government donors (public international organizations, foreign governments and institutions, private organizations or individuals) able and willing to fund a portion of the grant project or from partners that have fundraising activities and contribute funds raised to the accomplishment of the grant project. Example for Ghana: A foreign government or private company gives the organization 18,000,000 Ghanaian cedis. The cash contribution will allow the organization to conduct additional research to further the goals of the grant project. The organization should get a letter from the donor clearly stating how much cash/funding was donated.

→ Based on cash value. See table for list of necessary backup documentation.

D. Donated Equipment, Buildings and Land (or use of) – May include donated or discounted buildings, land, or use of other space (rent), donated or loaned equipment or temporary use of donated space or facilities. Example: A non-US Government funded organization donates space for a workshop to be held with FSW peer educators. The organization should get a letter from the donor clearly stated what has been donated. The organization should then value the donation. Another example: A organization receives a donated car from a private company, which is used for grant project site visits. As above, the organization should get a letter from the donor clearly stated what has been donated and should then calculate the value of the donation.

→ Calculating rates for Donated Equipment, Buildings or Land

Land and buildings: The value of donated land and buildings shall not exceed its fair market value, at the time of donation to the recipient, as established by an independent appraiser and certified by a responsible official of the recipient.

Equipment: The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.

Use of space: The value of donated space shall not exceed the fair rental value of comparable space, as established by an independent appraisal of comparable space and facilities in a privately owned building in the same locality.

Loaned equipment: The value of loaned equipment shall not exceed its fair rental value.

E. Project Co-Funding – Organization organizations usually carry out related activities funded by other donors. These donors may contribute to the grant project the same types of cost share as the ones described in this section. Example: If your activities are complemented by funding from another source such as the Government, the Global Fund, or a private foundation.

→ Calculating rates for Project Co-Funding. Based on actual cost incurred by other donor. See table for list of necessary backup documentation.

F. Organization Contributions – Contributions to the grant project made directly by the organization. This might include donating space, a computer, staff time, office and workshop supplies, etc.

List of Required Backup Documentation by Type of Cost Share

Type of cost share contribution	**Valuation Backup documentation**
Volunteer services Rates for volunteer services must be consistent with those paid for similar work	• Signed time sheet showing the hours worked, and • A rate calculation of how the time should be valued
Donated employee time Employee's regular rate of pay	• Signed time sheet showing the hours worked, and • A rate calculation of how the time should be valued (e.g. pay stub)
Donated supplies Fair market value of the supplies at the time of the donation	• Letter of donation being made, and • Valuation of the donated supplies from catalogue or internet prices, bills/invoices, or quotes for same supplies
Cash contributions Cash value	• Letter from the donor documenting the amount of cash donated and the name of the project supported, and • A bank statement showing the date and the amount received by the organization
Donated equipment, building or land Fair market or rental value at the time of donation	• Letter stating what was donated, the donation as established by an independent appraisal and • Comparable catalogue or market survey prices, or • Independent appraisal of the value
Project co-funding Actual cost incurred	• Letter from donor stating what was donated, or copy of agreement or contract, and • Copy of invoice paid by the other donor.

20.3 Reporting Cost Share

All contributions to cost share must be reported within financial reports.
→ The organization will need to maintain records and backup documentations for all cost-share. The backup documentation is used to verify the source and valuation of the cost share. Please see table above on required backup documentation for each type of cost share.
→ Once submitted, the funder will review organization cost share contributions and may request further information if some is missing or not sufficient.

20.4 USG information on Cost Share and Cost Sharing

The regulations covering cost-sharing on USAID supported projects are covered in 22 CFR 226.23 which can be found at the following link:
http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/aprqtr/pdf/22cfr226.23.pdf

21.0 COST ALLOCATION AND COST APPORTIONMENT IMPLEMENTATION

Definition:

WHAT IS COST ALLOCATION?

Cost allocation and cost apportionment are the two procedures which describe the identification and allotment of costs to cost centers or cost units. Cost allocation refers to the allotment of all the items of cost to cost centers or cost units whereas cost apportionment refers to the allotment of proportions of items of cost to cost centers or cost units Thus, the former involves the process of charging direct expenditure to cost centers or cost units whereas the latter involves the process of charging indirect expenditure to cost centers or cost units

WHAT IS APPORTIONMENT OF COSTS?

Apportionment of costs is the process of sharing an organisation's expenditure among/across the individual funding streams / programmes that it implements. It relates to central costs that are applicable to more than one funding stream/programme, for example, salaries, general overheads and on-going running costs.
Purpose. These guidelines provide more detail to assist the organization in the allocation of costs, both direct and indirect and develop procedures to implement the system procedure.

While these guidelines are generally not prescriptive, the journal entry instructions must be followed.

Cost Allocation Guidelines. The organization has established a procedure for allocating direct and indirect cost to business activities per award. These procedures include the process for determining whether such business activities will be charged for their share of direct and indirect costs or whether another source, such as the General Fund, will either partially or in total, subsidize direct and indirect costs.

Objective of Apportioning Costs

The objective in apportioning central costs is to charge each funding stream / programme with the proportion of the costs that fairly reflects their usage of related facilities:

- Where, for example, the cost is the Manager's salary, the cost should be apportioned by reference to the time the Manager spends on each funding stream / programme;
- In situations where staff are engaged in a range of separate funding streams / programmes, it is recommended that the relevant staff keep timesheets in order to fairly apportion time and costs between the respective budgets;
- Where an organisation apportions salary costs by making a calculated estimate of time spent on individual funding streams / programmes (e.g. 50% LCDP, 50% LEADER etc.), they must be able to demonstrate the basis for the percentage costs charged to the individual budgets e.g. by regularly keeping accurate time records for a typical week or month on which the percentage applied to the programme expenditure returns is then calculated. All timesheets must be certified at an appropriate level.

21.1 Apportionment of Central Costs

As the organisation is managing a number of funding streams / programmes there will be certain costs that are **directly attributable** to particular funding streams / programmes (e.g. salaries of funding streams / programmes staff, travel and subsistence related to particular events, actions or functions), and there will be **central costs** that are common to all funding streams / programmes (e.g. rent, insurance etc.).

<u>Direct Costs</u>

- Directly attributable costs will always be charged in full to the related funding streams / programmes.
- The organisation will use any opportunity possible to separate the costs of the funding streams / programmes managed (e.g. dedicating particular telephone lines to particular workers, etc.) where practical and cost efficient to do so.

<u>Indirect Costs</u>

There will always be a certain level of central costs that are shared among funding streams / programmes, and a method must be devised to apportion these costs in a fair and logical manner. Clearly, this can only be done in respect of funding streams / programmes that provide administrative funding.

Overhead costs such as rent, light and heat, stationery etc. must be apportioned.

- There are different methods of apportioning these costs e.g.
    - By reference to staff time,
    - By reference to floor space occupied by each funding stream / programme,
    - By reference to actual recorded usage,

  Each method is valid provided it results in an unbiased allocation of costs to each funding stream / programme. **It is important that the selected method is applied on a consistent basis to all programmes implemented by the organisation**.
- The organisation must use its own judgment in selecting the method that is most appropriate to it and is fair and logical, and is able to fully justify the method used in the event of audit.
- Apportionment may <u>not</u> be done on the basis of notional figures; only actual costs incurred can be apportioned.
- The method of apportionment of overheads should be agreed in writing with the donors.

- It should also be noted that certain capital costs such as office equipment may be apportioned in some circumstances; please refer to eligibility criteria of individual funding streams/programmes.

Review of apportionment percentages
The organisation must keep its apportionment of central costs under review as the circumstances of the various funding streams / programmes change (e.g. the completion of some and the commencement of others will mean that the initial apportionment percentages may need to be revised).

Apportionments set at the start of the year should be reviewed on a regular basis and any necessary adjustments made on a cumulative basis in that reporting period and within the financial year.

The organization will necessarily agree revised apportionment percentages in consultation with donors. In this regard, when changing percentages, it is prudent for the organisation to discuss the rationale with the relevant Officer in donor agency setting out the reason for the change and the basis on which the new apportionment is made. **It is important to obtain written approval from the donor before implementing any changes.**

Basis of Apportionment Policy
Indirect costs that are shared and not directly attributable to an individual programme will be apportioned e.g. office rent. Apportioned costs are based on real identifiable costs, not notional costs*, and will be backed up by supporting documentation i.e. an original invoice/receipt, payroll records/timesheets, or an expenses claim.

Apportionment based on staff numbers.

- The basis of apportionment used by FAROF is its staff numbers.
- FAROF overhead costs that are apportioned on this basis are rent, light & heat, service charges, audit fees, legal fees, printing & stationary and computer maintenance
- The following table illustrates the apportionment basis to be applied to costs incurred:

Staff Member	Monthly gross salary & Fringe	% of time worked on project 1 Per month	Amount	% of time worked on Project 2 Per month	Amount	% of time worked on Project 3 Per month	Amount	Total Amount

Total Apportionment								

FAROF reviews its apportionment policy on a regular basis as the circumstances of each programme can change throughout the year. Therefore the policy and the apportionment of costs will be reviewed and any necessary adjustments made on a cumulative basis. We will seek approval from the donor for any changes to our Apportionment Policy in advance of implementation.

Apportionment based on floor space occupied:

- The basis of apportionment used by FAROF is the floor space occupied by each funding stream. This has been calculated by reference to the total floor space available to the organisation as referenced in our lease agreement.
- FAROF's overhead costs that are apportioned on this basis are rent, electricity, service charges, accountancy fees, legal fees, printing & stationary & computer maintenance
- The following table illustrates the apportionment basis to be applied to costs incurred.

Programme	**Space Occupied**	**Apportionment % based on Space Occupied**
Project 1		
Project 2		
Project 3		
Total		

The total floor space is XXX sq ft as outlined in our rental agreement and the total number of desks in the office is XXX and this forms the basis for the above split.
FAROF reviews its apportionment policy on a regular basis as the circumstances of each programme can change throughout the year. Therefore the policy and the apportionment of costs will be reviewed and any necessary adjustments made on a cumulative basis. We will seek approval from the donor for any changes to our Apportionment Policy in advance of implementation.
FAROF will continue to seek savings and efficiencies in our administration and overhead costs so as to achieve value for money and prioritise the provision of direct services to our target beneficiaries.

****notional costs*** are imaginary, speculative or conceptual i.e. something that has no actual existence.

Apportionment based on volume of funding

- The basis of apportionment used by FAROF is the volume of each funding stream. This has been calculated by reference to the total funding available to the organisation as referenced in our award agreements.

- FAROF's overhead costs that are apportioned on this basis are rent, electricity, service charges, accountancy fees, legal fees, printing & stationary & computer maintenance
- The following table illustrates the apportionment basis to be applied to costs incurred.

Programme	Amount of funding	Apportionment % based on funding
Project 1		
Project 2		
Project 3		
Total		

The total funding is XXX as outlined in our awards agreements.
FAROF reviews its apportionment policy on a regular basis as the circumstances of each programme can change throughout the year. Therefore the policy and the apportionment of costs will be reviewed and any necessary adjustments made on a cumulative basis. We will seek approval from the donor for any changes to our Apportionment Policy in advance of implementation.
FAROF will continue to seek savings and efficiencies in our administration and overhead costs so as to achieve value for money and prioritise the provision of direct services to our target beneficiaries.

21.2 INDIRECT COSTS ALLOCATION GUIDELINES

Purpose of Guidelines

The purpose of these guidelines is to provide information about allocation of indirect costs. The organization must comply with the requirements of Uniform Guidance 2 CFR 215 and Cost Accounting Standards (CAS)

Background
Cost Accounting Standard (CAS) requires consistency estimating, accumulating and reporting costs. Accumulation has already occurred at the object code level. See organizational Policy on Charging Costs Directly to Sponsored Projects.
Cost Accounting Standard (CAS) requires consistency in allocating costs incurred for the same purpose. Proper care must be taken in allocating costs that are usually considered indirect.
Cost Accounting Standard (CAS) requires identification and correct treatment of unallowable costs. Unallowable costs must be identified and excluded. Unallowable activities must be identified and allocated to other organizational activities. See organizational Policy on Unallowable costs.
Cost Accounting Standard (CAS) requires consistency in the cost accounting period. This is necessary in order for accuracy in rate development and rate application. It requires that the same time period be used for the development of the indirect cost pools and direct cost pools (bases).

Definitions

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Code of Federal Regulations Title 2: Grants and Agreements Part 215 (2 CFR 215).

Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

Direct costs not charged to the appropriate program or activity on an ongoing basis could be charged to the program or activity on a monthly basis. Other suggested time frames would be daily, weekly, quarterly, end of term, or annually

Examples include:

- Salaries and Fringe Benefits
- Equipment Telephone Charges
- Direct Labor
- Shipping and Freight
- Printing Services
- Copier
- Fleet Services
- Postage

Indirect (facilities & administrative (F&A) costs

Indirect (F&A) costs means those costs incurred for the common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Indirect costs, often referred to as "overhead," are costs incurred for multiple programs or activities and cannot be readily or easily identified with those programs or activities. These costs are not accumulated in units easily traceable to individual activities and therefore must be allocated using a rationale and consistent method that approximates the activities' proportional benefit derived.

Typical costs in this category are facility costs - utilities, maintenance and other related costs; costs of administrative activities such as human resources and finance and grants services, and: costs of executive staff, such as CEO, BOT. They are to be allocated back based to the appropriate cost center based on a pre-determined method of allocation.

Indirect cost transactions are to be completed, at a minimum, once per year at year-end. The allocation method could be determined by applying predetermined measurement units to specific types of expenses. The unit of allocation would be established by the organization and applied consistently to the expense.

Examples:

- Administrative expenses
- Executive staff
- Payroll service
- Utilities
- Maintenance

Program Income

Program income means the gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Program income includes but is not limited to income from fees for services performed, the use of rental or real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Expect as otherwise provided in Federal statues, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.

Major Functions of an Organization

Refers to administration, finance, human resources, IT, service delivery, organized research, other sponsored activities and other organizational activities as defined

Guideline Issues

In order to correctly and fairly allocate indirect costs for the purposes of the indirect cost proposal, it is necessary to first identify and segregate costs as either direct or indirect in nature. (We call these segregated costs, cost pools.) This requires that costs are correctly recorded in the accounting system (recorded to the correct expense account code and program) and then carefully assigned to the appropriate cost pool.

The overall objective of the indirect cost allocation process is to distribute the indirect costs to the major functions of the organization in proportions reasonably consistent with the nature and extent of their use of the organization's resources.

Once indirect costs have been grouped together in cost pools that are like in nature and in terms of their relative contribution to the particular cost objectives, the next step is to appropriately distribute these costs using an acceptable method. The distribution method(s) used to allocate a cost pool should be based on actual conditions at the university. 2 CFR 215 Appendix III lists the order of distribution required in the proposal as well as certain default methods for each cost pool category. It further states, "The essential consideration in selecting a base is that it be the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; with a traceable cause-and-effect relationship; or with logic and reason, where neither benefit nor a cause-and-effect relationship is determinable." (Appendix III –A.2.d.1)

1. When a cost grouping can be identified directly with the cost objective benefited, it should be assigned to that cost objective.
2. If expenses in a cost grouping are more general in nature, they can be assigned based on a cost analysis study if this results in an equitable distribution of the costs.
3. If the expenses in a cost grouping are more general in nature, the distribution may be based on a cost analysis study which results in an equitable distribution of costs. Such cost analysis studies may be taken into consideration weighting factors, population, or space occupied if appropriate. Cost analysis studies, however, must:

   - Be appropriately documented in sufficient detail for subsequent review by the cognizant agency for indirect costs,
   - Distribute the costs to the related cost objectives in accordance with the relative benefits derived
   - Be statistically sound
   - Be performed specifically at the institution at which the results are to be used
   - Be reviewed periodically, but not less frequently than rate negotiations, updated if necessary, and used consistently.

Responsibility for Compliance
Responsibility for following these guidelines lies primarily with Finance and Accounting Cost Analysis which is responsible for development of the Indirect Cost Proposal (FnA). The HOF is responsible for guidance and training and for insuring compliance through periodic internal and external audits.

Cost Analysis Responsibilities
The HOF responsible for developing the Indirect Cost Proposal and negotiating with the cognizant agency.

THIS FINANCIAL POLICY WAS PUT TOGETHER BY MEMBERS OF THE BOARD OF TRUSTEES BOT, THE CEO AND THE FINANCIAL COMMITTEE OF THE FREEHEARTS AFRICA REACHOUT FOUNDATION (FAROF).

Note: This Financial Policy guide is only useful when printed out.

ANNEX

A. CHART OF ACCOUNTS

The chart of accounts is the coding structure established by the organization to capture information at the time a financial transaction is recorded. All transactions must be charged to a designated fixed asset, current assets, current liabilities, long term liabilities, income or expense code or sub-code in the organization's Quickbooks Accounting software (QAS)

It is important to take the time and effort to properly record transactions in the appropriate corresponding funding source, codes and sub-code. Failure to do so – that is, charging to an invalid account – can result in the disallowance of an expense and can jeopardize funding. It will also result in incorrect financial statements and improper reporting to funding agencies.

FAROF chart of accounts codes and sub-codes are as follows:

ACCOUNT NAME	CODE	SUB-CODE	CLASSIFICATION
FIXED ASSETS	1000		FIXED ASSETS
MOTOR VEHICLES		1100	FIXED ASSETS
MOTOR CYCLES		1200	FIXED ASSETS
OFFICE EQUIPMENT		1300	FIXED ASSETS
FURNITURE & FITTINGS		1400	FIXED ASSETS
OTHER ASSETS		1500	FIXED ASSETS
BANK ACCOUNTS	2000		CURRENT ASSETS
PETTY CASH		2050	CURRENT ASSETS
DIAMOND BANK		2100	CURRENT ASSETS
ACCOUNT RECEIVABLES	3000		CURRENT ASSETS
STAFF ADVANCES		3100	CURRENT ASSETS
STAFF HOUSING ADVANCES		3200	CURRENT ASSETS
VENDORS ADVANCES		33000	CURRENT ASSETS
ACCOUNTS PAYABLES	4000		CURRENT LIABILITIES
PAYE		4100	CURRENT LIABILITIES
PENSION		4200	CURRENT LIABILITIES
WHT/VAT		4300	CURRENT

			LIABILITIES
NSITF		4400	CURRENT LIABILITIES
NHF		4500	CURRENT LIABILITIES
DONOR FUNDS	5000		LONG TERM LIABILITY
INCOME	7000		INCOME
EXPENDITURES	8000		EXPENSES
PERSONEL COST		8100	EXPENSES
SALARIES		8110	EXPENSES
FRINGE BENEFITS		8120	EXPENSES
EMPLOYER'S PENSION CONT.		8121	EXPENSES
MEDICAL HEALTH INSURANCE		8122	EXPENSES
LIFE INSURANCE		8123	EXPENSES
LEAVE		8124	EXPENSES
STAFF DEVELOPMENT		8125	EXPENSES
GRATUITY		8126	EXPENSES
CHILDREN EDUCATION ASSISTANCE		8127	EXPENSES
LONG SERVICE/RECOGNITION AWARDS		8128	EXPENSES
EQUIPMENT		8200	EXPENSES
SUPPLIES		8300	EXPENSES
TRAVELS		8400	EXPENSES
ACCOMMODATION		8401	EXPENSES
PER DIEM		8402	EXPENSES
MILEAGE		8403	EXPENSES
CONTRACTUAL		8500	EXPENSES
SUB LIQUIDATION		8510	EXPENSES
OTHER CATEGORIES		8600	EXPENSES
VEHICLE EXPENSES		8610	EXPENSES
FUEL		8611	EXPENSES
SPARE PARTS		8612	EXPENSES
REPAIRS AND SERVICING		8613	EXPENSES
TRAININGS		8620	EXPENSES
PARTICIPANTS ACCOMMODATION		8621	EXPENSES
PARTICIPANTS PER DIEM		8622	EXPENSES
PARTICIPANTS TRANSPORTATION		8623	EXPENSES
OTHER TRAINING COSTS		8624	EXPENSES
TELEPHONE & TELECOMMUNICATION		8630	EXPENSES
TELEPHONE		8631	EXPENSES

INTERNET		8632	EXPENSES
FACILITY MANAGEMENT		8640	EXPENSES
RENT		8641	EXPENSES
SERVICE CHARGE		8642	EXPENSES
ELECTRICITY		8643	EXPENSES
REPAIRS & MAINTENANCE BUILDING		8644	EXPENSES
OFFICE CLEANING		8645	EXPENSES
SECURITY		8646	EXPENSES
GENERATOR FUEL		8647	EXPENSES
GENERATOR REPAIRS & MAINTENANCE		8648	EXPENSES
POSTAGE & MAILING		8650	EXPENSES
PRINTING AND COPYING		8660	EXPENSES
STATIONERY		8670	EXPENSES
OFFICE SUPPLY & CONSUMMABLES		8680	EXPENSES
REPAIRS & MAINTENANCE OFFICE		8681	EXPENSES
ADVERTISEMENT & RECRUITMENT COSTS		8682	EXPENSES
PROFESSIONAL SERVICES		8690	EXPENSES
ACCOUNTING		8691	EXPENSES
LEGAL		8692	EXPENSES
INSURANCE		8700	EXPENSES
BANK CHARGES		8710	EXPENSES

FAROF SALARY STRUCTURE (PAY) POLICY GUIDE

PROJECTS SALARIED PAYMENT STRUCTURE

All staffs Payment are rated using a time sheet, with a minimum work hours of 9hours daily and a minimum of 190Hrs per month.

Salaries also depend on availability and award of project funds and years of Experience. In staff promotion, all staff salary are reviewed by the management and the board of trustees BOD after a Staff performance evaluation has been conducted annually or base on award of new grants.

FAROF Internal Audit Manual.docx

FREEHEARTS AFRICA REACH OUT FOUNDATION (FAROF)
Html: www.farof.org
Email: info@farof.org **or** freeheartsafrica@gmail.com

ADVANCE RETIREMENT FORM

Date:
Project office:
Subject:

Staff Name:	**Designation:**

S/N	**Detail of activities**	**Supporting Documents**	**Amount(₦)**
Total Expenditures:			
Advance received(form attached)			
Balance to be reimbursed to office			
Balance to be reimbursed by Office			
Total Amount in Words: ……………………………………………………………………………………………………… ……………………………………………			

Retired By:	Staff Name: Signature:	Date:
Reviewed and Approved By	Name: Signature:	Date:

NB: Advance to be fully retired within 36 hours of work completion for which advance was collected

FREEHEARTS AFRICA REACH OUT FOUNDATION (FAROF)
Html: www.farof.org
Email: info@farof.org **or** freeheartsafrica@gmail.com

PAYMENT VOUCHER

Date:
PV NO:

Name of Payee	Currency:

Transaction Description	Amount
TOTAL	

Amount in Words:	
CHEQUE NUMBER:	**Bank**
PV PREPARED BY: SIGNATURE: DATE:	
APPROVED/REVIEWED BY (**CHIEF EXECUTIVE OFFICER):** SIGNATURE: DATE:	

Received this……….. day of …………………………..……20…… In full settlement of the above stated transaction, the sum of

……
……………………………………………….. kobo…………

SIGNATURE OF PAYEE

Attach invoice, receipts or other paper work to this voucher

FREEHEARTS AFRICA REACH OUT FOUNDATION (FAROF)

Html: www.farof.org

Email: info@farof.org **or** freeheartsafrica@gmail.com

PAYMENT/ADVANCE REQUEST FORM

Date:

Project Office:

Ref Staff Name:	**Designation:**
Propose date of Retirement	

S/N	DETAILS	QUANTITY	UNIT PRICE	AMOUNT(₦)

	TOTAL ADVANCE REQUIRED			

TOTAL AMOUNT IN WORDS:
Received by (Name): **Signature:** **Date:**
Line Manger(Chief Executive Officer): **Signature:** **Date:**

FREEHEARTS AFRICA REACH OUT FOUNDATION (FAROF)

Html: www.farof.org

Email: info@farof.org **or** freeheartsafrica@gmail.com

RETIREMENT FORM

Date:
Project office:
Subject:

Name:	**Designation:**

S/N	Detail of activities	Supporting Documents	Amount(₦)

Total Expenditures:			
Advance received(form attached)			
Balance to be reimbursed to office			

Balance to be reimbursed by Office		
Total Amount in Words: ……….		
Retired By:	Name: Signature:	Date:
Reviewed/Approved By	Name: Signature:	Date:

Travel & Expenses Policy

Policy Expenditure incurred in the course of carrying out programme activities on behalf of FAROF must be in accordance with the guidance set out in the policy detail below.

This manual DSA/Per-diem rate supersedes all other rates that are captured on FAROF HR manual or any other FAROF'S manual policy.

Why do we need this policy?	This policy aims to ensure that all employees have a clear understanding of their entitlements and requirements when travelling on FAROF Programmes activities implementation and/or incurring expenditure on FAROF's behalf. This policy aims to ensure that we: • safeguard the wellbeing, comfort, safety and security of employees • communicate our commitment to sustainability issues • secure enhanced supplier service levels at the lowest possible cost • consolidate expenditure to obtain discounted rates
How does the principle apply and what does it apply to?	This policy applies to • all Nigeria and overseas travel undertaken on FAROF Programmes activities implementation • all expenses that are justifiably incurred and for which FAROF has set criteria and limits
Which parts of FAROF are affected?	This policy applies to: o all permanent/fixed term employees o Short Term Technical Assistance Team o Consultants/contract staffs
What support is available to help FAROF implement this policy?	Support and advice on travel is available from the Procurement Team. Support and advice on expenses is available from Payroll staff. Support and advice on expenses is available from Finance Manager/Director of finance and Administration.
Equality Impact Assessment carried out?	This policy has had an Equality Impact Assessment carried out.

Business The word business on this policy simply refers to activities implemented

FAROF Travel Policies and Procedures

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Annexes

INTRODUCTION

The following policies and procedures are applicable to FAROF staff and those who seek reimbursement from FAROF for travel costs. These guidelines are not meant to be an exhaustive statement of FAROF policies, but rather to provide sufficient guidance to seek reimbursement. Should you have any questions that are not addressed here, please contact the FAROF Admin and Finance Department by email at info@farof.org .

FAROF reserves the right to amend or revise policies and procedures at any time. Changes in policies and procedures will be distributed to FAROF staff and are to be considered effective on their date of issue. The program or office authorizing travel for non-FAROF staff is responsible for communicating the necessary requirements.

These general policies and procedures apply to most official FAROF travel based on minimum administrative and contractual requirements. These may be adapted to be more restrictive by programs or other offices or for specific events. Personnel whose expenses are funded by a specific grant or contract should refer to the terms of that grant or contract for guidance on what expenditures are allowable.

In general, those traveling on official FAROF business will be reimbursed for all necessary and reasonable expenses of travel, as hereinafter stipulated.

This policy is also subjected to Donors approval, review and that support Donors Policy and expense rates

1.1. Purpose

The purpose of this policy is to:

a) Describe the types of expenditures that are reimbursable by FAROF.

b) Inform employees of their responsibilities to control and report travel and entertainment.

c) Describe the process for an employee to file and obtain travel expenses and reimbursement.

1.2. Employee Travel & Program Expense Guide

This guide is intended to aid FAROF program traveler and FAROF management by setting forth guidelines and reporting requirements related to FAROF expectations and FAROF regulations.

All travelers and Managers bear responsibility for cost-effective Program travel. Each Manager should carefully review and approve all Expense Reports. Items not considered reimbursable should be brought to the attention of each employee prior to being submitted to Accounting.

While these guidelines are intended to be comprehensive, it is impossible to anticipate every situation encountered by a traveler. The traveler, is expected to apply these guidelines on a conservative basis, consistent with normal living standards and, where the policy is silent, to exercise good business judgment.

1.3. General Travel Policy

It is FAROF's policy to reimburse employees for all expenses necessary, reasonable and actually incurred when traveling on authorized Program activities implementation..

Travel expenses must be properly documented and approved on a Travel Expense Report. It is each employee's responsibility to adhere to policy when involved with expenditures on behalf of FAROF. Further, it is the responsibility of the manager to be familiar with the reason for the expenditures and to be satisfied that they have been reported in a manner consistent with the recognized policy.

Employees are expected to:

a) Exercise good judgment with respect to expenses.

b) Spend Donor awarded funds to FAROF as carefully and judiciously as they would their own.

c) Report all expenses and advances promptly and accurately with required documentation.

2. PROCEDURES:

2.1. TRAVEL COSTS

"Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-profit organization. Travel costs are allowable when they are directly attributable to specific work under an award or are incurred in the normal course of administration of the organization.

2.2. APPROVAL OF TRAVEL

When authorizing and approving payment of travel expenses, management personnel

- must limit the authorization and payment of travel expenses to travel that is necessary to accomplish the project or program objectives in the most effective manner;
- should give consideration to budget constraints, adherence to travel policies, and reasonableness of expenses; and
- should consider alternatives, including teleconferencing, prior to authorizing travel.

Formal pre-authorization of travel for FAROF staff is not required.

2.2.1. TRANSPORTATION

2.2.1.1. Mode of Travel

Transportation expenses shall be reimbursed based on the most economical mode of transportation that reasonably meets business travel needs.

Travel by common carrier (air, rail, bus) is considered the most advantageous method to travel. Other methods of transportation may be advantageous only when the use of common carrier transportation would interfere with the performance of business or impose an undue hardship upon the traveler, or when the total cost by common carrier exceeds the cost by another method of transportation.

2.2.1.2. Air Travel

Coach Fare

With the exception of circumstances described below, FAROF does not reimburse airline travel at any class of service above coach class. The use of airline upgrades to a higher class of service is permitted.

Airfare costs in excess of the customary standard commercial airfare (coach or equivalent) are unallowable except when such accommodations would:

- Require circuitous routing,
- Require travel during unreasonable hours,
- Excessively prolong travel,
- Result in additional costs that would offset the transportation savings, or
- Offer accommodations not reasonably adequate for the traveler’s medical needs.

The traveler must forward sufficient justification and documentation to FAROF Admin and Finance Department and obtain approval for non-coach fare prior to booking the ticket.

All employees traveling via air carrier must utilize Lowest Fare Routing (LFR). LFR is quoted logical lowest fare for the business trip, which will (where possible):

a) Provide cost savings for the round trip air ticket.

b) Result in total layover time not exceeding one hour.
c) Increase the one-way total elapsed trip time by no more than two and one-half hours.

d) Require no more than one interim stop each way.

Exceptions to this policy statement will be allowed with approval by the employees’ supervisor so that additional cost is authorized.

International air travel outside of the U.S. and to overseas locations will be by LFR.

All travel reservations should be made as far in advance as possible to take advantage of available discounted airfares.

Business and First Class travel is not allowed unless it is at the employee's expense. Employees who are enrolled in airline incentive programs are permitted to utilize their personal upgrades along with FAROF's booking of the lowest available fare.

6.1.1 Return of Unused, Partially Used and Exchanged Tickets

Travelers should be aware of the cancellation policies of their airline and notify the carrier in advance if they need to change their travel plans.

(1) Unused refundable tickets should be applied to the next scheduled trip with the airline or redeemed if purchased by the traveler; otherwise,

(2) The traveler will be held responsible for the cost of unused tickets or penalties incurred which may have been avoided by proper notification from the traveler.

2.2.1.3. Travel Agent Procedures

Travel arrangements may be booked through any available agent. The travel agent will be responsible for obtaining the lowest fares and lodging expenses available. If you need to stay at a particular hotel that is more expensive than the designated hotel, you must have proper justification to do so before travel arrangements are booked. The same procedure applies for cars, airfares, etc.

Reasonable stopovers enroute may be approved provided that:

a) They do not interfere or adversely affect achievement of the desired business objective.

b) They do not result in any significant loss of work time.

c) The travel expense claimed from FAROF does not exceed either the actual cost, or the cost of the applicable air fare between the place of departure and the business destination, whichever is the lesser.

d) Approval must be obtained in advance from the appropriate manager.

If such a stopover is made, FAROF, assumes no responsibility or liability of any kind for any employee actions or activities during or occasioned by the stopover.

Airline tickets are considered legal tender and care should be taken not to lose or destroy them. FAROF will not bear the cost of any unused ticket, employee are solely responsible for unused tickets

Employees will be required to submit all FAROF paid airfare receipts incurred while traveling. Used airline tickets should be attached to your expense report.

2.2.1.4. Group Travel

Where more than one employee is travelling to the same location and by the same method of travel, the authoriser of the travel form is determined by the highest level of traveller. For example, if two members of grade 8 staff travel to China with their Most senior Director, the travel request form should be authorised by the Senior Director.

2.2.1.5. International Air Travels

Travellers coming into Nigeria to support the implementation of FAROF programs, will be reimburse travel RT and travel millage of NGN50 per km from airport to hotel and vice versa.or at charged rate of Taxis, a receipt is required if a taxis rate is used. This is still subjected to Donors approval or Donors policy rates and can be reviewed.

2.2.1.6. In-Country Regional air travel

Travellers purchased ticket shall be in accordance to travel agents current charges; FAROF will reimburse travellers with a travel millage of NGN50 per km from airport to hotel and vice versa. Taxis rate will only be applicable if there is no other available means of transport. A receipt is required if a taxis rate is used. This is subjected to Donors approval or Donors policy rates and can be reviewed

2.2.2. Automobile Rental

Car Rental

Use of car rental is only permitted prior approval of your line manager. Please note that car rental discounts are based on volume. The travel agent will be able to tell you which rental agency we use at the time you make your reservations.

All travelers should follow the listed guidelines:

Number of Travelers	Class of Car
1-2	Compact
3	Intermediate
4-5	Full Size or Wagon

Insurance should not be purchased from the rental agency and will not be reimbursed. All drivers must hold a valid driver's license or a car may not be rented.

Car rentals are generally the most expensive mode of transportation and should only be used when the nature of the trip or the locations of the customer being visited is such that the use of local transportation (i.e. taxis or limousines) is not practical or would be more expensive.

2.2.3. Use of Private Vehicles

Personal Auto

Private Car (Non essential car users only)

You should use public transport wherever it is practical and cost-effective.

Use of private cars is permitted with the prior approval of your line manager and where other methods, such as video conferencing, are unavailable or unsuitable.

You can claim Motor Mileage Allowance (MMA) for travel to FAROF program site **that is not your usual workplace**. MMA for inter-site travel has been agreed at a maximum of 500km, and this is the maximum mileage that will be reimbursed. If your mileage is less than 500km you must claim the actual miles travelled.

If your mileage exceeds 400km you should consider hiring a car or using public transport. Journeys from home to your usual workplace do not qualify as business travel.

An automobile personally owned by an employee and authorized for business use will be compensated when actually driven for such purpose and will be reimbursed a fixed amount of NGN20 per km. Mileage should be fully documented as to date, starting location, ending location, persons visited, the business purpose, and the business miles.

For business-related use of a private vehicle, travelers will be reimbursed for the actual mileage driven (shortest or most convenient route directly to and from business destination) at the standard mileage rate. Mileage reimbursement covers fuel, maintenance, transportation and operating costs. Tolls and reasonable parking charges will be reimbursed in addition to the mileage allowance.

If a personal vehicle is used primarily for the convenience of the traveler and the approved travel is to a location more than 100Km beyond the point of origin, reimbursement will not exceed the lesser of the following:

a. the cost of per-mile reimbursement plus tolls; or,
b. the round-trip airfare between the nearest commercial airport serving the origin and destination cities, plus transfer costs to and from the airport.

2.2.4. Other

Rail or bus transportation may be used when required by the destination or by business necessity. The reimbursement for use of surface transportation in lieu of air travel, when not a business necessity, is limited to the lower of actual costs or regular coach fare available for the location of travel from a standard commercial air carrier.

2.2.4.1. Taxis

Taxis should be used when other reasonable and less expensive forms of transportation are not readily available. In traveling away from home, overnight living accommodations should to the extent practicable, be selected so as to eliminate or minimize the need to use taxis or other local transportation. When taxis are used, they should be shared to the maximum extent possible by employees traveling together on FAROF business. A receipt for the fare charged must be obtained by the taxi driver.

Taxis should only be used where there is no suitable public or private transport and/or where heavy goods have to be transported.

All local taxi journeys should be pre-booked through Reception using contract firms only.

Taxis should not be taken for journeys within walking distance, in the interests of staff safety, taxis may be used in place of walking or public transport only if a staff member is travelling alone in unfamiliar surroundings.

If you have to work late (after 9pm) through no choice of your own, on an occasional (i.e. less than 60 occasions per year) and irregular basis, taxi travel home can be reimbursed in the following circumstances only:

- where public transport has stopped running
- where it is unreasonable to expect you to use public transport because infrequent availability or poor reliability of service will result in a substantially longer journey than normal
- transport is interrupted by strike action
- where taxis cost less than other means of transport

2 Taxi fares will be reimbursed only where the line manager is satisfied that such costs have been necessarily incurred. However, it should be noted that travel by taxi acts as a substitute to public transport, so any tip to the driver should not be claimed.

2.3. LODGING

Lodging reimbursement is limited to the actual/reasonable cost of a single room plus applicable taxes. Travelers are expected to seek standard lodging accommodations that are comfortable, convenient, meet the business need, and offer good value.

6.1.1 Workshop/Conference Travel

Travelers attending FAROF conference, meeting, retreat, seminar, symposium, or an event that involves attendee travel, and staying overnight, may receive a conference lodging allowance at a pre-determined FAROF maximum rate. Such travelers will be reimbursed the actual amount incurred for lodging up to the conference lodging allowance.

For FAROF business purpose only, Reimbursement of local travel from hotel to commercial airline terminal to board a flight and vice versa will require reimbursement, at the rate of NGN30 per Km, while for international travels from hotel to commercial airline terminal to board a flight and vice versa will require reimbursement, at the rate of NGN50 per Km or at taxis fee rate, which will require a receipt.

2.3.1. MEALS AND INCIDENTAL EXPENSES

<u>Meals</u>

The employee should normally select restaurants which are reasonably priced for the locality and which are consistent with normal living standards. Receipts must be attached for all meals purchase while on business.

Business related meals for customers or with other employees must be described as follows: date, amount, place and explanation of nature of business. A list of names of those entertained must be included. A receipt is required for all entertainment expenses regardless of the amount. Business conferences over meals may be reimbursed with proper approval. Wine and bar tabs are reimbursable only if they are associated with a business meeting and are not excessive. Entertaining other employees, unless for stated business purpose, is not a reimbursable expense.

All FAROF travelers will be reimbursed for their reasonable and actual expenses incurred for meals and incidental expenses. Itemized receipts are required for expenses in excess of NGN10, 000. When an itemized receipt is not available, travelers may submit a brief explanation of why an itemized receipt could not be submitted, description of meal expenses, and a certification that no alcohol is included in the reimbursement request. Reimbursement for meals that are not supported by itemized receipts or alternate documentation will be limited to the maximum NGN10,000.

6.1.2 Group/Shared Meal Costs

Reimbursement requests which include meal expenses for other travelers must identify the name and business affiliation of the other travelers. The cost must be reasonable for the number of participants, and if any charges for alcoholic beverages were included, they must be submitted on a separate receipt, or clearly identified (including applicable taxes and tip) when a separate receipt is not possible.

6.1.3 Alcohol

The moderate purchase of alcohol for a group event or shared business meal may NOT be reimbursed or reimbursed with prior approval of FAROF management, but may not be charged to a Federal award. Approved expenses for alcohol will be paid out of FAROF' limited unrestricted funds.

Subsistence (inclusive of VAT)	**NGN Rate**	%
Overnight accommodation	25, 000	50%
Breakfast	1, 500	3%
Lunch	2,500	5%
Evening meal	2, 500	5%
Total	31, 500	63%

We will reserve 37% as miscellaneous for unforeseen circumstance and refundable back to the Finance Office if not used. All listed Items above require a receipt.

2.3.2. OTHER

A claim for an unusual or uncustomary travel expense must be supported with an explanation of the need for the expense.

2.3.2.1. Business Entertainment

Business entertainment is limited to the cost of meals and beverages furnished in a hotel dining room or a restaurant.

Since the presumption is made by FAROF that entertainment is not related to FAROF's business, it is generally necessary to demonstrate that such expenses are associated with the active conduct of FAROF's business. Therefore, such entertainment must have either directly preceded or followed a bona fide business discussion. Since FAROF must be prepared to substantiate this expense, the following information is required when reportingFAROF expenses:

a) Date and place of entertainment

b) The party's name, title and firm must be stated on the Travel Expense Report.

2.3.2.2. Long Distance Calls

Employees traveling on FAROF business are permitted a reasonable number of telephone calls home to verify arrival at destination, make arrangements for returning home, and to take care of urgent personal matters which cannot wait.

Frequent FAROF business travelers will be provided a calling card for long distance and local phone calls while traveling on business. The calling card should be used whenever possible.

When an employee is traveling five or more days, a cell phone is given or a single personal call home for a limited time is acceptable for domestic travel. On an overseas trip, telephone charges are considerably higher cost, and discretion should be used. When necessary due to an emergency, a call on minimum time basis may be made. Most hotels in foreign locations impose a surcharge on telephone calls. These surcharges can be as much as 40% of the basic charge. Therefore, employees are encouraged to make calls, including allowable calls, from FAROF locations to take advantage of the lower cost.

Cellular Phones

Telephone usage
Telephone calls made while travelling on business should be reasonable in quantity and cost. Where possible, you should avoid using hotel telephones as they incur considerable surcharges.

If you are travelling overseas and have been issued with a mobile phone, you should contact CHATS before your trip to arrange international access for the duration of your trip.

If you have not been issued with a mobile phone, and anticipate that you will need to make business-related calls, you should either purchase phone cards or use your own personal mobile phone. The daily subsistence rate of NGN4.00 (NGN10.00 if overseas) includes personal expenses for ad hoc expenditure like telephone calls, and this amount should be sufficient for the majority of claims. Where costs are in excess of the subsistence rate, FAROF will refund the cost of receipted phone cards or the actual cost of calls made on a personal mobile phone provided the calls claimed are individually listed and costed.

Cellular phone expenses are reimbursable on a monthly basis as follows:

For all other employees:
a) Business related calls only.

The following items are not reimbursable:
a) Initial purchase, lease or installation of cellular phones.
b) Personal calls.
c) Answering services on cellar phones.

A copy of the cellular phone bill with all business related calls high-lighted must accompany your Expense Report.

2.4. TRAVEL ADVANCES

(1) A travel advance is given to offset expected out-of-pocket expenses that will be incurred in conjunction with a trip.

(2) Corporate credit cardholders are not eligible for a domestic travel advance.

(3) Travel advances must first be reviewed and approved by the Program Manager authorizing the travel.

(4) Travel advance is not permitted for Non-FAROF employees

(5) A travel expense report should be submitted within two weeks of the traveler's return.

(6) A traveler must reconcile an outstanding travel advance before he/she will be issued any reimbursement (travel or another business-related expense), except when a second trip starts within five working days of the first. Upon termination of employment, all employees must promptly reconcile all outstanding advances.

(7) Failure to account for a cash advance within 120 days will result in the following:

- Travel advance privileges will be suspended.
- The advance will be reported as taxable income to the Internal Revenue Service.
- The traveler continues to be responsible for clearing the advance.

3

2.4.1. Cash Advances

Upon Request, frequent FAROF business travelers will be given an advance to provide funds for authorized future FAROF expenses. Advances will only be given to employees traveling on FAROF business.

A cash advance of up to NGN10,000 per day of travel on FAROF business may be requested by completing a Check Request for Cash Advance.

All requests for Travel Advance must be approved and submitted to the Accounts Payable Department at least (3) business days prior to the traveler's departure.

Any excess of advanced funds over expenses must be remitted promptly with the expense report. Delinquent notices will be sent on advances that have not cleared within thirty (30) days from issue date. You may not request any further advance if you currently have an advance outstanding that has not been resolved.

2.4.2. Miscellaneous

FAROF does not pay for dry cleaning expenses while on a trip of any kind. However, where circumstances require these services, these expenses will be reimbursed. Please document your explanations on the Expense Report.

2.5. Receipts (Proof of Payment)

FAROF request that receipts for all expenditures be submitted, and receipts must be submitted for all expenses. FAROF will not reimburse expenditure without a receipt.

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2.6. LOCAL TRAVEL

Employees are only allowed to claim the amount over and above their normal commuting expenses (this includes transportation and meals). Exceptions need to be explained and documented.

2.6.1. Travels within communities in a state/district

Travels within state(from one community to another) to attend meetings or workshops for employee or program Team will be charged at NGN50 per km, only on approval to attend workshop form line Manager, or FAROF will provide other means of transport to such an employee to attend meeting.

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3. REIMBURSEMENT PROCEDURES

(1) All travelers seeking reimbursement should complete FAROF travel retirement report form. The form should be requested from FAROF Finance Unit subject to the approval to travel.

(2) It is FAROF' policy to electronically pay, travelers requesting reimbursement should provide their bank information for payment by wire transfer. (Bank information needed includes: bank name, city, , beneficiary account name, and beneficiary account number.)

(3) If a third party is designated to receive 100% of the reimbursement, we do not make payments to multiple payees.

(4) Travel reports should be filled out by the traveler and substantiated with **original** receipts (excluding airline tickets). Should an original receipt not be available or if a receipt is missing, to be considered for reimbursement, the traveler must provide a written memo explaining the circumstances.

(5) All expenses must be itemized and reported on the travel expense voucher, using the actual exchange rate charged by a vendor (e.g., bank or credit card company) or clearly identifying the exchange rate(s) used by the traveler. The required receipts should be attached to the travel expense voucher and individually labeled (hotel, meal, taxi, etc.).

(6) After completing the expense report, please forward it to FAROF Finance unit for payment. Expense reports should be submitted within two weeks of return from travel.

(7) Expenses submitted for reimbursement 30 days or more after the ending date of travel must include a written justification for the delay in submission.

(8) Travel funding may no longer be available if reimbursement requests are not submitted in a timely manner. If travel support is no longer available under a specific award, expenses submitted for reimbursement after expiration of the award will not be processed.

(9) Expenses submitted for reimbursement 90 days or more after the ending date of travel are not eligible for reimbursement and will not be processed.

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4. ALLOWABLE AND UNALLOWABLE TRAVEL-RELATED COSTS

Allowable Costs:

(1) Business office expenses (copy services, postage, etc.)

(2) Meetings and conferences, the primary purpose of which is the dissemination of technical information are allowable. This includes the cost of meals, transportation, rental of facilities, speakers' fees and other items incidental to such meetings or conferences.

Reimbursement for meeting costs must be substantiated by the following, as applicable:
- (a) The purpose of the event or the meeting;
- (b) The agenda for the topics of discussion at the event or the meeting;
- (c) A list of attendees and their affiliations

(3) Relocation costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee are allowable.

Unallowable/Non-Reimbursable Costs:

(1) Entertainment costs including amusement, diversion, and social activities and any costs directly associated with such costs such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities

(2) Fees for the use of fitness facilities

(3) Expenses related to vacation or personal days

(4) Loss or theft of personal funds or property

(5) Parking tickets or traffic violations

(6) Recreational expenses

(7) Spouse's or dependents' transportation, lodging and meal expenses

(8) Alcohol (non-reimbursable for other than approved group business meals)

5. EXPENSE REPORT

FAROF regulations require that traveling personnel maintain an adequate record for each trip and post all pertinent information in support of each expenditure (who, what, why, when and how much). Expense Reports are due no later than thirty (30) days of first expenditure incurred.

Entertainment expenses incurred in the process of completing FAROF business objectives should be supported by receipts for all expenditures and documentation detailing dates and places of entertainment, names and number of people involved, business relationship of all involved, business purpose, and amount of each separate expenditure. All names should be listed including those of other FAROF's employees, unless it is a group clearly identified by title. The date, nature of the business, and participants in the related discussion preceding or following the entertainment must be shown.

6.1.1 Business Expenses

6.1.2

6.1.3 Employee's Responsibilities

1) Use good judgment when incurring activities expenses. Consider less expensive alternatives to a trip such as conference call.

2) Submit expense claims (expense reports) within 7 days for trips requiring air and or overnight travel. Expense reports may be submitted every two weeks if on an extended business trip. Advanced purchases of airline tickets may be expensed in advance if the charge card bill is received before the trip.

3) Obtain appropriate approval signatures, including exception approvals when required.

4) Provide accurate actual expense details on the appropriate Corporate form for reimbursement. Adequate documentation includes daily recording of actual expenses by categories. All required fields must be completed with original receipts.

5) Use FAROF contracted travel agencies for all airfare, automobile rental, and lodging, except if such agencies declines in quality delivery of service. Although FAROF does not currently have specific agencies, but can recommend for employee, agencies that are less expensive.

6) Adhere to meal guidelines.

7) When possible schedule travel 14-21 days in advance.

8) Obtain pre-approval for travel on a Travel Authorization Form.

9) Please be sure that your expense reports are properly approved by your line officers

10) Exception approval is required if employee business expense is not clearly in accordance with policy. Any of these conditions require exception approval:
    a. Unusual expense
    b. Expense could possibly appear to be inappropriate
    c. Expense exceeds guidelines
    d. Expense reports not submitted in a timely manner
    e. Photocopy/inadequate/missing receipt

11) Exception approval consists of signature normally required plus the signature of the Senior Manager or his/her designee.

12) Approving manager may not be a direct or indirect, beneficiary of the expense being approved. For example, an expense report for business meetings must be approved by the next highest level of management not in attendance.

13) Receipts are required for reimbursements of all authorized business expenses. The receipt must identify the name of establishment, date, actual amount incurred, description, and receipt of payment. Items considered non-receptacle such as house keeping/porter tips and some highway tolls can be reimbursed without a receipt. Photocopies and missing receipts require exception approval. Telephone receipts should include phone detail identifying business from personal calls.

14) Field employees are required to obtain approval from their respective managers before submitting expenses for reimbursement.

5.1. Approver's Responsibilities

1) Ensure all expenses are reasonable, in support of business goals, and in accordance with Company policy.

2) Approve expenditures for which no direct or indirect benefit (e.g. in attendance at the meeting) was received.

3) Only authorize reimbursement for air, car, and hotel expense if booked through the agency under contract.

4) Cost effective management of business expenses.

5.2. Finance Department's Responsibilities

1) Return all expense reports requiring additional substantiation.

2) Expense reports must be received no later than 5:00 p.m. every Monday for processing and checks processed and delivered to employees the following Monday.

3) Review expense reports for appropriate cost center codes, approving manager's signature and calculation accuracy.

6. HEALTH AND SAFETY WHEN TRAVELLING

FAROF Health & Safety procedure

a. you must take reasonable care for your health and safety.
b. You should ensure you are fit to undertake the journey in question, and consult a doctor first if there is any doubt.
c. FAROF's travel insurance does not cover any travel taken against the advice of a medical practitioner.

7. GRATUITIES/STIPENDS

The payment of tips and gratuities are limited to those situations and services where such payments are normal practice. The amount of percentage of any gratuity paid should not exceed that which is reasonable and customary for the particular type of category of service. The range of **10-20%** is considered applicable to most forms of services, including consultancy service.

The following are **not** reimbursable:

- Annual credit card fees
- In-room or in-flight movies

- Personal reading materials
- Airline, hotel and car rental club memberships
- Restaurant count club memberships

8. INTERNATIONAL TRAVEL

8.1. Traveller profiles

If you expect to travel outside Nigeria at least once per year, you must submit a 'traveller profile' to the Admin and Finance Department to ensure that your details and preferences are adhered to when making reservations.

The traveller profile assists the FAROF in enhancing and safeguards the welfare of travellers, especially during times of crisis management. It is your responsibility to ensure that your traveller profile is up-to-date, and that any changes are communicated to FAROF.

8.2. International risk assessment

Prior to travel, you should find out about the country you are travelling to, local customs and laws in relation to behaviour and conduct. You must not travel to countries where a travel alert has been issued by the Foreign and Commonwealth Office (FCO) (www.fco.gov.uk).

You should avoid unlicensed transportation, observe security and safety announcements, and avoid exposure to any undue risk. Deliberate exposure to danger is not covered by FAROF's travel insurance.

8.3. Passports and visas

You are responsible for obtaining your own passport.

8.4. Vaccinations

Travelling to different climates and environments can expose you to disease and health risks. You should visit your GP in the first instance to check whether any vaccinations or other preventative measures are required - vaccinations should normally be carried out by your GP, or an appropriate travel clinic. Vaccination costs can be claimed via the expenses system.

Advice on vaccinations varies from one country to another. Further information is available from these websites: www.fco.gov.uk or www.fitfortravel.scot.nhs.uk.

If you knowingly refuse medical advice, FAROF cannot be held responsible should an incident occur.

8.5. Air

FAROF does not have specific Agency for Air Ticket, but seek other agencies to get the lowest logical fare, for the air class entitlement, is applied and negotiated special deals are maximised.

8.6. Airline class of entitlement

All international travellers must travel by the lowest logical fare. 1st Class travel is prohibited and travellers must provide justification to their Director or CEO before booking Business Class**.**

8.7. Foreign currency

International travellers are responsible for arranging their own foreign currency prior to their journey and for converting unused foreign currency back to Naira in Nigeria (unless the traveller is planning another journey). This includes anticipated funds for business use and any money the traveller may require for personal use.

8.8. Medical cover and insurance provisions

This section highlights the availability of medical treatment and insurance provisions available to staff when on official FAROF business.

Comprehensive annual travel insurance is arranged by the Facilities team. Please request a copy of the **FAROF travel insurance policy** before you travel for the first time you travel (it is also provided to consultants as part of their contracts). It is your responsibility to familiarise yourself with this policy.

8.9. Meal and Accommodation

FAROF international travel lodging and meal rate is calculated as:

Number of Persons	Meal Rate(NGN)	Accommodation(NGN)	Amount per days(NGN)
1	15, 000	55, 000	70,000

Meal will be at N15000 for breakfast, lunch and dinner.

I.e. Breakfast = NGN5000
Lunch = NGN5000
Dinner = NGN5000

9. AUTHORISATION

Expense claims must be approved by the employee's immediate line manager or the next highest authority (see below). No employee is authorised to approve their own, a peer's, or a superior's travel expense form.

Claimant	Authoriser
Chief Executive	Director of Finance and Admin
Executive Directors	Chief Executive
Direct reports to Chief Executive	Chief Executive
Staff up to and including Grade 8	Line Manager or above

10. RECEIPTS

All expenditure must be supported by an itemised receipt. Receipts are not required for mileage claims.

11. SUBSISTENCE

Subsistence shall be paid at the rates as detailed below. These rates do not apply to FAROF employees who may be required to visit other FAROF offices but applies to FAROF employees who may be required to visit other FAROF sites in another region/state.

Subsistence (inclusive of VAT)	**NGN Rate**	**Overseas**
Overnight accommodation (B&B)	25, 000	Reasonable costs will be permitted *see note 5*
Breakfast *see note 1*	1, 500	
Lunch *see note 2*	2,500	
Evening meal *see note 3*	2, 500	
Refreshment During Workshops	5, 000	
Personal incidental expenses *see note 4*	NGN4 per Min	NGN10.00 per min.

Note 1 (Breakfast)
Overnight accommodation should include breakfast. Subsistence for breakfast will only be paid where the traveller has an early start to their business travel.

Note 2 (Lunch)
Subsistence for lunch will not be paid if lunch was provided as part of the business activity.

Subsistence for lunch will only be reimbursed where:

- An employee attends an external event where lunch has not been provided, or travelling to an external event/site on FAROF business
- The business activity involves absence from FAROF sites for more than 4 hours
- Special dietary requirements are not met at external events

Note 3 (Evening meal)
Subsistence for an evening meal will only be reimbursed where:

- A business activity involves an overnight stay and dinner has not been provided
- An employee returns home late from an external business related activity and it is reasonable to expect the employee to have had an evening meal (excluding activities held on FAROF sites)

Subsistence payments do not cover alcoholic drinks.

Note 4 (Personal incidental expenses)
Personal expenses for telephone calls, newspapers and other incidental costs incurred when an employee is absent from their normal place of work on FAROF business. This subsistence can

be claimed for each 24-hour absence. Receipts are not required but should be provided if obtained.

Note 5 (Overseas subsistence)
Reasonable receipted costs will be reimbursed for meals.

11.1. Mileage rates

FAROF rates for mileage will be subjected to Donors approval.

Item	Mileage	(NGN)Rate
Inter state	1km	50
Within communities	1km	30

Mileage is paid for business related travel in accordance with this policy.

You cannot claim mileage to your usual place of work if you are working overtime at weekends or on days when you do not normally work.
* Passenger must be FAROF employee or working on behalf of FAROF.

12. CASH ADVANCE

We recognise that you may be required to meet expenditure from your own funds before claiming reimbursement from FAROF. This may be on items such as meals or taxi fares, or job-related expenses like professional memberships that must be paid in advance and then claimed on expenses.

Foreign currency
Where expenditure has been made in a foreign currency, the value to be claimed must use the exchange rate quoted by http://www.xe.com/

Expenses which are reimbursable through the expenses system
The following expenditure, when incurred on FAROF business, can be claimed through the expenses system:

Inter-site mileage	According to mileage
Business mileage	Actual mileage reimbursed
Public transport	Actual cost reimbursed
Taxi costs	Where contract taxi service not available
2nd Passport cost	Applicable only to staff who frequently travel overseas as part of their normal duties
Vaccinations	Where recommended - for overseas travellers
Accommodation costs	Reimbursable for business use only
Internet access	Reimbursable for business use only

Low cost travel – rail/bus/subway	According to mileage
Telephone calls on personal phone	Actual cost provided calls are business related, individually listed and costed (as per telephone bill)

Expenses which are not reimbursable
The following expenses will not be reimbursed by FAROF. This is not an exhaustive list.

Passport renewal (except 2nd passports)	Clothing/clothes purchase/hire
Parking fines	Car washing and valeting
Childcare costs	Vehicle maintenance or repair
Flowers or gifts for staff reward or absence	Dry cleaning or laundry
Tips of any kind*	Personal credit card fees or interest
Office/IT equipment or supplies**	Personal grooming
Car hire over sees	Bus tours/sightseeing
Promotional supplies/prizes	Souvenirs
Home phone or broadband costs	Costs relating to corporate events

13. TAX AND NATIONAL INSURANCE

FAROF holds a dispensation (this is an exemption for expenses not being subject to tax) for allowable business expenses supported by a receipt. It is imperative that you adhere to this policy and contact Payroll about any queries before incurring expenditure.

If you incur an expense not covered by this policy, the expense may not be paid, or you might be liable for tax and national insurance.

You can use the following numbers to contact the (Federal Inland Revenue Service) about any personal tax or National Insurance issue.

Phone: 08159490008

FAROF's employer's reference **TIN Number is 17816007-0001**. You should have your National insurance number available.

You can also find helpful information on the FIRS website http://www.firs.gov.ng

Annexes A……..

14.1Admin Service Duty Travel Daily Subsistence Allowance (DSA)

1. **Daily subsistence allowance (DSA)** comprises the organization's total contribution towards such charges as lodging, meals, gratuities, transport cost from place of lodging to the first place of official business, and vice versa, and other payments made for personal services rendered.

2. DSA is applicable for staff members on authorized official travel and for non-staff members when their travel is organized and paid by FAROF. For non-staff members it shall be on the basis of the standards established for staff members, except where otherwise expressly provided in the terms of their contract.

3. DSA shall be paid for periods away from the duty station, during which the traveller is on official travel status. Such periods include authorized rest stopovers and stopovers that are part of the approved official itinerary.

4. If the traveller has a stopover in the approved official itinerary that is seven (7) hours or more in duration they are entitled to reimbursement for meals and accommodation at the stopover point. To receive reimbursement for expenses at the stopover place the traveller must obtain receipts with the travel claim. Total meal expenses cannot exceed the total percentage of the non-accommodation portion of the DSA for the respective location of the stop over.   The total expenses (accommodation plus meals) claimed for the stopover point cannot exceed the DSA rate for the locality.

5. For travel on initial appointment, reassignment and repatriation, DSA shall be paid only for authorized rest stopovers when travel is organized and paid by FAROF. In these instances DSA is payable for authorized stopovers while the traveller is en-route to his/her destination. Refer to the guideline on the route, mode and standard of accommodation for information on rest stopovers.

6. DSA shall be paid in accordance with the schedule of rates established and periodically reviewed by FAROF

7. The payment of DSA shall be subject to the conditions specified in the table below. DSA is only paid upon arrival at the traveller's destination (i.e. DSA is not paid for the period while the traveller is en-route to the destination). DSA is not paid for the day on which travel is concluded or for overnight travel on a plane. This includes flights which arrive and depart on the same day the travel concludes.

Length of	Mission involves	DSA

Mission		
Less than 24 hours	Night away from traveller's residence	Full DSA.
	Does **not** involve a night away from traveller's residence	No DSA if mission including journey time lasts ***less than 10*** hours from the time of departure from the point of origin to the time of return to the port of entry.
		40% of DSA if mission including journey time lasts
		10 hrs or more. This applies to round trip journeys completed the same day with no overnight travel.
		No DSA for a visit to a project site in the vicinity of the regular duty station or within commuting distance/35-mile radius.
24 hours or longer	Night(s) away from traveller's residence	A full day's DSA for the day on which the traveller arrives at the destination, at the rate applicable to the place where the traveller spends the night; If the traveler has an overnight flight and arrives at their place of accommodation prior to check-in they are entitled to claim reimbursement for early check-in. The same guideline applies when the departure at the destination necessitates late check-out. The actual cost for the accommodation will be reimbursed to a maximum of 50% the applicable DSA rate for the location via the travel claim; A full day's DSA for each successive period of 24 hours from midnight to midnight (measured by local times, ignoring time-zone differences);

8. Travellers taking indirect route who are otherwise eligible for a stopover (on the basis of the travel time by the most direct route) shall be entitled to such stopover with appropriate DSA not to exceed the DSA at the stopover by the most direct route.

7 Use of Green Hotels

9. Travellers are encouraged to stay at "green" hotels, where available. Green hotels demonstrate in a coherent and credible way that the environmental impact of the hotel's operations is minimized, including aspects of waste management, cleaning services, sustainable food options, energy efficiency measures, resources consumption and local

transport. Offices are encouraged to arrange locally corporate preferential rates in "green" hotels in the most frequent destinations.

8 Reduced DSA Rates

10. When a traveller is provided free overnight accommodation and/or meals by a philanthropist, a government and related institutions, or by an airline, reduced DSA shall be paid as follows:

Inclusion		DSA Reduction
Overnight accommodation is provided		50%
Meals are provided	Breakfast	6%
	Lunch	12%
	Dinner	12%
If overnight accommodation and meals are provided*		80%

*The remaining 20% DSA is for miscellaneous expenses including transport cost from place of lodging to the first place of official business, and vice versa. Or gradiuties.

9 Non-standard DSA Rates

12. In some locations, there may be non-standard rates of DSA, for example for certain higher-price hotels that have not been used for establishing the regular DSA rate.
13. There are three types of non-standard DSA rates used in exceptional circumstances: ad hoc, supplementary and special rates at select hotels identified in the ICSC circular.

14. Special hotel rates of DSA shall be paid only in exceptional circumstances, and with prior approval. Special rates of DSA shall be paid only in situations where the traveller has no alternative but to stay in a hotel for which a special rate has been established. The special rate shall be paid only upon presentation of receipted hotel bills and a certification from a senior FAROF official that accommodation could not be obtained from lower-price hotels. When accommodation is shared special rates of DSA cannot be claimed, and therefore should not be claimed by travellers or reimbursed.

***Ad Hoc* DSA**

15. For conferences, meetings, training courses and other events that take place at facilities where the total cost of meals, accommodation and incidentals differs significantly from the regular DSA for the location, an ad hoc DSA rate may be established by Office of Human Resources/Bureau for Management Services upon request from the organizing office well in advance of the event. The calculation of this special ad hoc DSA rate shall be based on the actual room and meal costs at the facility used, taking into account any special package arrangements that may have been made by the organizers.

16. For groups of 20 or more participants, the organizing office is required to make arrangements for preferential rates for hotel accommodation for participants.

10 Supplementary DSA

18. Supplementary DSA is a supplement to the established DSA where significantly higher accommodation costs are incurred with adequate justification. **This supplement is not an automatic entitlement and shall be paid only under exceptional circumstances.**

19. Due to lack of more economical accommodation, when a traveler is required to use accommodation that costs significantly more than the specified room percentage approved by Donor, a supplementary DSA shall be considered for the difference between the cost of accommodation, including room tax and service charge, and the specified room percentage of the DSA.

20. Supplementary DSA shall be paid only upon presentation of receipted hotel bills and a certification from a senior official of FAROF that no other good commercial hotel accommodation was available. When accommodation is shared, supplementary DSA cannot be claimed by travellers or reimbursed.

11 DSA for Travel by Automobile, Train, or Boat

22. When traveling by automobile, travellers are expected to travel as far as is possible each day, normally, for a daily minimum distance of 300 kilometers. DSA for each day shall be paid on the basis of the rate for the city in which the overnight stopover is made. When traveling by automobile, train or boat, DSA shall not be reimbursed in excess of the total amount for travel expenses which would have been payable if the journey had

been made by the most direct and economical route by air, if such means are available.

12 DSA for Official Business While on Annual Leave

23. If a staff member is authorized to carry out official business while on annual leave outside his/her duty station, he/she shall be entitled to 100 per cent of the applicable DSA rate, and the time spent on official business shall be recorded as an absence on official business.

13 DSA for Official Business While on Home Leave

24. If a staff member is required to carry out official business while on home leave, he/she shall normally be entitled to DSA as follows:

Official business at the officially recognized home leave place:

50 per cent of the applicable rate, if hotel accommodation is not secured; **100 per cent** of the applicable rate, if he/she provides a receipted hotel bill.

Official business at a place in the home country other than the officially recognized HL place:

100 per cent of the applicable rate.

14 DSA for Annual Leave While on Travel Status for Official Business

25. For extended assignments outside the duty station of one or more months, a maximum of 1.5 days DSA per month shall be paid for annual leave taken in respect to each completed month for which a staff member is on travel status for official business.
26. DSA shall <u>not</u> be paid in respect of the 1.5 days leave (referred to above) taken **at the conclusion of mission activities** on an assignment, prior to the staff member's return to his/her duty station.

15 DSA for Official Business When Annual Leave is Taken Prior to the Start of Business Travel or Post the Completion of Business Travel

27. If annual leave is taken prior to the start of official travel, DSA is paid effective the day of arrival in the destination for business once annual leave status has ceased.

> **Example:** If a New York based staff member's official mission is in Bangkok June 10 to 14 and she elects to take annual leave June 7 to 9 and travel to Bangkok early, DSA will be paid effective June 10, the official start of the mission If annual leave is taken post the completion of business travel DSA is paid for the days of official business and not for the day travel would have concluded had they not taken annual leave.

16 DSA on Sick Leave during Official Travel

28. DSA shall continue to be paid during periods of sick leave while on official duty travel under certain conditions. Sick leave of three days or more must be supported by a medical certificate. If the staff member is hospitalized, however, only one-third of the applicable DSA shall be paid.

17 DSA for Extended Periods of Official Business

29. When a staff member is assigned to a duty station other than his/her regular duty station for a period of less than one year, different rates apply for the first 60 days, days 61-120 and days after 120.

30. These extended period rates are payable during any one tour of duty away from the regular duty station. A tour of duty is an assignment at one location, continuous or otherwise, or which may be interrupted by official travel to other locations not involving the traveller's return at UNDP expense or to resume duties at the staff member's regular duty station. Each tour of duty away from the regular duty station shall be counted separately for purposes of determining the applicable rates.