

**UNIFIED CULTURE
PROMOTION
FOUNDATION**



2024

FINANCIAL POLICY & PROCEDURE



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1.0 Introduction

The Unified Culture Promotion Foundation (UNICPF) is a Non- Governmental Organization established in July 2023 under the corporate affairs commission with the registration number 7067806 with the primary focus on promoting cultural understanding, diversity, and harmony to foster peace and social inclusion with a mission to harness the transformative power of culture to foster understanding, peace, and cohesion among diverse communities, UNICPF stands at the forefront of cultural advocacy.

Unified Culture Promotion Foundation (UNICPF) believes that every human endeavor is underpinned by culture, including health, nutrition, climate action, peace-building, gender equality, and economic development. These global issues must be addressed creatively and proactively, especially among women, girls, and boys.

1.1 Vision:

UNICPF envisions resilient communities worldwide, achieved through the integration of cultural activities into humanitarian aid, peace-building efforts, and sustainable development initiatives.

1.2 Mission:

Our mission is to harness the power of culture as a fundamental tool in humanitarian efforts, development initiatives, peace-building endeavors, and social integration. We strive to foster a world where cultural tolerance and appreciation serve as catalysts for lasting peace and community solidarity.

1.3 Core Values:

Core values of accountability, commitment, inclusivity, integrity, equity, justice, and teamwork underpin UNICPF's approach, guiding the foundation's programs and interactions with partners, beneficiaries, and the broader community.

1.4 Programmes Areas:

Assistance and Protection Programs; covering health, nutrition, WASH (Water, Sanitation, and Hygiene), education, gender-based violence (GBV), gender inclusion, livelihood support, mental health and psychosocial support (MHPSS), and child protection., Peacebuilding & Social Inclusion Programs, Governance program and School Programs.

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2.0 Purpose

This manual is specifically written to guide UNICPF's Board of Trustees and employees to ensure smooth administration and implementation in the manner of accountability and transparency, and in conformity with applicable laws and regulations and practices common with General Accepted Accounting Procedures (GAAP) and International Financial Reporting Standard (IFRS).

The ability to provide accurate, complete and timely information regarding the performance of the organization enables compliance with the rules, regulations and reporting requirements of donors and partners. This manual is to be used in conjunction with UNICPF

Procurement Policies, Human Resource Policies and any other relevant policies and procedures specified by respective donors. This Manual is not exhaustive but provides a framework for best practice in UNICPF's accounting and financial procedures. This manual is subject to periodic review depending on the context and prevailing circumstances and as approved by the Board.

2.1 Scope

The policies and procedures outlined in this manual are applicable at the UNICPF's office and at all project sites, to ensure compliance with statutory requirements and recognized financial standards. Thus, it is mandatory that these policies and procedures will be followed at all time in handling the accounts and finance functions.

2.2 Implementation of this Manual

The Chairperson, Executive Director and the Board of Trustees are responsible for directing and monitoring the procedures outlined in this manual. The Head of Programming, Administration/Finance Manager and Finance Officer are responsible for implementing these procedures across all functions, modelling compliance, ensuring employees are familiar with this policy and providing advice and support for employees regarding matters related to finance and accounting.

2.3 Internal Control

Internal control facilitates effective and efficient operations, reduces the risk from asset loss, and enables us to ensure compliance with laws and regulations. Internal control also facilitates

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reliable financial reporting by ensuring that all transactions are recorded and that all the recorded transactions are factual, properly valued, recorded in a timely manner, properly classified, and accurately summarized and posted.

An effective internal control structure includes a series of checks and balances required for the appropriate recording and authorization of transactions and ensure that access to assets is limited to authorized employees only. Thus, each transaction will be compartmentalized into tasks to be undertaken by different employees, to increase the likelihood of detecting unintentional errors and prevent misappropriation of assets. The following tests will be consistently applied to all transactions –

i. Completeness

Each element of a transaction will be documented, approved and recorded with complete documentation to back the transaction.

ii. Validity

Following each transaction, the disbursements will be made verifiable to employees and suppliers on receipt of proof of goods receipt or services performed.

iii. Accuracy

Following each transaction, all relevant charges will be recorded, and the correct amount will be recorded as received or disbursed to the relevant books of account.

iv. Maintenance

Following approval and record of a payment, it will be impossible to make changes, such as the addition of a zero or change of the payee name. All documents will be stamped as PAID with a PAID stamp.

2.4 Training

All staff newly recruited by UNIPF's office shall undergo induction course/training organized and managed by Finance Department within the first week of joining and a comprehensive

induction course managed by HR/Admin Department normally during the probation period (of the new staff). The immediate course will include, but is not limited to, the following topics:

1. Job Description/Organogram and Channel of communication/reporting
2. Policy documents
3. Travel, leave and logistic
4. General accounting
5. Payment and retirements

The comprehensive course will include, but not limited to, the following topics:

1. Department Mandates,
2. Key Functions of Finance Dept.,
3. Key Financial Procedures,
4. Organization chart of Finance Dept.,
5. Most Commonly Used Forms (by all staffs),
6. Relationship with Other Functions/staff,
7. Communication Mechanisms,
8. Policies/Procedures on Anti-corruption,

2.5 Review

The manual will be subject to periodic review, (Annually by the board members after it has been decided in the AGM with the support of the Chairperson) to ensure relevance to the work of UNICPF and adequate resourcing for implementation. The Manual will be reviewed annually or in response to changes in UNICPF structure and operations or relevant legislation. The Program and Finance Manager will be responsible for reviewing and proposing changes to this manual. The Program and Finance Manager will also be responsible for proposing any major revisions required to be reflected in the manual immediately due to changes in finance and accounting procedures. All proposed changes to this manual will be incorporated during the annual Board Meeting.

Any proposed changes to this manual are subject to the approval of the Chairperson and the Board members. All approved revisions must be dated and distributed to all relevant employees.

3.0 General Accounting

3.1 Overview

3.1.1 Fiscal Year and Closing

Unified Culture Promotion Foundation Programs adopts Nigeria's calendar (January - December) as fiscal year to correspond with the local requirement and closes its financial activities by 31st December each year.

3.1.2 Accounting System

UNICPF uses QuickBooks as accounting software for recording and reporting financial transactions.

3.2 Financial Transactions

A financial transaction is any occurrence, which results in an inflow or outflow of funds or has any effect on the organization's assets and liabilities. UNICPF makes use an advance, accrual and cash-based accounting systems to recognize income and expenditure, and accordingly, all financial transactions will be accounted for accurately and properly. No undisclosed or unrecorded funds or assets will be established or maintained for any purpose.

There will be no borrowings on behalf of the organization made from any individual or lending institution without prior written authorization from the Board of Trustees.

For any cost to be allowable under specific grant agreements, the costs must meet the following general criteria -

- Be reasonable for the performance of the grant agreement and allocable thereto;
- Be consistent with organizational policies and procedures;
- Be determined in accordance with generally accepted accounting principles (GAAP);
- Conform to any limitations or exclusions set forth in the principles or in the agreement as to types or amount of cost items; and
- Be adequately supported and documented.

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. In determining this, it should consider whether the cost is of a type usually recognized as normal and necessary for the organization's operations.

All costs incurred should be allocable to projects, such that its activities or benefits can be distributed reasonably to that specific project. Transactions processed using respective project documents must be stamped.

3.3 Tax Deductions

UNICPF shall ensure that payments are made only after withholding the applicable taxes in accordance with the prevailing rules and regulations. Withholding/Payee taxes should be remitted to the FIRS or to State Board of Internal Revenue as applicable within stipulated days.

4.0 Banking and Cash Management

4.1 Internal Controls

As far as possible, the individual responsible for preparing bank transactions (i.e. preparing cheques, deposits, mandates, withdrawal etc.) should not be a bank signatory, in keeping with the principles of segregation of duties.

Cheques must be kept in a safe place. During working hours, cheques must be kept out of reach of third parties. At the end of the day, the cheques must be kept in a safe or steel cabinet and locked properly.

Copies of all issued cheques must be kept. All the receivers must sign the back of the O/C stub or copy of the cheque.

Banking must be done daily, and all revenue collections must be deposited. No cash or received cheques should be used for meeting expenses without depositing them into the bank first.

Before authorizing a payment, signatories must go through the attached paper work to ensure that the Executive Director or other person with the required delegated authority has checked the invoice and approved payment.

Signatories must never sign blank cheques (Cheques without amounts and/or payee information)

The Finance Officer or Finance Assistant is responsible for bank reconciliation statement (BRS) monthly. Large and unusual items for reconciliation must be resolved promptly. The Finance Manager sends the verified BRS to the Executive Director on monthly basis as part of Monthly Financial Report

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4.2 Bank Accounts

UNICPF will maintain dedicated bank accounts for respective projects. Bank accounts opened for projects will be closed following programme completion, and unutilized funds will be transferred to UNICPF's main account. If the account is not closed, it will be used for another donor project after making the balance in the account zero.

In the event of obtaining a new project, and insufficient time is allowed to open a new account, any account will be used to receive donors fund and thereby transferred to a donor dedicated account as will be opened. The authority to open or close bank accounts for UNICPF is vested with the Board of Trustees, and all bank accounts will be opened or closed with prior written approval from the Board of Trustees. The Finance Officer will be responsible for maintaining a register of bank accounts, including the following.

- Bank name
- Account name
- Account number
- Account type
- Source of funds
- Currency
- Interest or non-interest bearing

The Finance Officer should obtain balance confirmation certificate from the Bank on each month or (quarter end depending on how frequently the project requires reporting), fiscal year end and project end. The Finance Manager must review the confirmation certificate along with the bank reconciliation statement on every quarter end, fiscal year end and project end.

Requests for opening and closing of new/old bank accounts are submitted to the Chairperson in writing, stating the reason. Opening and/or closing of bank accounts shall be approved by the Executive Director (ED) after obtaining authorization from Board of Trustee. The ED will follow up the request and initiate necessary steps. Balance in the bank account to be closed must be made zero before closing by transferring it to another bank account (Organizations main account).

In the event that multiple projects are ran by the organisation, the organisation main account will be used to receive staff and personnel payments as well as administrative cost incurred on the various projects. The staff will be paid at percentages based on UNICPF's human resource mandate.

4.3 Signatories for Bank Transactions

General Principles

The individual responsible for preparing bank transactions (i.e. preparing cheques, deposits, wires etc.) must not be a bank signatory, in keeping with the principle of segregation of duties.

There must be a minimum of two and maximum of four signatories for bank transactions (withdrawals, cheques, faxed instructions or other payment forms)

All bank account authorized primary signatories must be Manager level or higher. The Executive Director and Administrative/ Finance Manager must be a signatory alongside any other designated officer.

Staff still in probation cannot be signatories except in exceptional circumstances with the approval of Board. No person can be signatory while under investigation for fraud or other financial irregularities.

Before authorizing a payment, signatories must scrutinize the attached paperwork to ensure that the person with required delegated authority has checked the invoice and approved payment.

If an account signatory ceases to be employed by UNICPF, the appropriate manager in the Office must ensure that signature of that person is removed from the Bank authorization immediately. The relevant manager should appoint a new signatory at least one week before the employee ceases employment. Where it is necessary for the new person entering the position to be the signatory, they should be authorized as soon as their probation period is over.

4.4 Authorized Signatories

The Chairperson will designate the signatories after obtaining approval from Board of Trustee. The Executive Director, Program Manager and/or Finance Manager are expected to be a

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mandatory signatory when available in the office. Additional signatories should be designated to cover situations where any of the signatory is unavailable. Any changes in authorized signatures are subject to the approval of the Board of Trustees. Notification of change of signatories must be communicated to the bank in writing, and the letter must state the reasons. A copy of this letter will be kept on file for future verification. Copies of all bank correspondence letters should bear the bank's stamp and date as confirmation of receipt.

4.5 Usage of Cheques

The Finance Officer will be responsible for issuing cheques. Cheques will not be issued until the payment voucher has been authorized and will be entered in the cashbook at the time that it is drawn. The cheque should not be drawn unless the cash book indicates that funds are available to meet it. All cheques must be authorized by the Finance Manager and will require two authorized signatures. Where the cheque is payable to one of the signatories, he/she must not authorize those payments. The drawn cheque should be sent for signing with the payment voucher and the supporting documents.

After cheques have been signed by both signatories, they should be entered in the cheque register which is maintained in cheque number order with columns, showing the name of the payee, the amount, date drawn, name and signature of person collecting it.

4.6 Bank Reconciliations

The Finance Officer/Assistant will be responsible for reconciling bank statements with bank balances and preparing bank reconciliations each month using the Bank Reconciliation Form, no more than one week after receipt of the statement. Following reconciliation, the general ledger will be adjusted accordingly.

UNICPF will adhere to standard routines for bank reconciliations as follows -

- Ensure that all bank statements for each bank account are at hand before attempting reconciliations
- Ensure details from the source documents are processed correctly in the cash book to minimize time spent on the bank reconciliation
- Ensure references on the cash book are consistent with those that appear on the source documents.

- Use references appearing on the bank statement to cross-reference outstanding items on the reconciliation
- Post journal entries each month for items on bank statements not already recorded in the general ledger. These items may include interest earned, service charges, and other debit or credit memos.
- Review outstanding cheques older than three months
- Investigate long standing items on the reconciliation and if necessary, write back items that are not likely to be cleared (Cheques that are outstanding for more than six months are regarded as stale and must be reversed)
- Ensure that completed reconciliations are approved by the Finance Manager and are filed together with the bank statements.

4.7 Payments

- a. All payments for goods and services are made through bank accounts either by account payee cheques or by electronic funds transfer (E-transfer) either to the vendor directly or through any of the staff who is required to work with the goods.
- b. No cash payments are made except for petty cash expenses or otherwise trainings and meetings allowances. However, in cases whereby volunteers are resided in areas where there is no bank availability, cash withdrawal can be made by the finance assistant and distributed to the beneficiaries with necessary documentation.
- c. All payments are approved by the authorized signatories
- d. All payments are not treated as expenditure. Payments for goods and services not yet received and advances for travel are treated as advances to the programs, not as expenses. When the purpose of payment is fulfilled, they are booked as expenditure/asset.
- e. Applicable tax is deducted in all the cases and deposited periodically to the revenue department of the country. The certificate showing payment must be provided to the supplier when asked.

- f. Recurring expenses like salaries, utilities, rent etc. are booked and payable created before month end even if they are always paid in the next month, so that the financial will show the true picture.

Person responsible for authorizing payment voucher and cheque signatories must ensure the completeness of the required document, procedure and accounting treatment.

4.8 Acquisition of Goods and Services

The Finance Officer ensures that before processing the invoice for payment, all documents and paper works authorizing the procurement of goods and services has been received.

- a. The supplier invoice request for payment should have the following documents attached with invoice:
 - i Purchase request (PR)
 - ii Approved quotation/bid
 - iii Purchased order (PO) or a copy contract as earlier entered.
 - iv Suppliers Invoice and
 - v Goods Received Note (GRN)/Inspection Report (for goods) and
 - vi Delivery Note.

Where the service being procured is from consultant documentation must include certification from the person procuring the services that the consultant has discharged all their responsibilities as per terms of reference.

- b. The Finance Officer checks the accuracy of the supplier invoice by comparing it with the PO and/or quotations
- c. An approval stamp is used on the invoice for signing by the Finance Manager or person with delegated authority
- d. The Finance Officer posts the invoice in the financial system after approval
- e. The Finance Officer prepares the payment voucher (PV) and then writes the cheque
- f. The Finance Officer presents the PV along with invoice and cheque to the signatories for authorization of payment.

- g. After the cheque is signed, the Finance Officer gives the cheque to the concerned person and receives acknowledgement in the voucher.
- h. The Finance Officer posts the PV in the financial system and files it in the voucher files.

4.9 Payment of Payroll and Employee Expenditure

- a. The monthly payroll is prepared by the Finance Officer or other responsible person delegated with this in the job description
- b. The payroll is approved by the Head of Structure/ Head of Programme or the Finance Manager.
- c. The Finance Manager/the approver must ensure that the following is done before approving the payroll:
 - i) Time Sheets/Attendance Register/Pay Chart is cross verified.
 - ii) Leave record is updated
 - iii) Provident Fund/Tax Calculation is verified
 - iv) Advance record checked and adjusted for outstanding
 - v) Increments if any are adjusted effecting all deductions (PF/Tax etc.)
- d. Year-end liabilities are calculated and accounted for all employee entitlements and benefits.

4.9.1 Employee Advances

Employees are entitled to advances for forecasted expenses that will be incurred by them when visiting project sites. The maximum limit for cash advances shall be up to 200,000 NGN; all advances will be approved by the Finance Manager before any payments are made and shall be recorded by Finance Officer immediately. Any advances that are larger than this amount will require special approval from the Chairperson.

Advances may be issued when -

- Employees are allowed per diems for project site visits
- Employees are required to make purchases or payments for project site visits, including vehicle hire, printing and publication costs, and other miscellaneous costs
- Employees are allowed to pay volunteers in hard-to-reach areas where there is no availability of bank.

Employees requiring an advance will submit an Advance Request Form to their manager, who will approve the request and requested amount and forward the Advance Request Form to the Finance Officer. The Finance Officer will ensure that no other advances are held by the employee, and the requisition is within the limit. Finance Officer will then forward the request to Finance Manager for approval. Finance Manager shall then approve the requested advance and forward it to the Finance Officer for processing and payment.

All advances will be recorded in separate employee advance accounts, to ensure effective control over advances. Employees may neither hold advances on behalf of other employees, nor issue sub-advances to other employees. Any advance can only be used for the purpose for which it was originally authorized and issued.

The employee will be responsible for settling the advance within five (5) days of the completion of the project site visit. A return is to be completed for each advance with all receipts or other evidence of payment attached.

Advances provided as per diems must be supported by approval of the project site visit and duration of the visit from the employee's manager and a filled per diem claim form accompanied by an activity report. The completed return is to be checked and approved by the Finance Manager, and any surplus cash must be returned, or any overspends reimbursed to the employee. (either the employee is being reimbursed after the he has returned from the field or paid per diem advanced before undertaking the trip/site visit).

Any employee leaving the organization must clear all advances before departure. Failure to do so will mean any outstanding balance will be deducted from final salary.

4.10 Cash Management/Control

UNICPF should have its own petty cash fund. The amount of petty cash fund to be maintained should be determined based on its cash needs for petty transactions, the banking practice in the area and the risk associated with holding large cash balances. For this purpose, UNICPF will maintain NGN 50,000 as petty cash fund.

Excess funds are to be deposited into the bank account. Any cash transaction should be immediately recorded in the "Petty Cash Record" and be supported with the original documents. Petty cash box should be kept under lock and key by the petty cashier all the times.

The cash balance should be kept as low as possible.

- Petty Cash fund should be maintained on impress fund system.
- Petty cash should be used only for payments which cannot be made by cheques and are recurring in nature e.g. office expenses, postage stamp, tea, local transport.

Cash payments are to be limited to an absolute minimum. Payments above NGN 50,000 must be made through cheques or other bank payments. On exceptional cases, if a payment of over NGN 50,000 must be made through cash; prior approval of Executive Director must be obtained.

Responsibility: The Finance Officer is responsible for all cash transactions under his/her jurisdiction and for adherence to the relevant instructions laid down in this chapter. S/he can entrust a reliable employee with the keeping of the petty cash. The Petty Cashier is responsible to the Finance Officer, after having taken over a cashbox, for keeping the cash entrusted to him/her conscientiously and in accordance with the given instructions (his/her Terms of Reference).

There should be proper segregation of duties and the petty cash fund management should be given to another staff and not handled by the Finance Officer. The Finance Officer and the petty cashier should not be the same individual as far as practicable to ensure effective internal controls in cash handling.

Insurance policy for cash held at office should be procured to avoid any unforeseen eventuality.

Security and Safe Keeping: During working hours, cash is to be kept out of reach of third parties. At termination of work, the cash must be put under lock and key (safe or at least steel cabinet). The petty cashier shall carry the original keys for the cashbox, safe or cabinet on his/her person.

It is strictly forbidden to mix project funds with private funds or keep private funds or personal effects in the cash-box or safe.

Control: Petty cash Records should always be maintained by the petty cashier and kept up to date. Disbursements of cash from the petty cash fund/cash should be recorded daily and the balance of petty cash in hand should be reconciled with the balance as per the record daily. The

custodian of cash (petty cashier) should physically verify the cash balance with the cash held by him/her.

Surprise cash counts should be conducted by the Administrative/Finance Manager and Finance Officer at least once in a month and once by year ending and documented.

The Petty Cash Reimbursement Statement should be submitted to the Finance Officer for review prior to approval of the replenishment of petty cash funds. Petty Cash will be replenished for the exact amount of expenditure incurred when more than 75% of the petty cash has been spent. A cheque will be issued in the name of the Finance Officer for replenishment submitted. The amount replenished should not exceed the amount reported in the petty cash statement.

4.11 Bank Statements

Arrangement should be made to get online internet access to bank statements for checking transactions online.

Where internet banking facilities are not available, arrangements must be in place with the Bank to receive monthly statements of accounts (if possible, in duplicate through the organizational email of the organization), showing:

- a. Opening balance at the beginning of the month
- b. Daily transactions including the cheque number for each payment
- c. Closing balance at the end of the month

4.12 Financial reporting follow-up

What is it?

is one of the most important tools, which enables National Coordination and Headquarters to have a quick overview of the situation for projects financial follow-up: the current situation for a given project, the deadlines to respect, the cash situation (present and forecasted).

4.12a. PROJECT:

- Analytical and donor codes, donor name, contract reference

- Starting and ending dates, status of the project (Y for completed, N for on-going)
- Initial budget (direct and indirect costs should appear separated) and contract currency

4.12b. FINAL REPORT:

- Expenses reported in final report, when already submitted: be aware that it includes only direct costs
- Difference Quickbooks-report: will be calculated automatically, should be 0 once the final report has been submitted

4.12c INSTALMENTS RECEIVED:

- Received before current year: these figures can't change as they correspond to the past annual accounts
- Received in current year: on the field (according to QuickBooks), and according to instalments table
- To be received: In the cash tracking column, an automatic formula gives the balance between expenses and instalments. Forecasted future instalments should be detailed (amount and date) according to contractual schedule and reports submitted. This part is very important so as to ensure a good follow-up of invoices to be sent to donors.

4.12d Invoice Tracker

What's the aim?

The Invoice Tracker enables us to track invoices to be sent to donors and to not forget any payment. These invoices are the one sent by the field Finance teams to donors with local representation (UNHCR, OCHA, other UN agencies, Embassies...). Such a follow-up is only applicable when instalments from donors are received directly on the field.

Description of the Invoice Tracker:

Each time we submit a report to a donor which includes a request for payment:

- We should send with a report a formal Request for payment (either with a donor's format or with an internal UNICPF format).

- This invoice will include all necessary information (Date, donor's name, amount, bank account) and should be signed by the sender (FM/Admin or Coordinator)

- This invoice will have also an Invoice Reference, as follows:

- o INV for invoice

- o The project Code + Donor Code

- o The kind of request: ADV for advance, INT for interim payment, FIN for final payment

- o Finally the number of the request (for a specific project): 1 if this is the first request for payment we make, 2, if second...

- o For instance a first request for advance for a newly signed project coded 21MK HB would be INV/21MKHB/ADV/1, a final payment (3rd request) for a project coded 03HN EO would be INV/03HNEO/FIN/3...

- This invoice would then be entered in the Invoice Tracker

Updating the Invoice Tracker

Each time an installment is received, based on the initial invoice submitted:

- We should enter in the Invoice tracker all necessary information:

- o Actual date of receipt of funds

- o Actual amount received

- Then the last columns will be automatically calculated:

- o The difference between the submission date and the date of receipt, so that we can see the delays of treatment from the donors

- o The difference in amounts: if the difference is different from 0, this could mean that some expenses were not reimbursed for instance... Any variance should be then investigated.

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4.13 Budget Follow-Up


UNICPF is a project-oriented organization, and the necessity of achieving all objectives makes it compulsory to closely follow-up our budgets. That is why the budget follow-ups should be the top priority of any Finance Department.

There are basically four types of tendencies regarding budget follow-up:

Type 1: Overspending

This is obviously impossible! As everyone can notice, it is normally impossible to spend more than what was received! If you receive 100 USD for salary, you cannot spend more. This is the same for GHIV, and this explains why overspending are forbidden.

Budget < Expenses




NO

Type 2: Underspending

Underspending on a project is not more acceptable, since it will tend to give false ideas to the donors: there is no more needs in the field, and/or our initial budget was overestimated, and/or GHIV was not able to increase its initial objectives

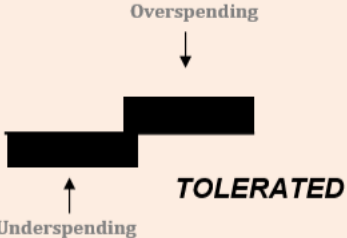
Budget > Expenses



NO

Type 3: Over + Underspending

A situation when a project is overspent on some lines and underspent on other lines could be tolerated by certain donors, if it remains within given limits, and if the global amount remains within the framework of the budget. Please refer to the donors' procedures to see what the authorized flexibility is. In case the flexibility is not respected, an amendment to the budget should be submitted and accepted by the donor.




TOLERATED

Type 4: Budget = Expenses

This is of course the ideal situation, towards which

Budget = Expenses



YES

Note on headquarter costs

Headquarter costs lines on most projects is a line dedicated to UNICPF. These are the costs that every donor accepts to dedicate to UNICPF. In most cases, it is a quote-part of non-headquarter costs (for instance: 5% of all the other costs).

These costs are not entered into QUICKBOOKS until the end of the project. As a consequence, they do not appear in the financial balance on your budget follow-up. You have to take it into account in your effective balance in your budget follow-up by filling the headquarter costs line in your budget follow-up and taking it into account in your budget narrative. (Only in cases where the HO is up and running and in different Country)

Example: in case of 5% headquarter costs:

	Budget	Spent	Remaining
Program lines	50,000	50,000	0
Administrative lines	50,000	30,000	20,000
Headquarter costs	$5\% \times 100,000 = 5,000$	$5\% \times 80,000 = 4,000$	1,000
Total	105,000	84,000	21,000

4.13a How to build it?

The BFU is composed of three main parts:

- Initial budget**
- Current situation**
- Forecasts**

Here is a template of Budget Follow-up:

INITIAL BUDGET			CURRENT SITUATION						
DESCRIPTION	FUNDING LINE	BUDGET (a)	SAGA (b)	CONTRACTS (c)	DEBTS (d)	TOTAL (e)=a-b-c-d	% (f)=e/a	Remaining (g)=a-e	% (h)=g/a
PROGRAM LINES									
SHELTER	OPSHE	150 000	41 000	60 000	25 000	126 000	84 %	24 000	16%
WATER TRUCKING	OPTRU	24 000	15 000		6 000	21 000	88 %	3 000	13%
CASH FOR WORK	OPCFW	72 000	57 000			57 000	79 %	15 000	21%
INTERNATIONAL STAFF PROGRAM	OPEXPP	18 000	11 500			11 500	64 %	6 500	36%
NATIONAL STAFF PROGRAM	OPLOCP	24 000	14 000			14 000	58 %	10 000	42%
SUB-TOTAL		288 000	138 500	60 000	31 000	229 500	80 %	58 500	20%
SUPPORT LINES									
INTERNATIONAL STAFF SUPPORT	OPEXPP	16 000	8 000			8 000	50 %	8 000	50%
NATIONAL STAFF SUPPORT	OPEXPP	30 000	23 000			23 000	77 %	7 000	23%
RADIO EQUIPMENT	OPRAD	1 250	950			950	76 %	300	24%
TRAVEL EXPENSES	OPTRV	7 500			2 500	2 500	33 %	5 000	67%
OFFICE SUPPLY	OPOFF	1 000	229		1 000	1 229	123 %	-229	-23%
VEHICLES	OP4X4	20 125	20 125			20 125	100 %	0	0%
SUB-TOTAL		75 875	52 304	0	3 500	55 804	74 %	24 000	26%
HEADQUARTER COSTS (5%)	OPHQC	18 194	9 540	3 000	1 725	14 265	78 %	3 929	22%
GRAND TOTAL		382 069	200 344	63 000	36 225	299 569	78 %	82 500	22%

1. Initial budget:

The budget part is updated once, at the beginning of the project, and then does not change anymore (except in case of budget amendments). The way the budget is organized in the BFU depends on the initial budget setup as per the donor guidelines. Indeed, keeping the initial budget structure is crucial as it is the only way to keep original chapters, and calculate the flexibility authorized (see chapter 5.2.1 for more information).

2. Current situation

- **QUICKBOOKS:** The first column (“QuickBooks”) is quite simple. It summarizes paid expenditures. All you need is to export data’s from QuickBooks global budget follow up _ the Finance Officer has the duty to double-check this column as it is a basic export from QuickBooks and make sure that each line is properly updated. BFU lines thus have to match exactly with FS lines, as it is updated with a QUICKBOOKS extraction per budget lines.

- **CONTRACTS:** The second column is quite simple as well, as long as the Contract Follow Up is updated each time a contract is signed, (not necessary as this is also covered in the BFU forecast as committed cost)

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- DEBTS: The third column is also simple as well, as long as the Debts Follow Up is properly updated and summarizes exhaustively all debts _ i.e. unpaid bills, taxes, salaries (This is also covered in the BFU as during the BFU review all pending payment are tracked in the process)

3. Forecasts

The columns on the right (“Planned”) are a bit more complex, as they are a compilation of all other financial annexes. Indeed, as far as:

□ Administrative costs are concerned, the role of the CFM is to determine how many staff, how many cars, how many Thurayyas, how many trucks, how many buildings... will be allocated on this project and to put their costs until the end of the project. At the beginning of a project, this will be an estimation. Then, coming closer to the end of the project, the planned columns will be more and more accurate.

□ Program costs are concerned, a discussion with the program manager and/or the area coordinator should allow the finance officer to determine the cost of material, cash for work, beneficiaries... necessary to finish the project. The full co-operation of the program managers and/or Area Coordinators is here essential to be able to correctly plan expenses.

There should be as many planned columns as months remaining to finish the project! If you prepare a BFU at the end of August for a project ending on December 31st, there should 4 columns of forecasts (Sep, Oct, Nov and Dec).

A final column can be added to crosscheck the flexibility (see chapter 5.2.1 for details about flexibility depending on donors).

4.14 How to build a budget?

From a finance point of view, a project always starts with designing a proposal, which usually includes a budget.

There are various ways of designing a proposal for a project;

- UNICPF may identify needs, either in already known areas or in new areas of intervention, and then try to find donors to fulfil these needs
- UNICPF may have a bilateral relationship with a donor and, based on this relationship, tries to identify a valuable project

- UNICPF may reply to RfP (Request for Proposals) or RfA (Request for Application) from large institutional donors, in a precise field of intervention or in a predefined area

The budgeting process is complex, but most of all it should be reminded that it is a collective process.

The finance department (the FM) will indeed play the role of a collector of information coming from various sources, and should never design the budget alone.

The budget needs to take into account all the needed costs to enable UNICPF to successfully achieve the goals set in the proposal. In this regards, 2 major categories of costs are to be taken into account: program costs and support costs:

4.14a. Program costs:

They generally include all costs directly linked to the project such as: materials and supplies, various inputs (agriculture products for instance), program staff (engineers, monitors).

The FM will need for this part the input of the project managers, assessment teams, technical staff on the field (engineers, agronomists...).

The FM will systematically request a BoQ (Bill of Quantities), which estimates the physical inputs needed in a construction project (school, road, shelter...). The logistics department will be involved by requesting quotations to suppliers for a fine tuned estimation of costs of the needed inputs, as well as for designing a procurement plan.

Of course, even if the FM has no specific technical knowledge of the project to be budgeted, his “exterior” eye will be needed to question program costs.

4.14b. Support costs:

They generally include all costs not directly linked to the project such as: support staff (finance, admin, logistics), vehicles & premises rentals, running costs (office, communication)

This part of the budget can be done by the FM himself. The general idea is to be sure that a project is viable and reasonably doable.

It is necessary that the budgeting of support costs are put into relation with already secured fundings: no need to budget twice the same category of costs, but on the opposite, we need to be sure that all needed running costs are covered by projects.

- The allocation tables (national staff, vehicles and premises) enable the FM to know what costs are already budgeted and upto when.
- The running costs table (Annex 6.03) brings for a given area the trend for monthly communication costs, office costs.

Example

The allocation table is as follows:

Name	Position	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Pauline	CFM	09LP	09LP	09LP	09LP	TF	TF	NF	NF

The date today is November 15th. You are currently designing a proposal for a 6-months Watsan project, which is due to start on January 1st. How many months would you allocate yourself under this new proposal?

Answer: depending on funding available, you can allocate a maximum of 2 months of FM costs in order to cover May and June, the first reason being that the project is designed to end in June, any allocation beyond this period will be considered as ineligible. The other reason is that, in any case, it would most of the time be difficult to justify the allocation of a support staff costs during more than 2 months for a 6-months project.

4.14c. Standard ratios:

Even if there is no formal rule for this, donors usually pay a careful attention to the percentage of support and program costs in the total budget. This indicator is a quick revelator of the cost efficiency of the proposed budget.

The ratios may vary from one donor to another, and from a type of intervention to another, but here are some basic and usual scales:

- Support costs > 50% of the total budget: no way
- 40% < Supports costs < 50%: not cost efficient. The proposal is likely to be rejected, or you are facing a very specific context including an emergency operation, combined with a remote area and/or the opening of a mission.

- 30% < Supports costs < 40%: cost efficient. Most UNICPF proposals are included in this range. It corresponds to standard UNICPF operations in post emergency activities, where some costs are shared with other projects. Usual UNICPF ratio is 30/35%.
- 20% < Supports costs < 30%: very cost efficient. If you need to go into this range, it means you are probably dealing with some development project, the competition amongst NGOs is important and fundings available are scarce.
- Support costs < 20%: unless specific cases (very small operations, huge other sources of fundings already secured) your project is bound to generate some loss for UNICPF. If the donor refuses to increase the level of support costs, we might consider the possibility of giving up this project. The FM should alert HO that viability of the project might be a problem.

Checklist: what you should not forget while building a budget?

1. Did I use the proper format for this donor?
2. How many locations does my project include? Did I budget offices, staff, running costs for all locations?
3. How long is the project? Do I have enough support costs for the whole duration of the project?
4. Did I get the BoQ from the technical team? Did I get the Procurement Plan from Logs dept?
5. Are all units' costs for purchase of assets or supplies checked with the logistics department?
6. Are there any recurrent unfunded cost in my mission that I might cover with this budget?
7. Did I include enough staff for implementing my objectives? (check allocation tables)
8. Did I include enough vehicles for transporting all the staff budgeted? (check allocation tables)
9. Did I include some budget for regional coordination office (Dikwa, Monguno, Gwoza etc)?
10. Did I include all the running costs I need (GH/Office rentals, communication costs, equipment's)? (check running costs table)

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11. All the small things you never think about: did I include a security line? Warehousing facilities? Audit/evaluation costs? Accommodation, transport costs? Financial fees? Visibility?
12. Did I include Indirect/HO cost?
13. Did I crosscheck the budget with the narrative and Logframe?
14. ...

4.15 Validation

Once the FM has managed to collect all the data and put them together in a budget, he/she needs to get the greenlight from Head of Finance before the proposal is submitted to the donor.

The budget needs to be sent to the Head of finance in charge of the area, cc Finance Director for review, within a reasonable timeframe (24 hours before the submission at the latest).

The Finance Director will carry out an extensive review of the budget, including some formal aspects (formulas consistency, donors format respect...) as well as project aspects (see checklist above).

If needed, clarifications will be provided by the field teams and/or modifications will be brought to budget.

A final check will be carried out at Head Office level between Finance and Reporting departments to ensure proper consistency between narrative and budget. Then, the proposal budget is formally approved, and is ready for submission.

4.16 Submission of the proposal.

Depending on the donor, the proposal will then be submitted to the donor either by the Head of Head

Usually, the submission is done either by reporting department or directly by the coordination, the Finance Department is usually not involved in this process.

This depends on the way the donors are organized (centralized? decentralized)

4.17 Signature of the contract

As soon as the signed contract is received by both parties, a project code is asked to Reporting Department in Head Office. The creation of project codes is centralized in Head Office to avoid the creation of twice the same code at UNICPF database.

A project code may be either characters and numbers or Alphabetically is structured as follows:

Country Code - Project Code – Donor Code

In accountancy language, it can also be described this way:

Analytical code (Country code+ Project Code) – Financing Contract.

For example, the project code 21BIP-HN means:

- 21: Country code: the project is implemented in DRC
- BIP: Incremental code: the previous project signed was BIO the next one will be BIQ, independently from the country the project takes place in.
- HN: Donor code

NB: In case the project includes an in-kind component, the same project code as the cash component will be reused, but a different donor code will be used.

In case the project is 100% in-kind, the project and donor codes will be attributed the same way as for a cash project.

4.18 Beginning of the project

As soon as the signed contract is received by both parties, a project code is asked to Reporting Department in Head Office. The creation of project codes is centralized in HO to avoid the creation of twice the same code at UNICPF World level.

A project code includes 7 or 8 characters, and is structured as follows:

Country Code - Project Code – Donor Code

In accountancy language, it can also be described this way:

Analytical code (Country code+ Project Code) – Financing Contract.

For example, the project code 21BIP-HN means:

- 21: Country code: the project is implemented in DRC
- BIP: Incremental code: the previous project signed was BIO the next one will be BIQ, independantly from the country the project takes place in.
- HN: Donor code

NB: In case the project includes an in-kind component, the same project code as the cash component will be reused, but a different donor code will be used.

In case the project is 100% in-kind, the project and donor codes will be attributed the same

5.1 Eligibility

Nature of expenses:

Some expenses cannot be considered eligible for an UNICPF project. This is particularly the case for:

- Weapons, guns, arms
- Alcoholic beverages
- Luxury hotels or restaurants
- Personal expenses not duly justified as per the staff contract (housing allowance, moving allowance)

This list is not exhaustive. FMs are guarantors that only eligible expenses are accounted for UNICPF projects.

If any doubt about expenses eligibility, Finance Director at HO should be contacted.

Date of expenses:

A particular attention will be paid to the dates of expenses.

No expense prior to the starting date of a project can be accounted to this project, in any case.

For the end of a project, the general rule is that all expenditures need to be procured before the ending date of a project. It is generally tolerated that the payments of the expenditures can take place after the ending date of the project, during a liquidation period. The duration of this liquidation period is variable from a donor to another, but UNICPF keeps as a general practice a liquidation period of 1 month.

5.2. Flexibility

The budget of the project is usually contractual; it means UNICPF commits itself to respect it. If not, an amendment should be done to modify the initial budget and enable UNICPF to stick to its commitment.

Nevertheless, most UNICPF donors have flexibility rules, which permit variance from the initial budget without requesting prior approval from the donor.

The Budget Follow-up will be instrumental in determining whether a budget amendment is needed, by showing the anticipated variance of expenses on a specific funding line compared to the initial budget.

No expense prior to the starting date of a project can be accounted to this project, in any case.

For the end of a project, the general rule is that all expenditures need to be procured before the ending date of a project. It is generally tolerated that the payments of the expenditures can take place after the ending date of the project, during a liquidation period. The duration of this liquidation period is variable from a donor to another, but UNICPF keeps as a general practice a liquidation period of 1 month.

5.3. Different types of partners

UNICPF implements many projects with two different types of partner:

- National partners: they have their activities and headquarters in one same country;
- International partners: they implement activities in several countries while having their headquarters in one of these countries or in a distinguished one.

5.4. Contracting with the partners

The first and very important step to be done before starting to work with a partner is the signature of a MoU (Memorandum of Agreement) between UNICPF and the partner. In case of several partners for one project, one specific MoU should be signed with each partner.

A specific attention should be dedicated to:

1. Quality of project and financial management: Is the partner able and committed to follow UNICPF's processes or donor's ones?
2. Reporting terms: calendar of reporting deadlines, required elements. They have to match with donor requirements and calendar and should permit UNICPF to meet its one reporting deadlines.
3. Payments terms: local instalments or made from HO, currency, calendar of instalments, etc.

Before signature of a MoU with a partner, the document should always be sent to Finance HO for approval.

5.5. Quality of project and financial management

UNICPF should ensure that procedures to be followed by the partners have been clearly identified and that the partner is capable to apply it.

Project, financial and logistics procedures to be followed by the partner can be whether:

- Donor's procedures
- UNICPF's procedures
- Partner's own procedures, if existing and relevant

In order to ensure these procedures are respected, UNICPF has to set:

- An audit time-frame: regular audits, final audit only, etc.
- A vouchers collection time-frame: regularly during the project, only at the end, or in case of external audit, etc.

5.6 Overhead Charges

In line with the organization's policy to account for indirect costs related to project management and operational support, a mandatory overhead charge will be levied on all projects. This charge will be computed at a minimum rate of 10% of the total project budget, which includes both direct costs and additional expenditures.

The overhead charge is calculated using the formula: $\text{Overhead Charges} = 7\% \times \text{Overall Project Amount}$.

The comprehensive project cost, inclusive of these overhead charges, will be utilized for the purposes of budgeting, generating invoices, and in financial reporting.

On an individual basis, any deviations or restrictions regarding the imposition of overhead charges may be considered, pending approval from the board. To ensure both transparency and accountability, regular financial reports will be provided, detailing a comprehensive breakdown of all project-related expenses.

5.7. Payments to partners

Payments to partners can be made either from HO or from the field:

- First case: From HO

When the amount of the instalments to be transferred to the partner is high (total project cost > 10.000 USD), partners are paid from HO and according to the MoUs signed. Those transfers will appear in payment tracker, the accountancy software in HO, and will not appear in QuickBooks.

The follow up of installments to partners should better not be part of the Monthly Cash Request sent from field to HO, but should rather be done through a specific file: the IP Transfers follow-up. Whenever an installment request from the partner is received, this template should be updated and sent to HO Finance Director (along with the invoice or the request from the partner, no specific format), who will fill in and send the file back once the partner has been paid.

- Second case: From the field

In case of smaller instalments (total project cost < 10.000 USD) or specific contexts (when transfers from HO to partners is not possible), transfers to partners can be done locally, which should as well be detailed in the MoU signed.

5.8. Financial reporting and accountancy

On a regular basis (to be determined in the MoUs) our partners will need to report their expenses to us.

A reporting template is included in the Finance Package. This template permits to upload data directly from Excel to QuickBooks.

It includes:

- Sheet 1: A summary of the expenses per budget line
- Sheet 2 to 4: Expenses lists. There should be one different sheet for each currency
- Sheet 5: Instructions and exchange rates, that permit to automatically convert expenses in MoU

currency and add it to the summary

The expenses in the report and the documentation will be checked by Finance and/or Compliance teams and entered in QuickBooks once they are fully compliant.

- First case: In case of instalments from the HO

Expenses can't be entered in a cash Book code (as this would distort the balance at the end of the month): we thus have to us.

The codes will be provided by HO when requested (exactly as for other codes): specific Books should be created for each project, each partner and each currency in order to ease

- Second case: In case of local instalments

When the partner is paid locally, transfers should be registered as advances in QuickBooks. These advances will be closed one by one as expenses are entered in QuickBooks and matching with the advanced funds.

5.9. What is a financial report?

UNICPF current funding structure relies massively on institutional donors. Financial reports are the main reporting tool from UNICPF to its donors; this is why they are a key strategic step

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in any project management. Donors usually request reports during the course of the project (Interim Reports) and after the end of the project (Final Reports).

Reports are generally made of:

- a narrative report, prepared by Project Managers / Coordination / Reporting
- a financial report, prepared by the Finance Department inlink with the other departments

Financial reports must be transparent, they must match UNICPF accountancy, comply with the donor rules, procedures and formats. Financial reports are usually done by FMs and then checked by HO before submission.

The timing for submitting financial reports to a donor is either given by the project contract/agreement, or by the donors' procedures.

The table below summarizes UNICPF main donors reporting deadlines.

5.10. How to build a financial report?

Basically, a financial report reflects, at a given moment, the level of expenditure on a project.

1. The first step for preparing a financial report is always a QuickBooks extraction. In QuickBooks, go in the "selector" and select the relevant project for the needed dates. For interim reports, pay a specific attention to the dates, as your QuickBooks back up may contain data not to be taken into account for the report you are preparing. Pay also attention to the currency you want to consolidate the data in: it needs to be the contractual budget currency. To do so, choose the proper currency in QuickBooks Selector.

Chose the "export to excel" option and save the document

2. Sort the data through a pivot table, per funding line (In excel select : data/pivot table, and then follow the wizard instructions)
3. Double click on each total for each funding line, to create a specific sheet for each funding line.
4. Check in each specific funding line sheet if the expenses are matching with this funding line nature.

Example:

The LOC line (national staff) does not contain any expenses linked to an international staff. If this is the case, all these expenses should be reallocated to an international staff line, either on this project or another one, depending on the International staff allocation table

5. Cross check that the running costs are allocated in QuickBooks in accordance with the allocation tables. This control is performed on a monthly basis at the closure for each month, this cross check is then the final review.

6. Cross check the level of expenditure for each funding line with the overall original budget (or amended budget if any). Verify that you have properly respected the donor flexibility guidelines

7. Verify that the HO costs are properly computed. As a reminder, HO costs are generally a percentage of the direct costs actually spent.

8. Verify that the NLE (Non Local Expenses) are properly included in the report (laptops, flights tickets, international staff salaries, communication costs)

9. Process data into the donor's format . Each donor has its specific format for financial reporting, there might even be differences between an Interim report format and a Final report format (ECHO for example). Most donors formats are available online link, or directly on donors' websites.

At this stage, the detailed expenses sheets will be kept, even if the donor does not request them.

5.11 Validation by HO

Once the FM has managed to put together the financial report, he/she needs to get the greenlight from HO Finance before the report is submitted to the donor.

The financial report needs to be sent to the Finance Director in charge of the area, cc Finance Director, for review, within a reasonable timeframe (24 hours before the submission at least). The Financial report needs to be sent along with the latest QuickBooks back up used for building it up

The Finance Director in HO will carry out an extensive review of the financial report, including some formal aspects (formulas consistency, donors format respect, including removing the detailed expenses sheets if the donor does not request it...) as well as project finance aspects.

If needed, clarifications will be provided by the field teams and/or modifications will be brought to the financial report.

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A final check will be carried out at HO level between Finance and Reporting departments to ensure proper consistency between Narrative report and Financial report. Then, the financial report is formally approved, and is ready for submission.

5.12. Submission to donor.

The submission is generally done by Reporting / Coordination, or exceptionally Finance (mostly when only a financial report is required by the donor).

The reports are submitted either by Field or HO, depending on donors' requirements and organization. Some donors are centralized, as thus the communication for financial report take place at the HO level (OFDA, ECHO...), some others are decentralized (UNHCR, UNICEF...) and the field teams submit reports directly to their counterparts, still after validation from HO.

For quite a number of donors, financial reports may trigger cash installments (ECHO, EC, OFDA...).

The submission of financial report might then be accompanied by a cash request, either in a specific format.

Finally, once a final financial report is submitted to the donor and all the cash received, the project is considered as closed for UNICPF, even though it does not imply the release of a formal liquidation or closure document.

Afterwards, the project may be audited, upto 5 years after project closure (depending on donors, see audit guidelines for details).

6.1. Budget amendment

In some exceptional cases, a budget amendment has to be requested to the donor:

When it is anticipated that flexibility will not be respected according to BFU's/BVA's provisions and when all other possibilities have been pulled aside, a remaining option is the modification of the initial contractual budget.

To do so, the following steps have to be observed:

1. Prepare a BFU/BVA with provisions that permit to implement correctly the project.
2. The consequent overspendings and underspendings on each line of the BFU/BVA will provide the new amounts to be included in the revised budget. Sometimes, the donor requires a specific budget format for amendment. If not, the initial budget format can be used.

3. A letter of amendment request has to be prepared by Project Development team /Grant including strong justifications

4. All documents have to be sent to Finance and Project Development HO departments for validation prior to submission to the donor

Depending on the type of budget amendment requested, the donor validation will be more or less difficult to obtain:

Modifications within the same budget chapter, type of expenses or location will be easier to obtain. On the contrary, reallocation of program costs to support costs will be much harder to justify.

If the reason for the request comes from external factors (not allowing the implementation or seriously modifying the activities), it will be easier to justify than internal delays and coordination issues.

In case of a NCE (non-cost extension) request, the process will be the same. The additional period requested will be added in the prevision part of the BFU/BVA, in order to estimate the viability of the NCE request in terms of running costs.

7. Cash cycle

7.1 Where is the cash?

This simple question is very recurrent in UNICPF. But everyone has to understand that there is no mystery here.

UNICPF is a project-based organization, meaning that UNICPF is paid the amount that is budgeted for each project. If UNICPF proposes a budget to ECHO for 2 MEUR, UNICPF will receive these 2 MEUR.

However, UNICPF will not receive all at once. UNICPF will receive this cash in different installments. And generally the final installment is given by the donor after reception of the final reports. This means that between the time UNICPF spends the last 20% of one budget and the time the final report is submitted and approved by the donor, UNICPF has advanced the cash to finish the project from its pocket or, to be more precise, the cash comes from other projects.

Cash comes from the reports that are submitted. The later the reports are submitted, the more the other projects will suffer. The question of time management is again the crucial point for the Finance Department. And a final report can only be done if all finance information has been correctly done prior to this report (staff list, contract follow up, vouchers entered, QuickBooks sent...). The quicker the information will be collected and sent to the donor, the quicker the cash will come.

It happens that the resources in terms of cash do not match the amount requested for each area. What is then important is to prioritize the expenses or the projects. Money should be focused on where it is really needed.

Example : Priorization of the cash

Type of Project/Report	Cash Needs	Next Installment
Project 1: Interim Report	Needs = 50	Report will generate 75
Project 2: Final Report	Needs = 75	Report will generate 75
Project 3: Interim Report	Needs = 100	Report will generate 300

The resources are only 200.

Two criteria should be taken into consideration: the timeframe of the project, and how much it will generate.

Given these 2 criteria, it seems obvious to prioritize:

- Project 2 = 75, as this is the end of the project. No expenses will be eligible after this date.
- Project 3 = 100, as if I pay 100, I will receive 300, e.g. 3 times what I pay
- Project 1 = 25, to pay for the running costs. We will not meet the target, and therefore receive no cash with this report. However, the cash received from other reports will allow us to reach the needs the following month.

By giving priority to some expenses, over others, with 200, we can therefore close 1 project and receive totally 375. Other choices, such as giving 40/70/90, to respectively projects 1, 2 and 3, we would close 0 project and receive 0 cash...

Giving priority sometimes to some projects, and speeding for making reports are therefore a key to get the cash needed to continue running other projects in the future.

We should also remind at this stage:

- in case UNICPF do not spend the whole budget allocated by the donor, UNICPF will have to reimburse the unspent part of the budget,

- in case UNICPF spend more than the budget, incurred costs will not be reimbursed by the donor.

7.2 The cash cycle

Cash management at UNICPF is like a cycle. Our collective objective is to speed up this cycle. The quicker we will go from the first point to the last one, and back to the first, the quicker the cash will come!

To sum up and explain the chart below:

- Implementation of the project: expenses are made to implement the project on a daily basis.

- QuickBooks: the expenses are entered on a daily basis in QuickBooks

- Budget follow-up: as the expenses are entered, and the contract follow-up and debt follow-up is updated, the finance officers make a budget follow-up on a weekly basis. This budget follow-up is shared with Coordination, to make sure that the budgets are respected (see the 4 categories of budget follow-ups)

- Budget Planning: based on the budget follow-ups, the finance officers, with the help of their programme manager/Area Coordinators, can plan the projects until the end, and therefore see whether the projects are on the right tracks.

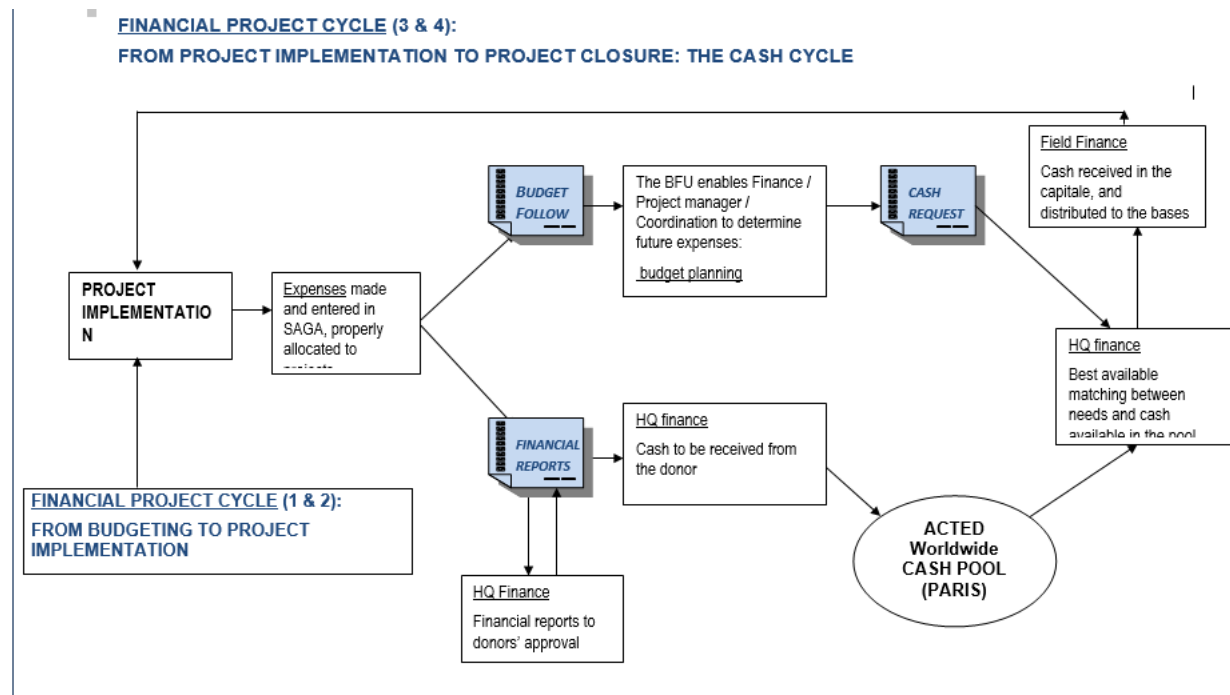
- Based on this budget planning, the finance officers can make their cash requests, and the Country Office Finance Department can prepare financial reports. In case of local instalments, the cash generated by these financial reports is then sent to the areas to implement the projects...

- Cash request: each area ask for cash in order to implement their project;

- Cash: the cash is then sent to implement the projects, taking into account that some projects may be given a priority over others

- Implementation: the cash is spent according to the needs expressed in the cash request

The cycle is complete!



8. Bank File

The Finance Officer is responsible to maintain a documentation file for each bank account. The file should include the originals, or copies, of all agreements and account-related correspondence with the bank, any special instructions given to the bank. The following standard information should be available in the file:

1. Approval to open the account
2. Documents from the bank about establishment of the account
3. Date account was opened
4. Authorized signatory list
5. All correspondence related to changes in signatories
6. For closed accounts, the date closed and a copy of the bank confirmation of closing .

8.1. Funds Transfer to Country Office and Partners

1 Policy

Prior to commencement of a project and at designated intervals throughout a project lifespan, UNICPF will receive tranches of the designated project funds from the donor or partner in line with the agreed budget and cash flow projections.

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Funds are transferred to UNICPF's bank accounts. Where the donor does not have a country office or bank account funds will be transferred to the partner's bank accounts as outlined in the Memorandum of Understanding (MoU) between UNICPF and Partners. Fund transfers are not automatic and not based on monthly budget forecast. They depend on receipt of the following by UNICPF:

- a. Bank Reconciliation Statements
- b. Monthly Expenditure Reports
- c. Cash Flow Forecast and Fund Transfer Request
- d. Fund Accountability Statements

These reports will be with the Donor/Partner on or before the 15th day of following month. The first tranche is an amount enough to meet four months (January to April) cash flow less the funds held at the bank account at the end of the year.

2 Process- State Office

Step-1 UNICPF Monthly Reports

Nigeria Office send in monthly reports as detailed above.

Step-2 UNICPF transfer request

UNICPF submits a telegraphic transfer of fund request (TT) and banking details duly signed by the Finance Manager and Executive Director.

Step 3 Donor/Partner Acknowledgements

Concerned authority confirms receipt of TT request to UNICPF.

Step 4 Donor/Partners Budget and Progress Check

Concerned authority checks that

- a. The amount requested is in keeping with the agreed project budget and cash flow projections

- b. Previously transferred amounts have been satisfactorily acquitted generally at least 75% of the previous tranche.
- c. Program reports have been received against the agreed reporting schedule.
- d. Program is operating satisfactorily as per the milestones set and in accordance with the MoU or other agreements with Donor/Partner.

Step-5 UNICPF main office approval

If budget and progress check are satisfactory, UNICPF approves the transfer on the Chairperson's recommendation.

Step 6 UNICPF main office transfer.

Concerned officer checks the accuracy and completeness of TT request form with monthly financial reports and if satisfactory transfers funds within 15 days of approval of transfer. Funds will be transferred immediately after approval in emergency situations.

Step 7 UNICPF main office notifications to UNICPF sub-offices.

Concerned officer notifies UNICPF Borno and Finance Manager by email following transfer.

Step 8 UNICPF headquarters Recording

Concerned officer completes accounting of transfer in UNICPF main office accounts.

Step 9 UNICPF state level acknowledgements

UNICPF acknowledges transfer immediately on receipt of funds.

Step 10-UNICPF recording

Finance Officer completes accounting of transfer in UNICPF's accounts. All the TT request forms along with confirmation advice from financial institution will be filed in date order in the relevant country program finance files.

3 Process-Partners

The same process applies for partners.

8.2 Assets and Liabilities

Fixed Asset

Fixed assets accounting ensures appropriate documentation of all capitalized assets of UNICPF, and if possible ensures their safeguarding through insurance, authorization and access controls. All fixed assets will be legally and physically in the possession of UNICPF, will have identified custodians at UNICPF, and will be subject to annual stock checks. Strong controls will be kept over fixed assets and their related records to ensure that all fixed assets are recorded in the books of accounts with appropriate carrying costs and all recorded assets existing in the organization are safe guarded and operational.

9.0 Acquisition and Ownership

All fixed assets will be purchased as per the policies and procedures outlined in the UNICPF Africa's Procurement Manual. Where assets are donated as per donor programme agreements, the asset will be tagged with the identification number and donor logo (or name) as well as UNICPF's logo and entered the Fixed Assets Register. In this case, they will remain the property of the donors unless otherwise specified in the agreed terms and conditions or authorized by the donor following programme completion. Else, upon programme completion, they will be transferred to the donor or disposed as specified in the agreed terms and conditions. Assets not taken by the donor within One year of programme completion will be treated as assets of UNICPF.

9.1. Recognition

An asset will be recognized in the BS/FAS statement when:

- a. It is probable that the future economic benefits from the assets will flow to the Office
- b. The asset has a cost or value that can be measured reliably.

UNICPF must account for all assets which have a useful life of more than 3 years and have purchase or fair market value of NGN 100,000 or more. Useful life for assets is listed in the section below on depreciation. Assets costing less than 100,000 NGN or with a useful life of less than one year will be expensed rather than capitalized; these assets will not be included in the Fixed Assets Register. This limit is not applicable to assets that are part of the total purchase relating to a specific project.

Asset with an original value of more than NGN 100,000 cannot be written off without the approval of UNICPF main office and the Donor.

UNICPF will maintain a fixed asset register and update it immediately when movements in fixed asset (acquisitions/disposal) take place.

9.2. Classification of assets

Assets are classified according to the table below

Fixed Asset Category	Description
Building	Buildings (Office buildings)
Computer hardware and software	Desktop, laptop, printer, UPS, scanner, multimedia, software, server's cabling etc.
Furniture & Fixtures	Chairs, tables, sofa-sets, board, fan, heater, plastic chairs, air conditioners, carpet, fridges etc.
Land	Land and land developments
Office and communication equipment	Calculator, TV, telescope, camera, EPABX, telephone sets, radio communication sets, mobile phone, etc.
Machineries	Generators, lawn movers, water pumps, engineering equipment, etc.
Vehicles	Car, jeep, try circle, motorcycles, bicycles, minibus, bus, etc.

9.3. Identification numbers

All assets will be given a unique sequential identification number, following the pattern Asset code funding agency/donor name (in acronym) - year of purchase- serial number. For example,

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a laptop purchased in 2018 with UNICPF main office support will be assigned following identification code UNICPFA/HO/012/2018

The identification number should appear on the asset in a convenient form (printed, written in indelible ink, or using stickers) on an easy location area on the asset.

9.4 Managing fixed assets

- a. The Operation and Logistic Associate is responsible for maintaining the FAR.
- b. The list of the fixed assets maintained during the year must be reconciled against additions shown in accounts at the end of the year.
- c. A Property Custody Report (PCR) must be completed and properly authorized when issuing and returning movable fixed assets.
- d. Small movable but valuable items such as camera, laptop, mobile phone, etc. are prone to damage and theft and therefore require special attention. Internal control measures to be exercised for these are:
 - i. Unless specifically authorized, such items will not remain outside the office premises.
 - ii. Such items will be brought to the person in charge of maintaining the FAR for physical verification of its condition at least twice a year.
 - iii. Random audits will be carried out by an independent person designated by Chairperson.
- e. Any requests for repairs or replacement will be raised by the Procurement and Logistics Associate and will be subject to the approval of the Finance Manager.

9.5 Depreciation

Depreciation of fixed assets will be calculated based on the following estimated useful life of various assets:

Fixed Asset Category	Estimated Useful Life
Buildings and Improvements therein	30 years (or term of lease, whichever is shorter)
Computer Hardware and Software	3 years
Construction and Other Equipment	5 years

Land	Must not be depreciated accordance with GAAP
Office and Communication Equipment	5 years
Office Furniture and Fixtures	5 years
Other Fixed Assets	5 years
Vehicles	10 years

For depreciation, the cost of the assets will consist of the following:

- a. Buildings: Total construction cost including the consulting engineer's fee, government charges, retention walls etc.
- b. Equipment: Office/IT/medical equipment is valued at cost plus transportation, custom duties, installations expenses.
- c. Vehicles: valued at purchase cost. Ownership title fees and insurances are written off as administrative expenditure. For commercial hire/lease vehicle (other than operating lease) the value of the vehicle is contrUNICPF amount including duties exclusive of refundable taxes, duties and financial charges.
- d. Additions and Repairs: Those expenses above NGN 30,000.00 are capitalized only if the expenditure will result in extended life and capacity enhancement of the asset.

Depreciation of fixed asset will be started from the month of purchase of such asset using the straight-line method.

9.6 Disposal and write-off

Any assets that have become unusable for any reason shall be disposed in accordance with the applicable. The Finance Manager will be responsible for disposal of assets, subject to approval of the Executive Director. These assets will be sold in the open market through advertisement, to the purchaser with the highest bid. The Finance Manager will also be responsible for submitting a report on disposed assets, to include the following

- Mode of disposal of fixed assets

- Disposal value of fixed assets
- Profit and loss on disposal of fixed assets
- Purchasers receipt memo in case of sale

A periodic verification of the assets should be done and recorded on a physical Verification Report. The verification should be done by a team comprising operations, finance, and program staff. The verification should be done on quarterly basis.

The physical verification should identify assets as:

- a. Lost
- b. Repairable
- c. Unusable

Unusable assets with a depreciated value of up to NGN 100,000.00 may be disposed of with the approval of Executive Director.

Unusable assets with a depreciated value over NGN 100,000.00 may be disposed with the approval of the Board of Trustee.

The Finance Manager will prepare a list of assets disposed of during the year and submit to the Executive Director for his information and necessary advice.

Where an asset is disposed of, the amount received more than the book value should be credited to the income Account. If the amount received is less than the book value, the deficit should be debited to the income and expenditure Account as loss on Disposal of asset account.

The accumulated depreciation and the book value (carrying value) should be reduced accordingly.

9.7 Presentation in the books

- a. The carrying value of fixed assets purchased from UNICPF's budget will be shown at cost less accumulated depreciation.
- b. The cost, accumulated depreciation and carrying value of assets received as donation in-kind or acquired under project budgets, will not be presented on the face of the Balance Sheet (in case it is prepared separately) but included under the Notes to Accounts section as an integral part of the financial statements.
- c. Fixed assets purchased from or donated by the UNICPF's/Donors funds will be included in the Fixed Asset Register.

9.8 Leased Assets

All leased assets will be acquired under a finance lease arrangement with the transfer of ownership at the end of the lease term. Depreciation on leased assets will be charged on the useful life of the asset and not over the lease term.

Assets acquired under lease agreements will be separately classified and coded in the General Ledger and separately maintained in the Fixed Assets Register. At the time of acquisition, it will be recorded as an asset and as a liability for future lease payments.

At the inception of the lease, it will be recorded both as an asset and as a liability at the value of the minimum lease payments; the asset will be debited the corresponding lease liability credited at the inception of the lease. Lease payments shall be apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable. The total finance charge under a finance lease shall be allocated to accounting periods during the lease term to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period. Interest payable is accrued and hence credited with a corresponding debit entry in the interest charge for the year.

At the time of the lease maturity, the asset will be transferred to UNICPF as per the lease agreement, and a transfer letter legalizing this transfer will be issued. The liability will be debited, and the bank credited; the asset will be accordingly re-coded in the Chart of Accounts.

Leased assets shall otherwise follow acquisition, recording, verification and disposal procedures applicable to owned assets.

9.9 Equipment donated to partners

All equipment donated to partner must be recorded using the Fixed Asset Register or the Property Custody Report.

9.10 Insurance

UNICPF will arrange comprehensive insurance based on the availability of funds coverage, from approved insurance agents against loss of fixed assets, to be renewed annually by the Finance Manager. Upon acquisition of assets, the Finance Manager will be responsible for obtaining premium estimates for the asset and ensuring it is insured, subject to approval from

the Executive Director. This will apply to assets purchased as well as in kind assets received from donors.

The insured value of an asset will be taken at its current market replacement value. The value of the sum insured will be reviewed each quarter. On receipt of premium notices, disbursement will be made through cross cheque in the name of the insurance company. A comprehensive record of insured assets will be maintained in the Fixed Assets Register, and the Finance Manager will be responsible for ensuring that all insurance policies are kept on file.

.1 Accounts Receivable

- a. All offices must complete an accounts payables/accounts receivables (APRS) form and submit this with the Monthly Expenditure Report.
- b. The APRS should include the ageing of the receivables and explanations on the delay in collection and steps taken by the office in case of 30+ days outstanding.
- c. Any amount paid for any goods and services, which have not been received or have been partly received at the end of the reporting period but booked as expenses must be written back and booked as prepayment, forming part of the current assets.
- d. Receivables like Customs Duty/VAT refunds must be claimed and collected as and when due.

2. Closing Inventory

The valuation of closing inventory in hand at the end of each reporting period will be at cost, adjusted when applicable for any loss of service potential. The cost will comprise all costs of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost as at the date of acquisition.

3. Liabilities

Recognition of liabilities

A liability is recognized in the BS/FAR when:

- a) It is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation.

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b) The amount at which the settlement will take place can be measured reliably.

Recognizing liability at each reporting period is necessary to show a true and fair view of the financial state of UNICPF at the end of the reporting period.

GAAP requires that assets and liabilities are classified as either long-term or short-term. Short-term (current) liabilities are defined as obligations that are reasonably expected to be liquidated either using current assets or the creation of the current liabilities within one year. Long-term are therefore obligations that are reasonably expected to be liquidated either using current assets or the creation of current liabilities beyond one year.

The Finance Officer is responsible for determining liability.

All liabilities should be tracked and reconciled monthly.

Any amounts owed to other organizations by the UNICPF must be paid promptly. Even though the payments have not been made for any goods and services already received, the expenditure/assets should be looked at the time of the receipt of the goods or services.

4. Accounts payable

- a. UNICPF must provide a separate Account Payable Reports (APR) with the Monthly Expenditure Report.
- b. The APR should include the ageing of the payables and explanations on the delay in payment and steps taken by the State office in case of 30+ days outstanding.
- c. UNICPF should take appropriate action that may include release/write back for long pending payments.
- d. Any payables in terms of 'Tax deducted at source', 'Advance income tax deduction' etc. of third parties must be deposited within the stipulated time, the deposit slip properly filed, and a proof should be provided when asked.

5. Provisions

Provisions are present or future obligations (especially in relation to the employee's entitlements) which satisfy the definition of a liability, even if the amount of the obligations must be estimated.

The provisions for employee liabilities arising out for their annual and long service leave may be calculated by an actuary and accounted for in UNICPF's records at least on an annual basis.

6. Accruals

At the end of each accounting period, the expenses which have already occurred but have not been paid must be provided for. Some examples are – utilities (electricity, heat, and water), communication (telephone, internet, and telex charges), rents, services (consultancy, cleaning etc.). Accruals should cater for large items where expenses should be recognized within the period they occur; example would be construction projects where we do not receive an invoice until a stage is completed. Raise an accruals journal at the end of each month for these items.

7. Tied income unspent funds

Liability created at the time of receipt of tied income will be adjusted for the portion of amount spent (income recognized) and the unspent balance amount. This is disclosed as a liability in the reporting period.

10.0 Staff payroll

Payroll accounting ensures documentation of payroll costs, tax and other deductions, and benefits. All UNICPF's employees must have valid contracts on file. Contracts must outline the terms of employment, termination, compensation and benefits and must be signed by the employee and the Executive Director to be valid. Prior written approval from the Executive Director is required for the hiring of employees not expressly included in project agreement and for all increments, promotions or changes to employment contracts.

10.1 Salary Sheets

Employees must maintain timesheets as a record of hours work and allocation of hours against tasks. All employee timesheets must be signed by the employee and their Supervisor; the Finance Officer will then determine payroll amounts based on timesheets and authorized rates, and will prepare payroll cheque, which will be signed by authorized signatories.

All employees of UNICPF will maintain and submit monthly time distribution sheets. All work will be supported with a time and activity tracking system.

- I. Timesheets will be an actual after-the-fact record of time spent on working on eligible program activities or with eligible clients and will be supported by activity logs.

- II. Timesheets must be signed and dated by the employee and the supervisor prior to payment.
- III. Timesheets will include:
 - a. The grant or program the hours are being charged to;
 - b. Employee name and position or job title;
 - c. Actual number of hours worked on each program or grant and the category (Supportive Services, Operations, Administration);
 - d. Employee and supervisor signatures
- IV. The Chairperson will review payroll records, make necessary changes and submit to the payroll requests to an outside contract agency for processing and payment.

The Finance Officer will be responsible for preparing salary sheets each month, accounting for income tax, provident fund contributions, cash advances and other deductions, and for generating a payroll report indicating the gross to net salary payment to each employee. Each payroll item must be listed separately. The Finance Manager will then issue salary payment advice to the bank.

10.2 Payment Method

Monthly salaries including benefits shall be paid normally latest by 26th of each month for the month, based on Gregorian calendar. Festival allowance can be paid two weeks in advance of the start of the festival.

10.3 Process-Bank Transfer

Monthly salaries and benefits shall be paid through one single payment order or cheque to the bank and deposited into the personal bank accounts of staff. This will apply for the salaries of interns too. However, in case of new staff or salaries held up earlier due to reasons, shall be paid through another cheque or payment order within two weeks of the clearance or next month pay roll, whichever is earlier.

10.4 Salary Advances

UNICPF will provide salary advances to employees as per the HR Manual. A request for a salary advance will be initiated by the employee and submitted to the Finance Manager. The

Finance Officer will be responsible for recording the salary advance and ensuring deduction of the salary advance from the monthly payroll, subject to the approval of the Executive Director. The Finance Manager will be responsible for generating an Advance Status Report for each type of advance specifying the nature, date and amount of advance against employees and submitting this to the Executive Director for approval.

11.0 Management of Office Supplies

UNICPF will ensure it has adequate office supplies on hand, including reams of paper, pens, pencils, notebooks and other items. The Admin Officer/Operation Manager is responsible for ensuring these supplies are replenished, and for maintaining an Office Suppliers Register. Purchase of office supplies must follow the policies and procedures outlined in UNICPF Procurement Manual.

Employees must endeavour to minimize waste and to maximize efficiency. To the extent that is possible, recycle and reuse of stationery will be encouraged.

12.0 Budgeting, Planning and Control

UNICPF will commence the budgeting process in the last quarter of the year for the following fiscal year. This will allow for three quarters of results to be used in planning the budget. Planning is an important function in the preparation of an accurate and reliable budget. The planning phases of the budget process among others include –

- Setting out guidelines and preliminary assumptions for the budgetary exercise;
- Review of budget package to incorporate any information, which is required for various reporting purposes;
- Incorporation of any changes in the budget package in line with changes in statutory requirements to facilitate monitoring.

The budgets will provide a financial overview for the organization and, on a line by line analysis per funder, give an indication of which funder is funding which costs. The Executive Director will be responsible for oversight of the budget process and approval, along with the Board of Trustees. The Executive Director and the Finance Manager will be responsible for preparing the proposed budget, and will prepare components as follows:

- The Executive Director will prepare program revenues and expenses, fundraising revenues and expenses, donations revenue, operations expenses, and capital budget
- The Finance Manager will prepare accounting expenses, investment income, and projected balance sheet.
- The Executive Director will prepare Board of Trustees and national office expenses.

All budget documents will be submitted to the Finance Manager by 30 November for consolidation into an overall budget. The Executive Director and Finance manager will then review this to determine if there are any obvious areas which may need to be reworked by 5 December. The collated budget will be submitted to UNICPF headquarters Abuja by 10 December for review and feedback. Any further revisions will be made, and the budget presented to the Board of Trustees for approval by 20 December.

After completion and approval of the budget by the Board of Trustees, the budget will not be modified for subsequent activities. The approved budget is required to be followed for each mentioned activity.

12.1 Cost Allocation

A cost allocation plan will be adopted each year which satisfies the requirements of all grants for that year. This cost allocation plan will need to be modified any time a new program is started or at the end or beginning of any fiscal year grants. Due to the frequent modifications to the cost allocation plan, it will be maintained outside of this manual.

12.2 Budgetary Control

A midyear review of the budget shall be made by the Budget Review Committee comprising the Executive Director, Finance Manager and relevant Program Managers in the light of actual results. While carrying out scrutiny, reasons for unusual or unforeseen fluctuations will be noted and recommendations for upward or downward revision shall be put forward for consideration by the Board of Trustees. The major components of such comparison reports are

-

- Budgeted targets
- Actual results
- Areas of improvement

This variance report shall be submitted to the Board of Trustees with variance analysis.

13.0 Management of Partner Agreements

UNICPF will sign Memorandums of Understanding with all implementing partner organizations, which will be legal contractual documents between UNICPF and the implementing partner organizations. These will outline the activities and scope of work, the budget necessary to carry out the work, the reporting requirements and donor rules and regulations.

UNICPF will assist implementing partner organizations to understanding all donor financial regulations and will advise and ensure that internal controls are maintained, understood and appreciated by implementing partner organizations. The organization shall provide necessary support, as it is able to provide within the available resources to ensure compliance.

14.0 Financial records

Records include all source documents (budgets, invoices, vouchers, bank statements, credit advice, journals, cheques, receipts and any other documents which serve as evidence of financial transactions). The Finance Manager will be responsible for keeping and maintaining complete finance and accounting records, including files, vouchers, reports and supporting documents. UNICPF will maintain records as follows –

- Journal Vouchers/Payment Vouchers/Receipt Vouchers to record all transactions
- Account Ledger to show activities and closing balance in each account

15.0 Financial reporting

Financial reports are summaries of the information found in financial records for a given time or as of a certain date. Financial reports also provide information on the financial status of a project including project income and expenditure, cash flows and trial balance. Financial reports may also include enough background information to support the data included in reports.

Financial reporting enables UNICPF to monitor performance against set targets, to ensure compliance with donor and legal agreements, and to ensure effective governance. UNICPF

will conduct both internal and external reporting. All reports will be prepared in accordance with generally accepted accounting principles and as per the accrual basis of accounting.

15.1 Internal reporting

The Finance Manager will be responsible for the preparation and submission of the following reports –

- Consolidated financial report of all project activities
- Statement of Income and Expenditure categorized into programme costs and administrative costs
- Statement of Financial Position
- General Ledger

The Finance Manager will submit these reports to the Executive Director for approval each month. The Executive Director will be responsible for submission of quarterly financial statements and reports to donors.

15.2 Monthly Financial Reports

Monthly financial reports will cover transactions on a period basis starting on the first day and ending on the last day of each reporting period. The monthly financial reports will include –

- QuickBooks
- Budget summary
- Expenditure summary
- Variance Analysis Report

To meet reporting deadlines, gathering of information to use in making month end entries will be cut off by the 30th or 31st of each month.

The Finance Manager will maintain a file for each month which includes work papers which document the balance of each balance sheet account. All balance sheet accounts will be reconciled monthly to help ensure that accurate reports are provided to the Executive Director.

Financial reports for each month are to be prepared and submitted to the Executive Director within three weeks following the month end. Any payables or other information not available

within two weeks following the month end will be classified in the next period. If final information on a significant additional transaction is not available, estimates will be used/forecast.

15.3 Yearly Financial Reports

Financial reports for the year end are to be prepared and submitted to the Executive Director within three weeks following the year end. Any payables or other information not available within two weeks following the year end will be classified in the next period. The general ledger will continue to be held open for additional material transactions through the conclusion of the financial audit fieldwork.

The Executive Director will approve the financial reports before they are sent to the Board Chairman. The Finance Manager will be responsible for moving all records from the year closing to storage.

15.4 External Reporting

The Finance Manager/Officer will be responsible for the preparation and submission of the following reports –

- Donor reports based on formats provided by the donor
- Project reports to be issued as specified in the agreed terms and conditions
- Annual reports to be issued to government authorities and relevant stakeholders
- Statement of Income and Expenditure categorized into programme costs and administrative costs
- Statement of Financial Position
- Variance Analysis Report

The Finance Manager will ensure they are aware of all donor reporting requirements including deadlines and will ensure that all such reports are submitted to the Country Director at least 5 days before the reporting deadline and are ready to be submitted to the donor. The Executive Director will be responsible for submission of reports to donors and authorities.

16.0 Compliance

To continue receiving government grants and restricted donations, UNICPF will maintain systems to ensure compliance with the restrictions imposed by those grants and restricted donations.

The Finance Manager/Officer will be the designated compliance officer and will be responsible for overseeing the compliance with all applicable grant restrictions. The Executive Director will be responsible for communicating the nature of all donor restrictions to the Finance Manager, and this information will be used to ensure that the General Ledger account will reflect the restricted donations and the spending of those restricted amounts as appropriate.

A Compliance Committee will be chaired by the Executive Director and consist of the Finance Manager/Officer, and relevant Program Managers and Officers, and will meet monthly. The Finance Manager will be responsible for discussing new compliance requirements in the grants which fund the programs with the committee and for preparing a report documenting how UNICPF is ensuring compliance with grant rules in each grant program. The Finance Manager will also produce a similar report for overall compliance procedures of the agency. These reports, plus any correspondence with granting agencies regarding compliance issues, will be kept in a central compliance file.

The Compliance Committee will also oversee the maintenance of grant files. The grant files will contain the final signed copy of the grant, any addenda, and correspondence.

17.0 Financial Audit

17.1 UNICPF Audits

Audits are integral to ensure that UNICPF has financial system that are effective and recognized as best practice by external assessors.

Audits provide accountability checks on aspects related but not limited to organization's internal control and financial data integrity.

UNICPF will conduct three forms of financial audit:

- a) Internal Audits
- b) External Audits

c) Funding agency/donor Audits

17.2 Internal Audit

17.2.1 Scope

The internal audit covers:

- a) The efficiency and effectiveness of financial management functions.
- b) Compliance with applicable rules and regulations in the country governing the financial management.
- c) Compliance with UNICPF's policies, standards and procedures in terms of financial operations
- d) Evaluation of the internal control systems to assess their appropriateness, adequacy and effectiveness for proper utilization of the resources.
- e) Investigative functions.

The audit will analyse the current situation, cause and effect, and provide recommendations for improvement in the current policies, systems and procedures. In addition, the team will bring up any critical deficiencies in the control systems, non-compliance with law or instances of irregularities and fraud which may warrant immediate attention.

17.2.2 Frequency of internal audit

UNICPF will carry out a comprehensive internal audit every year. However, UNICPF may commission internal audits more frequently where the annual budgets are more than NGN 20,000,000.00

17.2.3 INTERNAL AUDIT RESPONSIBILITY

The Finance Officer will use the Financial Spot Checklist to assess that basic financial management systems are in place.

Comprehensive internal audits will be conducted by a team within UNICPF that may consist of:

- a) Staff of finance division
- b) A team drawn from different divisions with appropriate skills to perform the tasks outlined in the specific scope of audit in each case or

- c) Where the skills to undertake the internal audit are not available in house or where the Office cannot resource an internal team, the audit will be done by an independent public accounting firm selected by the Office.

The Executive Director will determine the scope of the internal audit in consultation with the Finance Manager and will nominate a team.

Procedures

Step 1 Pre-audit Questionnaire

Before the internal audit starts, the internal audit team may wish to send a questionnaire requesting details to provide a snapshot of current processes and systems, and to ascertain the awareness of UNICPF Officers about their stakeholders (funding sources, in particular) reporting requirements, and good control and processes on the management and usage of these funds.

17.2.4 Visit to the Office

The internal audit team will visit the Office to conduct the audit. Areas that need to be assessed include but are not limited to:

- a. Overall understanding of the financial systems and control environment.
- b. Accounting systems in place to record receipts and expenses.
- c. Ensure there is understanding of, and compliance with schedule of delegation and limitation of authority
- d. Ensure adequate systems for management of office and program assets.
- e. Ensure that contracts requirements are met for all tied income (including reporting/acquittal/asset management/financial monitoring)
- f. Ensure adequate financial approval is in place for spending outside of the annual Board approved budget.
- g. Ensure adequate management of donations received in.
- h. Ensure adequate management of UNICPF's Bank accounts
- i. Where the UNICPF's funds are directed through partners, ensures systems are in place to manage and use these funds appropriately (including partners bank accounts)

Benue Office: Opp. the check point before Terwase Agbadu, Judges Qtrs, Gboko Road, Makurdi, Benue State

Borno Office: 5, Mama street, Off Damboa road, Maiduguri, Borno State.

Telephone: +2348062941842; +2348138341782 Website: www.unicpf.org Email: info@unicpf.org; unicpf23@gmail.com

- j. Ensure effective service delivery by outsourced country-based accounting services where relevant, using the accounting procedures and completing the reports as described in this Manual
- k. Ensure adequate insurance coverage for office and program needs.
- l. Ensure financial systems/processes address and minimize the risk of fraud and internal control mechanism is in proper place.
- m. Ensure adequate systems are in place for employee salary payments and tax/benefit contributions that, amongst other matters, comply with the relevant national laws.
- n. Identify and make recommendations to address finance-related HR and training needs within the Office.

17.3 External Audit

17.3.1 Scope of External Audit

UNICPF must have an external audit each year and at the end of every project. The scope of external audit will be:

- a. Compliance with local laws, rules and regulations governing the financial management.
- b. Compliance with policies and standards prescribed by UNICPF.
- c. Evaluation of Internal Control System
- d. Opinion and view on true and fair of the financial statement at the end of the period/project.

17.3.2 Procedures

External audit procedures are performed in accordance with generally accepted International Accounting Standards and the financial statements should be prepared in conformity with GAAP.

The independent external audit must cover the total annual budget of the Office and not be limited to funds provided by UNICPF, unless this is determined to be impractical.

The audit period for the office is January to December.

Audits can take several weeks or even months to prepare and execute. The timeframe will differ depending on local circumstances and the availability of the auditing firm. UNICPF should

begin planning an external audit in December each year. The budget allocations for audit activities, including an external audit, should be included in December of the annual budget.

17.3.3 External audit engagement policy

The UNICPF commissions external audits annually.

Three quotations for conducting the audit should be sought, subject to availability of audit firms and subject to the Procurement Manual

UNICPF may enter into multiple year arrangements with an auditor limited to three years. This limitation is important because a new auditor will provide a fresh approach in executing their duties, and therefore will continue to preserve the assurance of independence and integrity in the audit function.

17.3.4 External Audit Report

The external auditor will prepare an audit report that includes an audit opinion on the financial statements which should address the financial statements for the period being reported and that they are prepared in accordance with applicable financial reporting framework (NFRS/NAS/IAS and GAAP)

If the auditor concludes that the financial statements are not prepared in conformity with these policies and standards, the limitation(s) should be described in the report.

The external auditor appointed must prepare a separate Management Report detailing:

- a) Compliances with local laws, rules and regulations affecting the financial management, including but not limited to income tax laws, Withholding tax laws, mandatory contributions to provident funds/superannuation, pension etc.
- b) Weakness in internal financial controls and recommendations to correct such weakness. This includes departures from UNICPF prescribed financial and accounting policies and procedures and other conditions considered by the auditor to represent significant risk.
- c) Opportunities and suggestions to improve operating efficiencies in financial management.

The audit reports should be submitted to UNICPF HO not later than 30th March of the following year.

17.4 Funding Agency/Donor Audit

Besides the above audit, agencies/donors that provide funds to UNICPF may commission an audit with a specific scope of work at their discretion.

Funding agreement terms with agencies/donors may also require UNICPF to provide access to its books of accounts, records and documentations at any time to the agency's/donor's authorized staff or auditor.

UNICPF financial systems should be sound enough to undergo such audits at short notice.

18.0 RISK MANAGEMENT

18.1 Policy

The UNICPF defines risks as “the possibility of something happening that impacts on our objectives. It is the chance to either make a gain or loss. It is measured in terms of likelihood and consequence.”

UNICPF must implement the Risk Management Policy. All the provisions contained in this Manual are strategies and measure to manage risks. Areas not mentioned elsewhere in this Manual are dealt with here.

18.2 Risk Register

The Executive Director, the finance team and other staff should identify the risks related to financial management areas and assist in maintaining an updated Risk Register. The following five steps need to be followed in identifying, mitigating and managing the risk. Please refer to the Guide to Risk Management (For use by UNICPF) for details of these steps.

- a) Establish goals and context.
- b) Identify risks that impact on outcomes and outputs together with the source.
 - i. Rate the likelihood and impact of the risks identified.
 - ii. Identify ways to treat/control the risks.
 - iii. Monitor and report on the effectiveness of risk treatments and controls.

Audits as outlined in section 13 can identify areas of the financial operations that post risk and should be addressed.

Asset insurance is also a means of risk insurance and UNICPF will ensure that they have adequate cover.

18.3 Retention, Protection and Backup of Documents and Data

18.3.1 Electronic and Hard Copy Data

Access to information systems, and to specific data and functions within the systems, will be granted only to employees with a legitimate need for the access to perform their assigned functions. In general, an employee will have the lowest level of access that allows him or her to perform all his or her duties.

All UNICPF's data and information is maintained in a file system, and folders are segregated with access to sensitive data and information protected by authentication and authorization controls including selective sharing of folders with employees and password protection of files. The Finance Manager will be responsible for maintaining a record of all authorized users and the level of access each user has. Passwords will be changed each quarter. The Finance Manager will be responsible for ensuring weekly backups of organizational data and information in the cloud/hard disc and applying appropriate controls over the following-

- Access to data files
- Access to program files
- Access to finance and accounting systems
- Access to documents and records

All hard copy (paper) documentation of financial operations will be maintained in an organized format, so that it is easy to identify and to retrieve in the future. The filing system should have an index for easy retrieval of the files.

Sensitive records should be stored in a secure and restricted location.

18.3.2 Retention times

All financial and other documents must be preserved for a minimum of 5 years, or more if required by local finance or tax law or funding agency/donor regulations.

In the case of contracts, agreements, legal documents, audit reports, funding agency/donor reports and any other important information (such as memos relating to financial policies etc.), should be kept for longer term, in a systematic manner.

When an office or program closes, all documentation on finance operations must be moved and stored in a convenient place in the same format.

18.3.4 Key Staff Turnover/Transition

When the Key Staff resign or complete their contract, the handover notes checklists must be completed, and a copy must be forwarded to the Executive Director. A copy should also be given to Finance Manager and the replacement member of staff, if known and available.