CENTRE FOR FOOD TECHNOLOGY AND RESEARCH (CEFTER)

AFRICA CENTRE OF EXCELLENCE (ACE)

BENUE STATE UNIVERSITY, MAKURDI – NIGERIA

FINANCIAL MANAGEMENT MANUAL

JANUARY 2020

1.0 The General Framework for Financial Management

1.1 Introduction

Financial management is a process which brings together planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement and the physical performance of the project with the aim of managing project resources properly and achieving the project's development objectives.

1.1.1 General Principles

Financial management, as broadly highlighted above, is essential for CEFTER. It is more than an administrative and control process. Sound financial management is a critical ingredient of project success. Timely and relevant financial information provides a basis for better decisions, thus speeding the physical progress of the project and the availability of funds, and reducing delays and bottlenecks. Sound project financial management provides:

- Essential information needed by those who manage, implement and supervise projects;
- The comfort needed by stakeholders that funds have been used efficiently and for the purposes intended; and
- A deterrent to fraud and corruption, since it provides internal controls and the ability to quickly identify unusual occurrences and deviations.

1.1.2 Objectives of the Manual

The manual is prepared to guide the CEFTER Benue State University, Makurdi – Africa Centre of Excellence in the management of financial resources and the documentation of its various transactions in a logical order to permit timely and proper financial reporting. In general, the financial management of CEFTER must be conducted in accordance with the Regulations Governing the Conditions of Service of Staff of the University 2009 as approved by the Governing Council of the University, Financial Regulation in force in Federal Republic of Nigeria and International Public Sector Accounting Standards (IPSAS) as adopted in Nigeria.

The manual has the following objectives:

- To describe the various financial functions of the Centre and the manner in which those functions are to be carried out, controlled and reported to the stakeholders;
- To enhance transparency in financial management to ensure proper and effective use of the Centre's resources;
- To provide guidelines to the financial management procedures and systems of the Centre facilitating the monitoring and evaluation tasks;
- To provide clarified requirements, processes and procedures of project management facilitating project implementation;
- Provide samples of financial documents to be used by CEFTER in the proper management of financial transactions.

1.1.3 Responsibilities of Key Officers

Key officers of CEFTER and their responsibilities are as contained in the statute establishing the Centre.

2.0 The Financial Management Procedures

2.1 Accounting Method

The cash accounting methods shall be the basis of treating all financial transactions of the Centre. Once the University adopts the accrual basis of accounting under International Sector Accounting Standards (IPSAS), the accrual basis shall become the basis of treating financial transactions of the Centre.

2.2 Financial Year

The financial period shall be 1st January and end 31st December every year

2.3 Financial Planning

The basic plans shall include:

- Annual Work Plans
- Budgets
- Procurement Plans

The basic plans are contained in the Centre's operational document.

2.3.1 Budgets

The budgeting process is part of CEFTER's control process through which processes are obtained and used efficiently. CEFTER has the responsibilities of articulating the timing and volume of the cash inflow as against the anticipated cash outflow. CEFTER's summary cash flow projections will take the following formats:

a. Cash Inflows
   Balance B/F
   Disbursement from World Bank
   Other Cash Inflows
   Total Cash Inflows
b. Cash Outflows
   Expenditure on planned activities
   Acquisition of Fixed Assets
   Acquisition of Equipment
   Payment of Bank Charges
   Total Cash Outflows
c. Net Cash Flow = A-B

2.3.1 Flow of Funds

The main sources of the funds in flow into CEFTER in the early years of its existence are the World Bank Grant. Also, there shall be a counterpart funding of the Centre by the University. These sources may be expended in the future as a result of income generating activities for sustainability. To ensure adequate funding of CEFTER, withdrawal applications will be submitted regularly. The first withdrawal application will be submitted as soon as the implementation plan, financial management manual and procurement manual are approved by the World Bank. Subsequent withdrawal applications will be made as a particular disbursement link indicator is achieved.

2.4 Banking and Cash Management

Bank account for US dollars and the ACE's Naira Accounts shall be maintained centrally by the NUC Headquarters for Effective Management and control. The policy objectives of cash management are:

- To provide financial backing to the ACE's plans as enumerated in the Annual Work Plan and Cash Budget
- To maintain optimal cash balances which ensure that the projects are executed effectively with minimal idle cash
- To develop an effective accounting and reporting systems which are adequate in description and the processes that will generate reliable financial information.

2.4.1 Banking Procedures

These involve:

- Procedures
- Record keeping
- Bank reconciliation

a. Procedures

CEFTER must maintain healthy banking procedures to enable it track and trail the financial transactions from the initiation to the final accounting information. In this regard, e-payment shall be made for all transactions.

b. Record keeping

A register must be maintained for all e-payments made to record and or give adequate description of the transfers.

c. Bank reconciliation

Bank reconciliation exercises shall be conducted on a monthly basis to confirm actual balances in the banks and reconcile any discrepancies between CEFTER's records and that of the Centre's bankers. The statement is to be prepared by the Chief Accountant and verified by the Centre Leader.

2.4.2 Signatories to the Bank Account

The Vice Chancellor and the Centre Leader shall be Category A signatory to the Accounts, while the project Accountant and the Bursar shall be Category B signatory.

3.0 Internal Control

3.1 Objectives and Principles of the Controls

3.1.1 Objectives

The control forms part of the financial and accounting policies for the engagement of CEFTER. The objectives of the internal controls are to:

a. Contribute to ensure adherence to regulations and guidelines and approved policies and procedures;
b. Contribute to achieve clear and transparent financial practices;
c. Contribute to promoting operational efficiency;
d. Provide controls to safeguard the assets of the centre; and
e. Facilitate the early detection of errors and problems.

3.1.2 Principles of Internal Controls

The basic principles of the internal controls are as follows:

i. Monitoring, checking and approving, by an upper level, of expenditures and procurements executed by the lower level;
ii. Defining responsibilities of CEFTER staff commensurate with position and level of authority;
iii. Separating specific responsibilities of staff;
iv. Using appropriate method to ensure proper custody of assets;
v. Ensuring full and appropriate documentation;
vi. Using internal procedures for cross-checking of accounts, payments and transaction entries for timely detection of errors; and
vii. Prepare annual inventory of assets.

3.2.0 Internal Control Mechanism

3.2.1 Responsibilities for Internal Controls

CEFTER's management is responsible for developing, implementing and monitoring a sound system of internal controls.

3.2.2 Some requirements for internal controls

Financial controls consist of measures adopted by management to protect its assets and to ensure the accuracy and reliability of its accounting records and financial reports. Key internal controls to be implemented by CEFTER are:

a. Competent and Reliable Personnel: The internal control system relies on the people running it. Employees should be adequately trained and properly supervised to enable them to carry out their duties and responsibilities effectively.
b. Separation of Functional Responsibilities: A person should not have complete control of a transaction from beginning to end. There should be clear understanding as to who will approve, what is to be approved and the limitations of authorisation. The approving officers should not have responsibility for posting or the ability to change accounting records.
c. Assignment of Responsibility for every Function: Employee responsibilities should be clearly defined to avoid overlapping or unassigned areas of responsibility (e.g. an organisation chart should be prepared). Staff must know their responsibilities and whom they report to.
d. Separation of Asset Custodianship and Accounting: The accounting function should be separated from the custody of assets (e.g. an employee who is entrusted to receive cash should not have access to the cash journals or ledgers).
e. Security Measures: Techniques, procedures and measures should be employed to protect assets and ensure reliable accounting data and reports (e.g. use of mechanical devices such as vaults and cash registers; use of control accounts and subsidiary ledgers).
f. Supervision: Internal regulations should include the supervision of staff. For example, the supervision of the Centre Leader on setting up of annual estimated expenditures,

approving of the annual reports, or the supervision of project Accountant to the process of setting, recording of transactions made by assistants, and the preparation of financial statements.

g. Regular Independent Review: Internal auditors should regularly review and evaluate the system of internal controls to determine whether it is functioning effectively as planned (e.g. internal auditors' findings and recommendations should be submitted to senior management for action).
h. Control of Transactions: Every transaction should be authorised, approved, executed and recorded according to prescribed procedures (e.g. staff are not free to procure without the approval of the manager).
i. Serially Numbered Documents: Organisation documents should be serially numbered to check completeness of transactions (e.g. checks, invoices and vouchers should be serially numbered).
j. Sequencing: Accounting control system should be set up in such a manner that proper sequencing is followed with regards to payments, posting of transactions to ledgers etc. for example payments should not be authorised or made before the goods or services for which the payment relates to has been received by the project.
k. Duration of Documentation Archiving: Full documentation of project transactions will be managed and recorded in accordance with existing regulations. They should be kept for 10 years in good condition to avoid damage and ensure easy access when needed. Document demolishment (if necessary) shall be done with prior approval of competent authority.

3.3.0 Contents of Internal Control

3.3.1 Controls of cash and project accounts

a. Cash control:

According to the existing Central Bank of Nigeria (CBN) guidelines, it is encouraged to make all settlements through e-payments for convenience and to ensure safety.

b. CEFTER Accounts at Commercial Bank

Each source of fund is monitored in a separate bank account to assist the management, disbursement and replenishment of accounts timely.

The project accountant has to record transactions to account separately and periodically (monthly) reconcile between the Centre and record balances with balances from bank statements.

The format for bank reconciliation can be as simple as containing the following items:

Account balance as per bank statement; - Account balance as per the Centre's accounting records; - The difference and explanations for such difference.

Note: The preparation of the bank account reconciliation is a must even in the case where there is no difference.

The difference discovered in reconciling must be reported to the project Accountant for timely response. In case the difference is significant, the Centre Leader must be informed. For the transactions through commercial banks, the accountants must:

+ Keep the voucher for each of the transactions and attach to the payment document to prove that transactions have been done;

+ Ask for monthly statement from commercial banks; and

+ The accounts which are not in use must be closed timely.

3.3.2 Procurement Controls

The project Accountant and related staff should work in close collaborations with the Centre's Procurement Officer to ensure that there is proper internal control system for ensuring that:

- Contracts and all other significant aspects of procurements are properly approved and monitored (this is to ensure that goods and services have been provided in accordance with the terms of procurement, and properly managed and reported);

- Contract amounts are recorded from the agreed contracts and that subsequent changes are both in accordance with the contract provisions and properly approved and adjusted to the amounts in the contract records;

- Amounts invoiced and approved are noted showing date of approval including amounts payable, paid and deferred for future; and

- Payments against contracts are noted beside the relative contract showing date of payment (explanations should be made where payments have been delayed).

3.3.3 Store Procedure

The following are necessary to achieve proper store procedure and its accounting:

- On receipt of stocks, a Stock Receipt Voucher (SRV) is raised.
- The Stock Bin Card is updated with the stocks received.
- On issues of stock a note authorising the issue is raised and approved by the Centre Leader.
- The stock clerk raises the Store Issue Voucher and gets approval from the Head of Department.
- The signed Store Issue Voucher (SIV) is presented to the storekeeper.
- The storekeeper issues the stock, updates the stock cards and signs it.

4.0 AUDIT

4.1 Internal Audit

CEFTER's Internal Audit Unit will have the responsibility of conducting risk based internal audit to ensure the following:

a. That no single financial task is executed from its beginning to its conclusion by only one person.
b. That the work of each person involved in a task is subject to an independent check.

The Internal Audit has the following duties:

a. Routine Duties

- Give audit clearance for all payments

b. Periodic Duties

- Review system of operations to ensure consistent application.
- Review system of payments and receipts to detect areas of weakness.

c. Special Duties

Special duties are duties outside the routine and periodic duties which may be assigned to the Internal Audit by the Vice Chancellor, the Centre Leader, the Board of CEFTER and the External Auditors, etc. the duties may include investigations, system design amongst others.

d. Post Audit

The following payments shall be post-audited as they are usually paid urgently:- travel allowance, Air tickets, utilities and services needed urgently.

4.2 External Audit

Accounts of CEFTER shall be audited annually by external auditors to be appointed 3 months after effectiveness. They shall be appointed in accordance with the World Bank Guidelines for selection of Consultants. The Terms of Reference (TOR) should be cleared by the World Bank and the audit report submitted to the Bank on or before 6 months after the end of the fiscal year to which it relates.

4.3 Audit Committee

There shall be established an audit committee of at least 3 members responsible for the oversight of the quality and integrity of CEFTER's accounting and reporting practices, controls and financial statements; and the performance of the Centre's internal audit function and independent auditors. All members of the committee shall have a working familiarity with finance and accounting practices. The committee shall meet at least 4 times annually.

4.3.1 Functions of the Committee

- To monitor the integrity of the financial statements of CEFTER and reviewing significant financial reporting judgments contained in them;
- To review the Centre's internal financial controls and risk management systems;
- To monitor and review the effectiveness of CEFTER's internal audit function;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; and
- To report regularly to CEFTER's board on how it has discharged its responsibilities.

5.0 Payment Procedure

CEFTER shall adopt a payment procedure which is flexible and comprehensive to the objectives of accountability and transparency. The procedure adopted must be consistently followed unless the Board approves other procedures.

5.1 Requisition for Funds

The requisition for funds in the agency in respect of its operations are to be made in the following manner:

- Requesting staff/contractor/supplier/consultant raised application for expenditure duly endorsed by the Centre Leader and forwarded to the Vice Chancellor.
- If the funds being requested for are within the Vice Chancellor's approval limit, then payment shall be processed.
- Else the authority for expenditure is sent to CEFTER Board for recommendation to Governing Council.
- The Centre Leader has the authority to approve payments not above One Million Naira.

5.1.2 Payment Procedure

All payment applications must be submitted to the project Accountant

- The project Accountant refers to the vote control limit for expenditure control
- Raising Payment Voucher for the requisition

- The approval requisition is then sent for the Internal prepayment Audit to be conducted by the Internal Audit Unit
- Audit approval requisition is sent to the Accounts for payment processing.

5.1.3 Payment Processing

The project Accountant on receipt of the audit approved fund requisition completes the payment by:

- Preparing NEFT transfer on the strength of the Payment Voucher
- Entering the e-payment records in the register for disbursement.

6.0 ASSETS AND LIABILITIES ACCOUNTING

6.1.1 Fixed Assets Accounting

(a) Procedures

Fixed Assets accounting has the objectives of recording all expenditures made for acquiring assets and how these assets are brought into the financial records of CEFTER, adequately recorded and properly classified. The following procedure is necessary.

- All purchases have to be properly accounted for and recorded in the fixed asset tags. Fixed assets need to be recorded in the fixed asset book. This register is prepared when acquiring the assets and updated at the year end when asset inventory is performed.
- Recording in the fixed asset must be based on accrual accounting and historical cost principle.

(b) Asset Insurance

All the assets of the fund must be covered by comprehensive insurance policy with a reputable insurance company over the useful lives of the assets.

(c) Classification of Assets

S/No	GENERAL DESCRIPTION	ITEMS INCLUDED
1	Land and building	Freehold land and building, leasehold land and building where the lease period is more than ten years, renovation and reconstruction of rented apartments
2	Equipment and tools	All equipment movable and immovable, tools etc.

3	Office furniture	Tables, chairs, filing cabinets and other furniture with similar description
4	Office equipment	Computers, telephone sets, air conditioners, photocopying machines, etc.
5	Motor vehicles	All classes of motor vehicles
6	Others	As may fit in the description

6.1.2 Liability Accounting

Procedure

Liability Accounting is the actual recording of the liabilities of CEFTER in a systematic manner in order to capture all the indebtedness, financial obligations and contingent liabilities. The process of liability accounting is as follows:

- All contract agreements, Local Purchase Orders, and other financial obligations are to be registered in either a contract register or purchase register.
- All financial disbursements in this respect must be registered against each contract obligation, local purchase order or other financial obligation to set off the liabilities.
- All obligations outstanding must be checked to ensure certification before being recorded as liabilities.

6.2.1 Financial Records

Assets

S/No	Class of Assets	Records to be Kept
1.	Fixed Assets	Individual files, assets register, movement register, depreciation register, maintenance register and files, ledgers for class of assets
2.	Stocks	Purchase files, store receipt files and vouches (SRV), bin cards, physical stores count register, stock provision register, obsolete stock records
3.	Debtors	Individual debtors files, debtors prepayment ledgers, debtors control ledgers, debtors age analysis book, bad debt provision books and credit control books.
4.	Cash	Cash book, cash flow
5.	Bank	Payment voucher, bank statements, bank reconciliation records, disbursement register

Liabilities

S/No	Class	Records to be Kept
1.	Creditors	Individual creditor files, individual creditor ledger, creditors control Ledger
2.	Accruals	Ledgers for expenditures

7.1 Financial Reporting

Financial reporting is the presentation of financial information in a prescribed form or in the manner the person requesting for the report wants it. In this manual, a standard form of reporting is recommended and this can be expanded as may be required. The Interim Financial Reports should be presented using the format agreed with the World Bank during negotiation.

a. Balance Sheet

The Balance Sheet is the position statement of the Centre stating the Assets and Liabilities. The position statement is made in a consistent manner and format to facilitate easy comparison between different years.

b. Income and Expenditure Account

Income and Expenditure Account is made to measure how the expenditure profile is set off by the income profile and the balance outstanding. The balance outstanding might be surplus where the income exceeds the expenditure or deficit where the expenditure exceeds the income.

c. Sources and uses of funds (Funds flow Statement)

This reports all receipts and expenditure for the period of use of funds by project activity.

d. Timing of Report

The reports shall be prepared semiannually and annually to meet the needs of the World Bank, the Centre Board and other Stakeholders.

e. Daily Reports

These may include:

- Cash balances
- List of e-payments made

f. Weekly Reports

Weekly reports may contain activity analysis in addition to the daily reports.

g. Monthly Reports

In addition to the daily and weekly reports, a monthly report should include:

- Management Accounts

h. Semiannual Reports and Annual Reports

These reports may include the following:

- Monthly and Quarterly Reports
- Cash flow statements or summary of sources and uses of funds
- Uses of funds by project activity
- Statement of Expenditures (SOEs) schedule
- Cash flow projections for the following quarter
- Special accounts statements/reconciliation
- Statement of actual budgeted expenditure
- Income and expenditure statement
- Balance sheet

7.1.2 Annual Reports

At the end of the fiscal year, similar statement as shown for quarterly reports will be prepared. In addition the following schedules and statement will be prepared for annual accounts.

- Schedule of debtors
- Schedule of advances
- Schedule of cash and bank balances
- Schedule of creditors
- Schedule of funds received from World Bank
- Schedule of fixed assets; and
- Schedule of expenditure
- The internal audit report
- Centre Leader's reports to the Board