



SpringAid International Development

Finance Policy (2011)

1.0 Introduction

There is need for us as an organization to maintain a system for recording and submitting all types of financial transactions we make for the purposes of implementing projects and running our organization. Since finances are a crucial part of organizational management, it is always a better idea to maintain a 'Financial Policy' for following procedures to keep the accounting system effective, transparent and easily manageable. We are providing this financial system and financial policy for effective organizational management, fulfillment of local statutory requirements and better mobilization of funding for in our organization. This Financial Policy shall be adhered to at all times.

1.1 Scope of the NGO Financial Management Policy

This Financial Management describes the accounting policies, systems and procedures to be used by SpringAidIntlD. The Policy will cover the input, processing, output, control and distribution of financial data. It has been developed to set out the accounting policies and procedures that will:

- a) Ensure that the organization's books of accounts are prepared to conform to sound accounting principles and practices.
- b) Enable the management to obtain accurate and timely financial reports on monthly basis, thereby promoting sound financial management.
- c) Ensure correct and accountable use of funds and other resources. The approach used is in line with generally accepted accounting principles and organizations best practice reporting requirements.

The main purpose of the Policy is:

- a) To assist in the maintenance of controls.
- b) To provide a training and monitoring resource.
- c) To be used as a reference document by the staff, management, auditors and other stakeholders.

1.1.1 Responsibilities of User Staff

All personnel with a role in the management of SpringAidIntlD's financial operations are expected to uphold these policies. It is the intention of SpringAidIntlD that this accounting policy serves as our commitment to proper, accurate financial management and reporting.

1.1.2 Fund Receipt

1.1.3 Sources of Funds

SpringAidIntlD receives funds from the following sources:

- i. Grants from national and International organizations/foundations
- ii. Membership fees
- iii. Donations from individuals and Cooperate bodies
- iv. Income generating enterprises/consultancy services/engagements

1.1.4 SpringAidIntlD Core Fund

The following are identified as SpringAidIntlD's core programme:

- A. SpringAidIntlD administrative expenses (house rent, utilities, administrative officers).
- B. SpringAidIntlD projects and enterprises- micro-finance.

Any programme coming to SpringAidIntlD should support the overall goal of the organization.

1.1.5 Signatories to Cheque Books

The Executive Director, Operations Director and Finance Administrator will be signatory to SpringAidIntlD cheques. Money can be released by the signatures of two signatories. However, any cheque of more than N10000 will require the signature of the Executive Director where the office exists.

1.1.6 Types of Accounts

The following three types of accounts will be maintained by SpringAidIntlD:

(1) Central Account

All income accrued to SpringAidIntlD will be deposited in the Central Account. The Executive Director, Operation's Director and Finance Administrator are authorized to operate the bank account. Two signatures of either of these officials will be required for fund disbursement.

(2) Savings Account

SpringAidIntlD will keep fixed deposit savings account for its trust fund.

(3) Petty Cash Fund

A petty cash fund of N10000 is kept to cover payments not exceeding N5000. The Finance Administrator will handle this account and is to be liquidated every month.

The Executive Director and/or Operation's Director will ensure proper handling of petty cash fund through surprise checks from time to time

(4) Domiciliary Account

All income for projects and programs granted by foreign bodies will be received through SpringAidIntlD domiciliary account with Diamond Ban Plc, Owerri, Imo State.

Payment Procedures

2. Accounting Policies & Procedures

2.1 Basis of Accounting

- a) SpringAidIntlD shall prepare its accounts on the basis of historical basis of accounting but assets shall be re-valued from their historic cost to reflect current values as necessary
- b) SpringAidIntlD shall apply accrual based accounting method. Revenue and grants/donations shall be recorded in the accounting period it is received and expenses recognized when incurred. Loan and Grant revenue is recognized when received. Other revenues are recognized in accordance with the accruals concept.
- c) Grants and donations if any shall be recorded separately from operational activities. They will be shown "below" the operating line on the Income Statement, together with non-operating income and expenses and taxes.
- d) In-kind contributions must be recognized through journal adjustments that are supported by appropriate and objective documentation (e.g. agreements, formal letters or memos, Memorandum of Understanding).

2.1.1 Maintaining Accounting Trail

Every transaction would need to be traced back and forth since the account books are maintained in a set pattern.

The trail is as follows:

Expense—Cash memo—voucher—cash book—ledger—trail balance—income and expenditure statement, balance sheet

2.1.2 Fund Disbursement

All payments shall be made either by cheque or cash.

2.1.3 Payment by Cheque

(1) Payment for Purchases

Payment against purchases exceeding N5000 shall be made by cheque.

(2) Payment for Services Rendered

The following is the procedure on salaries:-

a. Payments for Staff Salaries

i. Payment Calendar

Salaries shall be paid monthly in arrears. Individual cheques are to be issued to the employee concerned. Employees shall be issued with a pay slip every month, which will show the computation of his/her net salary.

ii. Staff payroll

Staff payroll (salary sheet) is prepared by the finance administrator as the basis of payment. The staff payroll contains information on the employees' basic salary for the month, allowances if any, deductions and net salary payable. The staff payroll is checked by the Operation's Director and approved for payment by the Executive Director. Signing the payment vouchers for the net pay, and the monthly transfer sheets where applicable shall evidence authorization of salary payments.

iii. Advance Pay

SpringAidIntlD's employees may take advance payment of up to 2 months (after completion of 6 months probation), if urgently required. The advance must be returned/reimbursed before the end of that particular fiscal year.

For travel purposes, SpringAidIntlD employees shall be given cash advances for expenses covered on official trips. Request for cash advances is prepared by the personnel concerned, recommended by the Finance Administrator and is approved by the Executive Director. All cash advances for travel are to be liquidated within a week following the completion of the trip.

iv. Tax Deduction at Source

SpringAidIntlD will deduct tax at source where applicable as per Government rules.

v. All permanent employees shall be issued with appointment letters signed by the organization head and employee-signifying acceptance of the terms and conditions set forth thereto. The appointment letter shall contain the initial salary, responsibilities, duties and the general terms and conditions.

vi) Subsequent changes in salary, responsibilities, duties, terms or conditions of employment shall be communicated to the employee in writing.

vii) A personal file shall be opened for every employee. Copies of job application letters, Appointment letters and any other correspondence between employer and the employee shall be kept in this file.

b. Payment for Contractual Services

Payment for contractual services is done through cheque disbursements. The schedule of payment depends on the Terms of Reference (TOR) agreed upon by the personnel concerned

and SpringAidIntlD. Payments are covered by a Request for Payment Form prepared by the accountant and approved by the Executive Director.

Policy for Book Keeping and Record Maintenance in SpringAidIntlD

1.2.2 Procedures for Fund Disbursements

- All requests for payments are to be made using the appropriate forms.
- Requests for payments are to be properly substantiated with bills, receipts and essential documents.
- Requests for payments are prepared by the Finance Administrator and submitted to the Operations Director or Executive Director for checking and approval depending on the amount involved.

1.3 Book Keeping and Recording

1.3.1 Book Keeping

The recording system of SpringAidIntlD's financial transactions allows the monitoring of bank balances, status of funds receipts and expenditures, and a comparative statement of budget vs. actual expenditure on a regular basis.

SpringAidIntlD will maintain records of fixed assets, petty cash disbursements, supplies, inventory, the use and maintenance of office equipment.

1.3.2 Accounting

The following sets of financial reports will be prepared by SpringAidIntlD:

A. Quarterly financial reports will be prepared for review by each individual project manager of SpringAidIntlD's specific projects as well as of its core activities. This quarterly report will be reviewed by the Board. Financial reports to donors will be submitted as prescribed in the agreement between donors and SpringAidIntlD.

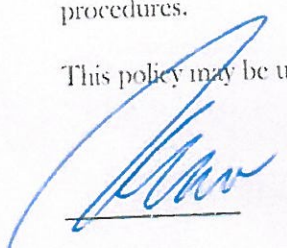
B. Annual Balance Sheet and Statement of Income and Expenditures will be prepared for each fiscal year.

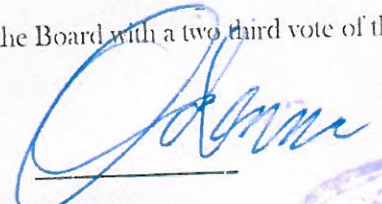
1.4 Auditing

Books of Accounts of SpringAidIntlD shall be audited annually by an independent auditor appointed by the General Assembly.

SpringAidIntlD shall hire internal auditor in order to streamline its accounting systems and procedures.

This policy may be updated at any meeting of the Board with a two third vote of the members.


Board Chair


Secretary

Certified by:


Okay J. Ihemadu Esq.

