

**SOKOTO STATE CONTRIBUTORY
HEALTHCARE MANAGEMENT AGENCY
[SOCHEMA]**

FINANACIAL PROCEDURE (2018)

May 2018

FINANCIAL PROCEDURES MANUAL

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DEFINITION OF TERMS

- **ACCRUAL ACCOUNTING** The basis of accounting which recognizes revenues as they are earned and expenses as soon as a liability is incurred, regardless of related cash inflows and outflows.
- **AUDIT** An annual third party review of financial operations and

procedures required by State Statutes.

- **BALANCED BUDGET** A budget in which the sources of funds (revenues) is equal to the uses of funds (expenditures).
- **BASIS OF ACCOUNTING** The technical term that describes the criteria governing the timing of the recognition of transactions and events.
- **BONDS** A written promise to pay a sum of money at specified dates, including interest at a designated time.
- **BONDED DEBT** The portion of SOCHEMA debt represented by outstanding bonds.

- **BUDGET** A financial operations plan of proposed expenditures for a given period of time and the proposed revenues to finance them.
Proposed expenditures must equal proposed revenues.
- **CAPITAL IMPROVEMENT PLAN (CIP)** A plan for capital expenditures to be incurred each year for a fixed period of years and the estimated resources to finance the projected expenditures.
- **CAPITAL OUTLAY** Expenditures resulting from the acquisition of fixed assets.
- **CAPITAL PROJECTS FUND** A fund established to account for financial

resources to be used for the acquisition or construction of major capital facilities.

- **COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

The official annual report of a government which includes combined financial statements, supporting schedules, supplementary information, extensive introductory information, and a statistical section.

- **DEBT** An obligation resulting from the borrowing of money or the purchase of goods or services.

- **DEBT SERVICE FUND** A fund established to account for the payment of principal and interest on debt of SOCHEMA.
- **EMPLOYEE SERVICES** The portion of the budget pertaining to employee salaries and related fringe benefits.
- **EXPENDITURES** Disbursements for operating costs, debt service, capital outlay.
- **FIDUCIARY FUNDS** A classification of funds that is used to account for resources that are held by the government as a trustee or agent for parties outside the government and that cannot be used to support the

government's own programs.

- **FISCAL YEAR** The twelve month period to which the annual budget applies and at the end of which SOCHEMA determines its financial position. SOCHEMA's fiscal year is January 1st to December 31st.
- **FIXED ASSETS** Long-term tangible assets which are "fixed" in nature, such as building, land, and equipment.
- **FUND** An accounting entity with a self-balancing set of accounts in which assets, liabilities, and equity are recorded for a specific activity or objective.

- **FUND BALANCE** The difference between fund assets and fund liabilities. The fund balance can be used as a revenue source by decreasing an existing positive balance.
- **GENERAL FUND** This fund is used to account for all general operations of SOCHEMA which are necessary to provide basic governmental services.
- **GENERAL OBLIGATION BONDS (G.O. BONDS)** Bonds that are backed by the full faith and credit of SOCHEMA.
- **GENERAL OPERATING BUDGET** The part of the operating budget

which includes the general, special revenue, and capital funds.

(Excludes the enterprise funds)

- **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**
Uniform minimum standards and guidelines for financial accounting and reporting. The primary authoritative body on the application of
- GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).
- **GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** A seven-member board which is responsible for setting

governmental accounting standards.

- **GOVERNMENTAL FUNDS** A classification of funds that is typically used to account for tax-supported (governmental) activities. Included in this classification are the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.
- **GRANT** A contribution of cash or other asset from a government or other organization for a specified purpose, activity, or facility.
- **INTERGOVERNMENTAL REVENUE** Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in

lieu of taxes.

- **INTERNAL SERVICE FUND** A fund established to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.
- **LEVY** The total amount of taxes or special assessments imposed by SOCHEMA.
- **MODIFIED ACCRUAL ACCOUNTING** The basis of accounting which recognizes increases and decreases in financial resources only

to the extent that they reflect near-term inflows or outflows of cash.

- Revenues are recognized to the degree that they are available to finance expenditures of the fiscal period. Similarly, debt service payments and a number of specific accrued liabilities are only recognized as expenditures when payment is due because it is only at that time that they normally are liquidated with expendable available financial resources.
- **NET ASSETS** The difference between assets and liabilities in the government-wide statement of net assets.

- **OPERATING BUDGET** The annual financial plan for funding the costs of providing services and programs.
- **OTHER CURRENT EXPENSES** The portion of the budget relating to general operations (supplies, maintenance, utilities, etc) excluding employee salaries.
- **PROGRAM** An activity or operation created to achieve a specific purpose or objective.
- **PROPRIETARY FUND** A classification of funds that is used to account for a government's business-type activities which are supported, at

least in part, by fees or charges. Included in this classification are enterprise funds and internal service funds.

- **RESERVES** Funds set aside for unanticipated expenditures or unforeseen emergencies, as well as to have adequate working capital for current operating needs to avoid short-term borrowing.
- **REVENUE** Funds collected as income to offset operational expenses including property taxes, charges for service, licenses & permits, etc.
- **RISK MANAGEMENT** The ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

- **SPECIAL REVENUE FUND** A fund established used to account for revenue which is restricted for expenditures of a designated purpose.
- **TAXES** Compulsory charges levied by a government to finance services performed for the common benefit.

SECTION 1

INTRODUCTION

The purpose of the financial procedures and reporting is to provide a framework of standard procedures for financial controls and reporting across the SOCHEMA for both staff and management who are entrusted with financial responsibilities.

The manual is intended to deal only with financial and accounting procedures and not to duplicate other policies and procedures of then agency. It does not therefore cover non-financial procedures and policies which are outside the remit of the Finance team who are responsible for this manual and to whom questions and suggestions should be directed.

Whilst the procedures and reporting manual provides essential support to finance managers, accountants, staff and management in the performance of their duties, it does not address every detail of day to day tasks.

All staff prime responsibility for the conscientious stewardship of the Agency's financial affairs and its conduct. These procedures should the citizens of the state the assurance and confidence in the execution of the Agency's financial affairs.

The success of the financial procedures and reporting needs the co-operation and understanding of all staff with financial responsibility and these procedures should be discussed and explained within relevant staff by finance directors and managers.

SECTION 2

ACCOUNTING PROCEDURES

ACCOUNTING PROCEDURES

2. AUTHORISED SIGNATORIES

2.1 Authorized limits as stated below are in place for authorization of purchase orders, purchase invoices and staff expenses. The authorization level for the Director General and Director of Finance is Five Million Naira (N5,000,000). A schedule officer approved the schedule invoice prepared. Any amount above is subject to the approval of the board.

2.2 In every case where, the Director of Finance should sign to indicate agreement and where necessary then seek counter-signature in accordance with the limits.

2.3 Director of Finance and Accounts have discretion to authorize other staff in their department for such lower amounts as they consider appropriate not exceeding NGN1,00,000 and should do so to ensure continuity of authorization in their absence. However, above these lower limits, the general principle remains that in the absence of a signatory, the authorization procedure should pass to the level above.

2.4 Specimen signatures must be supplied to Finance whenever there is a change of signatory within 1 week, together with the amount of any limit authorized to other staff in accordance with 2.3 above. In this way the system will be continually updated. These limits apply to entire contract values which should not be divided to avoid the effect of these limits.

2.5 Accounts Payable in Finance will carry out a quarterly review of authorized signatories on file to ensure these are up to date and to eliminate leavers. The Director of Finance will carry out independent periodic reviews.

2.6 In case of uncertainty please contact Finance. Persistent incorrect approvals or sign-offs by any individual may result in revocation of signing authority and disciplinary action by the senior management team.

3.0 PURCHASING

2.1 Purchase order forms should be completed for goods and services over NGN1,000,000 with relevant authorization as in section 2 at the time the order is placed. The original is for the supplier, a copy is forwarded to Finance and another copy to be held on file by the issuing team.

All orders should state the following:

- a) Date of order
- b) Supplier's name & full address
- c) Brief description of goods/service
- d) Cost (Approximate if not available)
- e) Valid authorisation

This enables the Finance Team to:

- a) Input new suppliers details in readiness for receipt of invoice
- b) Direct supplier's enquiries to the relevant area, if invoices have not been received by Finance
- c) Prepare the month end accruals

The requirement for a purchase order is for any individual purchase over NGN1,000,000.

3.4 Invoices received into Finance are checked to ensure that they are complete. Any invoices received without the correct information or authorization will be notified to the relevant manager initially but if no response is received within 1 week, they will be returned via internal post and payment may be delayed. Enquiries received from suppliers regarding invoices or purchase orders NOT received in Finance will be forwarded to the originator of the order.

3.5 Payments should not be made on photocopies, statements or faxes. If an original invoice is lost and the supplier is unable to give an authorized copy invoice, the document will need to be countersigned along with the payment authorization.

3.6 Invoices with correct documentation received into Finance will be paid within 3 days supplier's payment terms. Payment can be made as follows:

- a) Wire instructions - Paid into supplier's banks
- b) Cheques - Sent from Finance.

Finance will inform all departments of any delays to these payments due to bank holidays, system problems etc.

3.7 All new/amendments to suppliers must be approved by the Director General and Director of Finance using the supplier amendment form before the new supplier is added to the accounting system.

4.0 STAFF EXPENSES

4.1 All staff expenses where reimbursement is requested must be claimed on an expense claim form supported by relevant receipts and signed by the appropriate line manager with adequate signature authorisation. If for any reason a receipt or voucher is not available, the authorising signatory must initial the item on the expenses sheet. It is the responsibility of all staff to obtain authorisation themselves as Finance cannot do this.

4.2 For each claim, and in accordance with the Purchasing procedures, the Finance team will check that the appropriate authorisation is present and that the signatory is valid for that cost-centre and that amount.

4.3 Expense claims should normally be submitted at least monthly but can be claimed more frequently if preferred. Expense claims form must be kept accurately.

4.4 All expenses on the claim will be charged appropriately using an expense report.

4.5 Claims for car mileage allowance must be claimed in accordance with the approved kilometer chart issued by the Federal Government.

4.5 Any proposed travel or entertaining expenditure likely to exceed NGN250,000 should be cleared with in 72hrs in line with the manager/authorized signatory.

4.6 For principal guidelines on travel and entertaining expenditure obtain guidance from the Director of Finance or the Director of Human resources.

3.9 The following categories of expenditure will not be reimbursed, unless specifically authorized by the Director General or his :special Adviser

- a) Above N250,000

- c) Hotel accommodation above N30,000
- d) Travel/meals/accommodation expenses for partners.

5. CASH AND BANK

5.1 The DG and the Board of the Agency approves the opening/closing of new bank accounts with the Director of Finance responsible to action this, and the Director of Finance is responsible for reconciling of all bank accounts. All correspondence received from the bank should be forwarded to the Finance team.

5.2 Bank Deposit. All fund collected on behalf of SOCHEMA shall be banked same day except with approval from the Director of finance

5.3 Bank Transfers Bank transfer forms are completed for all amounts and checked and authorised within Finance. Transfers are processed through Financial Manager from the main bank account and the department individual is notified of completion. Original documentation and reports are received and archived for audit purposes.

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5.4 Bank Reconciliation All bank accounts are held and reconciled within the Finance office. Statements received are logged and match against outstanding items on a monthly basis. Any discrepancies are investigated and recorded on the bank reconciliation

5.5 Direct debits Direct debit payments are made from the main bank Account. The accountant send the direct debit mandate to the DG and the Director of Finance with the original documentation and a payment authorisation form. The Director of Finance completes the form and it is then authorised in line with the bank mandate. Any documentation received regarding direct debit payments should be forwarded to Finance to ensure that the deductions are checked and monitored. Cancellation requests should be sent to Finance and the direct debit is cancelled with the bank through appropriate channels.

6. PETTY CASH

6.1 The Central petty cash float is maintained by Finance. Some departmental teams hold smaller individual floats for daily expenditure, but these floats are reimbursed through the Central petty cash when presented in line with the following procedures. Total amount for central petty cash monthly N200,000 subject to review.

6.2 Petty cash should be used for minor ad hoc expenditure only, supplier accounts should be arranged whenever possible. Petty cash vouchers presented for reimbursement should all have valid receipts attached and state the following:

- a) Date
- b) Brief description
- c) General ledger code/chart of account
- d) Authorised signature for cost centre
- e) Signature of cash recipient

6.3 Under no circumstances will the petty cash be used to fund personal expenditure, loans or advances apart from advance funding for travel expenses, which must be authorised by a line manager or authorised signatory. Advances must be accounted for within 5 working days. Total amount petty cash N8,000 subject to review.

6.5 The central petty cash is held in a petty cash box (keys held by the accountant)

6.6 The Petty cash box is checked and reimbursed on a regular basis. Cash is counted, checked and listed and the totals entered on the reconciliation schedule along with the un-posted petty cash vouchers, and outstanding IOU'. Once agreed, cash listings and reconciliation schedule is signed off by the team members and kept in the safe.

6.7 A cheque requisition is completed for the total reimbursement which should reconcile to total of petty cash vouchers and. This is authorised and given to the Finance manager for a cheque to be raised.

6.8 The petty cash vouchers are then posted as a general ledger journal.

6.9 On the last working day of each month, the petty cash box is checked with the

7.4 Statements Procedures / Debt Management

6.10 Finance Assistant along with the finance manager and reconciled back to the general ledger

7. PAYROLL

Summary of pay roll is centralized with the State Government ministry of finance.

8.. CAPITAL EXPENDITURE

8.1 Capital expenditure tends to involve larger sums of money and although it does not appear in the operating statements at once, it nevertheless represents an immediate call on the Agency's cash resources. Director of Finance and Accounts should be aware so that depreciation is calculated on all capital expenditure and therefore, once the asset is in use, a revenue charge will appear in the relevant operating statements.

8.2 In broad terms any single item or project with a value exceeding NGN5million and which has a life exceeding one year is likely to be capital. Items below NGN 500,000 may in certain circumstances also be capitalized with Finance's agreement. Examples are plant, machinery, buildings, land, furniture, computer equipment and office equipment. The capital budget is to be agreed by the Governing Body each year as part of the planning process.

8.3 Please note that whenever an item of capital expenditure is budgeted to exceed NGN10,000 three written quotes should be obtained.

8.4 Capital expenditure incurred in respect of an item which is included in the budget can be authorised in line with the normal authorisation procedures and limits for revenue expenditure.

8.5 The "Capital Payment Authorisation Form" should be used with a reference to the capital budget or specific project code as appropriate. The capital budget codes or specific project code will be allocated by the Director of Finance and communicated to relevant departments.

8.6 On the occasions where capital expenditure is incurred without an approved budget, the authorisation of the Board through the DG should be obtained.

8.7 Disposals of Agency assets may be negotiated locally but written authority must be obtained in advance from the Director of Finance or DG. The proposal must be initiated by the relevant authorised signatory and be based on the net book value of the asset, which can be obtained from Finance. Attention must also be paid to any outstanding statutory grants or restricted income conditions attached to the asset as funding may be partly repayable on disposal.

8.8 Fixed assets are depreciated on a monthly straight-line basis starting in the month when the item is brought into use.

9.0 CAPITATION and FFS

Capitation monthly payment to providers to be pay before the 20th of the preceding month.

FFS should be paid to provider 60days after submission of clean claim and approved by the Standard and quality assurance Director and schedule officer.

Mode of Payment:

1. Wire instructions - Paid into supplier's banks
2. Cheques - Sent from Finance.

10.0. BANK ACCOUNTS AND MANDATES

10.1 An approval will be given for the Agency to operate required number of bank accounts with authorization levels. For now 3 accounts with 2 signatories Director general and Director of Finance shall be operated.

10.2 It is the responsibility of the Finance team to ensure that mandate changes are sent to the bank and that leavers are eliminated from the mandates.

10.3 For purposes of clarity, it should be noted that signature limits under bank mandates are for that purpose only and are unconnected to the hierarchy of internal authorisation of expenditure limits dealt with earlier in the Manual.

1. Conclusion

The need for and adherence to these procedures is important for the smooth running of the SOCHEMA. This will ensure accountability and transparency.