



Finance Policy

Effective from Jan 2022

HSE STRATEGY DEVELOPMENT

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SECTION 1

General Accounting Policies

1.0 General Accounting Policies

S/NO	ITEMS	ACCOUNTING POLICIES.
1.	Basis of Preparation.	The financial statement shall be prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.
2.	Accounting Period	The accounting year (fiscal year) shall be from 1 January to 31 December. Each accounting year is divided into 12 calendar months (periods) and shall be set up as such in the accounting system.
3.	Non-Current Assets.	<p><u>Non-Current Assets</u></p> <p>Non-current assets are assets of a relatively permanent nature that have been acquired or constructed and held for use in the provision of services and may include those held for maintenance or repair of such assets. They are not intended for sale in the ordinary course of business.</p> <p>Non-current assets are stated at cost or the re-valued amount less accumulated depreciation.</p> <p><i>i. Cost</i></p> <p>The amount recorded for a Non-current asset includes all costs directly related to its acquisition including expenditures incurred to place the asset in usable condition for HSE-SDL. Accordingly, the cost of assets should include such items as acquisition or construction costs, sales taxes, transportation charges, and installation costs. Cash discounts are netted against the cost of the assets.</p> <p>When a Non-current asset is constructed, the cost includes architect's fees, excavation costs, payments to construction contractors, direct materials, and labour, building permits, and insurance. <u>Extraordinary costs incurred during construction, such as those caused by fire or another natural catastrophe, are capitalized.</u></p> <p>When a group of assets is acquired for a lump-sum price, the total cost is allocated to the individual assets based on their relative fair values.</p> <p>Overhead costs incurred during construction are capitalized. When</p>

	<p>construction activities are intermittent, only overhead costs that are directly attributable to the construction work are capitalized. Direct costs include the portion of payroll-related costs attributable to personnel working directly on the project (if the work is documented, such as through time reports). Full overhead costs (direct and indirect) are capitalized when construction is a continuous activity.</p> <p>ii. <i>Interest and other costs incurred during construction.</i></p> <p>Interest incurred on debt during construction is capitalized. Interest is capitalized on assets that are constructed or otherwise produced for the HSE-SDL's own use (including assets constructed or produced for HSE-SDL by others for which deposits or progress payments have been made). Interest capitalized to the date the facilities are available and ready for use. When a facility is constructed in stages, interest is capitalized for each stage until it is available and ready for use.</p> <p>iii. <i>Capitalisation</i></p> <p>(a) The following shall constitute expenditure on Non-current assets:</p> <ul style="list-style-type: none"> • Amounts incurred on the purchase of assets from which benefits are derivable over a period greater than one accounting year. • Improvements to existing Non-current assets, which significantly enhance their useful life. <p>(b) The capitalization threshold shall be ₦50,000.</p> <p>However, expenditures that are individually below the capitalization threshold but which in their aggregate (e.g., chairs, tables, printers, uninterrupted power supply-ups) exceed the capitalization threshold shall be capitalizable. Any other expenditure is to be charged to the profit and loss account.</p> <p>Regardless of the above conditions, consumables are to be wholly expensed irrespective of their amounts.</p> <p>iv. <i>Depreciation</i></p> <p>Depreciation is provided on a straight-line basis to write off the cost of Non-current assets over their estimated useful life. Principal annual depreciation rates are: -</p> <ul style="list-style-type: none"> • Freehold land 2% • Leasehold land lease period • Leasehold Improvements 25% • Buildings 4% • Office Appliances 20% • Tanks & pumps 20% • Furniture and Fittings 20%
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		<ul style="list-style-type: none"> Generators 20% Motor vehicles 25% Computer Hardware 33.3% <p>Assets acquired or disposed of during the year are depreciated on a pro-rata basis. No depreciation is provided on capital work-in-progress.</p> <p><i>v. Revaluation</i></p> <ul style="list-style-type: none"> Any asset that is revalued shall be shown in the accounts at the revaluation value. Any excess of the revaluation over the net book value shall be credited to the revaluation reserve account and such sums shall not be available for distribution to the shareholders. However, if the same asset had been revalued downward before, and the difference charged against income, this subsequent upward valuation may be credited to income to the extent to which it was debited earlier. If an asset is revalued downwards, the decrease in the net carrying amount shall be charged directly against income. However, if the asset had been revalued upwards before and the difference credited to a revaluation surplus account, the decrease arising from a subsequent downward revaluation should be offset first against the revaluation reserve account to the extent to which the asset contributed to the balance on the account. Any excess thereafter shall be charged directly against income. <p><i>vi. Disposal</i></p> <ul style="list-style-type: none"> Assets disposed of before the 15th of any month are not depreciated in the month of disposal. However, a full month's depreciation is charged if such asset is disposed of after the 15th. On disposal of a revalued asset, the surplus already charged to the revaluation reserve should also be written off. Fully depreciated assets that are still in use are carried in the books at a net book value of N10. <p><i>vii. Operating Leases</i></p> <p>Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to HSE-SDL are capitalized. The capital element of the related obligations is included in creditors and accruals. The interest element of the rental obligations is charged to the profit and loss account evenly over the period of the lease.</p>
4.	Expenses	<p>Expenses are to be reported on an accrual basis i.e., all expenses are to be recognized in the period they are incurred or when the related services are</p>

		enjoyed, irrespective of when the payment is made.
5.	Prepaid expenses	<p>Prepaid expenses are amounts paid in advance of receipt of goods or services. They represent payments made early in the year for benefits to be received over the latter part of the year, or payments made in one year for benefits to be received in subsequent years. Prepayments for which the benefits are to be derived in the following 12 months are classified as current assets. Where the benefit is expected to accrue beyond the next 12 months, it is accounted for as a long-term prepayment and classified as non-current assets.</p> <p>Prepayments not exceeding N50,000 shall be expensed immediately unless there is a possibility of obtaining a refund or credit within the same financial year. Prepayments that are identifiable with specific future revenue or event, e.g., promotions, shall be expensed in the period in which the related event takes place; those that relate to specific time periods, e.g., insurance, rent, shall be recognized as an expense in such periods. They are to be amortized monthly.</p> <p>Any balances not represented by future realizable benefits must be immediately expensed. Specifically, all research and development (R&D) costs must be fully expensed in the accounting period when they are incurred.</p>
6.	Provisions.	<p>Provision is recognized when HSE-SDL has a present obligation whether legal or constructive, because of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation in accordance with the International Accounting Standards (IAS) 37.</p>
7.	Investments.	Investments are stated at cost less provision made for any permanent diminution in value.
8.	Long-term Loans.	All liabilities repayable over more than one year shall be classified as long-term loans.
9.	Taxation.	<p>HSE-SDL is expected to pay tax on its net profit derived from a trade or business activity it carries out.</p> <p>Income tax shall be provided on taxable profits at the ruling statutory rate by HSE-SDL. Capital Gains Tax (CGT) shall also be paid where assets are disposed of by HSE-SDL at a gain.</p> <p><u>Value Added Tax (VAT)</u></p>

	<p>Value Added Tax (VAT) should be charged on goods and services supplied by HSE-SDL to customers. The VAT rate shall be 7.5%.</p> <p><u>Withholding Tax (WHT)</u></p> <p>Withholding Tax (WHT) is an advance payment of income tax and is deducted on payments as follows:</p> <ul style="list-style-type: none"> • Corporate bodies: <ul style="list-style-type: none"> – 10% for dividend interest and rent. – 10% for royalties. – 10% for commissions, consultancy, professional, technical, and management fees. – 2.5% for building, construction, and related activities. – 5% for the contract of supplies and agency arrangements. – 10% for director's fees. • Partnerships, individuals, and non-corporate bodies: <ul style="list-style-type: none"> – 10% for dividend, interest, and rent. – 5% for royalties. – 5% for commissions, consultancy, professional, technical, and management fees. – 5% for building, construction, and related activities. – 5% for the contract of supplies and agency arrangements. – 10% for director's fees (if any). <p><u>Pay As You Earn (PAYE)</u></p> <p>Pay As You Earn (PAYE) is to be deducted from employees' salaries and remitted to the appropriate tax authority.</p> <p><u>Compliance with Regulations.</u></p> <p>Remittance of taxes deducted shall be made within the stipulated windows by the relevant laws as follow:</p> <ol style="list-style-type: none"> i. PAYE – On/before the 10th day of the month following the month deduction was made. ii. VAT – Remittance is due on the 21st day of the month following the month of deduction. iii. WHT – Within 21 days after the role to deduct arose (i.e., after making the relevant payment).
10.	<p>Deferred Taxation.</p> <p>Deferred tax is recognized in respect of timing differences that have originated but not reversed in the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.</p>

		<p>The basis for computing deferred tax liability is the liability method. Deferred tax is provided on timing differences, which are expected to reverse in the future, at the rates of tax likely to be in force at the time of reversal. Provision shall not be made for the deferred tax that arises because of permanent differences i.e., that are not expected to reverse in the future. The amounts of any material timing difference, both current and cumulative, for which no provision is made, are disclosed by way of notes in the financial statements.</p>
11.	Foreign Currencies.	<p>Transactions in foreign currencies shall be recorded at the exchange rates ruling at the transaction date. Assets and liabilities denominated in foreign currencies as at the balance sheet date shall be converted at the applicable rates of exchange as at that date. Realized profit and loss arising from currency conversion shall be dealt with in the profit and loss account.</p>

SECTION B

Processes Specific Finance Policies

2.0 PROCESSES SPECIFIC POLICIES.

2.1 Budgeting.

This covers all policies guiding the preparation, implementation, and monitoring of the budget of HSE-SDL.

Budgetary control comprises two (2) sets of policies, including:

- i. Budget Preparation
- ii. Budget Monitoring & Reporting

Objectives

These policies are designed to ensure:

- i. Standardized procedures for budget preparation
- ii. Standardized procedures for monitoring adherence to the approved budget
- iii. Budget overruns/variances are detected and managed on a timely basis.
- iv. Completeness in capturing expenditure items in project budgets to ensure that operating and capital expenditures are effectively planned for and managed.

S/No.	Policy Description/Control Techniques.
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Budget Preparation.

- The Finance and Admin Manager shall be responsible for coordinating and ensuring the timely preparation of HSE-SDL's annual budget. The annual budget shall be prepared in line with the following timelines:
 - Preparation and issuance of the budget pack to budget holders (department heads) – Last week in October.
 - Budget submission by budget holders – 2nd week in November.
 - Budget review/ challenge session – 3rd week in November.
 - Consolidation of the draft budget – 4th week in November.
 - Presentation of the updated budget – 1st week in December.
 - BOD review and approval – 3rd week in December.
- A budget pack detailing the budget preparation timetable, guidelines/ instructions, and input sheets/templates; shall be agreed upon with the MD and circulated by the Finance and Admin Manager (FAM) to all budget holders prior to the budget preparation period.
- The budget guideline shall provide general direction for budget preparation and shall

contain the following information:

- Corporate/ strategic objectives of the Company for the year.
- Key budget assumptions.
- Target overall increase/ decrease in expenditure.
- Budget categories and responsibility/ ownership of each category.
- Instructions for completing the templates, budget submission, and budget collation.
- The FAM shall be responsible for coordinating the preparation of HSE-SDL's budget, and the line Managers shall be responsible for preparing budgets for their work.
- The MD shall be responsible for the review and presentation of the HSE-SDL's budget to the Board to obtain approval.
- HSE-SDL's budget shall be approved by the Board before being implemented.

Budget Monitoring & Reporting.

- The FAM shall prepare a Budget Performance Report monthly and circulate it to all management team members.
- Justifications/ explanations shall be provided by relevant Managers for all budget line items with variances.
- All department or workstream heads shall be responsible for the periodic review of their functional budgets to ensure budget overruns are minimized/ avoided.
- All unbudgeted/ extra-budgetary spend shall be adequately justified and pre-approved by the MD/Donor and/ or Board in line with the financial authority limit.
- The MD shall:
 - Ensure expenditure is incurred in accordance with the budget to prevent overspend against the budget.
 - Ensure expenditure is properly authorized and the risk of fraud is minimized.

2.2 Revenue.

Revenue refers to income arising during an entity's ordinary activities. This defines the policies guiding the complete allocation and recognition of all revenue generated by HSE-SDL during the year. This defines the policies guiding the complete allocation and recognition of all revenue generated by HSE-SDL during carrying out activities.

HSE-SDL's revenue sources may include membership dues, grants, partnership contributions, fundraising events, goodwill donations, etc.

The revenue policies which are covered by this manual include the following sub-groupings:

- Turnover/fees
- Funds/Grants Receipt.

S/No.	Policy Description/Control Techniques.
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1)	Turnover/Fees.
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| a) | All turnover/fee payments shall be made into designated collection bank accounts or received through cheques made in favour of HSE-SDL. |
| b) | Where a non-cash item was received as a contribution by HSE-SDL, an acknowledgment |

mail shall be sent to the Contributor on confirmation of receipt of such item.

- c) A fair value assessment of the item in (d) above shall be made and brought into HSE-SDL's books as appropriate.

2) Funds Receipts

- All HSE-SDL's revenues shall be recognized at the points of receipt (Cash Basis of accounting).
- All payments by contributors and donors shall be made into designated collection bank accounts or received through cheques made in favour of HSE-SDL.

Income accounts shall also be segregated in accordance with the stipulations for grants and specific contributions received, i.e., separate income bank accounts shall be maintained for restricted contributions, unrestricted contributions, etc.

2.3 Expenditure

This covers the policies guiding the use of the Company's resources to fund operations and other expenses necessary for generating revenue for HSE-SDL. This policy also shall apply to the administration of grants/donor-funded programs, subject to specific provisions of grants/program agreements agreed with donors.

The following expenditure sub-processes are covered in the manual.

- i. Invoice processing
- ii. Business expense management.
 - a. Business advance requisition.
 - b. Business advance retirement.
- iii. Claims processing.

S/No.	Policy Description/Control Techniques.
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1) Invoice Processing.

- All vendor invoices shall be on printed letterheads, or alternatively, signed by the vendor. Invoices that do not comply with the approved format should be returned to the vendors within 24 hours of receipt – this shall be the responsibility of the procurement Unit.
- Vendor invoices shall be adequately supported with relevant and authentic transaction documents e.g., copy of Purchase/ Service Orders (PO/ SO), Goods Received Note, contracting documents, etc., to evidence the existence of the contractual agreement and confirm the supply of goods/items or receipt of service.
- All Invoices shall be submitted to Finance and Admin Unit by the procurement Unit.
- Invoices shall be reviewed for completeness of supporting documents and matched against SO contract or other approved document for accuracy before payment and posting.
- All invoices shall be authorized for payment by the Managing Director, or designated officer in line with the approved financial authority before they are processed for payment.
- Where any invoice is disputed and not approved for payment, the cause of disapproval shall be investigated and rectified before settlement can be authorized.

- All applicable payment transactions shall be subject to Withholding Tax (WHT) deduction as appropriate.

2)

Advance Management

- i. HSE-SDL's staff may receive a cash advance to cover HSE-SDL-related expenses not provided for. The following items are the approved expenses for advance:
 - a. Local airfare
 - b. Accommodation
 - c. Transport expenses
 - d. Meal Stipend
 - e. Miscellaneous expenses – Telephone and data, conference materials, etc.
- ii. Advances shall not be allowed for the following purposes:
 - a. Non-current assets or stock items
 - b. Non-HSE-SDL related expenses; and
 - c. Employee loans
- iii. All requests for an advance must be received by the FAM at least 2 days before the period for which it is required except where such is not practicable.
- iv. All advances shall be initiated via Advance Request Form (ARF) or email and shall not be disbursed earlier than a day prior to when the funds are required.
- v. Advance requests shall be authorized by the MD in line with the established authority limits.
- vi. Where a member of staff has an un-retired advance outstanding, a new advance may not be granted except with explicit approval by the MD.
- vii. Advance account shall be opened for each staff of HSE-SDL in the financial accounting system to facilitate accurate tracking.
- viii. Advances shall be retired not later than one (1) week from the date of utilization.
- ix. All advance retirements shall be initiated via Expense Retirement Form (ERF) or via email.
- x. Expense Retirement Forms or emails for retirements shall be authorized by the PM Admin/relevant Unit/Program Manager, who shall ensure that the advance was utilized in line with approved expenditure.
- xi. Any advance balance outstanding for more than 30 days from the date of collection shall be deducted lump sum from staff payroll.
- xii. A Staff Advance Ageing Report showing the age of outstanding balances due per employee shall be generated by the Finance and Admin Manager and circulated to all Unit Heads/ Budget Holders not later than the 15th day of the subsequent month.
- xiii. Advance balance reports shall be generated monthly and forwarded to employees that have outstanding by the Finance and Admin Manager.

3)

Claims Processing

- i. Reimbursements shall only be processed and refunded for personal funds used in the

execution of urgent and valid official expenses (i.e., for instance where the timeline for advance processing would be inappropriate or expense cost exceeds advance received).

- ii. Expenses allowable for reimbursement claims include:
 - a. Local transportation expenses
 - b. Miscellaneous expenses- telephone, stationery, etc.
 - c. Difference between cash advance and actual expenditure i.e., where actual exceeds advance raised.
- iii. Written approval from the /MD shall be obtained prior to incurring any reimbursable expense in line with applicable financial authority.
- iv. Staff claims and supporting documents shall be duly authorized by the PM or Admin/Budget holder of the requesting staff to ensure and confirm that claims are for bonafide expenditure, then approval of such claims by MD. Such claims shall follow the expenditure payment procedure in HSE-SDL.

2.4 Treasury and Investment Management.

This covers the policies guiding the management of the HSE-SDL's funds, the receipt of funds, and settlement of staff/ third party claims and obligations, etc.

The treasury sub-processes stated below, are the responsibility of the Finance Department and are covered by this manual. The sub-processes are as follows:

- Payment Processing.
- Petty Cash Management.
- Bank Relationship Management; and
- Insurance Management.
- Short Term Investment Management.

S/No.	Policy Description/Control Techniques.
1)	Payment Processing.
i.	Only approved payments shall be processed.
ii.	A standard payment term of 15 days from receipt of invoices may be maintained and communicated to all vendors. Any exception to this policy must be evaluated on a case-by-case basis and approved by the MD. However, payments for the following transaction types shall be processed up to 3 days from the presentation of the invoice/payment request document: <ol style="list-style-type: none"> a. Land Acquisition costs b. Rent and Leases. c. Utility bills d. Government bills (permits, rates, customs duty, etc.).
iii.	Payment requests shall be prioritized and batched for settlement based on the availability of funds. Deferred payment requests due to funds deficit shall be processed with the immediate next batch of payments.
iv.	All payments to third parties shall be by direct funds transfer. Cheques shall be issued

only when direct funds transfer is not feasible or in case of payment to regulatory institutions.

- v. All payment instructions to the bank (cheques, remittance advice, bank transfer, etc.) must be signed by the authorized signatories in line with the signatory mandate.
- vi. Payments to foreign suppliers shall be made in the currency specified in the contract agreement.
- vii. All HSE-SDL's cheques shall be issued in sequence and accounted for on a periodic basis.
- viii. Blank cheques shall not be pre-signed. Unused, blank, and voided cheques shall be stored in the HSE-SDL's safe, in the custody of the Finance and Admin Manager.
- ix. All canceled cheques must be accounted for, perforated, and filed. No canceled cheque should be destroyed.
- x. All beneficiaries that collect cheques will acknowledge receipts in the cheque register/ payment voucher.
- xi. Beneficiary shall be requested to present a letter of authority and identity card before receipt of cheque.
- xii. Unless they are digital, payment supporting documents (original invoices, ARF, etc.) shall be clearly marked and stamped "PAID" after payment to prevent accidental/ intentional re-use.

2) Petty Cash Float Establishment.

- i. A petty cash float of One Hundred Thousand Naira (N100, 000) shall be maintained by HSE-SDL.
- ii. The petty cash shall be maintained and kept in the custody of the Admin.
- iii. Incidents of loss or theft of petty cash shall be reported immediately to the MD, specifying the cause, the sum lost, and mitigating steps against a recurrence.

3) Petty Cash Management.

- i. All maximum petty cash requests shall be initiated through a Petty Cash Voucher (PCV) or emails.
- ii. Petty cash float shall be used in the procurement of goods/ services that do not exceed N10,000.
- iii. The following transactions shall **not** be funded through petty cash:
 - a. Capital expenditure.
 - b. Routine payments to vendors in excess of N10,000.
- iv. All petty cash requests shall be initiated through a PCV or emails and approved by the PM Admin/HR
- v. Petty cash funds shall be replenished when the cash-on-hand reaches the minimal predefined float (20% of authorized float), subject to the approval of the MD.
- vi. The following documents shall be attached to the petty cash reimbursement request (Funds Requisition Form) to establish the validity of the request:

- a. Original receipts or internal receipts signed by the vendor in case of petty traders that do not have receipts.
- b. Summary of petty cash transactions for the relevant period.
- c. Completed Expense Retirement Forms (ERF)/mails and receipts.

4) Bank Relationship Management.

- i. HSE-SDL shall open a few selected bank accounts on a need basis, to enable HSE-SDL to run its day-to-day financial transactions efficiently. The opening of a new bank account must be justified by management and approved by the Board.
- ii. The following conditions must be met before HSE-SDL can open a current account with a bank:
 - a. Minimum of 5 years in operations
 - b. Not on CBN distress list
 - c. Bank's reputation is impeccable.
 - d. Quality of bank's management
- iii. The Board of Directors shall review and approve the opening of a new bank account.
- iv. All bank mandates shall be approved by the Board of Directors, specifying how the bank accounts are to be operated and authorization of bank signatories. Bank mandates shall be reviewed on a need basis to reflect organizational changes.
- v. HSE-SDL shall close its bank accounts, on approval of the Board of Directors under any of the following conditions:
 - a. The need for the account no longer exists.
 - b. The bank is involved in malpractice.
 - c. The bank continuously fails to deliver services as expected.

5) Insurance Management.

- i. Selection of insurers shall be based on competitive market rates.
- ii. Policies usually have an annual duration but there could be changes depending on market conditions and management's decision.
- iii. There shall be a periodic re-evaluation of assets and relevant adjustments. Insurance policy renewal for assets shall be based on the asset's value.
- iv. The renewal process for each policy should start two (2) months before the end of the indemnity period.
- v. Upon asset loss/damage, written notification by the PM or Admin/HR shall be forwarded to insurers via email within 48 hours of notification from the set holders/user department.
- vi. Notification to the Insurer shall be endorsed by the Managing Director before being forwarded to the Insurer.
- vii. Claims payments by the insurers shall be made through bank transfers to an HSE-SDL's bank account.

6) Cash Forecasting and Short-term Investment Management.

- Quarterly rolling cash forecast shall be prepared.
- Cash flow forecasting shall be carried out by the Finance and Admin Manager and shall be reviewed and approved by the MD.

2.5 Non-Current Asset

This covers the policies guiding the clearing, registration, transfer, and disposal of HSE-SDL's non-current assets. It also covers the management of non-current assets and their recognition in HSE-SDL's financial records.

The policies cover the following:

- Non-current Asset Registration
- Non-Current Asset Depreciation
- Non-current asset Verification
- Non-current asset Disposal.

Objectives

The non-current asset management policies are designed to ensure:

- Standardized identification, recognition and recording of non-current assets in HSE-SDL's books.
- Standards and procedures are maintained and followed in the disposal of assets.
- Accurate and proper accounting entries are entered into HSE-SDL's accounting system.

S/No.	Policy Description/Control Techniques.
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1)	Registration of Non-current assets.
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| i. | To be considered for registration, capitalization, and thus subject to depreciation, an asset must fulfill these characteristics: <ol style="list-style-type: none"> The asset must be acquired (purchased, constructed, or donated) for use in the organization's operations, and not for investment or sale. The asset must have a useful life of over one year; and The asset must meet the capitalization threshold of N100,000. |
| ii. | The capitalization threshold shall apply to costs at purchase or construction/fabrication and the fair market value of donated assets to be used in operations at the time of donation. |
| iii. | All asset acquisitions equal to, or above the capitalization threshold shall be capitalized and recorded in the non-current assets register. |
| iv. | All capital assets below the threshold shall not be capitalized but expensed to the income statement as consumables and will be treated as an expense in the year acquired except for the capital assets that meet the definition of non-current assets as specified in Section iii (b) of the Accounting Policies. |
| v. | All acquired assets shall be stated at purchase (total cost) price, including import duties and non-refundable purchase taxes, and any directly attributable |

costs of bringing the asset to a working condition for the intended use.

Examples of directly attributable costs are:

- a. The cost of site preparation.
 - b. Initial delivery and handling costs.
 - c. Installation costs: all labour, materials, supplies, engineering, building permits, and other miscellaneous costs incurred in connection with original equipment installation.
 - d. Professional fees such as for architects and engineers; invoiced fees from external contractors, including labour, material, and associated taxes like VAT.
 - e. Project management fees.
 - f. Non-routine repairs or maintenance costs that separately meet capitalization criteria, or which increase the useful life or operation capacity of the asset.
- vi. Replacement components that significantly affect the performance or extend the economic life of an asset shall be capitalized.
 - vii. All assets held under the lease agreement shall be capitalized on the commencement of the lease agreement.
 - viii. The total interest element of the amount payable to the lessor for a lease asset shall form part of the capitalized asset cost.
 - ix. Leasehold improvements shall be capitalized if up to the capitalization threshold.
 - x. An addition to a non-current asset, which increases the operating capabilities of the asset and/ or the useful life of the asset, shall be capitalized as a component of the asset. Examples of such additions are expansion, extension, or upgrade (such as software upgrades).

2) Non-current assets Depreciation

- Depreciation of Non-current assets acquired shall commence from the month in which it is put into use only if the assets are put into use before the 15th of that month or in the month of purchase.
- Depreciation of assets, which form part of a project cost, shall commence in the month of completion of the project. The completion date of a project shall be the date of commissioning (i.e., issuance of completion certificate).
- Depreciation of replacement parts that significantly affect the performance or extend the economic life of an asset shall commence on the issue.
- Any improvements to leasehold shall be depreciated over the remaining lease period.
- Depreciation shall be provided on a straight-line basis to write off the cost of assets over their estimated useful lives.
- Fully depreciated assets shall be maintained in General Ledger (GL) at a value of N10 to enable recognition of such assets.

Non-current asset Depreciation

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- i. All HSE-SDL 's non-current assets shall be physically verified based on a verification schedule prepared at the beginning of the financial year by the Finance and Admin Manager or designate.
 - ii. Periodic physical verification exercise shall be conducted to ascertain the location and state of the non-current assets. This shall be done at least twice in any financial year.
 - iii. Movement of Non-current assets during the asset verification exercise shall not be permitted.
 - iv. Items received during the asset verification shall be set aside and not included till the exercise is completed.
 - v. Any inconsistencies between the physical count and the non-current asset register shall be resolved within 5 working days.
 - vi. The PM or Admin/HR and FAM shall ensure that proper/ adequate insurance coverage is maintained for key assets.
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Non-current asset Disposal

- i. Non-current assets shall be proposed for disposal for the following reasons only:
 - a. have been fully depreciated.
 - b. obsolete or have passed their useful life.
 - c. declared stolen or lost, or
 - d. is no longer economical to maintain and has been recommended for replacement by HSE-SDL.
 - ii. The PM or Admin/HR shall be responsible for identifying and proposing non-current assets for disposal. Only asset disposal proposals approved by the MD shall be executed.
 - iii. Non-current asset disposal shall be coordinated by the Finance and Admin Manager, and other line managers.
 - iv. An Asset Disposal Form (ADF) or emails indicating the asset details shall be used to dispose of all assets.
 - v. All disposals shall be approved by the Board.
 - vi. Non-current assets shall be disposed of in any of the following ways:
 - a. Selective disposal (this is most applicable where an asset is/was previously assigned to staff eg., official vehicle disposal).
 - b. Open ballot (this will be applicable for assets that are of relatively low value e.g., office furniture and appliances)
 - c. Competitive bidding (often applicable for disposal of fully depreciated items still in good condition, or assets or vehicles though fully depreciated but still have useful life).
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2.6 Project Accounting

This includes policies guiding the set-up, monitoring, reporting, and closure of project accounts.

Objectives

These policies are designed to ensure:

- i. Proper set-up and closure of a project on the accounting system.
- ii. All costs incurred in delivering and all revenue generated from a particular project are separately identifiable.
- iii. Adequate controls over project expenditures are implemented.

S/No.	Policy Description/Control Techniques.
1)	Project Account Set-up and Closure. <ol style="list-style-type: none"> i. A project ID (project code and name) shall be set up on the accounting system before any expenditure may be incurred in relation to the project. ii. All expenditure relating to each project shall be charged to the project using the project ID. iii. All project expenditures such as transportation, meal allowances, and other out-of-pocket expenses will be collected in advance by project team members and subsequently retired using the Project ID in tandem with the Advance policies of HSE-SDL. iv. The Project Managers or budget holders shall be responsible for initiating project set-up. The actual set-up of the accounting system shall be the responsibility of the Finance and Admin Manager. v. All projects shall be closed considering the following: <ul style="list-style-type: none"> • Assets procured for the project: Consider possible requirements regarding project assets viz disposition, retention, or transfer. • Payable must be settled. • Receivables must be recovered. • All outstanding liabilities must be settled.
2)	Project Budget Monitoring. <ol style="list-style-type: none"> i. A Project Budget as contained in the approved cost estimates shall be set up for each project and used to monitor expenditure and estimated cost to and at completion. ii. All revenues and costs on each project shall be charged to each project account to ensure proper accountability. iii. At the beginning of each financial year, the provisions made at the end of the preceding financial year for uncompleted projects shall be reversed. iv. All un-invoiced project costs shall be accrued at the end of each month and reversed at the beginning of the following month.

2.7 Payroll Administration

The payroll policies will guide the activities involved in the processing of staff salaries and other entitlements.

Objectives

This process is designed to ensure:

- i. Complete and accurate computation of payroll deductions in line with statutory guidelines and requirements; and
- ii. Payroll is processed on a timely basis.

S/No.	Policy Description/Control Techniques.
1)	Payroll Administration.
i.	The payroll cycle for each month shall commence (with the system capture of payroll-related transactions) from the 1st of the previous month (or the previous working day if a weekend) and end (with the remittance of salaries and allowances) on the 25th of the current month (or the previous working day if a weekend).
ii.	All staff salary and benefit payments shall be paid on/ before 25th of the current month.
iii.	Monthly PAYE and pension remittances shall be processed and shall be remitted before the 10th of the subsequent month to tax authorities and relevant pension fund administrators.
iv.	Other statutory deductions, e.g., NHF shall be deducted and remitted promptly.

2.8 Indirect Costs

This process covers the assumption and activities adopted by HSE-SDL in the definition, recognition, sharing, and accounting for indirect costs.

The sub-process are as follows:

- i. Definition of indirect costs
- ii. Recognition of Indirect Costs
- iii. Sharing of Indirect Costs
- iv. Accounting for Indirect Costs.

S/No.	Policy Description/Control Techniques.
1)	Definition of Indirect Costs.
i.	For this policy, indirect costs are defined as overhead expenses, administrative expenses and expenses relating to general operations of HSE-SDL. These refer to expenses that cannot be directly traced to projects/interventions whether financed by HSE-SDL or through other sources including grants received from donors.
ii.	Common example of indirect costs includes office rent, consultancy fee to legal and

tax consultants, statutory auditors, internet and telephone, depreciation of office Non-current assets, service charge, energy, and power, etc.

2) Recognition of Indirect Costs

- i. Accrual basis of accounting shall apply in the recognition of indirect costs.
- ii. Except where it is not practicable, the indirect cost must be budgeted for before such expenditure recognition shall be allowed.
- iii. Except where it is not practicable, every indirect cost must be supported by contracts, invoices, and relevant documentation.

3) Sharing of Indirect Costs

- a. The percentage of indirect costs shared to project interventions shall be as agreed in the budget for such projects or a predetermined cost-share basis that is fair to all projects and HSE-SDL.
- b. The indirect costs shared to projects shall reflect the ratio of its direct costs compared to the sum of direct costs of all projects including HSE-SDL's funded interventions and programs.
- c. Where at any time the percentage of indirect costs allocated to a project/program exceeds the pre-agreed rate of indirect costs allocation, the Finance Team shall provide justifications for same, communicate such to management and receive a no objection from funders.

4) Accounting for Indirect Costs

- i. Accuracy and attention to details shall be the watchword of the Finance Team when allocating indirect costs.
- ii. Indirect costs apportioned to HSE-SDL shall be accounted for under the relevant heads under Administration and Other Overheads Cost.
- iii. Allocated indirect costs to projects financed through grants shall be accounted for through the Management & General (M & G) – Shared/Indirect Costs account.
- iv. The amount received from the Grantor shall be taken as revenue and same accounted for based on actual allocation made for indirect costs.

2.9 General Ledger Management

This process covers the various activities involved in the recording, classification, and analysis of financial transactions, including the preparation, generation, and presentation of key management and financial reports.

The sub-processes are as follows:

- i. Chart of Account Management
- ii. Accrual Processing
- iii. Prepayment Processing
- iv. Month End Closing and Reporting
- v. Tax Remittance

S/No.	Policy Description/Control Techniques.
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1) Chart of Accounts Management

- i. The Finance and Admin Manager shall, from time to time, identify the need for new account code(s) based on newly identified transaction types or in response to the need for improved/different classification and reporting of business activities.
- ii. All amendments to the Chart of Accounts shall be authorized by the MD.
- iii. Chart of Account shall be structured along cost centers and profit centers and expenses will be charged to these accounts.

2) Accruals and Provisions

- i. All expenses shall be recognized in the period they are incurred or when the services are received, irrespective of when the payment is made.
- ii. Expenses that have been incurred or services received, which have not been invoiced by the vendor, shall be accrued against the relevant period. Accruals shall not be made for services that are yet to be contracted or received at the period end.
- iii. Where the actual data for the services received are not available from the vendor, reasonable estimates based on historical data and current business realities shall be made and provided for in the books.
- iv. All accrual expenses shall be reviewed and approved prior to posting into the accounting system to ensure expense items fall within a pre-defined threshold for accrual as well as assess the collective significance of items individually deemed immaterial
- v. HSE-SDL shall determine and maintain an accrual threshold which shall be defined by the Finance and Admin Manager and approved by the MD

3) Prepayments

- i. There shall be timely, complete, and accurate capture and recording of all prepayment transactions in order to ensure prepaid expenses are amortised over the life of the benefit to be enjoyed.
- ii. Any adjustment deemed necessary to be made to the prepayment GL records (arising from the reconciliation process) shall be reviewed and approved.
- iii. Prepayments Amortisation shall be on a straight-line basis, and in line with the relevant contract/agreement.
- iv. Prepayments for which the benefits are to be derived within the following twelve (12) months shall be classified as current assets. Where the benefit is expected to accrue beyond the next twelve (12) months, it shall be accounted for as a long-term prepayment and classified as other long-term payments in the financial statements.
- v. Prepayments not exceeding the approved Non-current asset capitalisation threshold shall be expensed immediately.
- vi. Prepayments relating to specific time periods shall be recognized as an expense in such periods.

4) Month End Reporting & Closing

- i. Timeliness of closing the activities of the book shall strictly comply with the monthly
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closing financial transaction schedules.

- ii. Cut-off date for entry of financial transactions into the financial system shall be the 5th workday of the next month.
- iii. The period-end closing shall be completed, and management reports generated by the 10th workday of the following month.
- iv. All month-end financial accounting and management reports shall be prepared by the Finance and Admin Manager or designate.
- v. All approved management reports shall be consolidated to generate the monthly financial statements by the 15th working day of the following month.

5) Tax Remittance

- i. Tax payment and deductions shall be based on statutory policies and defined rates and must comply with relevant guidelines and procedures.
- ii. Tax requirements / deductions from various financial transactions shall be pre-defined and pre-set in the financial system as relevant system controls.
- iii. All tax liabilities shall be remitted to the relevant authorities in line with statutory deadlines:
 - a. PAYE – on/before 10th of the subsequent month.
 - b. WHT- on /before 21st of the subsequent month.

2.10 Reconciliation

These policies are aimed at ensuring the accuracy of HSE-SDL's Ledger position or records at any point in time and the proper reconciliation of the accounts to the control accounts or any other source documentation. It involves the following sub-processes:

- i. General Ledger (GL) Accounts Reconciliation
- ii. Bank Reconciliation

Objectives

These policies are designed to:

- i. Ensure that HSE-SDL's GL accounts are not misstated in its financial books.
- ii. Ensure errors and exceptions in HSE-SDL's bank accounts are detected and resolved on a timely basis.

S/No.	Policy Description/Control Techniques.
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1) General Ledger (GL) Account Reconciliation.

- i. All reconciliation statements must be finalized on or before the 15th day of the following month.
- ii. Journals shall only be used to record adjustments, accruals, transfers, and other transactions that cannot be recorded through the processing of source documents.
- iii. The following accounts amongst others shall be reconciled to its source documents:

GL Classification	GL Accounts	Source
Assets	Prepayment	Supplier records
	Staff advances	Staff advance accounts and Advance Request Forms or email.
	Property, Equipment & Fixtures	Depreciation schedules
Liabilities	Accounts Payable	Supplier records
	Payroll Tax Liabilities	Payroll Deduction records.
Income and Expenses	Income	Donations, Grants, and other Contribution Records
	Gross Salary Accounts	Quarterly payroll returns.
	Consultancy fees	Contracts.

- iv. Each reconciliation account shall be signed off by appending the following to the reconciliation statement:
- a. Name of preparer/ reviewer.
 - b. Signature of preparer/ reviewer
 - o Date of preparation/ review

2) Bank Reconciliation

- i. Bank accounts shall be reconciled to the bank statements monthly by a member of the Finance unit, under the supervision of the Finance and Admin Manager.
- ii. There shall be a segregation of duties for staff responsible for reconciliation of bank statements/ accounts, invoice/ payment processing, and funds receipt processing.
- iii. The date of preparation and the name and signature of the preparer and reviewer shall be appended and indicated on all reconciliation statements.
- iv. Monthly bank reconciliation statements must be finalized and approved no later than the 15th day of the following month.
- v. The following actions shall be taken to ensure that accounts are reconciled:
 - a. Unpresented cheques which become stale after 6 months should be written back in the Cash book after written confirmation of non-payment from the bank.
 - b. Payments (debits) in bank not in cash book should be thoroughly investigated and brought into cash book not later than 48hrs after a receipt of the statement; and
 - c. Daily action should be taken to obtain bank advice to confirm the entries in the bank statement as the effectiveness of the bank reconciliation statement lies in the prompt clearance of outstanding items.

2.11 Year End Reporting

These policies guide the preparation of year-end financial statements for HSE-SDL. It also covers the policies ensuring the auditing of HSE-SDL's books and presentation of the audited reports to the Board.

Objectives

The objectives of these policies are to:

- i. Establish standardization for the preparation of the financial statements for HSE-SDL.
- ii. Ensure timely audit of HSE-SDL's financial records.
- iii. Ensure timely presentation of the financial statements to the Board and key stakeholders.

S/No.	Policy Description/Control Techniques.
1)	Year-End Reporting. <ol style="list-style-type: none"> i. The financial year of HSE-SDL shall be from 1 January to 31 December every year. ii. HSE-SDL shall not later than 30th April in each year, submit to the Board, a report of its activities during the preceding year and shall include in such report its audited accounts. iii. The MD shall have the responsibility for ensuring that: <ol style="list-style-type: none"> a. Proper accounting records are kept, in a manner as may be determined, from time to time by the Board. b. Annual reports are prepared, including the Financial Statements, in accordance with Generally Accepted Accounting Principles and Practices (GAAP); and other relevant accounting standards; and c. Available accounting resources of HSE-SDL are adequate and used economically in the most effective and efficient manner, and the accounting and other financial records are properly safeguarded. iv. The Management Team shall be responsible for approving reports before they are presented to the Board and shall include the following: <ol style="list-style-type: none"> a. Managing Director b. Programme/Unit Managers c. Finance and Admin Manager d. Head of HR and Admin. v. Data/information required for preparing financial statements shall as much as possible be generated from the financial system. vi. The financial system shall restrict the ability of any staff of HSE-SDL to post the previous year's transactions onto the database after the date of closure of the previous year. <p>Note: However, the Finance and Admin Manager may have access to audit adjustments and any other relevant postings as required in the system up till 30th</p>

- January of the subsequent year.
- vii. The Board shall be responsible for appointing an external auditor who shall perform an audit of HSE-SDL's financial records.
 - viii. The Board shall at the meeting where it appoints external auditors also provide the needed approval for the payment of the auditor fees in a year.
 - ix. The management of HSE-SDL shall be responsible for inviting the external auditor to undertake the audit of the books.
 - x. The audit of the books shall commence not earlier than 1st January, after the closure of HSE-SDL's books.
 - xi. The audit of the books of HSE-SDL must be concluded and the auditor's opinion (qualified/ not qualified) submitted not later than 30th April of every year for Management and Board review.
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HSE Strategy Dev. Ltd

SECTION C

Audit Policies

3.0 Audit

These policies guide the auditing of HSE-SDL's accounts.

Objectives

The objectives of these policies are to:

- Ensure the accounting records are accurate and complete and prepared in accordance with acceptable standards.
- Ensure that statements prepared from the accounts present fairly the organization's financial position, and the results of its financial operations.

S/No.	Policy Description/Control Techniques.
1)	Year End Reporting.
i.	At the beginning of the last quarter of the financial year, the Finance and Admin Manager shall make a request to the MD to constitute an Audit Committee.
ii.	The committee will comprise the Finance and Admin Manager, two Management personnel.
iii.	The committee shall shortlist, interview, rate and recommend a reputable audit firm to conduct the annual external audit exercise for HSE-SDL.
iv.	A report of the recommendations on interviewed firms shall be presented to the MD for endorsement.
v.	Upon the MD's endorsement, the report shall be presented to the Board of Directors for approval and the approved firm is contracted.
vi.	The audit firm will conduct the audit by the end of the 3 rd month of the new financial year and make its report directly to the Board of Directors.
vii.	The Board of Directors will share the Audit Report with the MD. The Latter will be required to develop a plan to address and implement findings and recommendations of the audit within one month of receipt of the Audit Report.
viii.	HSE-SDL shall appoint its external auditors on a 4-year rotational basis.

HSE Strategy Dev. Ltd

SECTION D

Procurement Policies

4.0 Procurement

These policies guide the procurement activities of HSE-SDL.

Objectives

The objectives of these policies are to:

- i. Ensure efficiency, fairness, and cost effectiveness in procurement activities.
- ii. Ensure that relevant controls are maintained, and approvals obtained in the sourcing of goods and services.

S/No.	Policy Description/Control Techniques.
1)	Roles and Responsibilities. <ul style="list-style-type: none"> The responsibilities for procurement administration in HSE-SDL shall be borne by the following. Managing Director (MD): Overall coordination of the procurement process in liaison with the Tender Committee and relevant operational departments. Management Team: Coordination of procurements related to program execution and implementation of approved initiatives as well as coordination of operational and capital expenditure procurements for HSE-SDL e.g., acquisition of goods and services for operational purposes. Tender Committee: Assist the procurement administration tasks e.g., RFP preparation, bid evaluation, approvals etc. Membership of the Tenders Board shall be as follows: <ul style="list-style-type: none"> MD Finance and Admin Manager Program Managers
2)	Procurement Planning <ol style="list-style-type: none"> i. In line with the Strategy of HSE-SDL and identified opportunities, Tender Committee

of HSE-SDL shall identify, prepare, and provide details of contracting/ procurement plan with relevant supporting documents at the beginning of each financial year.

- ii. The Procurement Plan shall contain details of goods and services required, procurement method, planned partnership contracts, estimated costs, funding source, delivery time and place, and other additional information as required.
- iii. The Procurement Plans shall be reviewed by the MD and approved by the Board along with the Budget for the year.

3) Procurement Requisition

- i. All contracting/ procurement requests documented in the Procurement Plan shall be initiated by the user department, reviewed by the respective head of department/ unit, and approved by the MD.
- ii. Justification shall be required for all contracting/ procurement requests not contained in the approved Procurement Plan.

4) Advertisement of Expression of Interest

- i. Advertisements requesting for Expression of Interest (EOI) to provide goods or services valued above N100million shall be advertised appropriately at the beginning of each financial year.
- ii. All respondents to the advertisements shall be evaluated based on HSE-SDL's approved evaluation criteria.
- iii. The timeline for applicants to submit their "Expression of Interest" shall not be less than seven (7) days from the date of advert placement.

- **Vendor Prequalification and Selection**

- i. The Tender Committee shall be responsible for ensuring a timely, objective, and transparent prequalification exercise.
- ii. Criteria for pre-qualifying 'Expressions of Interest' and respective weightings shall include:
 - a. Evidence of incorporation or business name registration – 10%
 - b. Company audited account for three (3) years – 5%
 - c. Evidence of financial capability and Company/ Corporation support– 20%
 - d. Experience/ technical qualification of key personnel – 30%
 - e. Similar experience and industry knowledge – 20%
 - f. VAT registration and evidence of past VAT remittances – 5%

5) Invitation to Bid/Request for Proposal

- i. The Tender Committee in consultation with relevant user departments shall be responsible for preparing appropriate bid/ proposal documents, including definition of evaluation criteria for assessing the bids/ proposals.
 - ii. The invitation to bid/ Request for proposal documents shall be reviewed and approved by the MD before being sent out.
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6) Bid/Proposal Evaluation

- i. Bids/ Proposals received after stipulated timeline and those not opened and read out during the bid opening session shall not be considered.
- ii. Staff of HSE-SDL with direct or indirect influence on prospective contractor/ supplier or has financial, personal, or professional interests in a prospective contractor, are prohibited from any involvement in the procurement process.
- iii. HSE-SDL personnel shall not disclose proprietary and source selection information, directly or indirectly, to any individual other than such authorized to receive information, at any time prior to or after the selection and contracting process.
- iv. The Tender Committee shall be responsible for evaluating all submitted bids/proposals.
- v. Technical bids shall be evaluated based on the pre-defined evaluation criteria; only financial bids for qualified technical bids shall be evaluated.
- vi. Results of bid evaluation shall be reviewed and approved by the management team.

7) Contract Drafting

- i. All contracts or agreements shall be reviewed and approved by the MD. No personnel shall commit or enter into any agreement without appropriate authorization.
- ii. For complex contracts, HSE-SDL shall consider the use of law firms competent in specific areas to ensure the interests of HSE-SDL are well protected. Complexity shall be as determined jointly by the management team.
- iii. Specifications or the description of physical or functional characteristics of tangible goods must provide all relevant terms and criteria required. Specifications may be stated as a combination of function, performance, design, and sample.
- iv. In procurement of services, the Terms of Reference (TOR) shall define the work required and respective responsibilities of a Contractor or third party.
- v. Electronic copies of contracts sent to third parties shall be in Portable Document Format (PDF).

8) Contract Approval and Award

- i. Contract value approval limits for HSE-SDL shall be in line with HSE-SDL's financial authority limits (see section 3)
- ii. Original copies of all executed contracts/ agreements between HSE-SDL and third parties shall be kept in the office of the MD (or any other appointed official) in a fireproof and secure location.
- iii. Original copies of all procurement contracts shall be maintained by the MD for a period not less than seven (7) years. This timeline shall begin to count on the completion of the actual procurement.

9) Post-Award Contract Monitoring

- i. For each contract awarded by HSE-SDL, the contract monitoring team shall carry out
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a regular monitoring (either monthly or quarterly) and shall document its report.

- ii. The contract monitoring team shall be composed of a minimum of three (3) members of the Management Team

10) Vendor/Contractor Performance

- i. The overall performance of all contractors/ suppliers engaged in by HSE-SDL shall be evaluated using a standard evaluation form and predefined rating guideline.
 - ii. Criteria for contractor/ vendor evaluation may include the quality of product or service, timeliness of performance and any other relevant factors.
 - iii. Performance of all vendors/ contractors engaged by HSE-SDL shall be monitored and evaluated on a periodic basis.
 - iv. Vendor/ Contractor performance evaluation shall be administered by the management team.
 - v. A vendor/contractor who has poorly executed a project shall not only be made to carry out remedial actions but also shall not be considered for future engagements by HSE-SDL.
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SECTION E

Financial Authority

5.0 Financial Authority

The set of approvals required by HSE-SDL shall be classified into three (3) categories. These include the following:

Procurement Authorization Limits

This refers to the limits that have been put in place to authorize the procurement of goods and service. Goods include objects in solid, liquid, or gaseous form as well as services incidental to the supply of the goods while services refer to the rendering by a contractor or supplier of his time and effort e.g., consultant and non-consultant services, any object of procurement other than goods, works or construction.

It also includes the construction or modification of a structure, such as site preparation, excavation, erection, building, installation of equipment or materials, decoration and finishing, and associated services.

Payment Authorization Limits

This refers to the limits that have been set for authorizing payments for CAPEX projects, and programmes as well as recurrent expenditure.

- Capital expenditure include expenditure items not considered as recurring and are classified as CAPEX in the budget. It also includes spend related to investments in business opportunities or partnership arrangements. Capital expenditure generally include spend to acquire assets with a useful life beyond one year.
- Recurrent Expenditure are expenses incurred on items such as physical supplies and services required for the day-to-day operations such as rent, utilities, and payroll etc.

Signatories to HSE-SDL's Accounts

This refers to individuals who are authorized to endorse disbursements from HSE-SDL's bank accounts.

5.1 Financial Authority Policies

The key policies guiding the implementation of the Authorization limits are as follows:

S/No.	Policy Description/Control Techniques.
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1) General

- i. All designated authority holders shall exercise duty of care, skill, caution, and good business judgment; Authority shall only be exercised when the transaction is deemed bona fide i.e., wholly, reasonably, exclusively, and necessarily transacted on behalf of HSE-SDL, and when such transaction is within the designated level of authority and contained in the approved budget.
- ii. An authority holder shall not exercise approval authority over financial commitments and transactions where the holder may be adjudged a beneficiary or where there exists the possibility of a conflict of interest.
- iii. Expenditure commitments must not be split/ divided in a bid to avoid or circumvent designated authority limits.

2) Procurement and Payment Authorization

- i. Final approval for contract award to winning bidders shall be issued by the MD or the Board of Directors.
- ii. All bank payments shall be signed by two authorised signatories. Signatories to the Organisation's bank accounts shall be categorized into A, B and C Each payment instruction to Banks shall be signed by one of the following combinations: A and C; A and B or B and C signatories, subject to their financial authority.
- iii. The Board shall be responsible for the implementation of the monetary thresholds and may delegate certain approval authorities to specific officers in the absences of primary authorizers.

3) Absence of Authorizer

- i. Where an employee of the Organisation with sole authority on certain types of financial transactions plans to be away on vacation or other approved reasons, the employee shall delegate his sole financial approval authorities to his or her direct subordinate.
- ii. Where an employee of the Organisation with sole authority on certain types of financial transactions is unavoidably absent and cannot be reached for the required approvals for a period more than five (5) working days, his direct subordinate shall be responsible for necessary approvals to ensure the continued operations of HSE-SDL.

5.2 Authority Limits

The table below shows the limits for various officers in for authorization of procurement and payment activities.

Authorizing Officer	Procurement Authorization Limit (N)
MD	10m and below
Tender Committee**	> 10m to 25m

Board of Directors	Greater than 25m
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**N.B. The Tender Committee will be responsible for ensuring compliance with procurement policies and plans.

5.3 Bank Account Signatories

Signatories to the HSE-SDL's bank accounts shall be categorized into A and B. Signatory A shall be members of the Board of Trustees while signatory B shall be management team members, or other persons approved by the Board. All cheques will be required 2 signatories. 1 A and 1 B or 2 As. An A signatory must always sign.:

Signatories	Authorization Category
Board Members (Primary)	A
MD, Finance and Admin Manager, and any other approved by the Board (Alternate)	B