

**AFRICA CENTRE OF EXCELLENCE
CENTRE FOR PUBLIC HEALTH AND TOXICOLOGICAL
RESEARCH
(ACE-PUTOR)**

**UNIVERSITY OF PORT HARCOURT
PORT HARCOURT**

FINANCIAL ACCOUNTING MANUAL

INTRODUCTION

This Accounting Manual is used in conjunction with the Uniform Accounting System for Nigerian Federal Universities prepared by the Committee of Bursars of Federal Universities under the sponsorship of the Auditor-General of the Federation and the National Universities Commission.

The purpose of this handbook on Financial Guidelines and Accounting Procedures is primarily to present in a handy form a guide and reference material for use by the operators of the University financial system. Therefore, a handbook detailing the processes involved in the "how" and "when" things are done is not only necessary but indispensable.

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

The Financial Management Procedures

Accounting Method

The cash accounting methods shall be the basis of treating all financial transactions of the Centre. The centre will align with the university as soon as it adopts the accrual basis of accounting under International Sector Accounting Standards (IPSAS).

Financial Year

The financial period shall be 1st January to 31st December every year.

Financial Planning

The basic plans shall include:

- Annual Work Plans
- Annual Budgets
- Annual Procurement Plans

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

Flow of Funds

The major source of funds into PUTOR is the World Bank Grant. This source will be supported by the Centre through internally generated funds for sustainability. To ensure adequate funding of PUTOR, withdrawal applications will be submitted regularly. The first withdrawal application will be submitted as soon as the implementation plan, financial management manual and procurement manual are approved by the World Bank. Subsequent withdrawal applications will be made as a particular disbursement link indicator is achieved.

Banking and Cash Management

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

- To provide financial backing to the ACE's plans as enumerated in the Annual Work Plan and Cash Budget
- To maintain optimal cash balances which ensure that the projects are executed effectively with minimal idle cash

- To develop an effective accounting and reporting systems which are adequate in description and the processes that will generate reliable financial information.

SIGNATORIES TO UNIVERSITY BANK ACCOUNTS

Cheques / mandates drawn against PUTOR's approved Bank Accounts shall be signed jointly by any two of which one shall come from category A and B respectively of the following signatories for it to be valid.

CATEGORY A

- 1 The Vice-Chancellor
- 2 Centre Leader

CATEGORY B

- 1 Bursar
- 2 Project Accountant

Mode of Payments

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

Reconciliation of Accounts

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

BUDGETS AND BUDGETARY CONTROL

Basis of Budget

The preparation of the expenditure budget shall be guided by realisable income for the year. The budgeting process is part of PUTOR's control process through which processes are obtained and used efficiently.

Purpose of Annual Budget

The Approved Annual Budget is designed to direct and control disbursement of the funds of the University. An expenditure for which no budgetary provision exists shall not normally be made.

Capital Votes

Capital Votes shall strictly be operated as allocated by the appropriate authority. Under no circumstances must provisions for specific projects exceed amounts allocated to such projects without reference to the Tenders' Board.

CONTRACT AWARDS FOR CONSTRUCTIONS, SUPPLIES AND SERVICES

University Contracts

All University Contracts shall be awarded by Council or by any other authority to whom Council has delegated part or its powers in line with authority limits.

Award of Contracts

The Award of Contracts shall be subject to the availability of fund as per the Vote Head and cash backing. The Bursar shall ensure that all University requirements are purchased from the most competitive supplier in compliance with due process as supervised by the procurement unit.

Payments for Supplies of Goods and Services

It is expected that payments for supplies of goods and services shall be made within three months subject to availability of funds.

Financial Reporting

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

a. Balance Sheet

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

b. Income and Expenditure Account

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

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

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

d. Timing of Report

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

e. Daily Reports

These may include:

- Cash balances
- List of e-payments made

f. Weekly Reports

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

g. Monthly Reports

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

- Management Accounts

h. Semiannual Reports and Annual Reports

These reports may include the following:

- Monthly and Quarterly Reports
- Cash flow statements or summary of sources and uses of funds

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

Annual Reports

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

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

Fixed Assets Register

A Fixed Assets Register of different categories of fixed asset in the University shall be maintained. The register shall contain all relevant features in respect of each property owned by the Centre which will show the following particulars:-

- (i) Date of Purchase, name of the asset,
- (ii) Description, Quantity, model
- (iii) Serial Number identification;
- (iv) Name and Address of Suppliers

- (v) Cost of the asset
- (vi) Depreciation rate,
- (vii) Annual amount charges
- (viii) Accumulated depreciation
- (ix) Location of the asset.

Each category of fixed assets shall have a separate section in the register maintained for them, like motor vehicle register, Plant and Machinery register, Office Equipment etc.

In an assets register, each page will be used for an asset with a tag on top to easily indicate the asset.

Classification of Assets

S/No	GENERAL DESCRIPTION	ITEMS INCLUDED
1	Land and building	Freehold land and building, leasehold land and building where the lease period is more than ten years, renovation and reconstruction of rented apartments
2	Equipment and tools	All equipment movable and immovable, tools etc.
3	Office furniture	Tables, chairs, filing cabinets and other furniture with similar description
4	Office equipment	Computers, telephone sets, air conditioners, photocopying machines, etc.
5	Motor vehicles	All classes of motor vehicles
6	Others	As may fit in the description

Liability Accounting

Procedure

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

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

- All obligations outstanding must be checked to ensure certification before being recorded as liabilities.

Financial Records

Assets

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

Liabilities

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

INTERNAL AUDIT UNIT

PUTOR's Internal Audit Unit will have the responsibility of conducting risk based internal audit.

Responsibilities of the Internal Auditor

The Internal Auditor shall:-

- (i) Have access at all times to the books and records of equipment, properties, documents, facilities of the Centre for the purpose of carrying out his duties;

- (ii) Have right to interview, query and receive orally or in writing as he may deem appropriate for the proper execution of his duties.
- (iii) Examine in-dept from time to time, or as may appear reasonable to him all Centre's Accounts Books and other records and documents and make periodic reports;
- (iv) Notify the Vice-Chancellor of any financial irregularities or suspected irregularities including those affecting cash, stores or property without delay.

DUTIES OF INTERNAL AUDITOR

The duties of the Internal Auditor shall include:

- (i) To check whether the Internal Control System contained in these rules are functioning efficiently and effectively;
- (ii) To vouch all books of accounts and related records (including ledger, receipts vouchers, register, etc) and ascertain whether they are kept in accordance with the prescribed guidelines.
- (iii) To verify funds, stores, equipment, properties and facilities of the Centre in order to ascertain that they are shown in the books and records and applied satisfactorily to the business of the Centre;
- (iv) To contribute to the expenditure control effort by ensuring effective Prepayment Audit and ensuring that competitive tendering is applied in all purchases wherever practicable.

External Audit

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

Audit Committee

There shall be established an audit committee of at least 3 members responsible for the oversight of the quality and integrity of PUTOR's accounting and reporting practices, controls and

financial statements; and the performance of the Centre's internal audit function and independent auditors. All members of the committee shall have a working familiarity with finance and accounting practices. The committee shall meet at least twice annually.

Functions of the Committee

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

Internal Control Mechanism

Responsibilities for Internal Controls

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

Internal controls measures

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

- a. **Competent and Reliable Personnel:** The internal control system relies on the people running it. Employees should be adequately trained and properly supervised to enable them to carry out their duties and responsibilities effectively.
- b. **Separation of Functional Responsibilities:** A person should not have complete control of a transaction from beginning to end. There should be clear understanding as to who will approve, what is to be approved and the limitations of authorisation. The approving officers should not have responsibility for posting or the ability to change accounting records.
- c. **Assignment of Responsibility for every Function:** Employee responsibilities should be clearly defined to avoid overlapping or unassigned areas of responsibility (e.g. an organisation chart should be prepared). Staff must know their responsibilities and whom they report to.

- d. Separation of Asset Custodianship and Accounting: The accounting function should be separated from the custody of assets (e.g. an employee who is entrusted to receive cash should not have access to the cash journals or ledgers).
- e. Security Measures: Techniques, procedures and measures should be employed to protect assets and ensure reliable accounting data and reports (e.g. use of mechanical devices such as vaults and cash registers; use of control accounts and subsidiary ledgers).
- f. Supervision: Internal regulations should include the supervision of staff. For example, the supervision of the Centre Leader on setting up of annual estimated expenditures, approving of the annual reports, or the supervision of project Accountant to the process of setting, recording of transactions made by assistants, and the preparation of financial statements.
- g. Regular Independent Review: Internal auditors should regularly review and evaluate the system of internal controls to determine whether it is functioning effectively as planned (e.g. internal auditors' findings and recommendations should be submitted to senior management for action).
- h. Control of Transactions: Every transaction should be authorised, approved, executed and recorded according to prescribed procedures (e.g. staff are not free to procure without the approval of the manager).
- i. Serially Numbered Documents: Organisation documents should be serially numbered to check completeness of transactions (e.g. checks, invoices and vouchers should be serially numbered).
- j. Sequencing: Accounting control system should be set up in such a manner that proper sequencing is followed with regards to payments, posting of transactions to ledgers etc. for example payments should not be authorised or made before the goods or services for which the payment relates to has been received by the project.
- k. Duration of Documentation Archiving: Full documentation of project transactions will be managed and recorded in accordance with existing regulations. They should be kept for 10 years in good condition to avoid damage and ensure easy access when needed. Document demolition (if necessary) shall be done with prior approval of competent authority.

Controls of cash and project accounts

a. Cash control:

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

b. PUTOR Accounts at Commercial Bank

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

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

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

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

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

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

- + Keep the voucher for each of the transactions and attach to the payment document to prove that transactions have been done;
- + Ask for monthly statement from commercial banks; and
- + The accounts which are not in use must be closed timely.

3.3.2 Procurement Controls

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