



INTERNAL POLICIES & STANDARD OPERATING PROCEDURES

PROCUREMENT POLICY STANDARD OPERATING PROCEDURES (SOP)

Title		
Status	Internal	Document No: SOP/PRC/0121
Lead Author	Approver	Effective Date
Name Nuradeen Maidoki	Name Nuradeen Maidoki	Review Date
Signature	Signature	
Date:	Date:	Track Version:

1. Purpose

The SOP describes the procedure for preparation of a procurement contract cycle and the role of procurement support and compliance in ensuring value for money.

2. Scope

This SOP applies to all procurement types (Open, Restricted & Negotiating) Tender & that NFTI handles or runs by itself. The choice of procurement procedures available is set out in the Agency’s Financial Regulation and Implementing rules applicable to the budget of the NFTI. It is the responsibility of the Authorising Officer to choose the appropriate procedure. Each procedure will be conducted slightly differently according to the rules governing it but all will be conducted in accordance with the principles of transparency, equal treatment and non-discrimination. In order to avoid a different SOP for each procurement procedure, this SOP sets out the main common steps involved in all procedures indicating the cases where particular important variations in procedure occur

3. Responsibilities

It is the overall responsibility of the Authorising Officer to ensure that the procedure is adhered to for each procurement contract.

4. Related Documents to Use

- Procurement Plan

- Decision Extract of E.D/ Procurement Advisory Board with Authority to Incur
- Contractor Registration & Approval Checklists
- Terms of Reference for Project Execution
- Standard Procurement Contract Award Letter Templates
- Contract Agreement/Terms and Conditions for Procurement

3. Definition

- **Procurement Advisory Committee (PAC):** The PAC is an advisory body to the Executive Director on the compliance of certain procurement and contracts with NFTI's financial rules.
- **Authority Officer(AO):** The Authorizing Officer of NFTI is the Executive Director (ED) but power may be delegated by the ED to another *Authorizing officer by delegation*. The Authorizing Officer acts in accordance to the roles and responsibilities as assigned by the E.D.
- **Award Criteria:** The award criteria are intended to assess the quality of a tender
- **Contract Manager:** Person appointed to oversee and manage the contract
- **Evaluation Committee:** A committee appointed to evaluate tenders
- **Negotiated tender:** A procurement whereby NFTI shall consult tenderers of their choice who satisfy the stipulated selection criteria and negotiate the terms of the contract with one or more of them.
- **Open Tender:** A procurement procedure whereby all interested and qualified contracting entities may submit a tender for the contract value through a competitive process
- **Procurement contract:** Any contract that would lead to monetary payment from NFTI to other entities in order to obtain goods, services or the execution of works.
- **Procurement Decision:** A document signed by the AO of his/her decision to start a procurement procedure. It will refer to the strategic and/or legal

context for procurement (e.g. Work Programme, Decision to Incur etc). It will indicate expected deliverable of the contract and objectives to be achieved.

- **Procurement Documents:** Includes any documentation necessary for the executive of a procurement procedure. This will include advertisement or selective tendering on any procurement to be done, invitation to tender letter, technical specification including costing sheets and or a draft contract
- **Procurement Procedure:** A call for tender using open, restricted or negotiated procedure with or without a publication of contract notice.
- **Procurement Threshold/Directive:** Agreed threshold value to which a procurement procedure must be initiated across procurement type guidelines as follows:

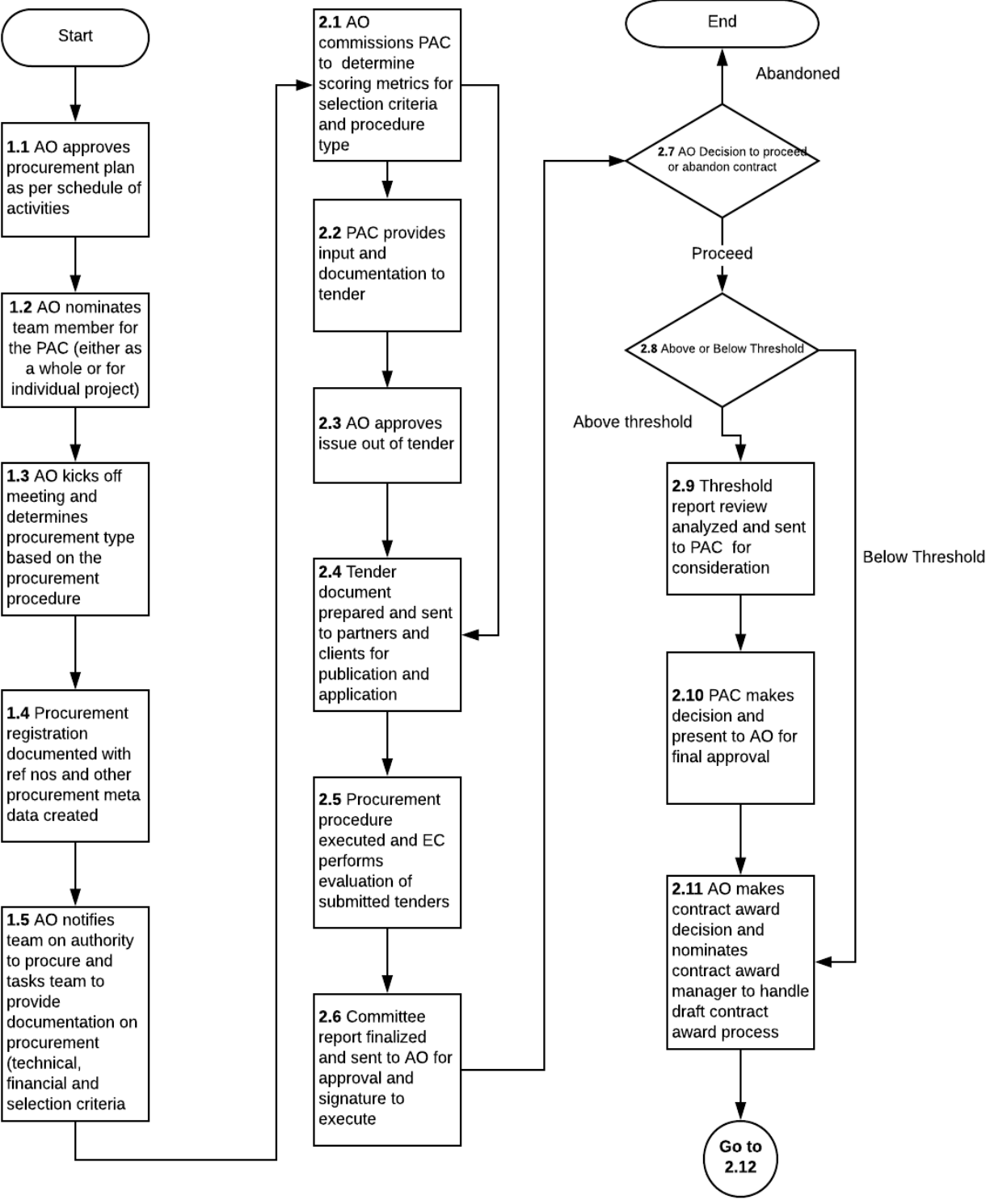
Open Tender:

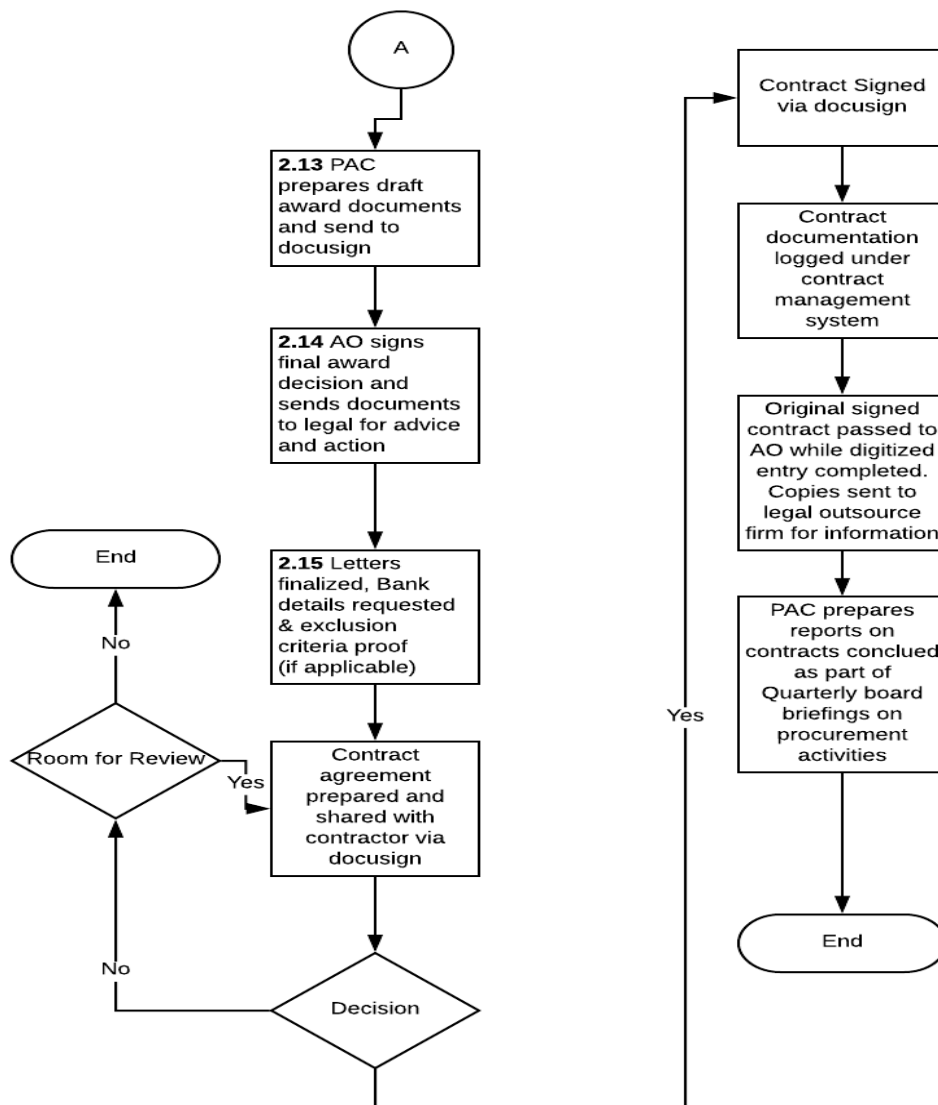
Negotiated:

Restrictive:

- **Project Manager:** A person with authority to run a project on a day to day basis within the constraints laid down by the ED and or the programme coordinator or other accounting executive. The project manager is to ensure the project achieves its strategic objectives.
- **Restricted Tender:** A procurement procedure where only shortlisted candidates satisfying the stipulated exclusion and selection criteria are invited to submit a tender.
- **Selection Criteria:** The selection criteria are designed to check and determine if contractor has the capacity to perform the contract.

Process map(s)/flow charts





Records

All procurement documents and other records relating to procurement procedures involved in this procedure will be collected and maintained by the AO electronically in NFTI's document management system. While the AO shall make cause to ensure that original agreements are conserved in the administrative archive with all signed contracts filed as per the department concerned.

FINANCIAL MANAGEMENT AND CONTROL POLICY STANDARD OPERATING PROCEDURES (SOP)

Title		
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5. Purpose

The SOP describes the procedure for payments and reporting on financial transactions as part of the internal control for maintaining good record keeping on Financial transaction of the Foundation.

6. Scope

This SOP applies to all financial transactions describing administrative tasks and identifying the person responsible for each task. The SOP sets out simple descriptive functions of how to pay bills, deposit cash and transferring of money between funds are handled.

7. Responsibilities

It is the overall responsibility of the Authorising Officer to ensure that the procedure is adhered to for each procurement contract.

8. Related Documents to Use

- Budget Plans
- Expense Summary
- Reconciliation of Donor Contribution
- Fixed Asset List
- Purchase Order
- Attendance Register

- Travel claim form
- E-bank Requisition
- Petty Cash Summary
- Trial Balance
- Cash Book
- Payslip
- Honoraria Agreement

3. Definition

- **Cash Receipts:** Book keeping ensuring all cash received by organization are received and promptly deposited, properly reconciled and kept under adequate security.
- **Cash Disbursement:** The Authorizing Officer of NFTI is the Executive Director (ED) but power may be delegated by the ED to another *Authorizing officer by delegation*. The Authorizing Officer acts in accordance to the roles and responsibilities as assigned by the E.D.
- **Petty Cash:** To ensure petty cash and other working funds are disbursed only for proper purposes and are properly safeguarded and recorded.
- **Grants, Gifts and bequest:** Ensure that grants, gifts and bequest are received and properly recorded and compliance with terms of any related restriction is adequately monitored.
- **Authorizing Officer:** Refers to the Executive Director or any other person authorized by the E.D. with responsibility of approving internal control accounting system.
- **Fixed Assets:** Include all fixed assets or properties acquired for the foundation which must be adequately safeguarded and properly reported in the Asset Register
- **Asset Register:** A register detailing all the Assets procured on behalf of the Foundation and their shelf life.

- **Budget:** Include all planned activities listed by type of activity. It is a financial framework listing all activities and deliverables as stipulated in the agreement.

Article 1: Funding Agreement

The Funding Agreement is an internal control document that outlines all aspects of grant received by NFTI to which particular projects or deliverables are expected to be achieved. As part of the process of setting a funding agreement the following should be included:

- Activities to achieve the deliverables
- Funding of the projects
- Narrative report on progress
- Financial report provided quarterly showing a trial balance account and bank account reconciliation statements.
- Periods of reporting
- Management of Funding and procurement of goods
- Stipulations in the budget regarding how the funding is to be applied

Article 2: The Budget

The budget includes all planned activities listed by type of activity. It is financial framework listing all activities and deliverables as stipulated in the agreement. Each item in the budget should specify the costs which may be incurred for the specific activity. The budget as set forth should comprise of the following:

- Activities costing classified as Main Expenses
- Administrative Expenses detailing rent, audit fees, communication, stationary and other costs while overhead provisions included in the administrative expense columns.

See Annex 1 - Expense Summary

The following expenses are usually not allowed on donor related funds received by NFTI

- **Lobbying:** includes directs legislative lobbying, grassroots and political lobbying
- **Fund Raising:** includes cost of organized fund raising, endowment drives, solicitation of gifts and bequests and similar expenses incurred solely to raise capital or obtain contributions.
- **Bad debts:** any losses arising from uncollected accounts and other claims and related costs.
- **Contingencies:** contribution to a contingency reserve or any similar provision for unforeseen events
- **Fines and Penalties:** resulting from violations of, or failure to comply with state and local laws and regulations
- **Losses on other awards:** any excess of costs over the grant budget is not allowable
- **Unnecessary travel costs:** excessive travel costs over grant amount for example, when travelling by air, only economy class is allowable
- **Contributions and donations by NFTI to other organizations**

In addition, NFTI shall submit a reconciliation of funds received to its donors at pre-arranged time intervals so that control can be kept of how much of a grant advance has been used.

See Annex 2 (Reconciliation of donor contribution)

Article 3: Bank Accounts

- NFTI shall have bank accounts to make transactions with dedicated bank accounts opened to accommodate funding agreement of projects and programmes that are funded through NFTI funding structure and donor related funds.
- NFTI shall maintain a domiciliary account and a local currency account. The local currency account shall be opened as the case apply to NFTI activities or donor funded programmes. The Executive Director shall be responsible for electronic transfers while programme coordinator shall be responsible for the handling of petty cash.
 - **Cheques:** A single signatory signs or two signatories cosign cheques according to the resolution of Board of Trustees. The cheques plus a cheques requisition form is completed by the accountant or admin officer

and presented to the signatory/ies together with approved invoice for payment.

- **Electronic Transfers:** The same guidelines as for cheques apply. The transfer request is signed by one or two signatories as has been determined. A designated person does actual electronic transfers. The transfer documentation is signed by signatories who approved the transaction or by other designated persons.
- All funds whether cash or other assets must be used solely for authorized purposes. To enhance internal control. The process flow must be implemented in such a way that more than one person initiates and approves request for payment. Hence the following functions shall be handled by the following personnel
 - Preparation of bank reconciliation shall be handled by accountant
 - Preparation of requisition and expenses shall be handled by Programme Coordinator
 - Accounting entries shall be entered by accountant
 - All approval shall be made by the Executive Director
- Where required by a donor agency, a separate bank account shall be opened for the specific use of the donor's approved budget and activities. Transfer between donor bank accounts are NOT allowed ONLY transfer from source account to an operational account for EXPENDITURE are permitted.
- Bank reconciliation should be conducted on a monthly basis by the financial officer and approved by the Executive Director.

Article 4: Petty Cash

- A petty cash structure must be put in place. One person only (supervised by the programme coordinator) should have control over the cash funds. Have sole access to the cash and assume responsibility for the reconciliation of petty cash vouchers and the remaining cash funds.

- If the accountant or an admin officer is in charge of petty cash, another person is designated to supervise the petty cash operations at intervals.
- The handler of petty cash is responsible for the reconciliation of the petty cash funds and is liable for any shortages of cash.
- The following process rules for cash must be followed:
 - Cash is kept in a cash box in a secure, lockable cupboard or safe
 - For payout from petty cash, a petty cash request must be completed
 - The recipient of cash signs the petty cash request form when receiving the cash
 - The transaction is finalized when proof of purchase (invoice or till slip) is handed to keeper of petty cash and any surplus cash has been returned
 - The final amount paid and the funds returned to petty ash are noted on the petty cash request form.

Article 5: Procurements

- Refer to SOP on Procurement.
- In case of non-expendable items, or fixed assets such as computers, printers and photocopying machines
 - The purchase must be provided by the agreement and approved by the Executive Director
 - Three (3) quotation must be obtained if the purchase value of a single item exceeds \$1,000 or as specified in the agreement
 - The Executive Director must confirm the choice (made from the quotation) of items to be purchased by signing quotation before the item is actually ordered.
 - A fixed asset register, listing the following details relating to non-expendable equipment must be maintained
 - All items removed from the asset register should be accounted by the Executive Director. The asset register should be updated as soon as new items are purchased or acquired but at least once a year

See Annex 3 - Fixed assets lists

In case of general purchases (fuel, stationary, refreshments, cleaning materials, etc):

- A purchase order is completed before the item is purchased
- The delivery note, confirming receipt of goods is signed by the person of the organization receiving the goods
- The invoice is approved by the Executive Director for payment and signed along with the payment request form and he or she indicates the relevant budget line item
- The payment is made by cheques or electronic transfers
- Low cost items such as refreshments and cleaning materials are mainly purchased via petty cash

See Annex 4 - Purchase order

Non-expendable items should not be removed from the office building unless for purposes relating to the programme. In such a case, prior authorization must be given by the Executive Director.

Article 6: Recording of Project Activities

- Activities should be executed as agreed upon in the agreement with the donor, Records and proof per activity must be kept. Reporting is usually done as follows:
 - i. **Narrative reporting on activities:** The programme coordinator summarizes the activity, supported by the following documentation, also reporting on outcomes, challenges incurred and results achieved, if measurable:
 - ii. **Financial reporting on activities:** All costs incurred for the presentation of an activity are summarized in a financial report

Article 7: Payments

- Payments are usually made electronically by internet banking, by cheques or in cash. The procedures for paying electronically by internet banking or by cheques are as follows:
 - Payment of an invoice is authorized by the E. D's signature and an indication of the budget line item on the invoice
 - The accountant completes the cheques/transfer requisition form, writes out the amount and attaches the invoice to the requisition form by referencing the transfer reference nos.

See Annex 5 - E-bank Requisition

See Annex 6- Cheques Requisition

- Procedure for payment in cash are as follows:
 - Each payment from petty cash is recorded on a cash requisition form, noting the amount advanced
 - The recipient of the cash signs in acknowledgement of receipt of the cash advance
 - After purchase has been made, proof of payment invoice or till slip and the remaining cash funds are returned to the petty cash holder.
 - The actual costs as well as funds returned are recorded and the requisition form is signed by the petty cash holder and purchaser to indicate agreement regarding the conclusion of the transaction
 - The proof of payment is attached to the petty cash requisition form.

See Annex 7 - Petty Cash Requisition

Article 8: Bank transaction - Cash Book

- Bank transactions may consist of cheques issued, electronic banking transaction, debit orders, interest received and bank charges. Bank issue bank statements on a monthly basis or as agreed upon with the bank. All transactions are recorded on a schedule indicating:
 - Opening balance at the beginning of the month
 - All cheques issued during the month, listed in numerical order
 - All e-banking transactions, listed in chronological order
 - Debit orders paid by the bank
 - Bank charges
 - Balance at the end of the month.

- The balance reflected in cash book is reconciled monthly with the balance showing in the bank statement. Differences between the two balances are reconciled by listing the outstanding items between the two balances.

- In the cash book, all payments are subdivided (if applicable) to the line items columns of the projects budget line items and then summarized on the cash book schedule, adding up to total expenses of the month paid from the bank account.

- On the cash book schedule, petty cash expenses are also listed and added to the columns for line items. These show movement in funds available in both bank account and the petty cash.

- The cash book summarizes movement in fund payable and receivable and income received from donors

Article 9: Cash Transaction- Petty cash

- All transactions are recorded on a schedule indicating:
 - Opening balance at the beginning of the month
 - Cash Received
 - Payments made from petty cash

- No petty cash transaction should be left incomplete at the end of each month. The closing balance at the end of the month must reconcile with cash available. Any shortfall is refunded to the petty cash by the handler of the petty cash by the handler from his or her own pocket.

Article 10: Monthly Summaries of Expenses

- On this schedule, all expenses are recorded for each budget line item per month. In one column the budget according to the agreement is listed. In another column, the differences between the actual costs to date and the budget are indicated, appearing as under budget or over budget. This schedule is an important instrument to keep track of the progress of spending on funding agreement.

Article 11: Trial Balance

- The trial balance lists all general ledger accounts. The total of debit and the credit balanced should be equal, proving the debit and credit entries were posted equally and are balancing. This does not prove that costs are allocated correctly.
- **See Annex 8 - Trial Balance**

Article 12: Balance Sheet and Income Statement

- The balance sheet and income and expenditure statement are extracted from the trial balance
- The income and expenditure statement includes all monies the organisation has earned or received and balances this against how much has been spent. Essentially, the statement presents total income received and the nature thereof, as well as the costs and expenses charged against this income.
- The statement typically reflects funding sources compared against programme expenses, administrative costs, and other operating commitments. Revenues and expenses are further categorised in the income statement by the donor restrictions on the funds received and expended.
- Whereas the income statement depicts the overall status of the organisation's surplus or deficits by looking at income and expenses over a period of time, the balance sheet depicts the overall status of the

organisation's finances at a fixed point in time – usually at the end of its financial year. All assets are added and all liabilities subtracted to compute the organisation's overall net worth.

Article 13: Audited Annual Financial Statement

- NFTI are expected to maintain a state of audit readiness. This means that financial and programme related records relating to their grants must be readily accessible for audit.
- Failure to provide the auditor with reliable documentation could lead to questioned costs and possibly result in cost disallowances. After the end of each financial year an annual audit must be performed by accredited auditors.
- Each donor is supplied with a copy of the audited financial statements. Donors often expect audited financial reports on their specific funding. This has to be agreed upon with the auditors at the start of the audit. The total period of the agreement with the donor has to be covered by audited financial statements
- An external audit is an independent report that covers:
 - how much money the organisation has received and spent in the financial year, and what the money was used for;
 - whether the money has been spent in accordance with the constitution of the organisation, board decisions and donor requirements;
 - whether the accounts (the bookkeeping system) have been properly and honestly kept;
 - the value of the organisation's assets;
 - how the financial record-keeping system could be improved.
 - The audit is usually done as soon as possible after the close of the organisation's financial year. In preparation of the audit the following documents should be ready:
 - a copy of the organisation's constitution
 - copies of contracts, agreements, or letters setting out the conditions of grants, donations or other income received for specific purposes
 - copies of budgets for ongoing work or special projects

- copies of grant application forms
- copies of the minutes of board meetings
- income and expenditure analysis records
- supporting documentation for income
- receipt books if receipts for money received are issued
- petty cash analysis records
- supporting documentation for petty cash records
- bank statements for the year
- bank reconciliations for the year
- cheque stubs (counterfoils) for all cheque books used during the year, and the one currently in use if it was used for the year under audit
- cheques returned to the organisation by the bank once they have been cleared
- all deposit book records
- a list of creditors (everyone to whom the organisation owed money) at the end of the financial year
- a list of debtors (everyone by whom the organisation was owed money) at the end of the financial year
- a list of creditors and debtors from the end of the previous financial year
- records of statutory payments made, particularly on staff salaries
- details of all assets.

Article 14: Employment Agreement

- There are several different employment agreements, which may be either for an unspecified period or for a limited period that takes the duration of a project into account.
- Staff may be employed by the organisation for an unspecified period, where the staff member receives an agreed salary irrespective of the projects with which that person is involved. Alternatively, staff may be employed for the duration of a certain project only, in which case the period of employment corresponds with the period of the project.

The employment agreement stipulates the following:

- The two parties to the agreement - the employer and the employee

- General employment in a certain position, or project-specific employment, specifying which donor agreement rules the employment period
- conditions of employment - position, period of employment, remuneration, leave, length of working week, training, probation time, termination condition, company policy, health insurance and pension fund (*NFTI is currently not in a financial position to offer health insurance or pension fund benefits, a position stated very clearly in the agreement*)
- Grossly inconsistent or criminal behaviour or negligence will lead to termination of contract
- Outstanding monies due by the employee to the organisation are refundable on termination of the contract and are deductible from monies payable by the organisation to the staff member
- Employment is guaranteed only as long as the organisation has donor funding for the position.

Article 15: Salary Payments

- Salaries are payable before the end of each completed calendar month. Pay-as-you-earn (PAYE) tax is deducted according to the latest tax table issued by the Receiver of Revenue.
- The pay slip lists the following:
 - name of organisation
 - name of employee
 - period of payment
 - basic salary
 - all relevant deductions (listed individually)
 - net payment due to employee.
 - Payment of the salary is made either by electronic banking or by cheque (which has to be handed to the employee before or on the last day of the month for which the salary is due).
 - All salary deductions have to be paid to the relevant organisations
 - PAYE to the Receiver of Revenue is payable within twenty days after the end of that month for which the salary was paid (the return schedule is supplied by the Receiver of Revenue).

- Pension fund and medical aid fund deductions are paid to the administrators of the respective funds, inclusive of the employer's contributions, if applicable. Return forms are supplied by the institutions.

Article 14: Consultants

- If external consultants are engaged for the completion of certain activities related to an agreement, an honoraria agreement is reached between the organisation and the consultant. It stipulates the following:
- honorarium payable to consultant • address of consultant • profession of consultant • donor and project for which the honorarium is granted • period in which the task to be completed
 - amount due
 - budget line item
 - activity description of work performed by consultant.
- The honoraria agreement is signed by both a representative of the organisation and by the consultant. The date on which the agreement is signed is recorded.

See Annex 9 - Honoraria Agreement

OUTSOURCING SUBJECT MATTER EXPERT POLICY STANDARD OPERATING PROCEDURES (SOP)

Title		
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Lead Author	Approver	Effective Date
Name Nuradeen Maidoki	Name Nuradeen Maidoki	Review Date
Signature	Signature	
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Purpose

The purpose of this SOP is to set out the steps involved in outsourcing of services to ensure a consistent and documented approach to outsourcing across the Agency

Scope

This SOP shall guide all Divisions and Departments of NFTI

Responsibilities

It is the responsibility of the Authorising Officer concerned to ensure that steps are followed and documented. The Authorising Officer may appoint a Project Manager to execute the project under his/her responsibility. The Project Manager may also be the same person as the Authorising Officer.

Related Documents to Use

- SOP on Procurement Plan
- SOP on Financial Management & Control
- Guidelines on Developing a TOR

3. Definition

Authorising Officer (AO): The Authorising Officer of the Agency is the Executive Director but powers may be delegated by the Executive Director to an Authorising Officer by delegation. The Authorising Officer implements the Foundation's budget in accordance with the financial rules of NFTI on his/her own responsibility and within the limits of the appropriations authorised.

The Authorising Officer is responsible for implementing revenue and expenditure in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with. The Authorising Officer acts in accordance with the Charter of tasks and responsibilities of authorising officers by delegation.

Exit Plan: a contractual document which ensures that, on expiry or termination of the contract, the services shall continue without interruption and/or degradation of the deliverables. It also ensures that where the services or any part of them are being migrated to an exit transferee such migration takes place in a project managed, professional and orderly manner with minimal business disruption. An exit plan is prepared at the outset of the contract and is an integral contractual annex.

Ex post evaluation: This refers to activities conducted to evaluate the human and financial resources allocated and the results obtained to verify their consistency with the initial objectives.

Outsourcing: a long-term, results orientated relationship with an external service provider, which is organisationally and economically independent, for activities traditionally performed within an organisation and which constitutes a complete business process to be undertaken with a degree of management control and risk. Outsourcing is usually undertaken to save money, improve quality and/or free resources for other core activities.

Procurement decision: This is a document signed by the Authorising Officer of his/her decision to start a procurement procedure. It will refer to the strategic and/or legal context of the procurement (e.g. Work Programme, ESB or EEB decision etc). It will indicate the expected deliverables of the contract and objectives to be achieved, any particular risks or milestones. In case of re-tendering it shall indicate whether or not an ex post evaluation of the performance of the contract to date has been carried out.

Project Manager: the person who is responsible for the planning and execution of the project, ensuring its success by minimising risks. In some cases, the Project Manager may be the same person as the Authorising Officer.

Service Level Agreement (SLA): a contractual document which defines the standard, quality and/or the way that services are to be provided. An SLA can/may be an integral contractual annex.

Sponsor: the person who is ultimately responsible for the project.

Stakeholder: a party who might be affected by the outsourcing

Process map(s)/flow charts

Records

All records relating to outsourcing process in this procedure will be collected and maintained by the AO electronically in NFTI's document management system. While the AO shall make cause to ensure that original agreements are conserved in the administrative archive with all signed contracts filed as per the department concerned.