



THE SEDOO INITIATIVE FOR CHILDREN WITH SPECIAL NEEDS (SECHILD) COST SHARING POLICY

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1: Policy Overview

1.1 purpose of the Cost-Sharing Policy

The THE SEDOO INITIATIVE FOR CHILDREN WITH SPECIAL NEEDS (SECHILD) is committed to using its resources efficiently and transparently.

This Cost-Sharing Policy provides a clear and consistent framework for identifying, allocating, and accounting for shared organisational costs across projects, programmes, and departments.

The policy guarantees that each project or donor contribution fairly shares the common costs, while avoiding double-charging or unfair expense distribution. It also aligns with international best practices to prepare the Foundation for future donor-funded collaborations.

This policy covers all cost-sharing arrangements within SECHILD—whether between departments, projects, or with external partners.

1.2 Policy Objectives

The main objectives of this policy are to:

1. Create a transparent and equitable system for distributing costs across the Foundation.
2. Ensure accurate reflection of shared costs in project budgets, financial reports, and audits.
3. Abide by relevant donor, legal, and regulatory requirements.
4. Enhance accountability and encourage value for money using Foundation resources.
5. Standardise allocation principles to enhance budgeting, reporting, and audit preparedness.

1.3 Definitions and Key Terms

- **Cost-Sharing:** Distributing shared or indirect costs (such as rent, utilities, or administrative expenses) among various projects, departments, or partners who benefit collectively.
- **Direct Costs:** Expenses directly connected to a project or activity, such as travel costs for a particular outreach programme.
- **Indirect Costs (Shared Costs) are costs** incurred for common objectives or services that support multiple activities, such as finance, HR, or IT support.
- **Cost Pool:** A collection of similar costs allocated to benefiting activities using an approved allocation base.
- **Allocation Base:** The formula, ratio, or key used to distribute shared costs, such as headcount, floor space, or project expenditure.
- **Donor Compliance:** Following donor regulations on cost-sharing, documentation, and financial reporting.

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2. Scope & Applicability

2.1 Organisational Coverage

This policy applies to all departments, programmes, and field offices of SECHILD Foundation. It covers all cost types incurred for the shared benefit of more than one project or activity, including those funded by internal resources and future donor grants.

2.2 Purpose of Cost-Sharing

Cost-sharing helps the Foundation:

- Avoid duplication of expenses across projects.
- Strengthen the accuracy and fairness of budgets.
- Maintain consistency and integrity in reporting to donors, auditors, and partners.
- Reflect the actual cost of programme delivery and administrative support.

2.3 Applicability & Integration with Donor Requirements

Although SECHILD currently mainly relies on internally generated funding, this policy aligns with donor expectations, such as USAID's 2 CFR 200, the Global Fund's Grant Financial Management Guidelines, and the *UNDP's Programme and Operations Policies and Procedures (POPP)*.

When implementing donor-funded projects, their specific cost-sharing conditions take precedence. In case of any conflicts, the more stringent or particular donor rules will be adhered to, provided they do not contravene Nigerian law or the Foundation's core principles.

2.4 Allocation Principles

The following principles shall guide all cost-sharing activities:

1. **Fairness:** Costs must be allocated in proportion to the benefits derived by each project or unit.
2. **Consistency:** The same cost allocation bases and methods must be applied consistently over time.
3. **Transparency:** All calculations, documentation, and approvals must be recorded and auditable.
4. **Value for Money:** Shared resources must be used efficiently to achieve programme goals.
5. **Non-Duplication:** No cost may be charged twice to different projects.
6. **Compliance:** All allocations must comply with this policy, donor agreements, and accounting standards.

2.5 Compliance & Governance

Responsibility for compliance rests with all staff involved in budgeting, expenditure, and reporting.

The Finance & Accounting Department will oversee implementation, ensure accurate allocations, and prepare reconciliations. Periodic reviews will be carried out by the Internal Audit/Compliance Unit and reported to management.

3. Cost Classification

3.1 Direct Costs

Direct costs can be linked directly to a specific project, activity, or output. Examples include:

- Salaries and wages of staff involved in the project.
- Travel expenses directly associated with a programme or donor activity.
- Procurement of medical supplies for a kidney screening event.
- Training, workshops, and materials exclusively for a single project.

These costs are billed directly to the benefiting project and are not included in cost-sharing.

3.2 Shared (Indirect) Costs

Shared or indirect costs are vital for the overall operation of SECHILD but cannot be directly allocated to a specific project. They comprise:

- Office rent and utilities.
- ICT infrastructure and internet expenses.
- Salaries for administrative staff (finance, HR, procurement).
- Depreciation of shared equipment.
- Communication and courier costs.
- General security, cleaning, and maintenance.

These costs are organised into cost pools and allocated periodically to projects using an approved basis (see Section 4).

3.3 Cost Pools and Categories

To ensure consistency, SECHILD will group shared costs into the following cost pools:

Cost Pool	Description	Typical Allocation Base
Administrative Support	Salaries & benefits of admin/finance staff	Number of staff per project
Office & Utilities	Rent, power, water, office supplies	Floor space or staff ratio

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ICT & Communication	Internet, phone, system licenses	Number of users or devices
Logistics & Operations	Vehicles, fuel, transport services	Mileage or trips per project
Security & Maintenance	Security services, cleaning, repairs	Office area or headcount

The Finance Department may establish new cost pools as operations expand, provided they are well documented and approved by management.

4. Cost Allocation Methodologies

4.1 Direct Allocation

When a shared cost can be specifically linked to a particular project, it should be billed directly.

Example: If a project thuê a separate training venue for its activities, that cost is fully charged to the project and excluded from shared pools.

4.2 Indirect Allocation

Where costs benefit multiple projects, they should be allocated fairly and logically using an appropriate basis. Common allocation bases include:

- **Headcount:** For admin and HR costs shared among departments.
- **Project expenditure ratio:** For utilities or overheads proportional to project size.
- **Floor space:** For rent or maintenance where projects share office space.
- **Usage logs:** For shared vehicles or equipment.

The chosen base should show real benefit and be used consistently every month or quarter.

4.3 Hybrid / Activity-Based Costing (ABC)

For complex programmes, SECHILD may adopt an Activity-Based Costing (ABC) approach. In ABC, costs are allocated to activities (such as outreach, dialysis support, health education) and then distributed to projects based on how much each activity contributes to project outputs.

This method enhances precision in donor reporting and is advised as the Foundation expands.

4.4 Donor-Specific Exceptions

When donor guidelines specify a particular cost-sharing method, those instructions take precedence over internal procedures. Examples include:

- A donor capping administrative overhead at a fixed percentage (e.g., 10% of total costs).
- A donor requiring separate timesheets for shared staff.
- A donor prohibiting certain indirect charges.

SECHILD's Finance Department will uphold compliance by maintaining a donor compliance register.

4.5 Governance & Compliance

All allocation methodologies must be documented, reviewed annually, and approved by the Head of Finance and Executive Management. Internal Audit will verify the accuracy of allocations during quarterly reviews and ensure they match supporting documentation.

5. Roles & Responsibilities

A clear understanding of roles and responsibilities fosters transparency, accountability, and compliance in cost-sharing. Each department within SECHILD Foundation has specific duties to ensure accuracy in allocation and reporting.

5.1 Finance / Accounting Team

The **Finance and Accounting Team** is the primary custodian of the cost-sharing framework. Its responsibilities include:

1. Developing, maintaining, and updating cost allocation methods and cost pools.
2. Recording shared costs accurately in the accounting system.
3. Calculating and posting monthly or quarterly allocations to projects.
4. Prepare reconciliation reports and verify compliance with donor and internal policies.
5. Maintaining proper supporting documentation for all cost-sharing transactions.
6. Training project and departmental staff on financial reporting standards.
7. Coordinating with external auditors, internal auditors, and regulatory authorities during reviews.

The Head of Finance approves allocation bases and guarantees they stay valid, fair, and compliant.

5.2 Business Unit Heads / Project Managers

Project Managers and **Unit Heads** play a key role in ensuring that costs are correctly identified and shared according to project activities. Their responsibilities include:

1. Ensuring that shared resources (such as vehicles, staff time, or office supplies) are utilised efficiently.
2. Reviewing cost-sharing calculations for their projects and verifying their accuracy.
3. Supplying essential information (e.g., time-sheets, usage logs, staff lists) to Finance for precise allocations.
4. Including shared cost estimates within project budgets and proposals.
5. Ensuring transparency and facilitating audits through documentation preparedness.

Project Managers should review their cost-sharing reports quarterly to ensure that allocations match actual resource use.

5.3 Approving Authorities (Executive Management)

Executive Management, including the **Executive Director (ED)** and **Director of Finance and Operations**, has the following roles:

1. Approving the cost-sharing policy and any subsequent amendments.
2. Review allocation summaries and ensure they align with the Foundation's strategic objectives.
3. Approving allocation bases, cost pool structures, and inter-departmental sharing arrangements.
4. Ensuring sufficient internal controls and segregation of duties are established.
5. Authorising adjustments following audit or donor review recommendations.

5.4 Oversight & Compliance (Internal Audit / Compliance Function)

The **Internal Audit or Compliance Unit** is responsible for independent oversight of the implementation of cost-sharing. Key duties include:

1. Verifying that shared costs are allocated based on approved bases and documentation.
2. Conducting periodic reviews of the cost-sharing framework for efficiency and compliance.
3. Identifying inconsistencies, duplication, or misallocations and recommending corrective actions.
4. Ensuring compliance with donor regulations and Nigerian accounting standards.
5. Providing assurance reports to the Board or Audit Committee as required.

6. Documentation & Approval Processes

Sound documentation and correct approval procedures are vital for audit readiness, donor confidence, and organisational transparency.

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6.1 Documentation of Cost-Sharing Arrangements

Every cost-sharing arrangement must be clearly documented. Documentation should include:

1. A clear description of the cost to be shared.
2. The projects or departments benefiting from the cost.
3. The allocation basis and calculation method used.
4. Evidence supporting the basis (e.g., floor space maps, staff rosters, time-sheets).
5. Approval signatures from the relevant authorities.

The Finance Department will supply templates for documentation to maintain consistency across all projects.

6.2 Approvals Before Commitments

The following approval steps must be completed before shared costs are incurred.

1. **Initiation:** Department or project identifies the shared cost (e.g., rent, internet renewal, security services).
2. **Review:** Finance verifies the cost category and determines whether it qualifies as shared or direct.
3. **Approval:** The Executive Director or delegated authority approves the expense commitment.
4. **Recording:** The cost is entered into the accounting system under the appropriate cost pool.

No shared cost should be incurred without prior authorisation, except in emergencies where post-approval must be sought within five (5) working days.

6.3 Accounting System Recording

All shared costs shall be documented in SECHILD's accounting software or manual ledgers using specific cost codes and cost pool identifiers. Finance staff must ensure that:

- Shared costs are allocated to the correct cost centres.
- Allocation calculations are recorded and saved electronically.
- Each allocation entry can be traced via vouchers, invoices, or spreadsheets.

At the end of the month or quarter, shared costs will be allocated to benefiting projects based on pre-approved ratios.

6.4 Continuous Monitoring and Review

Finance will continuously monitor the implementation of cost-sharing to ensure:

1. Allocation bases remain fair and relevant.

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2. Any significant changes (e.g., new office space or project expansion) are reflected in updated calculations.
3. Shared costs are reconciled regularly against supporting documents.
4. Findings and recommendations are shared with management for corrective action

7. Recording & Financial Reporting

Accurate recording and reporting ensure that shared costs are traceable, verifiable, and compliant with donor and statutory requirements.

7.1 Monthly Posting of Shared Costs

Finance shall allocate shared costs monthly to ensure they are accurately reflected in project accounts. This enhances the precision of monthly financial statements and supports timely donor reporting when necessary.

The posting must include:

- Cost pool summaries.
- Allocation ratios.
- Supporting spreadsheets and vouchers.

7.2 Tracking Allocated Costs Against Budget

Each project's financial report must show both direct and shared costs. Project Managers are responsible for reviewing these reports monthly to ensure costs stay within budget. Significant variances (above 10%) must be justified and reported to the Director of Finance and Operations.

7.3 Quarterly Reconciliation Reports

Every quarter, the Finance Department shall prepare a **Cost-Sharing Reconciliation Report**, detailing:

- Total shared costs incurred by the pool.
- Allocation basis applied.
- Distribution to each project or department.
- Variances between planned and actual allocations.
- Recommendations for adjustments.

These reports must be examined by the Executive Director and kept for audit purposes for a minimum of five years.

7.4 Governance & Audit Preparedness

To ensure audit readiness:

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1. All supporting documents (e.g., invoices, calculations, approval memos) must be filed physically and digitally.
2. Finance shall maintain a **Cost Allocation Register** capturing all shared cost entries.
3. Internal Audit will periodically test transactions for compliance and accuracy.
4. Any discrepancies must be corrected within the same reporting cycle.

Strong documentation will demonstrate accountability to partners, donors, and regulatory agencies.

8. Compliance & Audit

Ensuring compliance with donor, statutory, and internal control requirements is essential to SECHILD Foundation's financial governance framework. Proper adherence to this policy ensures transparency, accountability, and audit preparedness.

8.1 Regulatory and Donor Compliance

Even though SECHILD is currently a nationally focused foundation, it aims to adopt the same compliance culture as top international NGOs. Therefore:

1. **Regulatory Compliance:**
 - The Foundation will follow Nigerian laws and regulations governing non-profits, including guidelines from the Corporate Affairs Commission (CAC), Federal Inland Revenue Service (FIRS), and relevant tax authorities.
 - Shared costs must be recorded in accordance with International Financial Reporting Standards (IFRS) applicable to non-profits.
2. **Donor Compliance (Future Grants):**
 - As SECHILD begins engaging donors, the Finance Department will review each donor's cost-sharing or indirect-cost policy (e.g., USAID 2 CFR 200, Global Fund Grant Rules, or UNDP POPP).
 - Where donor rules differ from this internal policy, the more strict or specific requirement will take precedence.
 - Donor-funded projects must incorporate the cost-sharing framework into their grant agreements or project budgets.
3. **Conflict of Interest Prevention:**
 - Staff and project managers must avoid conflicts of interest when approving or benefitting from cost-sharing arrangements.
 - Any possible conflict should be reported to the Executive Director or Compliance Officer.

8.2 Documentation and Retention

To maintain transparency and ensure audit preparedness, all documentation related to cost-sharing must be securely stored. This includes:

- Invoices, contracts, and vendor bills for shared services.
- Cost allocation worksheets or spreadsheets.

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- Approval memos and signed authorisations.
- Monthly or quarterly reconciliation reports.
- Audit reports and management letters.

Retention Period: All cost-sharing documents must be kept for at least five (5) years or longer if required by donor or statutory regulations.

Digital copies shall be backed up on the Foundation's secure shared drive with restricted access.

8.3 Audit and Review Processes

1. **Internal Audit:**

The Internal Audit or Compliance Unit will carry out at least two (2) reviews annually to verify that cost-sharing procedures are properly implemented. Findings will be documented and presented to the Executive Management.

2. **External Audit:**

Shared costs will be included in the annual financial statements audited by external auditors.

- The auditors will review cost allocation bases, supporting documentation, and reconciliation reports.
- Findings or recommendations must be addressed within one month of receipt.

3. **Donor Audit (Future Stage):**

For donor-funded projects, the Foundation will comply with donor audit requirements and provide full access to all cost-sharing records.

8.4 Enforcement and Accountability

Compliance with this policy is compulsory. Failure to follow approved procedures, misallocation of costs, or falsification of documentation may lead to:

- Written warning or disciplinary action.
- Recovery of misallocated funds.
- Suspension of project approvals.
- Escalation to management or, in severe cases, legal action.

The **Finance Department**, supported by the **Compliance Unit**, will oversee enforcement in collaboration with HR for disciplinary processes.

9. Monitoring, Review & Adjustments

Regular monitoring ensures the cost-sharing framework stays fair, effective, and aligned with SECHILD's growth and donor expectations.

9.1 Routine Monitoring

The Finance Department will review cost-sharing on a monthly basis to:

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- Verify that cost allocation bases reflect current realities (e.g., staff changes, project additions).
- Track shared costs against budgets.
- Ensure timely posting and reconciliation.
- Identify anomalies or irregularities in shared cost calculations.

9.2 Semi-Annual Reviews

Every **six months**, Finance and Executive Management will jointly review:

- Accuracy of allocation methods.
- Cost pool categories and their relevance.
- Any new cost items requiring inclusion or removal.
- Feedback from project managers and audit observations.

If necessary, allocation ratios may be altered to more accurately reflect organisational or project structure changes.

9.3 Adjustments and Updates

When there are significant organisational changes — such as new projects, donors, or office expansions — the cost-sharing policy and allocation formulas shall be updated accordingly.

Adjustments must be:

- Documented in an **Adjustment Memo**.
- Approved by the **Executive Director** and **Head of Finance**.
- Shared with all project managers and finance staff.

9.4 Stakeholder Feedback Integration

SECHILD welcomes open feedback from staff, auditors, and external partners regarding the cost-sharing process.

Feedback can be submitted to the Finance or Compliance Department and will be reviewed during policy updates.

Constructive suggestions will be recorded and evaluated to improve fairness and efficiency.

9.5 Continuous Improvement

SECHILD Foundation regards cost-sharing not only as a financial process but as a continuous learning system.

The Finance Department will annually compare the Foundation's practices with those of leading NGOs and suggest improvements to increase transparency, donor confidence, and operational efficiency.

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10. Continuous Improvement

As SECHILD expands its operations and begins attracting donor funding, it will continue enhancing its financial management systems to align with international standards of transparency and accountability.

10.1 Lessons Learned Integration

Lessons learned from audits, staff feedback, and project experiences will be compiled annually into a Lessons Learned Report.

This report will guide updates to the cost-sharing methodology and enhance financial control mechanisms.

10.2 Scheduled Policy Review

This policy shall be formally reviewed every two (2) years or sooner if significant changes occur, such as:

- Introduction of donor-funded projects.
- Significant increase in operational scale.
- Changes in national or donor financial regulations.

The review will be coordinated by the **Finance Department**, in collaboration with **Internal Audit** and **Executive Management**.

10.3 Capacity Building and Training

To ensure proper implementation:

1. All relevant staff, including Project Managers and Finance Officers, will receive regular training on:
 - Cost classification and allocation methods.
 - Documentation and approval processes.
 - Donor compliance requirements.
2. Refresher sessions shall be conducted at least once yearly or upon onboarding new staff.

10.4 Commitment to Best Practices

SECHILD Foundation is dedicated to adopting and upholding global best practices in NGO financial management.

The Foundation draws inspiration from established frameworks such as:

- **USAID's Uniform Guidance (2 CFR 200)**
- **UNDP's Programme and Operations Policies and Procedures (POPP)**
- **The Global Fund's Grant Regulations**
- **Save the Children's Cost Allocation Guidance**

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By integrating these standards, SECHILD guarantees its cost-sharing system promotes transparency, fairness, donor trust, and sustainability.

Conclusion

This Cost-Sharing Policy exemplifies SECHILD Foundation's dedication to responsible financial management, accountability, and continuous improvement. All staff members, project leaders, and finance officers must adhere to the policy and promote a culture of fairness, transparency, and compliance in every financial transaction.

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