Rongo University
P.O. Box 103– 40404
RONGO, KENYA
Email: vc@rongovarsity.ac.ke
Web: www.rongovarsity.ac.ke

FINANCIAL MANAGEMENT POLICY AND PROCEDURE MANUAL

OCTOBER, 2016

REVISED
JANUARY, 2019

FOREWORD

Financial management policy and procedure manual has been developed to enhance prudent financial and asset management to enable the University to effectively discharge its obligation. Specifically, it comprehensively guides financial management and accounting regulations, procedures, transactions and reports. The Manual serves as a guide to all staff dealing with finances in application of financial regulations, policies and procedures.

When preparing the manual, the University considered: The Public Audit Act of 2003; Public Financial Management Act of 2012; Public Procurement and Asset Disposal Act of 2015 and other relevant laws, circulars and regulations.

The policy provides for financial management framework, accounting policies & regulations, planning and budgeting procedures, accounting for revenue and GoK/development partners funds, debtors and prepayments, procurement management, accounting for expenditure, accounting for expenditure, payroll procedures, payables management (creditors), fixed assets, inventory management, cash management, reserves, investments, general ledgers, reporting procedures, and auditing arrangements .

All employees of the University are expected to adhere to this Manual when dealing institutional financial resources.

Signature: …………………………………………… Date: …………………………………

DR. RACHEL MASAKE

CHAIRPERSON OF COUNCIL

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

DEFINITION OF TERMS

Accounting System - The system used to manage the income, expenses, and other financial activities of the University.

Appropriations in Aid - Income that a Government department is authorized to retain (rather than surrender to the Consolidated Fund) used to offset related expenditure during a current financial year.

Authority to Incur Expenditure - A revenue expenditure that a Head of Department may incur within the approved budget providing that the expenditure is made in accordance with Financial Regulations and Procedures.

Creditor - A person or organization that is owed money by the University.

Debtor - A person or organization that owes the University money.

Depreciation - A reduction in the value of an asset over time, due in particular to wear and tear or a decrease in the value of a currency relative to other currencies.

Development Partner - An organization or persons with whom the University executes development project.

Endowment fund - An investment fund established by the University that makes consistent withdrawals from invested capital and is generally utilized for specific needs or to further the University's operating processes.

Funding Agency - An organization or department that provides funds to the University for a particular purpose.

Provision - An account which records a present liability of the University or the recording of the liability in the University's balance sheet which is matched to an appropriate expense account in the University's income statement.

Research Grant - Funding advanced to the University for Scientific Research.

Stakeholder - A party that has an interest in the University and can either affect or be affected by the business of the University.

Standard - An approved level of quality or attainment.

ABBREVIATIONS AND ACRONYMS

A- in -A	Appropriation in Aid
AIE	Authority to incur Expenditure
DVC	Deputy Vice Chancellor
RU	Rongo University
GAAP	Generally Accepted Accounting Principles
GoK	Government of Kenya
GRN	Goods Received Note
HR	Human Resources
IAS	International Accounting Standards
IPSAS	International Public Service Accounting Standards
MTEF	Medium Term Expenditure Framework
PPRA	Public Procurement Regulatory Authority
PV	Payment Voucher
VC	Vice Chancellor

1.0 BACKGROUND OF THE UNIVERSITY

1.1 The Vision

A world class technology driven University in learning and practice

1.2 The Mission

To provide quality and innovative higher education through teaching, research and community service

1.3 Core Values

1. Integrity
2. Professionalism
3. Innovation
4. Equity
5. Social responsibility

1.4 Mandate of the University

The University derives its mandate from the Rongo University Charter of 7th October, 2016, which stipulates the objects and functions of the University as follows:

a) provide directly, or in collaboration with other institutions of higher learning, facilities for technological, professional, and scientific education;
b) advance knowledge and its practical application by research and other means;
c) disseminate the outcomes of research by various means and commercially exploit the results of such research; participate in scientific and technological innovation as well as in the generation,

d) make proposals for new academic programmes culminating in degrees, diplomas and certificates;
e) make proposals for the establishment of colleges, campuses, faculties, schools, institutes, directorates, departments, centres and other resource and administrative units as may be appropriate;
f) inculcate a culture of innovation in technology, engineering and science amongst staff, students, and society;
g) promote education in social dynamics, science and technology within the institution and society;
h) develop an institution of excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products;
i) provide a multi-level system of education and training that is relevant to the needs of the local, national and global community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between educational levels;
j) play a leading role in the development and expansion of opportunities for socio-cultural, technological and vocational education and training;
k) provide high quality educational, research, residential, commercial, cultural, social, recreational, sporting, and other facilities;
l) facilitate student mobility between programmes of study at different accredited technical training institutions, polytechnics, and universities;
m) promote critical enquiry, independence and creativity in education, training and research within the institution;
n) participate in commercial ventures and activities that promote the objectives of the institution;
o) foster the general welfare of students and staff;
p) provide equal opportunity for development and further training for staff of the institution;
q) develop and provide educational, cultural, professional, technical and vocational services to the community and, in particular, the fostering of corporate social responsibility;

r) provide programmes, products, and services in ways that reflect the principles of equity and social justice;

s) conduct examinations for, and grant such, academic awards as may be provided for in the Statutes, and to syndicate examinations for awards at other institutions as may be approved by the Senate;

t) generally, facilitate the development and provision of appropriate and accessible academic and other programmes

2.0 INTRODUCTION

2.1 Background and Legal Mandate

Rongo University operates under the following legal and regulatory frameworks.

a) The Constitution of Kenya, 2010;

b) The Universities Act No 42 of 2012;

c) The Rongo University Charter of 7th October 2016;

d) The Rongo University Statutes

e) The State Corporations Act Cap 446;

f) The Public Audit Act of 2003;

g) Public Financial Management Act of 2012;

h) Public Procurement and Asset Disposal Act of 2015;

i) Employment Act 2007;

j) Any other relevant regulations as may be issued by the government from time to time.

2.2 Basis of Preparation and Limiting Conditions

The Procedures laid out in this Financial Management Policy (FMP) are based on review of relevant documentation of the roles, objects and functions of the University.

2.3 Purpose and Objectives

The purpose of this policy is to provide prudent financial and asset management to enable the University to effectively discharge its obligation. Specifically, it provides comprehensive guidance in relation to financial management and accounting regulations, procedures, transactions and reports.

2.4 Scope

This policy applies to all University financial operations by staff, students, external creditors, debtors and other relevant stakeholders.

3.0 FINANCIAL MANAGEMENT FRAMEWORK

Council shall have the overall authority in the management and investment of the University funds and may delegate this functions to the Vice-Chancellor. For current operations, the offices responsible are as indicated for the time being in Annexure 1. The steps that shall be adopted for prudent financial management of the University are provided in Figure 1 and amplified in Table 1.

Figure 1: Summary of the University Financial Management

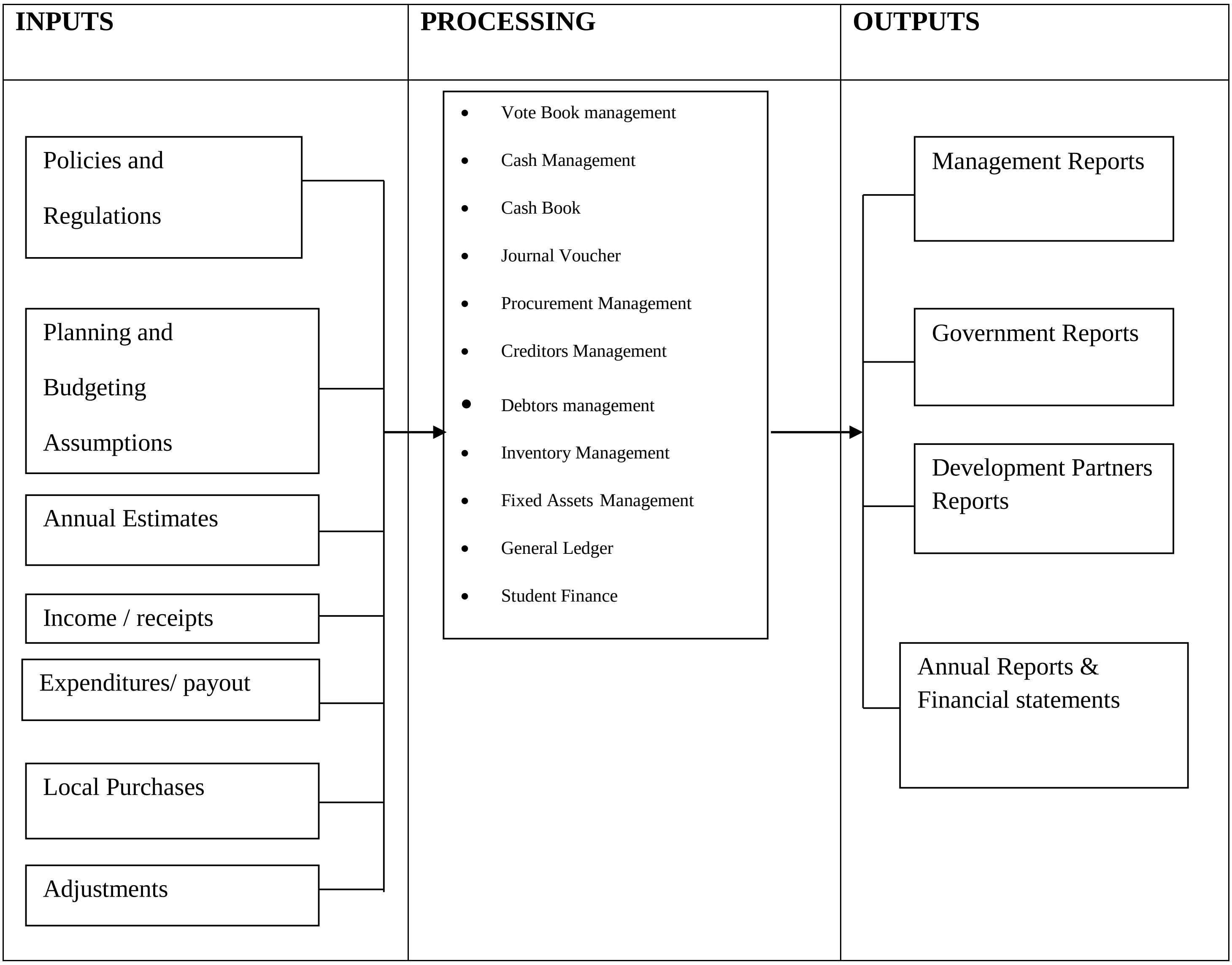

Table 1: The Specific Processes in Financial Management

Process	Enabling Framework
Planning and Budgeting	• GOK Annual estimates
Funding	• GOK budgetary allocation • Appropriation -In-Aid • Research Grants • Internally generated Funds • Direct Funding from Development partners, where applicable
Disbursement Authorization	• VC • Deputy VC (AFP) • Finance Officer
Accounting	• GOK Regulations • Research Donor Requirement • Development partners requirements, if applicable • International Public Sector Accounting Standards
Reporting	• GOK regulations • Research Donor Requirement • Development partner requirement if applicable • International Public Sector Accounting Standards
Audit	• GOK Regulations and Legal requirements • Development partner requirements if applicable

3.1 Planning and Budgeting

There shall be established the University Budget Committee as provided for in the State Corporations Act cap 446 governing preparation of estimates and Section 44 (1) of *The University Act 2012*, whose function shall be as follows:

a) To prepare a three year forward budget for approval by the relevant Ministry and the National Treasury.

b) To forward both the capital (development) and operating (recurrent) budget which shall form the basis of the subsequent annual budget.

c) To submit proposed budget to the Treasury latest by 31st October each year

d) Submit annual budget

3.2 Funding and Flow of Funds

The University may receive funding through a number of sources which may include, but not limited to:

a) GOK revenues system (the normal budgetary allocations in the approved budget for the Ministry for Education, Science & Technology);
b) Appropriation – in –Aid (A –in –A);
c) Direct research grants from funding partners;

d) Proceeds from Long term investments;
e) Royalties; and
f) Any other revenue as may be approved by Council such as Endowment funds.

3.3 Funding through the GoK Revenue System

Under the Revenue System, the University funds will be cited as estimates under the Parent Ministry and included in the revenue estimates presented in the annual budget.

The accounting officer or arm of the government responsible for university education shall be responsible for endowing on the VC the Authority to Incur Expenditure (AIE).

On receipt of the AIEs at the University level, the AIE holder shall spend the funds as per the annual estimates submitted to the Ministry and approved by the National Treasury.

The University Finance department shall manage the financial resources of the University through a Cash book and Vote Book systems.

All payment Vouchers must be entered in the Vote Book before they are submitted for payment.

The Vote book must show the date of entry, particulars of expenditure, the amount expended, the total expenditure against the vote and the balance of expenditure available after taking into account any known commitment.

3.4 Appropriation-in–Aid

This may be through:

a) Direct disbursement where payments are made to the suppliers of goods and services by the development partners

b) Reimbursement where the University pays first for the goods and services supplied and later claim reimbursement from the development partners, and

c) Payment of cash advances to the University by the development partner.

d) Internally Generated Funds

The University may generate funds internally through tuition fees, cafeteria services, hire of facilities, consultancies, and interest from short term investments, rent, and other revenues that the University will collect from its day to day activities.

3.5 Direct Research Grants from Funding Partners

The University may also receive funding directly from collaborations for research by University Staff.

3.6 Proceeds from Long Term Investments.

The University may invest in long term investment ventures thus yielding incomes as per maturity dates. These proceeds will go a long way in bridging the financing gaps that Council will be experiencing from time to time.

3.7 Royalties Receivable

The Council may authorize the receipt of royalties arising from the intellectual works of the University upon commercialization of the same.

3.8 Endowment Fund

The Council may approve the establishment of other revenue streams to benefit the University e.g. Endowment funds. The capital in *endowment fund*, shall generally be utilized for specific needs or to further the University's operating process.

3.9 Any other Council Approved Revenues

The Council may approve other revenues to benefit the University e.g. Endowment funds.

3.10 Accounting System

The University shall keep proper books of accounts as required by the State Corporations Act, the Public Audit Act and Universities Act 2012. The University's book of accounts, records, expenditures, disposal of assets and general accountability will be managed as provided for in the relevant legislations as stipulated in the Universities Act.

The accounting system of the University shall be a commercial accounting system which incorporates non-cash adjustments such as reserves, provisions, accruals and prepayments which accounts for capital, liabilities and assets. The preparation and presentation of the accounts will generally conform to the requirements of the International Public Service Accounting standards (IPSAS), Cost and Management Accounting will also be adopted.

The recording and processing of transactions will be based on sections 3 and 4 and the detailed procedures based on sections 5 to 14. The recommended chart of accounts and a system for coding transactions is presented as Appendix A. This will facilitate orderly recoding and analysis of accounting data.

3.11 Reporting

The accounting system used by the University will be sufficiently robust to meet reporting requirements for the effective running of the University in accordance with good corporate governance practices and Generally Accepted Accounting Principles (GAAPs).

In addition, the system shall meet Government and Development Partners reporting requirements. The detailed reporting requirement and procedures are outlines in Section 17.

3.12 Audit

The Accounts of the University shall be audited and reported on annually by the Auditor General (Corporations) in accordance with the Public Audit Act currently in force.

Development partners / Funding Agencies may require funds provided by them to be subjected to audit by Auditors appointed by them.

4. ACCOUNTING POLICIES & REGULATIONS

These policies and procedures are prepared in accordance with and adhere to the provisions of:-

a) The Universities Act, 2012
b) The State Corporations Act Cap (446)
c) The Public Audit Act, 2003
d) Public Financial Management Act, 2012
e) International Public Service Accounting Standards (IPSAS)

The University shall observe accounting policies acceptable to GOK and where appropriate, specific accounting policies and reporting requirements that may be set out in agreements between the University and any Development partner agency providing funding.

4.1 Books of Accounts and Financial Statements

The University shall keep proper books of accounts, recording all the property, undertakings, funds, activities, contracts, transactions and other business of the University, in accordance with section 14(1) of the State Corporation Act Cap 446 and sec 47 of the Universities Act, 2012.

In accordance with section 47(2) of the Universities Act, 2012, the University Council shall prepare and submit to the auditor general (corporations) not later than 30th September from the closure of the financial year under consideration, the following statements

a) Statement of Financial Position showing in details the assets and liabilities of the University at the end of the financial year.
b) Statement of Financial Performance of the University for the Financial Year just ended.
c) Statement of Cash flows for the University at the end of the financial year.
d) Statement of Changes in Equity for the financial year just ended.
e) Statement of Budget Comparison

4.3 Accounting Period

The financial year of the University shall be a period of 12 months beginning 1st July each year and ending on 30th June the following year.

However, additional reporting may also be undertaken on the request of development partners as provided for in any Development partner Agreement/memorandum of Understanding and/ or GOK regulations.

4.4 Significant Accounting Policies

a) Basis of Preparation

The financial statements shall be prepared in accordance with International Public Service Accounting Standards as may be issued by the International Public Service Accounting Standards Board (IPSASB) from time to time. The financial statements shall be prepared under accrual basis of accounting, including guidance on their structure and minimum requirements for content.

b) Funds and Revenues recognition

Funds from GOK or Development partners shall be recognized when received

Income from internally generated activities shall be recognized when earned.

c) Expenditure recognition

Expenditure is recognized on an accrual basis when incurred.

d) Translation of foreign currencies

All assets and liabilities expressed in foreign currencies are converted into Kenya shillings at the exchange rate ruling at financial position statement date. Transactions in foreign currencies during the year are converted at the rates ruling at the date of the transaction. The resulting exchange differences are recognized in the statement of financial performance.

e) Reporting in Foreign currencies

Financial statements may be translated into a foreign currency for the purpose of development partners reporting requirements.

f) Segmental reporting

Segment information is presented in respect of the University Income segments and is based on the programs which are offered by the University.

Segment results, assets and liabilities include items directly attributable to segments.

g) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment

Assets donated to the University are included in the accounts at the amount attributed to them by the donors or their equivalent costs.

h) Depreciation

Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The annual rates of depreciation used shall be as follows (refer to specific provisions of income tax/relevant legislation which may be subject to change from time to time……:

i.	Building	2.5%
ii.	Plant, Machinery and equipment	12.5%
iii.	Office Equipment and computer accessories	12.5%

iv.	Computer equipment	30%
v.	Motor vehicles- Buses & others	25%
vi.	Furniture and fittings	12.5%
vii.	Graduation gowns	20%
viii.	Library books	20%

i) Impairment of assets (Include definition of impairment of assets under definition of terms)

The carrying amounts of the University assets shall be reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated and an impairment loss recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount

j) Operating lease rentals

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the income and expenditure account on a straight basis over the period of the lease.

k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all costs of purchase and other charges incurred in bringing the inventories to their present location and condition.

l) Debtors

Debtors and other receivables are stated at nominal values, less provision for amounts considered to be irrecoverable.

m) Creditors and other payables

Creditors and other payables are stated at cost.

n) Provisions

Provisions for bad debts are recognized when the University has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions for Doubtful Debts are recognized at the following rate:

Current Year	2.5%
Over 1 Year	10%
Over 2 Years	15%
Over 3 Years	20%
Over 4 Years	50%

Over 5 Years 100% (what happens after 5 years…The issue of bad debts/write-offs)

Use up to instead of over in relation to the years…

o) Cash and Cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts.

p) Consistency

Consistent accounting methods will be applied and changes made will be reported and the effect on reported results disclosed in accordance with generally accepted accounting principles.

5. PLANNING AND BUDGETING PROCEDURES

5.1 Recurrent and Development Estimates

The University shall prepare not later than 31st of October of every year and submit to the parent Ministry and to National Treasury for approval, estimates of the University revenue and expenditure for the following three financial years, in accordance with the State Corporations Act Cap 446 Section 11(1) and Section 44 of the Universities Act, 2012. The estimates shall be accompanied by proposals for funding for all projects to be undertaken by the University or the implementation of which shall continue during the financial year to which those estimates relate. No annual estimates and proposals for funding projects shall be implemented until they have been approved by the Cabinet Secretary with the concurrence of the Treasury.

5.2 Linkage between MTEF and the University Strategic Plan and Budgets

In accordance with Public Financial Management Act, 2012 and National Treasury Regulations,

a) The University shall annually prepare a three year forward budget for approval by the relevant Ministry and the National Treasury. The forward budget shall cover both the capital (development) and operating (recurrent) budgets to form the basis of their subsequent annual budgets;

b) Any proposed financing from the exchequer and/or from development partners must be contained within the relevant Ministry's budget ceiling.

c) The University shall submit the recommendations of its budget to the Investment Division of the Treasury latest by 30th October each year for consideration and approval by the Treasury before the preparation of annual budgets

The University strategic plan and budgets shall be submitted to the relevant Ministry within the MTEF budgeting process calendar.

Table 2: The University Work plans and recurrent expenditure budgets

Procedure	Responsibility
1) Staff within various cost centers contributes toward development of annual departmental estimates	Heads of Departments/sections
2) The departmental/section heads submits their expenditure estimates to the Finance Officer for Consolidation	Heads of Departments/ sections
3) Finance Officer consolidates expenditure estimates from various departments	Finance Officer
4) University Budget Committee meeting to review consolidated expenditures estimates	DVC (AFP)
5) Approval of expenditure estimates by the University Management	VC
6) Approval of expenditure estimates by the Council	Council
7) Submission of estimates to the Ministry for Approval	VC

Table 3: The University Investment plans and development expenditure Budgets

Procedure	Responsibility
1. The activities planned for the year are identified from the objectives outlined in the Strategic Plan and Business Plan	Head of departments
2 Each head of department in consultation with Finance and Planning departments develops a draft expenditure budget	Heads of Departments/ Finance Officer
3. Each draft budgets are consolidated by the Finance Officer and circulated and discussed by the University Budget Committee	DVC (AFP)
4. The consolidated draft budget is forwarded to the Council for review and approval	VC
5. The approved draft budget is forwarded to the Principal Secretary, of the Ministry for the time being in charge of Education for review and approval	VC
6. The VC reviews the draft budget and proposes any adjustment and then forwards the same to National Treasury for inclusion in the GOK annual estimates and then taken to parliament for approval (Role of Council on budget approvals)	PS, MoE & National Treasury
7. The approved budgets draft is adopted and each department is forwarded their approved budgets for their use and control.	VC & Finance Officer

Table 4: Planning and Budgeting Reports

	Description / Type	Frequency	Distribution User

1	Strategic Plan	At least once in 5 years	The University and relevant stakeholders
2	Business plan	Annually	All departments
3	Annual Work plans	Annually	All departments
4	Recurrent expenditure budget – Annual and three year forward	Annually	All departments
5	Development expenditure Budget – Annual and three year forward	Annually	All departments
6	Investment strategy, plan & risk management manuals	At least once in 3 years	All departments

6. ACCOUNTING FOR REVENUE AND GOK/DEVELOPMENT PARTNERS FUNDS

6.1 Purpose

The purpose of accounting procedures for the University revenue is to ensure that revenue collected to finance the operations of the University has been properly recorded and accounted for.

6.2 Accounting for Government Funds

6.2.1 Requisition of funds

Funding from the GOK revenue system shall be requisitioned in accordance with GOK regulations

6.2.2 Receipts and recording

Funding through the GOK revenue system, shall be recognized on receipts basis. The University shall record the funding received under specific account codes and budget lines as outlined in the chart of accounts and annual estimates submitted to MoE and the National Treasury. Adherence to IPSAS in dealing with Government grants and assistance shall be maintained.

6.3 Accounting for A-in-A

6.3.1 Requisition of funds from development Partners

Funds from development partners shall be requisitioned as per the agreements signed by the parties.

6.3.2 Accounting of funds

Funds received from development partners shall be recorded in a transparent manner to allow for accountability. All expenditures on the same shall be adequately supported as per the agreements and reports generated.

6.4 Internally Generated Revenues

These are funds raised from the internal operations of the University in carrying out its day to day activities. The University's main business is the provision of university education and therefore charges some fee for the same.

6.4.1 Types of internally generated revenues

Internally generated revenue of the University may include but not limited to:

a) Tuition fees;
b) Accommodation charges;
c) Catering charges;
d) Conference charges;
e) Farm earnings;
f) Rent income; and
g) Interest income

6.5 Billing /Invoicing Procedures

6.5.1 Billing for student fees

Invoicing shall be done upon the provision of students roll from the Academic Registrar confirming the number of students who have been admitted to pursue the University academic programmes. This shall be done immediately the semester/sessions date is established to enable the students fully access their fee balances.

6.5.2 Other Incomes

Invoicing for other incomes shall be done immediately upon the establishment of the need for the University services and subject to contractual obligations of the parties to the said services.

6.6 Updating the Accounting records and Debtors

Income from internally generated funds shall be recognized upon delivery of services and invoicing and the application of the IPSAS dealing with Revenue shall apply in totality.

6.7 Accounting for Direct Donor Funds/ Research Grants

6.7.1 Firm Commitments with development Partners

Agreements shall be generated and signed by the VC and Chairman of the Council and the development partners. The agreements shall set out the Obligations of both parties as well as the reporting requirements of the partners by the University.

A copy of the agreement / contract shall be retained at the offices of the University.

All grants shall be signed by National Treasury except for research grants as may be applicable from time to time.

All research grants received by the University shall subject to approval of the University Council attract 10% administration charges that shall automatically be deducted by the University for administration of such grants except where the donor funds to the University include funds for other partners, where specific agreement between the two institution shall be required.

6.7.2 Disbursement Schedule

Requisition and disbursement of funds shall be made in accordance with the development partners' agreements.

6.7.3 Receipts and Updating Accounting Records

A new grant code shall be generated upon signature of an agreement with a development partner. The grant code must be approved by the Finance Officer. The University shall record the funding received from each development partner under specific separate account code for each grant received (Table 5).

Table 5: Revenue Reports

Description /Type	**Frequency**	**Distribution / User**
Funds received and disbursed report	Per agreement with GOK / Development Partners	Finance Officer and GOK/ Development Partners
Revenues received reports	Monthly/From time to time	Finance Officer/Researchers

7. DEBTORS AND PREPAYMENTS

7.1 Purpose

The purpose of the Debtors Management system is to ensure that amounts due to the University are fully captured and recorded and recovered as and when they fall due.

7.2 Debtors

Debtors may arise from amount due to the university from another party resulting from contractual obligations or other transactions. These may include but not limited to amount due on rent, commissions, conference charges, sale of farm produce among other fees.
The University shall maintain a separate account for each debtor. Debtor accounts shall be maintained by the accountant in charge of receivables and an A/R (aging report) shall be produced on a monthly basis and debtors statements are made available to individual debtor thereof.

7.3 Recoverability

The University shall allow up to 30 days grace period before payment for monthly fees and any other amount due on contractual obligations. This period may however be revised by the VC if deemed necessary.

The accountant in charge of receivables shall follow up on collections of outstanding debts and maintain the Debtors Ledger as professionally as possible.

7.4 Bad Debts Provisions Policy

The Finance Officer shall review all outstanding debts which are under dispute, on a monthly basis before any bad debt provisions are made. Provisions shall be made for bad and doubtful debts at the following rates

Period Outstanding	Percentage Provision
241 -360 days (8-12 months)	5%
Up to1 year	20 %
Up to 2 years	50%
Up to 3 years	75%
Up to 4 years	100%

For individuals whose debts are in excess of Ksh 50,000 the bad debts should only be written off on the authority of the Council. Other bad debts below this amount shall only be written off by the University after steps have been taken to recover the debt and the University is satisfied that

1. All legal and other measures have been exhausted , but there is still a balance of the debt remaining and;
2. Recovery of the debt would be uneconomical on its part.

7.5 Prepayments and Deposits

The University shall maintain an account of all prepayments and deposits for goods and services, the account shall be updated on a monthly basis to reflect the prepaid expenses and any deposits.

Excess fees not claimed within a period of 3 years after graduation will be transferred to a kitty to cater for fees of needy students.

A schedules of all prepayments and deposits shall be prepared and agreed to the General Ledger.

7.6 Staff Debtors – Advances/Imprest

7.6.1 Guidelines

Imprests shall be issued to officers for specific purposes and shall be accounted for by submission of cash receipts attached to GRNs for goods and cash receipts properly authenticated for services procured.

Retirement of Imprest must be made within 48 hours after the purpose for which the Imprest was applied for has been fulfilled (see Table 6 and 7). If this is not done the whole amount so taken shall be debited to the officer's personal account and recovered from his salary without notice. The accountant in charge of receivables shall consequently debit the relevant expense account with the amount of the expense and debit the surrendering officer's account by the same amount and reconciling all these to the General Ledger (GL)

Table 6: Imprest Requisition Procedures

Procedure	Responsibility
1. Complete and sign an Imprest Warrant to undertake activities which are included in the approved budget	Applicant
2. Review the Imprest Warrant to confirm activity within budget for the period and also check reasonableness of rates and quantities used. Approve, if satisfied and forward the same to Accounts	Head of department
3. Review Imprest Warrant and satisfied if with the approval of the proposed activity, authorize for payment	DVC (AFP), VC & Finance Officer
4. Observe payment procedures to process payments	Payables Accountant
5. Record the advance payment in the cash book. Also update the imp rest ledger to reflect the debit on the imp rest holder's account	Receivables Accountant
6. File documents	Receivables Accountant

Table 7: Procedures for Accounting for Imprest

Procedure	Responsibility
1. To account for activity Imprest, fill Imprest accounting Form within 48 hours of returning to office, to account for the Imprest	Imprest holder
2. Review expenditure reports to ensure that all expenditure items are supported by valid receipts /GRNs/vouchers. Approve and forward to Finance Department	Head of department
3. If there is a difference between Imprest and expenditure observe supported procedure to make additional payment and receiving procedure to record fund surrendered	Receivables Accountant
4. Ensure expenditure is assigned to the correct codes and correctly analyzed by activity codes, cost centre and financial codes	Receivables Accountant
5. Record of the expenditure to debit the expense accounts and credit staff impress account	Receivables Accountant
6. File documents	Receivables Accountant

7.6.2 Un-surrendered Imprest

The staff Imprest account should be reviewed on a regular basis by the accountant. This is through a well maintained Imprest warrant application and surrender register.

In the event that an employee has not accounted for Imprest advanced within the prescribed timeframe of 48 hours after the expenditure, the amount should be recovered from the respective staff's salary with the authorization of the Finance Officer in such amounts and over such periods as the Finance Officer may consider.

7.7 Key Controls for Debtors Management

a) Individual debtor account shall be maintained and reviewed on a monthly basis;

b) A schedule of prepayments shall be maintained;

c) An Imprest application and surrender register shall be maintained;

d) Approval of all Imprest application by the VC for out of the country trips; and

e) Approval of all Imprest accounting forms by budget holders (Heads of departments).

Debt management shall be carried out as shown in Table 8.

Table 8: Debtors Reports

Description / Type	**Frequency**	**Distribution / User**
Aged A/R Analysis (Both General and staff)	Monthly	Finance Dept
Movement in Provision for bad and doubtful debts	Monthly	Finance Dept

8. PROCUREMENT MANAGEMENT

a) Procurement shall be to the maximum extent possible on a practical open and free competition basis;

b) The University shall obtain values for money on all its procurement of goods and services ; and

c) Procured goods and services are delivered in the correct quantity and quality in a timely manner.

8.1 Linkage to Procurement Policy

This policy will ensure that all procurements undertaken within the framework of the procurement policy are properly accounted for with respect to application of financial resources.

9. ACCOUNTING FOR EXPENDITURE

9.1 Purpose

The procedures for accounting for expenditure will apply for all expenditure on both goods and service by the University.

The procedures are outlined to ensure that:

a) All expenditure is accounted for completely and accurately, as and when the University incurs the expenditures and
b) The University expenditure is within the approved annual budgets

The basis of accounting for expenditures shall be on an accrual system of accounting as promulgated by GAAPs.

9.2 Accounting for Recurrent Expenditure

Recurrent expenditure shall be accounted for on an accrual basis. These shall be accounted for in line with approved budget lines and appropriate accounting codes. Recurrent expenditure shall be applicable on a yearly basis (Table 9).

Table 9: Recurrent Expenditure Reports

Description / Type	**Frequency**	**Distribution / user**
Recurrent Expenditure per cost centre	Monthly	Head of departments
Financial Accounts for the University	Quarterly and annually, Annually	Management, Council , GOK
Management Accounts for the University	Quarterly	Management and Council

9.3 Accounting for Capital Expenditure

Capital expenditure includes the development of assets of long term nature and the purchase of assets whose usage exceeds one financial year.

Accounting for capital expenditure shall be as spelt out by IAS 16 & IAS 36 and IPSAS 17 dealing with Plant, Property & Equipment and Impairment of the same.

10. PAYROLL PROCEDURES

10.1 Purpose

The purpose of the payroll system is to ensure:

a) Complete and accurate data capture and payroll processing
b) Production of required reports in a timely manner
c) Employees are paid in accordance with letters of appointments
d) There is adequate security over payroll data
e) Statutory and voluntary deductions are properly accounted for and remitted to the appropriate authorities
f) Payroll expense is posted to the General Ledger system

10.2 Guidelines

The University will issue appointment letters to all newly employed staff and the payroll processing will be in line with the Terms and Conditions of services for each category of staff.

The Finance Department shall not make any payroll changes without the express authority of the Registrar Administration.

Tax will be deducted on all taxable pay in accordance with relevant tax law. The University will comply with local labor laws, regulations governing employment and provisions of specific employments contracts.

To avoid risk inherent in carrying large sums of money and minimize the risk of loss of money due to payroll fraud, all staff will be required to operate bank accounts in which their salaries will be paid.

The payroll will be prepared on a monthly basis. The Finance Officer will ensure that this is prepared by the 20th of every month. Salary bank transfer instructions and the salary cheque favorable to the bank issued thereafter to the respective banks.

10.3 Payroll Preparation Procedures

This section only details the payroll preparation procedures. Details on other personnel procedures will be included in the Human Resource Policy and Procedure Manual.
For the purposes of payroll processing, the Finance Department will receive a payroll staff movement advice from the Registrar Administration with the following employee details as follows;

a) Full name of employee
b) Payroll number (provided by the system /HR DEPT)
c) Position in Department
d) Bank Name & Branch
e) Bank Account Number
f) Statutory registration number (PIN, NSSF, NHIF, ID)
g) Other registration numbers (e.g. Co-operative Society)
h) Emoluments details
i) Date of Birth
j) Date of appointment /Reporting date.
k) Terms of Appointment (e.g. Permanent, Temporary, Contract, Casual)

On receipt of the payroll change advice, the Finance Officer will review and sign it for processing in the payroll system. Staff salaries shall be paid out in accordance with the provision of the Terms and Conditions of Service applicable as availed to staff on appointment.

The Finance Officer will ensure compliance with the law in regard to taxes and other statutory deductions. He/she will ensure that the University obtains all the pertinent information regarding statutory deductions and complies with them. Such information can be obtained from Kenya Revenue Authority, NSSF, NHIF, the print media (e.g. Kenya Gazette)

It will be the duty of the Finance Officer to ensure that all recoveries are effected on timely basis.
Payroll reports (net salaries statutory and non – statutory deductions) will be reviewed by the Finance Officer. Once approved, they will be forwarded to the VC/DVC for authorization of the payments.
Procedure for updating payroll is captured in Table 10.

Table 10: Updating Payroll Records

Procedures Steps	Responsibility

1. Update employee file with payroll changes and prepare a payroll change Device. This could be for new staff termination change in salary or other payroll items forwarded to Finance Officer.	Registrar Administration
2. Review and approve payroll change advice for input into the payroll systems	Finance Officer
3. Input changes to payroll (New staff, pay change, termination etc)	Payroll Accountant
4. Review payroll data and confirm correct inputs change	Finance Officer
5. Review payroll update report and if okay sign and return to Finance Officer. Indicate if there are amendments to be made.	Registrar Administration
6. Receive reports and if there are changes, those changes must be signed by Registrar Administration forward to Payroll Accountant for filing.	Finance Officer
7. File update reports	Payroll Accountant

Table 11: Monthly Payroll Processing

Procedure steps	**Responsibility**
1. Generates payroll reports including pay slips, bank transfer, statutory and other deduction not later than 20th of every month	Payroll Accountant
2. Review payroll reports, ensure errors noted are rectified, sign and approve for final processing	Finance Officer
3. Review Monthly payroll reports, sign and return to Finance Department	Registrar Administration
4. Obtain signatories for bank transfer letter (Same as cheque) and dispatch to the bank for money transfer to the respective employee bank accounts	Finance Officer
5. Observe payment procedures to pay monthly statutory and other deductions	Payroll Accountant
6. Update the general Ledger with the payments by debiting the various expense accounts with the payroll related payments as follows: ENTRIES TO GENERAL LEDGER: • Dr. Gross Salary • Cr. Payroll Liabilities (Net Salary , NSS , NHIF , PAYE Co-op etc) ENTRY ON PAYMENT • Dr. Payroll Liabilities • Cr. Bank	Senior Accountant
7. File Documents	Payroll Accountant

11. PAYABLES MANAGEMENT (CREDITORS)

11.1 Accounting for Creditors

11.1.1 Purpose

The purpose of the Creditors and Accruals system is to ensure that

a) All liabilities of the University are recognized as and when they are incurred , and

b) All liabilities are reviewed on a monthly basis to ensure that the University is able to honor its obligations as and when they fall due.

11.1.2 Guidelines

Creditors are recognized on receipts of goods or services. An account shall be maintained for each supplier

Each month a listing of the balances of the individual's creditor accounts shall be prepared and the total compared to the control account balance. Any debit balance in a creditor account should be investigated every month and necessary adjustments made.

Supplier statement reconciliations shall be prepared on a monthly basis, by the Payable Accountant and reviewed by the Finance Officer (Table 12).

Table 12: Procedures for Recognition of Creditors

Procedures	Responsibility
1. Receipts of Goods through DNs against LPOs issued to suppliers	Stores Controller
2. Record receipts of invoice in the supplier invoices register	Stores Controller
3. Review invoice against LPO, DN and GRN and ensure accuracy and congruence. If not in order return to the Stores Controller if in order , forward to Accountant for preparation of Journal Voucher	Payables Accountant
4. If invoice agrees to the LPO, DN and GRN, and all documents have been duly authorized by the required signatories and expense is in line with budget : Post the invoices to the Creditors Control ledgers	Payables Accountant
5. Review of creditors ledger by Senior Accountant for accuracy of account codes and other details	Senior Accountant

6. After approval of creditors ledger update the General Ledger	Senior Accountant

11.2 Accruals and Provisions

At the end of each reporting period, the University should accrue for expenses incurred but not yet paid for by period end. This may involve unpaid invoices, retention money in respect to construction works and expenses like electricity, water and telephone already incurred but not yet billed for by the providers.

Accruals and provisions should be reviewed after period end and any liability not likely to materialize should be reversed.

11.3 Key Controls for Creditors Management

a) Monthly preparation and review of supplier statement reconciliations
b) Maintenance of individual creditors accounts and an overall control account which are reviewed regularly and any difference reconciled
c) A listing of Accruals and provisions shall be maintained and reviewed on a monthly basis. See Table 13.

Table 13: Creditors Reports

Description /Type	**Frequency**	**Distribution /User**
Suppliers statement Reconciliation	Monthly	Payables Accountant
Aged accounts payable report	Monthly	Payables Accountant
Accruals Listing	Monthly	Payables Accountant

12. FIXED ASSETS

12.1 Purpose

The purpose of the fixed assets systems is to ensure that all assets are safeguarded by recording their details and monitoring their location, conditions and usage.
Proper maintenance of a fixed assets register, appropriately designed to include all information necessary to properly record and control fixed assets and proper accounting for fixed assets.

12.2 Definition

Fixed assets are defined as tangible assets that have been acquired with the intention of being used on a continuing basis for a period exceeding one year.

12.3 Acquisition of Fixed Assets

A plan for the acquisition of fixed assets shall be incorporated into the annual budget. On acquisition, each asset will be verified and assigned a unique asset number which should be physically marked on the asset and recorded in detail in the Fixed Asset Register

12.4 Donated Assets

Assets which have been donated to the University should be valued and if greater than Kshs 20,000 capitalized in the accounts of the University (credit Capital Fund, debit fixed assets) if less than Kshs 20,000 the asset should be recorded in memorandum Inventory Register of donated assets.

12.5 Capitalization

Capitalization of assets takes place when the benefits of the expenditure are expected to extend over periods beyond the one in which the expenditure arises. Assets with an estimated useful life in excess of one year shall be capitalized. Assets costing less than Kshs 20,000 should not be capitalized but should be recorded in an inventory register for control purposes.

The cost of fixed assets will include all expenditure reasonable and necessary in acquiring the asset and placing it in a position and condition for use in the operations of the University. This mainly include the cash outlay necessary in acquiring , installation and any other costs necessary to make the asset ready for use

12.6 Fixed Assets Register

A register should be maintained to record all capitalized assets (Over Kshs. 20,000 in value) The purposes of a fixed Asset Register are:

a) To provide a means of controlling the assets including acquisition, disposal and transfer;
b) To enable accounting calculations to be performed on asset cost, depreciation and net book value, and
c) To allow assets to be checked regularly in order to avoid misappropriation
d) The register should give details of each asset as follows:
    i. Date of purchase
    ii. Description of the asset including model and serial number
    iii. Cost
    iv. General and specific location
    v. Asset number
    vi. Responsible official
    vii. Depreciation Policy
    viii. Class and category of asset and
    ix. Condition

It is appropriate to group classes together in the fixed assets register for ease of reference.

12.7 Asset Listing

A separate asset listing should be kept for all assets including those under Kshs 20, 000 in value. The purposes on a fixed asset listing are:

a) To provide a means of controlling the asset including acquisition; disposal and transfer and;
b) To allow assets to be checked regularly in order to avoid misuse or misappropriation;
c) The asset listing should show similar details to the fixed asset register for each individual asset;
d) All assets are insured against such risks as fire, burglary, theft and general damage.

The VC shall be responsible for effecting all insurance covers on behalf of the Council with reputable insurers. Adequate insurance register shall be kept and policy document kept in safe custody by the Registrar (Administration).

12.8 Depreciation

Depreciation is charged annually on a straight line basis to write down the cost of each asset to its residual value over its estimated useful life
The depreciation rates for the fixed assets of the University are outlined in Table 14 below.

Table 14: Depreciation rates of various assets

Category	Estimated Useful Life	Depreciation rate
Buildings and other Civil works	40Years	2.5%
Plant, Machinery & Equipment	5 Years	12.5%
Office Equipment	5 Years	12.5%
Motor Vehicles/Buses/ motorcycles	4 Years	25%
Computers	3 Years	30%
Furniture and Fittings	8 Years	12.5%

12.9 Disposal of Fixed Assets

The assets of the University shall be disposed of in accordance with the provisions of the Public Procurement and Asset Disposal Act 2015.

12.10 Controls over Fixed Assets Usage

Fixed assets usage will be controlled through the use of the following documents
1. Vehicles Movement Register (Work tickets)
2. Fixed Assets Movement Register
3. Permanent Stores Inventory Holders Form

12.11 Verification of Fixed Assets

On a regular basis and at least twice a year, each asset on the register should be inspected to confirm its existence, location, usefulness and condition. The verification exercise should be carried out by a person who is independent of the acquisition and maintenance of the assets.

The results of exercise shall be adequately documented. All assets which cannot be located must be thoroughly investigated and a full report submitted to the management of the University. Based on this report, management should authorize the asset to be written off if it has not been fully depreciated or already written off. Appropriate action should be taken by management to avoid future loss of assets.

Assets in poor condition or which remain idle should be considered for disposal in accordance with the regulations.

Table 15: Procedures for Fixed Assets Acquisition and Capitalization

Procedure	**Responsibility**
1. Raise and sign fixed assets purchase requisition	Head of department
2. Check that requisition is included in the approved work plans and budget. If not return requisition to budget holder with an explanatory note	Finance Officer
3. If within budget indicate availability of funds and forward to DVC(AFP)	Finance Officer
4. Review fixed assets purchase requisition. If within approved work plans and budgets approve requisition form for the purchase of the fixed asset and forward to procurement	VC
5. Observe appropriate procurement procedures to select supplier and acquire asset	Procurement Officer/VC
6. Receive purchased asset and inspect to ensure that the condition is satisfactory and is in accordance with the terms and number of the asset using the University coding register and complete a GRN	Stores/Inspections & Acceptance Committee
7. Physically label the fixed asset and forward copy of GRN and the invoice and relevant supporting documents to the Finance department	Stores/ Inspection & Acceptance Committee
8. Receive GRN for the asset and invoice duly certified by stores	Payables Accountant
9. Record the fixed assets in the register	Senior Accountant
10. Post the invoice to Creditor's Ledger and update the general ledger	Payables Accountant
11. File supporting documents	Senior Accountant

Table 16: Procedure for Recording Fixed Assets Depreciation

Procedure	**Responsibilities**
On a monthly basis prior to running the Trial Balance for the period, run the depreciation journal for the period	Senior Accountant
Review the depreciation journal and post the relevant journal to the General ledger Dr Depreciation a/c Cr accumulated depreciation a/c	Senior Accountant
Print the depreciation report from the GL	Senior Accountant

Prepare the fixed Assets movement report	Senior Accountant
Review fixed assets movement schedule	Finance Officer
File fixed Assets Movement schedule	Senior Accountant

12.12 Key Controls for Fixed Assets Management

a) Depreciation is calculated on a monthly basis in accordance with the outlined depreciation rates. Depreciation journals shall be approved by the Finance Officer.
b) The Fixed Assets register shall be reconciled to the General ledger on a monthly basis. The reconciliation shall be reviewed and proposed by the Finance Officer
c) Physical verification of Fixed shall be conducted at least twice a year.
d) The University shall maintain an up to date fixed assets register
e) Fixed assets purchases shall be approved by the VC and ratified by the University Council
f) ALL assets shall be clearly coded and labeled upon purchases
g) The University shall maintain clear records of assets movement forms to control movement and usage of assets

Table 17: Fixed Assets Reports

Description / Type	**Frequency**	**Distribution /User**
Fixed Assets Movement Schedule (Including supporting listing of all additions and disposals)	Quarterly	Finance Officer
Fixed Assets Verifications listing	Semi – Annually	Senior Accountant(Final A/Cs)
Reconciliation of the Fixed Assets Register to the General Ledger	Monthly	Senior Accountant(Final A/Cs)
Fixed Assets Register	Continuous	Senior Accountant

13. INVENTORY MANAGEMENT

13.1 Purpose

The purpose of the inventories management system is to ensure that the University maintains optimum stock levels and does not run short of stock or hold up capital in stocks, and adequate controls are in place to obviate against misappropriation or loss of stocks.

13.2 Valuation policy

Inventories are stated at the lower of cost and net realizable value. Cost includes all cost of purchase and other charges incurred in bringing the inventories to their present location and condition.

The cost of inventories is based on the weighted average cost, if the purchase cost is higher than the net realizable value, stock are written down to the realizable value

13.3 Physical Stock Counts

Physical stock should be undertaken at least once every year. This should be carried out by at least six officers, who should not be from the storekeeping staff. They should not in any circumstance have prior knowledge of stock ledger balances but should be provided with the list and details of the code no, the description and the unit of issue of the items to be checked in blank forms on which to enter the quantities actually counted.
The physical stock counted should be compared with the stock ledger balances and any discrepancies investigated immediately and reconciled. Any adjustments to agree physical count to stock ledger balances should be authorized by the Finances Officer. Such adjustments should be supported by reference to the relevant stock taking reports.

The result of stock taking should be retained and made available for inspection by internal audit and by officers of Kenya National Audit Office or by other authorized auditors on request.

Table 18: Procedures for Inventory Management -Ordering and receipting of stock

Procedure	Responsibility
Purchase Requisition Note is raised. Ordering of stocks should be based on economic order quantities based on average monthly usage.	Stores Controller
Procurement procedures are then followed in purchasing the stocks	Procurement Officer
Orders are received into the stores by the stores Clerk The following checks must be carried out on the goods Physical quantities are agreed to the goods delivery note Delivery note details must agree to the purchase order Inspection of the physical condition and quality Confirmation by the end user/ Inspection and Acceptance Committee	Stores Controller
The stores Controller sign the delivery note and raisers the GRN	Store Controller
Update the Bin Card for each stock item received	Store Controller
Update stock Ledger using the invoice and GRN	Stores Controller

Table 19: Procedures for Inventory Management – Issuing of stocks

Procedure	Responsibility
Store Requisition Note (SRNs) raised by end user	End user
Head of department reviews stores Requisition Note and Approves	Head of Department

Stores Requisition Note submitted to stores for costing of stocks available and submitted to Vote Book Accountant for voting	End User
Raise Stock Issue Note (SIN) and issue to end user who signs the voucher to acknowledge receipt of goods. A copy of SIN is sent to Finance Department	Store Clerk /End User
Update the Bin Card	Store Clerk
Update the Store ledger using a copy of SIN	Stores Controller

13.4 Stock Records

These are various documents maintained by the stores controller to ensure smooth recording of the movement of various items of stock within the University.

13.4.1 Store Ledger Card

A stock ledger card in maintained in stores. Its updated using GRN and Suppliers invoice with quantities received and SIN with quantities issued. It shows quantity, unit cost and value of stocks held in the stores.

13.4.2 Stock Requisition Note (SRN)

Stock Requisition Note is used to requisition for goods from the stores. It is issued in triplicate. The original goes to the stores, a copy retained by the user and copy retained in the book.

13.4.3 Stock Issue Note

Stock issue Note is used to issue goods from stores to the end user, it is issued in triplicate original goes to end user, copy to Finance department and the book copy retained in stores

13.5 Key Controls in Inventories management

a) Goods received are matched with the Goods delivered Note and Local Purchase Order details and / or invoices.
b) Rejected stock materials are adequately segregated and regularly monitored to ensure timely return to suppliers.
c) Inventory is stored in properly secured and suitable store locations where access is restricted to authorized personnel
d) Issuing of stock is on a first in first out (FIFO) basis
e) Requisitions are made using SRN
f) Issue ledger and Bin Card are updated daily
g) Physical stock counts undertaken at least once every year by persons independent of the day to day stock custody and recording of inventory and subsequent reconciliation of physical stocks with Bin Cards / Stock record Ledger

Table 20: Inventory Reports

Description / Type	Frequency	Distribution n / User
Physical stock take	yearly	Stores /Final Accounts/Internal Audit
Reconciliation of physical stock balances to the stock ledger /Bin Card	Quarterly	Stores /Senior Accountant
Inventories listing with related book values	Monthly	Senior Accountant

14. CASH MANAGEMENT

14.1 Purpose

The main purpose of the cash management system is to implement adequate controls over cash receipts and cash payments to obviate the risk of fraud or error, ensure consistency and accuracy in the treatment of cash and ensure prompt and accurate recording, processing and accounting for cash receipts and payments.

14.2 Revenue Procedures for receipts of funds

Funds may be received in a number of ways including cash, cheque, EFTs receipts, and direct bank transfers into the University bank accounts irrespective of the mode of payment, receipts shall be issued by the University.

Table 21: Procedures for Receipts of funds

Procedure	Responsibility
Receipts of cash , cheque, bank deposit advice	Cashier
Record cash / cheque in cash register	Cashier
Issue an official receipts in triplicate	Cashier
Bank cash and cheque at the end of the business day	Cashier
Attach copy of receipts to the bank pay – in slip	Cashier
Review account code and update the cashbook	Accountant
File official receipt and bank pay – in – sips	Cashier

14.3 Expenditure

Procedure for disbursing and authorizing funds. The University cannot, without the prior approval in writing to the Ministry and the National Treasury, incur any expenditure for which provision has not been included in the approved annual estimates as outlined in the State Corporations Act Sec 12.

Table 22: Payment Procedures

Procedure	Responsibility
1. Review invoice against LPO and GRN and ensure accuracy and congruence. If not in order return to the Stores office	Payables Accountant
2. Review expenditure to ensure expense is in line with approved budget and sufficient available funds exist against the respective category	Payables Accountant
3. If Invoice agrees to the LPO and GRN and all document have been duly authorized by the required signatories and expense is in line with budget , prepare payment voucher (PV) PVs should be serially numbered	Accounts Clerk(Payables)
4. Record PV in vote book to update commitment of funding against the respective expenditure category	Vote book Accountant
5. Forward PV together with all supporting documents to the Finance Officer for Verification and endorsement.	Payables Accountant
6. Prepared PV is checked and passed for payment after ensuring that all supporting documents are attached.	Senior Accountant
7. Review PV against all supporting documentation and ensure accuracy , congruence and authorize the expenditure in line with the University approved Budget and work plans	DVC (AFP)/FO
8. Signed PV authorized for payment is received by DVC(AFP)/Chancellor and further reviewed comprehensively to ensure that the expenditure was incurred in line with the University policies, procurement guidelines and that all other requirements were fully met by the purposed recipient of the funds	DVC(AFP)
9. Cheque is prepared in accordance with the approvals given and all deductions done as per the relevant laws in force	Cashier
10. Cheque is signed as appropriate and the cashier records them in the cheque schedule to be delivered to the Bank.	Senior Accountant(Payables)
11. Collector of cheque signs cheque dispatch Register /cheque is sent to payee through registered mail as appropriate.	Cashier
12. Post the PV to the Cash book and update the general Ledger	Payables Accountant
13. File PVs supporting documents in order of the PV serial number	Payables Accountant

14.3.1 Cheque Handling

a) All cheque payments shall be signed by the Finance Officer and any other signatory.
b) All cheque payment Vouchers must be entered in the Vote book before they are submitted for payment. The Vote book must show the date of entry, particulars of expenditure, the amount expended, the total expenditure against the vote and the balance of expenditure available after taking into account any known commitment .
c) All cheques will be supported by a payment voucher and will be entered into a cheque payment register before they are released. The register will show the name of the payee, the amount, the cheque number and the date of collection (or dispatch by registered mail or courier).
d) All cancelled cheque will be stamped ‘’ VOID ‘’ and recorded in the cheque register with the word ‘’ CANCELLED ‘’ in the payee space.
e) All cheques shall be crossed and opening of crossed should only be made for petty cash or travel purposes. Under no circumstances should blank cheques be signed open.
f) The senior accountant should be the custodian of all unused cheques. All unused cheques should be locked in a safe at the end of each day.
g) The senior accountant shall reconcile cheques every day before they are locked to guard against its related misuse/theft.
h) All unused cheque books and leaves shall be kept by the Finance Officer.

14.4 Bank Reconciliations

Bank reconciliations shall be prepared at least once a month by the Senior Accountant and reviewed by the Finance Officer.

14.5 Cash flow Projections

The Finance Officer will prepare monthly cash flow projections and review cash position in making cash management decisions to ensure that the University is liquid enough to make payments for its obligations

14.6 Cash in hand (Petty Cash)

14.6.1 Objectives

The Objectives of the petty cash system are to ensure the maintenance of sufficient amount of float to meet small cash needs on a daily basis.

14.6.2 Safe custody of petty cash

Adequate controls over cash held and petty cash payments made and prompt and accurate processing, issuance, recording and accounting for petty cash shall be undertaken by the paying

cashier. The cashier shall cause to be kept a petty cash book where all transactions involving petty cash shall be recorded and balances carried on a daily basis.
The payments through petty cash shall then be analyzed according to the GL codes and posted accordingly to ensure accurate reporting on expenses on a monthly basis

14.6.3 Petty Cash Guideline

The University shall maintain a petty cash float to meet small office expenses.
Any payments in excess of KShs 45,000 to payees who are University staff shall be made by cheque. The cashier will maintain a float as shall be approved from time to time. Any other cash withdrawal for specific purposes shall be surrendered to the cashier for proper accounting before the money is paid out.

Petty cash shall be securely locked up in a fire proof safe. The cashier should ensure adequate security measures are in place.

Surprise petty cash counts shall be done by a relevant official designated by Finance Officer on a regular basis at least once a month to ensure petty cash is safe, used as intended and accounted for correctly. The cash count certificate shall be countersigned by the cashier and the person conducting the count and dated. Any discrepancies noted shall be reported immediately to the Finance Officer. The VC should be informed of the results of the cash count.

14.6.4 Request

Request for petty cash will be made using the normal claim vouchers, payment vouchers and the Imprest warrant. Employees requiring immediate cash will complete the designated forms and obtain approval from the respective head of department. The rest of payment approval shall apply as mentioned earlier.

14.6.5 Payment

Once approved, the petty cash voucher will be presented to the cashier for payment. The recipients of petty cash will sign the petty voucher on receipts of the funds.

14.6.6 Accounting for expenditure

Petty cash will be accounted for immediately after incurring expenditure. All recipients of petty cash shall ensure that all the purchases done through petty cash are properly received in the stores and that the relevant entries and approvals are obtained for completeness of transactions.

A payment voucher shall be raised to replenish the float and supporting documents attached to the voucher and the verification of the recoupment voucher shall be undertaken by the Payables Accountant to ensure that proper entries have made in the Petty Cashbook by the petty cashier.

14.7 Cash reconciliation Procedures

This will be prepared on a weekly basis by the cashier and supervised by the senior accountant who will ensure that it agrees to the daily balances

14.8 Insurance

All cash in transit and petty cash held in the University offices shall be insured against loss and theft. The level of insurance shall depend on the security measures put in place to minimize theft, fire or loss.

14.9 Key Cash Management Controls

a) Adequate segregation of duties shall be effected,
b) Cash payments shall be verified and approved before payment is made,
c) All requests for payment must be supported fully by approved documentation before the payment voucher is prepared,
d) The payment voucher shall be coded with the relevant account codes,
e) All payments shall be approved by designated officers,
f) All vouchers and supporting documents shall be stamped ‘’PAID’’ immediately upon payments,
g) All reconciliations shall be prepared on a monthly basis,
h) Blank cheque should never be signed opened,
i) All cancelled cheques shall be stamped ‘’VOID‘’ and recorded in the register with the word ‘’CANCELLED‘’ on the payee field,
j) AT least two signatories are required to authorize any payments from the bank.

Table 23: Cash Management Reports

Description / Type	Frequency	Distribution / User
Bank reconciliations for all bank accounts	Monthly	Senior Accountant
Petty cash counts	Monthly	Cashier/Senior Accountant
Cash Flow Projections	Monthly	Senior accountant
Cash Flow statement	Monthly	Finance Officer

15. RESERVES

As per the State Corporation Act Sec 16 (1) and 9 (2) and Universities Act, 2012 the University shall make provision for the renewal of depreciating assets by the establishment of sinking funds and contributions to such reserve and stabilization funds as may be necessary. Any surplus moneys after making the provision required shall be disposed of in such manner as the Council in consultation with the Cabinet Secretary may, in writing direct.

Any surplus realized in any given financial year from the operations of the University shall be retained in a Reserve Account and shall be used by the Council in furtherance of its objectives as outlined from time to time. Any deficit realized in any given financial year shall be offset against the realized surplus held in the reserve account.

However, the Cabinet Secretary for the time being responsible for Finance as empowered by Sec 16 (3) of the State Corporations Act Cap (446) may require the whole or any part of the surplus moneys to be paid into the consolidated Fund where the exigencies of the financial situation so warrants. Exemptions shall be made for funds arising from endowments, royalties and any other revenues that shall be raised by the Council.

Table 24: Movement in Reserves Reports

Description /Type	Frequency	Distribution / User
Movement Reserves	Annually	Finance Officer

16 INVESTMENTS

As per regulations, the University shall carry out investment appraisals on proposed projects and present the same to the University Council for consideration and approval and onward concurrence by the National Treasury. Short Term investments to improve working capital requirements like call deposits, 3 months FDR shall be undertaken by the VC on behalf of Council.

Consideration shall be given to the expected return on investment using modern techniques of investment evaluation

Long term Investments shall be undertaken to strengthen the University's financial position especially with respect to availability of resources for expansions in furtherance of its objectives.

17 GENERAL LEDGERS (GL)

The University shall maintain a general ledger system that will be capable of processing the following;

a) All the University income as set out in this policy
b) All the University expenditure as set out in this policy
c) Interface with the following systems to capture all transactions and balances generated by this system
d) Debtors system
e) Creditors systems
f) Cash book system
g) Inventory management system
h) Fixed assets register
i) Payroll system

17.1 Structure of Accounts

The structure of the GL accounts has been designed to provide for the levels of analysis and reporting as set out in this policy.

17.2 Chart of Accounts and Account Codes

The chart of accounts and account codes has been developed as part of the financial management information system. This will facilitate orderly recording, reporting and analysis of accounting information.

17.3 General Ledger Analysis Codes

In addition to the chart of accounts, the general ledger will need to provide for various levels of analysis.

17.4 Balances to be maintained in the GL system

The GL system should be able to process, maintain and report the following balances

a) Monthly and year to date and budget
b) Monthly and year to date actual
c) Monthly and year to date and prior year actual

Table 25: General Ledger Reports

Description / Type	Frequency	Distribution / User
Funds received and disbursed reports	Quarterly	Finance Officer
Income and Expenditure reports by cost center	Quarterly	Finance Officer/Department Heads
Consolidated income and expenditure report current period Vs corresponding period in the previous year	Quarterly	Management
Consolidated actual Expenditure Vs Budget	Quarterly	Management
Funding Gaps	Quarterly	Management
Balances sheet Current period Vs Corresponding period in the previous year	Quarterly	Finance Officer

18. REPORTING PROCEDURES

The University shall observe specific accounting policies and requirements, including the reporting period, reporting deliverables and structures of the reports as required by the State Corporations' Act, The Public Audit Act and Government Financial Management Act and other relevant regulations issued by National Treasury from time to time and also the requirements of the international financial reporting standards.

18.1 Annual Procedures and Reporting

The University shall prepare annual financial reports for each accounting period. These reports will be reviewed by the Council before sending to auditors and approved for distribution to stakeholders.

18.2 Monthly Procedures and Reporting

The University accounting system is designed to generate financial management reports at the end of each month. The reports will be detailed enough to meet management information needs.

Table 26: Financial Reports for the University

No.	Name of Report	Frequency
1	Funds Received	Quarterly
2	Income and Expenditure reports by cost center	Quarterly
3	Consolidated actual expenditure Vs. Budget	Quarterly
4	Cash flow projections	Quarterly

5	Funding gaps	Quarterly
6	Balances sheet Current periods Vs Corresponding period in the previous year	Monthly /Quarterly/Annually
8	Bank Reconciliation for all bank accounts	Monthly
9	Aged Debtors (Both General and staff)	Monthly
10	Movement on provision for bad and doubtful debts	Quarterly
11	Inventories listing with related book values (Physicals stock reconciled to the General ledger)	Quarterly
12	Aged creditors listing	Monthly
13	Accruals listing	Monthly
14	Suppliers statement reconciliation for all major suppliers	Monthly
15	Fixed Assets Movement schedules (Including supporting listing of all addition and disposal)	Quarterly
16	Reconciliation of the payroll to the GL	Monthly
17	Movement in reserves for the period	Monthly
18	Cash flow statement	Monthly

19. AUDITING ARRANGEMENTS

The accounts of the University shall be audited and reported on annually by the Auditor General (Corporations) in accordance with the Public Audit Act, 2003.

20 EFFECTIVE DATE

This policy shall be effective from the date of approval by the Council.

21 AMENDMENTS

This policy shall be amended from time to time by the University Council as may be recommended by the Senate, University Management Board and other competent bodies.

ANNEX 1

Basic Organogram of the Financial Management and Accounting Function