



MASENO UNIVERSITY

FINANCIAL POLICIES AND PROCEDURES MANUAL (DRAFT)

December, 2016

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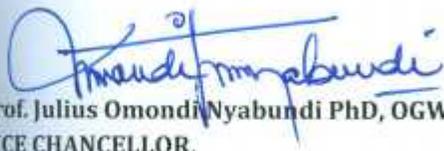
Preface

The Maseno University Financial Manual, Policies and Procedures Manual reflects and incorporates current international accounting pronouncements and institutional financial policies.

The primary purpose of this manual is to provide a standardized system of accounting and financial reporting in compliance with generally accepted accounting principles (GAAP) and public sector financial reporting (IPSAS) for Maseno University, assist the institution accountants, internal auditors and financial managers and University Council

This manual is divided into five major parts. The first part covers a general overview of financial accounting and reporting concepts. The second part delves into the financial transactions in detail by type of account. The third part deals with Financial statements for compliance and external reporting. The fourth part introduces the Maseno University Enterprises limited (MUE Ltd.).The fifth major part looks at aspects of governance through the University Council as the supreme governing organ and University Management Board.

The manual shall be adhered to by all Maseno University entities, except as it shall be amended by decisions of Maseno University Council from time to time.It is my hope that the users of this manual will find it user-friendly and the accounting functions significantly simplified, and that the financial statements produced will be an invaluable tool of financial management.



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1.0 INTRODUCTION

The financial management, policy and procedures manual is compiled with the purpose of providing a comprehensive and practical guide, incorporating effective internal controls necessary for the management of University funds and assets.

1.1 OBJECTIVES

This Manual was prepared to meet the following objectives:

- i. To serve as a reference resource for administrators of Maseno University entities.
- ii. To foster improved uniformity and accuracy in record-keeping and financial reporting.
- iii. To improve accountability and stewardship with regard to University resources.
- iv. To help in training those who perform accounting functions.
- v. To raise professional standards among accounting personnel.
- vi. To assure accounting practices conform to generally accepted accounting principles.
- vii. To assure the clear definition of financial management roles and responsibilities of various functions of the University.
- viii. To ensure that duties are properly segregated and documented.
- ix. To assure that transactions are properly identified and adequately supported with authorized original documentation.
- x. To ensure that only properly approved and authorized transactions are paid for and that budgetary approvals are not exceeded.
- xi. To facilitate the assignment of duties and clear definition of responsibilities for staff in Finance Department.

1.2 Principles of Financial Management

- i) Maintain accounting records in accordance with generally accepted accounting principles which provide full disclosure of compliance with stewardship responsibilities of the university
- ii) Maintain an internal control environment which enhances sound business practices and clearly defines rules, responsibilities and accountability
- iii) Provide accurate and relevant managerial financial reports cost centre specific reports will be the management tools for employees with delegated budgetary responsibilities.
- iv) Utilize appropriate budgetary controls applicable to fund source to monitor variances and provide explanations of deviations (Fund sources are government appropriations, auxiliary operations, sponsored research projects, etc.)

- v) Maintain appropriate levels of financial transaction reviews and approvals by University personnel responsible for budgetary entities
- vi) Ensure all employees are aware of their responsibility to report dishonest acts and deviations from the principles and policies of financial management to their supervisors, appropriate senior officer.

1.3 Stewardship and Custody of Assets

While the primary purpose of an accounting system is to record transactions and generate financial reports, another vital purpose is to provide accountability for the possession and use of an entity's assets. The Finance Officer and accounting personnel have a stewardship responsibility to all stakeholders and the Council to ensure financial and fiscal discipline in processing financial transactions and record -keeping Procedures for handling and safeguarding the assets of the organization must comply with the policies of the University.

1.4 The need for Financial Reports

The Finance Officer is responsible for giving periodic reports about the financial condition and operations of the University to the Council and to other intended users and stakeholders

A good accounting system will enable the Finance Officer to produce these reports efficiently, without additional editing and reorganizing of the underlying data, and in a format that would be understandable to the average well-informed reader. In addition, the reports should comply with generally accepted accounting principles (GAAP).

1.5 The Framework of Generally Accepted Accounting Principles

This Manual provides a framework of uniform accounting principles that are consistent with standards established by the International Accounting Standards Board and public sector financial reporting, that is International Public Sector Accounting Standards (IPSAS). The principles outlined in this Manual are to be implemented by all Maseno University business segments. This Manual will be updated as necessary to conform to the evolving set of international standards.

1.6 Relationship of Departments to Budgets

Maseno University statutes require that all employees and Maseno University Business segments shall follow the budget plan of financial operations. The annual operating budget shall be approved by the Council. The approval of a budget by the Council generally constitutes authorization for the administration to spend specified amounts to accomplish various functions and set targets. The various departments are coordinated and controlled financially through the Annual Budget Plan. This important tool of financial management would in future be applied to motivate departments to generate their own revenues where specific retention proportions are determined in advance.

1.7 The Maseno University Council

While the Council is the employer directing the organization's officers, the Finance Officer has a responsibility to give information and advice to the Council through the DVC(AFD) and the University Management Board. The ultimate decision-making power rests with the Council.

1.8 The Auditor General and Corporation with University Internal Auditors

The Universities' Act requires an annual audit of the financial records of all Maseno University segments. Management is responsible to ensure that the accounting records are maintained and financial statements are produced in accordance with generally accepted accounting principles.

The Auditor General has the responsibility to examine the financial statements, related records, and underlying evidence for the purpose of expressing an opinion on the fairness of presentation of the financial statements. In connection with the examination, the auditor will also report to management and the University Council any significant deficiencies that have been observed in the organization's internal control processes. The internal audit department is part of the internal controls. The department has a vital role in ensuring continuous appraisals on the adequate functioning of internals and compliance with policies, procedures and statutory obligations. The Auditor General may utilize the findings and recommendations of the internal auditors as framework of reference for planning the external audit approach, if found useful.

1.9 Audit and Risk Committee of the Council

The Charter and Statutes requires the Council to establish an Audit and Risk Committee. This committee has responsibility to study the Auditor General's and the internal auditor's reports and letters to management, and management's response to the audit issues raised from time to time. This committee then makes recommendations to the Council for appropriate action.

1.10 Overview of the Accounting System

1.10.1 Users of Financial Statements

An organization's financial statements are of interest to management, the Council and stake holders. These users make financial decisions based on those financial statements. The financial reports and the accounting system from which they are derived must be organized to provide the desired information in terms and format which users can understand.

1.10.2 Accrual Basis of Accounting

The accrual basis of accounting is required for financial reports to be presented in accordance with GAAP. The accrual basis is widely accepted as providing a more complete record of an entity's assets, liabilities, revenues, and expenses than the cash basis of accounting. Financial statements prepared on the accrual basis inform users about revenue that has been earned and expenses that have been 'incurred, using multiple criteria in addition to the receipt or payment of cash. This Manual requires use of the accrual basis of accounting.

1.10.3 Examples of Accrual Basis Accounting

Under the accrual basis, goods and services purchased should be recorded as assets or expenses at the time the liability to acquire or pay for them is incurred, not when the account is paid. For example, an invoice for electricity or telephone service is recorded as an expense and an account payable when the invoice is received, rather than when the bill is paid. In the same way, revenue and related assets are recorded when the transactions are consummated and the defined right of ownership of the asset passes, not just when the physical transfer takes place. On the other hand, outstanding purchase orders and other commitments for future acquisition of materials or services should not be reported as expenses or included in liabilities until the other party to the transaction agrees to complete it. This does not prevent the disclosure of significant commitments of resources in the notes to the financial

statements, nor does it prevent a designation in the financial statements of the portion of net assets so committed.

1.10.4 Financial Statement Structure

International GAAP requires a complete set of general-use financial statements to include: a statement of financial position, an income statement, a statement showing changes in equity, a cash flow statement, and certain explanatory notes. It also allows not-for-profit entities to modify the financial statement titles, line items, and applicable content to suit their needs.

i) Financial Position

The Statement of Financial Position presents the financial position of an entity (its assets, liabilities, and net assets) at a specific point in time. Historically, international GAAP used the title 'A balance sheet', but that has recently been changed to the more-contemporary title 'A statement of financial position.'

ii) Financial Activity

The statement of financial activity presents the activities of an entity over a period of time. For not-for-profit entities, the scope of this statement is broader than that of a business-oriented income statement. It includes revenue, expense, gains, losses, and for entities that use fund accounting, transfers between funds (which will net to zero for the organization as a whole). It also separates these activities between operating and non-operating activity.

iii) Cash Flows

The statement of cash flows provides relevant information about cash receipts and cash payments during a period. The statement reports receipts and payments according to their character as either operating, investing, or financing activities. Separate disclosure of non-cash investing and financing activities is also required. Preparation of a statement of cash flows makes reference to amounts in both the statement of financial position and the statement of financial activity.

1.10.5 Account Structure or Chart of Accounts

Because the financial statements are compiled from the accounting ledger, the account structure used by the ledger must be organized in a manner that identifies and arranges the accounts to correspond to the required financial statement presentation. It is appropriate to determine the form of financial statement presentation first, and then to design the ledger account structure to meet the reporting needs.

1.10.6 Internal Control Systems and Procedures

A business entity's systems of internal control has as its principal aim as the management of risks that threaten the achievement of its business objectives.

Internal control is the process designed and implemented by management and individuals charged with governance to provide reasonable assurance about achievement of the entity's objectives. Those objectives include reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Therefore, in order to have effective internal control an entity needs to:

- i.** Identify its business objectives.
- ii.** Identify and assess the risks which threaten the achievement of those objectives.
- iii.** Design internal controls to manage those risks.
- iv.** Operate the internal controls in accordance with their design specification.
- v.** Monitor the controls to ensure they are operating correctly.

The Council should oversee such installation of an effective system of internal control. The management of each segment is responsible to design and operate a system of internal control that ensures the orderly and efficient conduct of the segment's activity. This includes adherence to policies, safeguarding of assets, prevention and detection of error and fraud, accuracy and completeness of accounting records, and timely preparation of reliable financial reports. The use of a computerized information system does not negate the need for other internal control considerations. A computerized information system can be an important part, but it is only one part of the internal control system. All parts must work together to meet the objectives of internal control. The design and operation of an adequate internal control system is discussed in financial operation policies, procedures and the internal audit policy for an organization.

An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of an entity that, taken together:

- i.** facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the entity's objectives like safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- ii.** help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization and

- iii. help ensure compliance with applicable laws and regulations, and also internal policies with respect to the conduct of business.

1.10.7 The entity's system of internal control profiles

a) The Control environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the Council.

b) Strategies for the identification, evaluation of risks and setting control objectives

Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed.

Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

c) Control activities;

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives.

Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

1.10.8 Limitations of Internal Control

Internal control process can provide absolute assurance the limitations include:

- i.** Human judgment can contribute to errors in the design of internal control
- ii.** Individuals can make errors in the application of specified internal controls
- iii.** Two or more individuals can circumvent controls through collusion
- iv.** Individuals, especially those in management, can over-ride or disable internal controls
- v.** Human judgment can affect decisions about which internal controls are cost-effective
- vi.** The extent of segregation of duties can be limited in smaller entities

1.10.9 The Risk Assessment Process

Most organizations perform some degree of risk assessment. It may be informal and undocumented or sophisticated and well-documented. The organization's financial reporting objectives may be recognized implicitly rather than explicitly. This process asks questions such as:

- i.** What risks affect the accuracy and integrity of the financial reporting process?
- ii.** How significant are those risks?
- iii.** How likely is it that such risks will occur?
- iv.** What actions are appropriate to address and minimize such risks?

1.10.10 General Observations

i. Controls Not Employee Specific

The internal control process should be designed to meet the organization's needs and to accomplish stated objectives. It should be documented so that the intended process may be implemented by any employee. Especially in smaller organizations, internal control may be addressed in only an informal manner. Experienced employees may perform these processes out of well-developed habit rather than reference to written procedures. However, when new employees are hired, good documentation is essential to provide understanding and continuity of the process.

ii. Attention to Errors and Fraud

Internal control is designed to safeguard assets and to enhance the reliability and efficiency of the operation. The internal control process is designed just as much to detect unintentional errors as to discover deliberate fraud. Even the most trustworthy employee will readily admit the possibility of an occasional error, and the need to detect and correct errors on a timely basis.

iii. Exposure to Temptation

It is a disservice to employees to put them in positions, or to allow them to work under circumstances, which expose them to temptation and make it easy for them to yield.

If one eventually succumbs to the pressure, those who have permitted that exposure must share the responsibility.

iv. Fidelity Bond

It is recommended that Maseno University insures its assets by utilizing a commercial blanket fidelity bond of adequate limits. This policy points out that employees who have committed prior acts of theft or dishonesty are not covered under fidelity bonds. It also requires that where fidelity bonds are not available, segments should allocate funds to cover possible fidelity losses.

v. Audit and Risk Committee of the Council

It is required that the Council establishes Audit and Risk Committee to study reports submitted by the auditors as well as management's responses to those reports. This committee is empowered to make recommendations to the Council to respond to auditor's reports, and constitutes an important element in setting the control environment of the organization.

vi. Conflict of Interest

Council members, officers, other employees, have a duty to be free from influence of any conflicting interests when serving the University. It also requires the administration to obtain signed statements of acceptance of the conflict of interest policy from Council members and designated employees, and to remind them annually of the duty to disclose potential conflicts of interest. A model statement of acceptance is included in the policy.

vii. Job Descriptions

Job descriptions should clearly define the duties and responsibilities of the position, the extent of authority specified, and to whom the employee is responsible. The job descriptions should be written cooperatively whenever possible, with input from the personnel themselves.

A copy should be given to the individual, and copies of job descriptions for all accounting employees should be held on file by the Finance Officer.

viii. Evaluation of Personnel

All personnel should be evaluated annually based on their job descriptions and standards of performance. All participants in the process should approach the evaluation in a spirit of constructive exchange of views and with an attitude of helpfulness.

ix. Segregation of Duties

While it may seem more efficient to assign one whole area of accounting to a single individual, who can become acquainted with every transaction from beginning to end, that can lead to serious internal control risk. Where the size of the business segment permits, a small degree of efficiency can be given up in the interest of more effective control. It is more difficult in small entities where an ideal separation of accounting duties is not feasible. Practical considerations of cost, relative risk, and relative efficiency must be balanced, and the best possible solution reached under existing circumstances.

x. Information Systems Personnel

It is not unusual to find only one or two employees responsible for preparing data for processing, entering data into the computer, and handling and distributing the reports and other documents generated. As far as practical, these duties should be segregated to minimize the opportunity for fraud and errors to occur and remain undetected.

xi. Management Involvement

One solution to effective internal control in a small entity is the involvement of senior management in critical control processes, such as review of unusual or non-routine transactions. The Finance Officer may become better acquainted with the day-to-day financial operations of the University, and avoid the risk of becoming so absorbed in other duties that internal control suffers. If the Finance Officer is already involved in the daily accounting duties, it may be practical for review of significant transactions to be performed by a member of an oversight group, such as an Audit and Risk Committee of the Council.

xii. The Auditor's Review

As part of their annual audit of the financial records of the organization, auditors will obtain an understanding of the internal control process. They do this to help determine the extent of their own procedures for verifying recorded transactions. Also, auditing standards require them to submit a written report to management

and the Council identifying material weaknesses they observed in internal control. This report is intended to be given in a spirit of constructive criticism to help the organization attain its objectives.

xiii. Information and Communication.

This involves the accounting and financial reporting information system as well as the procedures used to communicate that system to employees and others.

The information system includes the procedures and records that are used to initiate, record, process, and report transactions, events, and conditions. It includes procedures to maintain accountability for assets, liabilities, and net assets.

Smaller entities with active management involvement may operate with less-extensive descriptions of accounting systems and less-sophisticated accounting records. The communication system includes procedures and records that inform employees of their respective roles and responsibilities within the accounting and financial reporting process. It includes information about how employees can report exceptions to appropriate levels of management, and how management can communicate with the individuals charged with governance. In smaller entities, communication may be less formal due to fewer levels of organization and management's greater availability and involvement.

xiv. Monitoring of Controls

Management not only establishes internal controls, but should continually monitor those controls to determine whether they are functioning as intended. Ongoing monitoring activities are often built into the normal recurring activities of the entity and include regular management and supervisory activities.

2.0 RECURRENT BUDGETS

2.1 Introduction

Budgets are the organization's operating plan for a fiscal period.

The basic budget is a comprehensive view of the entire organization's overall projection of the revenues or financial support and its expected expenditures. The budget summarizes in monetary terms, the Council and Managements decisions regarding how the organization will fulfill its stated purpose. The budget is the most important tool used by management to plan, control and monitor the activities and performance of the organization.

2.2 POLICY

The overall policy of Maseno University on budgets is to institute a financial management framework that is adequate, and effectively supports relevant and timely financial planning, budgeting, control and monitoring activities.

Specific objectives of Maseno University budget policy are to ensure:

- (i)** All staff follow the approved budget plan of financial operations
- (ii)** The adequacy of the budget process used to develop annual budgets which appropriately reflect the University's strategic plan, business priorities and financial requirements
- (iii)** The adequacy of the budget process to allocate resources in a consistent, timely and transparent manner, and aligned with strategic priorities.
- (iv)** The adequacy of reports produced to facilitate the financial monitoring process by Council and management to support timely decision-making on financial matters, include resource reallocation and other corrective actions.

2.3 PROCEDURES

2.3.1 Requirement for all staff and departments to follow the approved budget plan on financial operations

- (i)** It shall be the responsibility of officers at each level of the organization to require departments and sub-units within their span of control to follow the budget plan.
- (ii)** The Finance Officer is to provide timely and accurate financial information to University officers and to the Council, comparing operating results and budget projections.

2.3.2 MASENO UNIVERSITY CHARTER PROVISIONS

2.3.2.1 Annual Budget Estimates

- (a)** Council shall cause to be prepared annual estimates in accordance to Section 44 of The Act and shall approve the same in accordance with Section 19(2)(r) of the Charter
- (b)** Before the commencement of a financial year, the Council shall cause to be prepared estimates of the revenue and expenditure of the University for that year.
- (c)** The annual estimates shall make provisions for all the estimated expenditure of the University for the financial year concerned, and shall provide for:
 - i.** Expenditures on salaries, allowances and other charges respect of members of the University;
 - ii.** Expenditures of pensions, gratuities and other charges in respect of retirement benefits which are payable out of the funds of the University;
 - iii.** Expenditures for proper maintenance of buildings and grounds of the University;
 - iv.** Expenditures for proper maintenance, repair and replacement of equipment and other moveable property of the University;
 - v.** Funding for the cost of teaching, research and outreach activities of the University;

vi. Development expenditures; and

vii. Creation of such funds to meet future or contingent liabilities in respect of retiring benefits, insurance or replacement of building or equipment and in respect of such other matters as the Council may determine from time to time.

2.3.2.2 Resource allocation

Resources are allocated annually by the senior management team and on the basis of the above objectives. Deans and directors are responsible for the economic, effective and efficient use of resources allocated to them.

2.3.2.3 Budget preparation - MSU Procedure for Financial Services (ISO)

FO shall send notices to all the departments and units to send in their budget requirements for next financial year. The Senior Accountant shall prepare and compile the draft summarized budget using the data. This shall be discussed by the Finance Budget Sub-Committee chaired by the Deputy Vice-Chancellor, Administration, Finance & Development. Finance Budget Sub-Committee shall consider and forward the draft budget to Budget Committee of the University and to the Vice Chancellor for further consideration.

The draft budget shall be submitted to the F&GP Committee of Council for discussion and recommendation to Council for approval. The draft budget shall be forwarded to Council for approval. The draft budget together with Minutes of Council shall be forwarded to the Ministry of Higher Education, Science and Technology not later than 31st of January each year.

After approval by the Treasury, the DFO (Expenditure) shall prepare an internal rationalized budget from the initial draft to reflect the approved estimates

The FO through the DVC, AFD shall submit the draft internal budget to the University Budget Committee for discussion and recommendation to the VC.

After approval by the VC, the draft budget shall be forwarded to the F&GP Committee for discussion and recommendation.

After recommendation by the F&GP Committee, the budget shall be submitted to Full Council for approval.

After approval by Full Council, extracts of the budget shall be circulated to respective Chairmen/Heads of Department, Deans and Directors.

The Senior Accountant shall open a vote book using the approved budget.

2.3.2.4 Budget Planning

Appropriate budgets are established that are consistent with the organization's strategic plan and financial forecasts to ensure that:

- a)** Recurrent Budget setting is in compliance with the strategic plans of the organization and the Fiscal strategy of the Ministry of Finance.
- b)** Formulate a suitable timetable for budget setting has been developed, which is integrated with the Government's overall budget formulation process and communicate this to all senior management involved in budget setting.
- c)** Finance Officer produces a draft budget which is line with the expected expenditure vote for Maseno University, in compliance with the strategic plans of the organization and the Fiscal strategy of the Ministry of Finance.
- d)** Where the expenditure vote finally approved by the Ministry of Finance is significantly different from that expected, the Finance Officer revises the University's budget accordingly
- e)** The University's annual budget is formally agreed by the Council subject before the beginning of the relevant financial year.
- f)** Budgets are set on an objective basis and presented in an appropriate format.
- g)** Budgets are based on the resources needed to achieve the operational plan rather than historic budget figures.
- h)** Budgets are linked to the objectives and targets outlined in the strategic plan.
- i)** The format of the budget document provides a clear explanation of the rationale for the proposed allocation of resources.
- j)** The budget document provides information at the appropriate level of detail to inform stakeholders of the organization's activities.

- k) Plans from individual budget holders in the University (departments, schools/faculties, campus, etc.) are supported by an objective analysis of costs, by expenditure category, (e.g. staff expenditure, materials, transport and capital costs etc.).
- l) The amount of staff expenditure is identified on the basis of the number of full time equivalent staff, average wages and expected total staff costs.
- m) Where budgets are set below the previous year's level of actual expenditure, detailed actions and measures to generate these cost savings are shown.
- n) Suitable assumptions, made when developing the budget, are clearly identified.
- o) Capital budgeting is fully integrated in the budget process.
- p) Budgets for expected income have an objective basis in fact and are consistent with actual income generation in previous years.
- q) Assess University departments with a history of over budgeting (or over estimating income) and ensure managers are aware of this and try to learn from past problems.
- r) Suitable information is available to enable accurate budgets to be set.
- s) Budget setters have relevant information on increased / reduced expected expenditure limits; expected inflation figures; property maintenance costs; costs for services from other entities etc. Other suitable information e.g. expected income and historical budgets is available as a guide to budget setting.
- t) Managers are actively involved in the development of their budget.
- u) All managers who are going to control the budgets are involved in their development and agree with the final budget or are at least provided with an adequate explanation for the level of budget that is finally agreed.

2.3.2.5 Method for Budgetary Control (MSU Procedure for Financial Services (ISO))

The Vote Book Controller, under the supervision of the Senior Accountant In-charge of the Expenditure section, shall post the departmental estimates from the approved budget to the respective

vote heads immediately, after the allocation of funds to various departments and other cost units.

The Vote Book Controller shall make commitments on requisitions and vouchers for all forms of expenditure in the vote book. The Senior Accountant shall ensure that commitments do not exceed the allocations for each respective vote head. Any requisitions, in excess of the quarterly allocation will be returned to the AIE holder for adjustment downward or virement. The Senior Accountant shall compile a monthly report showing the allocation and expenditure to-date and forwards these to the various AIE holders via the Deputy Finance Officer (Expenditure).

2.3.2.6 Detailed Budget Control Framework

A suitable budgetary control framework has been developed to ensure that :

- Each area of the budget has one and only one budget holder (organizational unit)
- All managers are clear which income and costs they are responsible for and what their allocation is.
- All managers have appropriate written instructions on the setting, use, control and monitoring of their budgets.
- There is an appropriate and documented process for virement with suitable rules for the level and authorisation required.
- Managers are able to control the level of expenditure or income from their budgets.
- Managers are only held financially responsible for the costs of activities they can actually control.
- Budgets are devolved to the managers who actually control the expenditure concerned.
- Managers are expected to identify savings from other budget heads if one budget head overspends.
- The spend or income from each budget head is adequately planned.
- End of year spends are avoided and the spending profile is reasonable over the year.
- Managers are given reasonable incentives to make savings on their budget e.g. being able to spend at least a proportion of any savings or extra income generated.

- Suitable action is taken if, for example, spending is higher than expected or income lower than planned in the first part of the year. Where appropriate savings can be carried over to the next .
- All budgets are periodically reviewed by senior managers. Budgets are reviewed at least monthly to ensure they are adequately controlled.
- Senior managers supervise the coordination of individual budget holders promote the efficient use of resources; moving budgets from one area to spot emerging problems; and ensure that suitable action is taken (e.g. moving a budget from one budget to another area if necessary to manage the overall budget).
- Managers are provided with suitable expenditure reports.
- Managers receive details of actual income and expenditure compared to a suitable profile (i.e. showing the likely seasonal spend) of the annual budget on a monthly basis (with variances).
- Managers have access to further information as required.
- Budget reports include details of commitments.
- Budget reports show the value of orders raised but not yet paid in addition to the value of invoices that have been received and paid.
- Managers are required to reconcile any records they keep with the central records at Finance department.
- The system for budget monitoring is integrated with, or uses the same base information set as, the financial accounting system.
- Where managers use their own /subsidiary commitment accounting systems they are required to reconcile their records to the management accounts/ budget reports produced on a central level each month to the information system.
- Appropriate management accounts (reports) are produced to enable accounting officers and senior managers to effectively monitor the organisation's financial position.
- Senior Management receive and consider detailed management accounts on a monthly basis.
- Managers of the budget users in the organization are held to account for any over or under spends in their budgets and where possible over spends in one area are compensated for by under spends in another.
- Each quarter the managers of the budget users receives suitable management accounts (reports).
- Managers are required to provide explanations for any variance.

- Managers have to explain differences between their agreed budgetary profile and the actual expenditure in the previous period if these are more than about 10% of the budgeted figures. The explanations should then be provided to senior managers and Finance Officer.
- Any amendments to the budget are formally agreed and recorded.
- All transfers of money from one budget head to another, should be suitably authorised by senior managers in line with the formal scheme of delegation. The original budget should still be reported in management accounts even if this is amended during the year.
- Where forecasts suggest it will not be possible to continue to provide the planned level of service for the whole year within the current budget, the accounting officer prepares a proposal for the Management, and seeks a suitable supplementary.
- Supplementary votes (budget rebalance) are recorded in the budget by amendments to the original budget, and forecast expenditure is compared to the new profiled budget .
- Changes proposed to the approved budget will be first considered by the senior management team, which will make proposals to the Council for approval. Where a budget holder is responsible for more than one budget, virement is permitted with the approval of the dean or director. Virement between budgets held by different budget holders is permitted with the approval of the transferring budget holder and the dean or director

2.3.2.7 Treatment of year-end balances

At the year end, budget holders will have the authority to carry forward a positive balance on their budget to the following year within the rules specified by the University's budgeting procedures. Budget holders will not normally have the authority to carry forward an excessive balance on their budget to the following year unless the deputy vice-chancellor has approved a specific scheme for carrying forward all or part of unspent amounts. A negative balance will be set against the following year's budget allocation.

2.3.2.8 Summary of steps in preparing a budget:

- (i)** Nature of operating budget
- (ii)** Preparation of the budget
- (iii)** Budget calendar
- (iv)** Estimating Donor -Based Income
- (v)** Estimating Student -Based Income
- (vi)** Estimating Sales -Based Income
- (vii)** Estimating Operating Expenses
- (viii)** Estimating Staff Establishment Expenses
- (ix)** Budgeting for Departments or Functions
- (x)** Budgeting for Direct and Indirect Expenses
- (xi)** Interaction and Negotiation

2.3.2.9 Managerial Review of Budget performance

Maseno University Statute XIX, S. 19 sets out specific financial provisions

a) S.19.1 General Provision

The Accounting Officer of the University Subject to provisions of the Public Finance Management Act 2012, Public Procurement and Disposal Act 2005, Public Audit Act 2003 and other subsequent and relevant legislations, shall be the Vice-Chancellor who shall undertake duties that include:

Prepare and submit annual estimates to Council; Maseno University Statute, Schedule 1 also sets out Council Committees to assist in sound financial management.

b) S.2.2 Planning, Finance and Investment Committee and Terms of Reference

- (i)** Receive, consider and recommend for Council approval, annual estimates of revenue and expenditure

(ii) Oversee compliance of budgetary allocation as approved within its annual budgets.

c) S.19.12 Regulations

(i) Council shall ensure that the Medium Term Expenditure Framework (MTEF) of the University are prepared and such estimates shall be approved by Council and the Ministry in accordance with provisions of the Public Finance Management Act 2012, Section 44(1) of the Act, Charter and relevant accounting standards prescribed and published by the National Accounting Standards board.

(ii) Council shall ensure that annual estimates of revenue and expenditure (both recurrent and capital) of the University are prepared and such estimates shall be approved by Council and relevant Ministry in accordance with provisions of Section 44(1) of the Act and relevant accounting standards prescribed and published by the National Accounting Standards board.

(iii) Council shall not without the prior approval of the Cabinet Secretary and the Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved in accordance with provisions of Section 44(2) of the Act.

(iv) The Vice-Chancellor shall submit to Council quarterly reports for approval and onward transmission to the relevant Ministry and the Treasury within ten (10) days after the end of each quarter.

2.3.2.10PART VI - GENERAL FINANCIAL PROVISIONS RELATING TO UNIVERSITIES

a) Public Universities

(1) A public university shall prepare and submit its annual estimates of revenue and expenditure to the Cabinet Secretary for approval in such form and at such times as the Cabinet Secretary shall from time to time prescribe.

- (2)** A public university may incur expenditure for purposes of the institution in accordance with estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Council.

3.0 CAPITAL BUDGETING POLICY

3.1 Introduction

Capital budgeting refers to the process of planning for capital expenditures. This is expenditure on assets or groups of assets expected to be in use for more than 12 months. This will include;

- i.** Land(check with the university document)
- ii.** Building
- iii.** Motor vehicles
- iv.** Furniture and fittings
- v.** Equipment
- vi.** Library books
- vii.** IT projects
- viii.** Long-term maintenance and refurbishment projects
- ix.** Acquisition of businesses or ventures.

The purpose of this policy is to guide the process of annual capital expenditure planning, monitoring and control. This is by establishing operational procedures on preparation of capital budgets, implementation of the budget and prescribing appropriate internal controls.

3.2 POLICY

The overall policy of Maseno University on capital budgeting is;

- a) To maximize the available resources through prudent financial management to achieve optimum returns on its investments.
- b) To ensure that capital expenditure items are subjected to appropriate approvals.
- c) All capital budgets shall be collated with the annual budget.

3.3 PROCEDURES

The following procedure shall apply:-

- a) On the first week of November the Finance Officer (FO) shall write to the Heads of departments to submit their capital budget proposals for the following financial year.
- b) Individual departments to submit project proposals by 31st December of every year.
- c) All proposals should have 3 year budget cycles in line with Medium Term Expenditure Framework (MTEF). This has become consolidated with annual estimates to form the submitted Budget effective FY2016/2017.
- d) The individual department proposals should be authorized as below;

- i. Capital Items below KShs.100,000 approval by the head of department.
 - ii. Capital Items of value of between KShs100,000 and KShs.500,000 - written justification for the expenditure from the Head of department.
 - iii. Capital Items of value of between KShs.500,000 and KShs.1,000,000 - A business case i.e. subjected to capital appraisal justification by the head of department and approval by the dean or person in charge of division.
 - iv. Construction projects proposals to be developed by project implementation committee and shall be provided for by the Strategic plan and/or University Master plan.
- e) Finance department shall collate the individual proposals and prioritize the same using appropriate appraisal techniques and identify the source of funding for the various projects (Example reserves, grants, debt, donations etc).
- f) In consideration of the prioritization of projects the Management Budget Committee shall consider;
- i. Maseno University Strategic plan.
 - ii. Annual budget and Medium Term Expenditure Framework guidelines.
 - iii. Availability of funds.
 - iv. Special considerations e.g. meet donor or grant requirements.
 - v. Public private partnership.
- g) The appraised projects are then compiled in a single document, Capital Budget that is then deliberated upon by the Finance Budget sub-committee chaired by the Deputy Vice-Chancellor, Administration, Finance & Development (DVC, AFD) by 7th day of January.
- h) The capital budget is then presented to Finance Committee of Management Board and the Vice-Chancellor (VC), together with the recurrent budget by 10th day of January.
- i) The VC will table the draft budget at the Planning Finance and Investment Committee of Council for consideration and onward transmission to Council for approval. By 15th day of January.
- j) After approval of the budget by the Council, the Finance Officer will submit the budget to the Ministry of Education and the National Treasury by 31st day of January.
- k) On receipt of the printed estimates from the National Treasury; the Finance Officer will commence the process of Rationalization of the budget in line with the allocated funds.

- l) After approval of the Rationalized budget by the Council the Senior Accountant in charge of budgets will print out the Capital budgets and communicate the same to the Departments.
- m) For requisition the procurement policy shall apply.
- n) The acquired asset shall be under the custody of the acquiring department or units.
- o) The senior accountant budgeting shall ensure the inventory of the acquired asset is updated in the assets register
- p) Information processing shall be through the ERP system.
- q) The Finance Committee of Management Board is tasked with the implementation of the Capital budget.
- r) Any variation to the approved capital budget below 10% should be approved by the Vice-Chancellor and any amount exceeding 10% should be approved by the University Council.
- s) Monitoring of implementation progress will be done through quarterly reports by the Senior Accountant in charge of budgeting to the Finance Budget sub-committee chaired by the DVC, AFD who will table this to the Council through the Vice-Chancellor.
- t) nor funded projects will not be subjected to this process of budgeting as long as the capital item or project is provided for in the work plan of the project/grant.

4.0 MANAGEMENT OF INCOME ACCOUNTS/REVENUE ACCOUNTS POLICY

4.1 Introduction

The gross inflow of economic benefits during the period arising in the course of ordinary activities of an entity where those inflows result in the increases in equity other than increases relating to contributions from equity participants.

Revenues are fees earned from providing services and goods. Under the accrual basis of accounting, revenues are recorded at the time of delivering the service or merchandise, even if cash is not received at the time of delivery.

Generally, revenues are categorized as either operating, non-operating or other revenues.

- (i) Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of similar or equal value.
- (ii) Non-operating revenues: Are resources that the University relies on to provide funding for operations, including Government non-capital appropriations and Grants investment income.
- (iii) Other revenues: Are typically related to capital items, State Capital appropriations capital improvement fee.

(iv) Other classification of revenue-

Most accounting systems are designed to track each of these types of revenue. To help achieve uniform accounting, revenue should be classified into the following categories.

4.1.1 Tuition - Direct charges to students for instructional classes. These are usually a fixed amount for all students in specified grade levels for specific programmes.

a) Fees - Additional instructional charges for optional or special classes. These include music fees, laboratory fees, athletic fees, etc.

b) Investment Income - Unrestricted earnings (interest and dividends only) on financial instruments.

c) Gains and Losses - Realized gains and losses on sale of investments, and Unrealized gains and losses on market value of investments.

- d) Endowment Income** - Unrestricted and temporarily restricted earnings (interest and dividends) on endowment funds that are designated for general school operations or specific school programs.
- e) Miscellaneous Income** - Unrestricted income that does not fit the above categories and is not auxiliary or industry operations revenue. This would include unrestricted donations for school operations. If donations are material, they could be placed on a separate line. This category would also include income from rental of school facilities to individuals other than students and employees if it is infrequent or relatively immaterial.
- f) Auxiliaries** - Income from activities that are not instructional in nature but which are closely related to the educational environment for either students or school employees. This category typically includes dormitory and other student housing, food service, bus or other transportation, bookstore, and faculty housing. This would not include rental income from anyone other than students or school employees.
- g) Industry Operations** - Income from businesses, industries, or programs that are intended to serve the general public or other businesses. These activities can be operated by the school or by third parties. Often this type of activity benefits the school through the employment of student labor, which provides students with the means to help pay their charges. This activity may provide services or goods for the school, such as a laundry or bakery, or may be limited simply to rental income from school-owned buildings or other facilities.

4.2 POLICY

The overall policy objectives with respect to Maseno University's income and debtor systems are to ensure the completeness, accuracy, regularity and disclosure of income, and the completeness, existence, valuation, disclosure, security and substantiation of debtors.

Specific objectives of the policy are to ensure:

- (i) **Completeness** - All income and debtors relevant to the period of review have been recorded.
- (ii) **Existence**: All debtors recorded are valid, exist and are likely to be paid.
- (iii) **Measurement /Valuation**: The recorded income and debtors have been correctly and accurately valued or measured. Debtor valuations reflect the likelihood of payment.
- (iv) **Regularity**: All income has been raised in accordance with established laws and regulations
- (v) **Disclosure**: Income and debtors have been properly classified and recorded in the organisation's financial records.
- (vi) **Security**: All debts are pursued appropriately to ensure they remain a- valid asset of the university.
- (vii) **Substantiation/Confirmation**: Outstanding debtors are periodically verified to source documents to ensure the debt remains valid.

The specific policy objectives are:

- a) The University must record promptly and accurately all types of income received from external sources by the finance department and such income must be recorded as revenue.
- b) Transactions between cost center's shall not be treated as income and expenditure for the university, but rather as internal recovery against expenditure incurred in providing the goods and services involved. There is no accounting gain to the university as a whole arising from such interdepartmental transactions

- c) The accounts receivables section shall be responsible for all income due and payable to the university from various sources of income including payment for services provided. The department is concerned with raising invoices, matching payments to invoices to record amounts owed or payments pending to the university by each individual or entity. The section staff should ensure that all amounts received have been accurately recorded and that any outstanding invoices are paid within a specific time frame.
- d) All official University invoices must be raised from the finance department by officers who have access to the online system. This is not only to ensure all monies due and payable to the University are recorded in the books of account for audit and control purposes but also to ensure compliance with International Public Sector accounting Standards (IPSAS)
- e) Outstanding amounts reviewed by the accounts receivable section on a monthly basis and each debtor should receive a statement of account with a follow-up letter where necessary. Monthly reconciliations should also be performed.
- f) Use of Control Accounts: The university will employ a General Ledger control account to pinpoint errors
- g) Separation of Duties: The responsibility for posting customer collections should be kept separate from those with responsibilities for cash functions. The General Ledger control account should be posted by those with responsibilities independent of accounts receivable and cash receipts
- h) To satisfy the general audit and policy requirements the following must be observed:
 - Use of official computer generated receipts in triplicate
 - A copy of the above must be retained and accounted for
 - Daily banking of monies received
 - Monies received cannot be put to use
 - An officer shall be appointed to be in charge of all monies received for banking.
- i) Council provisions on Income.

4.2.1 S.19.7 Funds and Property of the University

- (a) Funds of the University shall be sourced in accordance with provisions of Section 44(3) and 45 of the Act and shall include;-

- Income generating activities;
 - Capitation grants;
 - Loans from government and financial institutions;
 - All monies from any other sources provided for or donated to the University;
 - Council may, subject to any other written law, regulations and guidelines, appeal to the general public for subscriptions, donations or bequest for the benefit of the University.
- (b) Unexpected balances of grants may be expended from one year to the next in accordance with provisions of Section 36 of the Act.
- (c) Funds of the University may be invested in accordance with Section 49 of the Act.
- (d) All funds of the University, shares, immovable property and securities shall vest in the University as provided for under Section 48 of the Act.

4.2.2 S.19.8 Determination of Fees and Charges

- (a) In accordance to Section 19(2) (h) fees and any other charges payable shall be proposed by Management and forwarded to Council for approval where necessary.
- (b) There shall be the following charges.
- Consultancy;
 - Ethical review;
 - Project management;
 - Any other that shall be determined by Council

4.2.3 S.19.9 Collection of Fees and Charges

- (a) Every person who wishes to be registered as a student for a degree, certificate or other award of the University shall pay the University such registration fees and thereafter, such other fees as Council may determine from time to time.
- (b) Every cost centre shall collect such approved charges for goods and services provided.

4.3 PROCEDURES

4.3.1 Revenue recognition and accounting

- a) Revenue shall be posted to the Subsidiary Ledger by the Accountant In charge of Revenue with responsibilities independent of cash management activities.
- b) Payments and other adjustments should be posted to the Accounts Receivable Subsidiary Ledger by Accountant In charge of Revenue.
- c) The Accounts Receivable Subsidiary Ledger should be reconciled with cash receipts transactions by the Accountant in charge of Revenue responsible for the reconciliation.
- d) The Accounts Receivable Subsidiary Ledger should be reconciled monthly to the General Ledger control account by Senior Accountant.
- e) Separation of Duties: The responsibility for posting customer collections should be kept separate from those with responsibilities for cash functions. The General Ledger control account should be posted by those with responsibilities independent of accounts receivable and cash receipts.
- f) Use of Control Accounts: The University employ a General Ledger control account to pinpoint errors.

4.3.2(i) Revenue from non-exchange transactions - IPSAS 23

Transfers from other government entities Revenues from non-exchange transactions (Government grants) are to be measured at fair value and recognized on obtaining control of the asset. The University shall recognize revenues from non-exchange transactions from other entities (non-government) when the event occurs and the asset recognition criteria are met.

Other non-exchange revenues shall be recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

(ii) Revenue from exchange transactions - IPSAS 9

Rendering of services- Tuition Fees.

The entity recognizes revenue from rendering of services by reference to the stage of study when the academic year can be estimated reliably.

(iii) General Revenue

The Finance Officer is responsible for ensuring that appropriate procedures are in operation to enable the University to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the Finance Officer. Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the senior management team.(Council). The Finance Officer is responsible for the prompt collection, security and banking of all income received. The Finance Officer shall ensure that all grants notified by the funding body and other bodies are received and appropriately recorded in the institution's accounts. The Finance Officer shall ensure that all claims for funds, including research grants and contracts, are made by the due date.

4.3.2 Maximization of income

It is the responsibility of all staff to ensure that revenue to the University is maximized by the efficient application of agreed procedures for the identification, collection and banking of income. In particular, this requires the prompt notification to the Finance officer of sums due for collection.

4.3.3 Other controls over income

- i.** there must be approved official rates and lists of charges for all services rendered;
- ii.** the collection, recording and accounting of revenues should be adequately controlled in order to prevent manipulation;
- iii.** Proper registers should be maintained of all services provided.

4.3.4 Method for Revenue Collection (MSU Procedure for Financial Services (ISO)

- i.** The receiving cashier shall receive revenue from University sources between 9 a.m. to 12 noon in the morning hours and between 2 p.m. to 4.30 p.m. in the afternoon hours.
- ii.** The receiving cashier shall issue receipts for all revenue and record these in the revenue cashbook.
- iii.** The receiving cashier shall balance the cashbook after 4.30 p.m every day.

- iv. The chief cashier shall verify the receipts against the cashbook and the cash at hand, every end of the day and bank the cash into the respective bank accounts the following day.

4.3.5 Revenue and debtors management

Revenue management processes must ensure adequate separation of duties and provide for effective supervision and monitoring of revenue collected. For example, activities related to the collection, recording and banking of revenue may not be undertaken by the same person .

(a) General Debtors

At any given time can happen to the subjects from the public sector on a central and local level that taxes and charges for services will have been raised by but not yet paid. This money due represent an asset of the subjects and should be safeguarded in the same manner as any other asset. It is important therefore that an accurate register of all debtors is maintained, that they are collected promptly and efficiently, and that appropriate action is taken to chase outstanding debts, and write off debts that can no longer be paid.

The Finance Officer shall create a separate account for each individual debtor, separated into four basic groups by type of debtor.

(b) Students debtors

Tuition fees become due on the first day of a programme of study.

Field work trip payments are due 28 days from the date of invoice.

The amount owing to a department by debtors, who have received a service but have not yet paid for it, is generally a significant current asset. The accounting officer must take effective and appropriate steps to collect all money due to the department, if necessary by instalments. This will require the accounting officer to consider the following:

- (i) Approve Procedures for writing off debts upon approval by the University Council.
- (ii) Monthly reconciliations of the debtor's ledger with each debtor's account(s).
- (iii) Preparation of monthly age analysis reports and follow-up action on debtors.
- (iv) Terms of trade for debtors and issuing of reminder notices.

4.3.6 Recording and reports on debts

- a)** Maintain accounts in the name of each debtor in order to determine and analyse the total debt.
- b)** Maintain separate ledger accounts for the recovery of debts by instalment.
- c)** Maintain separate records for the portion of debts or advances that has matured or become due.
- d)** Provide a summary of all individual debts, to ensure the integrity and reliability of individual accounts.
- e)** Separate duties between functions related to maintaining accounting records and receipting of money.
- f)** Ensure that employees do not have continuous control of any one function for an extended period, by using annual leave and job rotation.
- g)** As students and clients rarely pay amounts unless a claim is made, an invoice or statement must be issued to request payment as soon as possible.
- h)** Notifications to debtors should be controlled (for example through sequentially numbered statements) and procedures should be implemented to ensure the accuracy of the information.
- i)** These could include the establishment and maintenance of control accounts, and regular and independent checks to ensure that the total of each individual account balances with the control account total.
- j)** Each month, an age analysis should be produced by type of debt. This should include detailed listings to allow follow-up on individual accounts. These reports should also include data summarised according to the overall collection performance.

4.3.7 Effective Collection of debts through credit control limits

Collection measures should be progressive and include the following routine actions: issuing invoices when a service is rendered, sending monthly statements, sending reminders and making personal contact. The Finance Officer should ensure that:

- (i)** Debtors invoices are raised promptly on official invoices, in respect of all income due to the institution.
- (ii)** Invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account.
- (iii)** Any credits granted are valid, properly authorized and completely recorded

- (iv) VAT is correctly charged where appropriate, and accounted for (transfer to billing) monies received are posted to the correct debtors account.
- (iv) Swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures.
- (v) Outstanding debts are monitored and reports prepared for management.
- (vi) Only the Finance Officer can implement credit arrangements and indicate the periods in which different types of invoice must be paid.
- (vii) Requests to write off debts in excess of Kshs £10,000 (inclusive of VAT) must be referred in writing to the Finance Officer for submission to the employment and finance committee for consideration (include in proposed procedures).
- (viii) Debts below this level may be written off with the permission of the Finance Officer (include in proposed procedures)

4.3.8 Student fees processing

- (i) The procedures for collecting tuition fees must be approved by the university management.
- (ii) The university management shall ensure that all student fees due to the institution are received.
- (iii) Any student who has not paid an account for fees or any other item owing to the institution shall not be included in the graduation list, until all outstanding debts have been cleared. Such students shall be prevented from re-enrolling at the institution and from using any of the institution's facilities unless appropriate arrangements have been made. (Academic registrar).

4.3.9 Student loans

Appropriate records will be maintained to support all transactions involving student loans Research Grants and other contracts.

4.3.10 Other Income-Generating Activity

- i. Private consultancies and other paid work

- ii. Unless otherwise stated in a member of staff's contract, outside consultancies or other paid work may not be accepted without the consent of the relevant DVC

4.3.11 Short courses and services rendered

In this context a short course is any course which does not form part of the award-bearing teaching load of the department. Any staff wishing to run a short course must have the permission of their dean and ensure that a full economic costing has been agreed with the Finance Officer. The course organizer will be responsible to the dean for day-to-day management of the course. The terms 'services rendered' include testing and analysis of materials, components, processes and other laboratory services or the use of existing facilities in order to gain additional information. Staff wishing to undertake services rendered must have the authority of their dean and ensure that a full economic costing has been agreed with the Director of Finance beforehand.

4.3.12 Off-site collaborative provision (franchising)

Any contract or arrangement whereby the institution provides education to students away from University premises, or with the assistance of persons other than the University's own staff or with independent contractors (partner organizations), must be subject to the following procedure. There shall be a contract signed by the appropriate dean, or if the provision relates to more than one school, by the Deputy Vice-Chancellor and on behalf of any partner organization that shall comply at least with the funding body model contract (as amended from time to time) in place before any provision is made. Contracts for significant changes in franchising activity shall be approved in advance by the Council.

The form of the contract shall be approved by the senior management team. The format for regular reports shall be as stated in funding body guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the University's financial forecast. Where the partnership would represent a significant departure from the University's strategic plan, the Council shall approve the departure, and the vice-chancellor shall seek the views of and inform the funding body.

4.3.13 Profitability and recovery of overheads

All other income-generating activities including consultancy must be self-financing or surplus-generating unless it is intended that a new course or activity is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the university management. Staff must not commit to, or engage in, any other income generating activities on behalf of the university unless there is specific authority from their dean and from the Director of Finance. Other income-generating activities organized by members of staff must be costed and agreed with the Finance Officer before any commitments are made. Provision must be made for charging both direct and indirect overheads, in particular for the recovery of estates and indirect costs. Any unplanned deficits incurred on other income-generating activities will be charged to departmental funds.

Profits on other income-generating activity are allocated back to the relevant school. Any proposal that involves additional payments to members of staff should be supported by a schedule of names and values and must be approved by the dean, and in the case of a dean, the vice-chancellor.

4.3.14 Intellectual Property Rights and Patents

Certain activities undertaken within the University including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property (refer to existing policy)

The senior management team is responsible for establishing procedures to deal with any patents accruing to the University from inventions and discoveries made by staff in the course of their research.

In the event of the University deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the University's handbook of intellectual property and related matters.

4.3.15 Method for IGA Sales (MSU Procedure for Financial Services (ISO))

- i.** There shall be offer for sale of goods and services.
- ii.** The unit cashiers shall receive money from customers and issue receipts.
- iii.** The customer shall go to the various sales points and produce the receipt in exchange for the goods
- iv.** All the unit cashiers shall surrender the cash received to the revenue cashier in the main cash office on daily basis.
- v.** The revenue cashier shall issue revenue receipts to the unit cashiers who shall attach a copy to the cash sale book.
- vi.** The cash sale book shall be audited instantly and investigations carried out to ascertain any under- cast or over-cast of sales.
- vii.** The revenue cashier shall bank all the revenue into the IGA bank account

4.3.16 Method for the Debtors Management (Credit Control)(MSU Procedure for Financial Services (ISO))

- a.** FO shall receive letters from: (i) administration, for debts owing by staff; (ii) Academic staff requesting to be invoiced e.g. for outstanding fees; (iii) medical officer, for debts over and above entitlement and etc.
- b.** The accountant in-charge shall raise invoices and post them in the respective debtor's ledgers.
- c.** The accountant shall forward the original invoices to the respective debtors and copies to salaries section for recoveries.
- d.** The accountant shall update the debtors" ledgers with the monthly salary recoveries and any cash payment.
- e.** The accountant shall prepare monthly debtors" report for the FO.

4.3.17 Controls on income

- (i)** Treasury management: invoicing, debt collection, income collection, borrowing
- (ii)** Income from fees
- (iii)** Gifts, Donations and In-kind
- (iv)** Grants and Contracts
- (v)** Costing and recovery of overheads
- (vi)** Deficits and Surpluses

4.3.18 Debt write-offs

Should the Finance officer have taken all reasonable steps to recover a debt, yet have been unsuccessful (or have determined that it would be to the University's advantage to waive a claim), he or she may make a case for write off the debt. This must be disclosed in the annual financial statements, indicating the policy followed.

5.0 ACCOUNTING FOR CASH TRANSACTIONS/ CASH AND CASH EQUIVALENT

5.1 Introduction

Cash transactions involve the transfer of monetary value in form of liquid cash or cash equivalent from party (account) to another party (account). The transactions directly affect cash in and cash out of the Bank account, necessitating the daily updating of the cash organizations cash-book. Then there is need to carryout regular bank reconciliationsCash is a legal tender that can be used to exchange goods, debts or services. The term cash includes currency, cheques, money orders, negotiable instruments and charge card transactions. University funds are monies received from tuition, contracts and grants, (delivery of) revenues from University services, state and federal appropriations, gifts and all other sources of revenue or expense reimbursements, whether restricted or unrestricted as to purpose or use. All checks made payable to the University or any subdivision of the University are considered University funds.

Bank reconciliation involves agreeing the balance of cash as shown by the bank statement(s), with that as shown by the cash book(s).It is to be prepared at the beginning of each month, on the bank balance and cash book(s) balance as at the end of the previous month. It is important that all transactions contributing to any difference between the two balances are identified, and where necessary remedial action is taken.

5.2 POLICY

The overall policy of Maseno University on Cash transactions and Bank reconciliation is to institute control and procedures to ensure that cash and cash equivalents are in existence and are adequately disclosed and valued:

- a)** Verify correctness of bank reconciliation.
- b)** Ascertain whether any lien on university banks accounts.
- c)** Obtain and verify bank confirmations.
- d)** Ensures foreign currency accounts are translated at the correct rate.
- e)** Obtain cash in hand certificates.
- f)** Scrutinize bank confirmations and bank reconciliation on disclosed amounts.
- g)** maintain appropriate controls over Banks accounts in order to safeguard cash and ensure the accuracy, reliability and timely reporting of transactions related to cash accounts maintained by the university,
- h)** Ensure adequate segregation of duties for internal control purposes e.g. employees directly responsible for collection or disbursements are not allowed to perform bank reconciliation.

- i)** 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.
- j)** Ensure Daily Finance department record all funds Deposited.
- i)** Ensure Recording of funds is supported by detailed system of accounting and Reporting journal entry forms that capture how to records funds.
- ii)** That's units handling cash must both have awareness of and show commitment to strong internal control for cash receipts.
- iii)** Ensure that all units handling cash must have prior approval from Finance Officer by documenting the necessary and the specific purpose for such cash handling.
- iv)** Put in place internal controls necessary to prevent mishandling of funds and to safeguard against loss, strong internal control also protect employees from inappropriate charges of mishandling funds by defining responsibilities in the cash handling activity.

5.3 PROCEDURES

All university bank accounts shall be opened by the University Council and operated by the Vice Chancellor, the Deputy Vice Chancellors and the Finance Officer of the University. Whenever need arises to open a University account, the officer concerned shall apply in writing to the Vice Chancellor stating the title of the bank, the bank where the account is to be opened, the purpose for which it is required.

The following procedures shall apply:

- i.** The accountant final accounts shall initiate process of Bank reconciliations.
- ii.** The Accountant Final Accounts shall indicate the bank account number and the date at which the reconciliation is being made i.e. the last date of the relevant month.
- iii.** The Accountant Final Accounts will enter the closing balance of the bank statement for the last working day of the month on the form, and indicate the date of the statement.
- iv.** The Final Accounts accountant will enter cumulative receipts and payments for the month as per the cash book(s) on the reconciliations statements and determine the net total.
- v.** Accountant Final Accounts shall add the cashbook balance brought forward from the previous month to the net total of cumulative receipts and payments for the month as per the cash book(s) to ascertain the total cumulative balance. There should be no other adjustments required, and this balance should agree

to the adjusted bank Balance. If there are any differences these are investigated they could be to un-presented cheques, un-credited payments, direct debits by the bank etc.

- vi. The Senior Accountant Final Accounts shall review and approve Bank Reconciliation.
- vii. The senior accountant Final Accounts shall maintain the custody of reconciliation Documents
- viii. The Senior Accountant -Final Accounts shall be responsible for designing controls that interface manual bank reconciliations to the computerized systems
- ix. reconcile each bank accounts within 10 calendar days after the end of each month
- x. communicate to the Finance Officer all adjusting and correcting entries resulting from posting and other similar discrepancies immediately for inclusion in the financial system

5.3.1 Procedures for Cash transactions

It is the responsibility of Finance Officer to record the deposits as cash received.

- i. The Finance Officer shall Receive funds advice, ensure it has been registered in the incoming register, and forward it to the Cashier.
- ii. Cashier will Record cash/cheque in cash register.
- iii. The cashier will ensure that all monies received shall be banked immediately and not later than the business day following receipt.
- iv. The cashier Raise an official receipt in triplicate. Send one copy to source of funds to acknowledge receipt. Keep second copy as book copy.
- v. The cashier Attach copy of receipts to the bank pay – in slip.
- vi. The Accountant in charge of cash office will review account code and update the cashbook.
- vii. The cashier shall file official receipt and bank pay-in-slips.
- viii. Once the cash receipts have been recorded into the systems the accountant will file all documentation as part of deposit record to be used in performing monthly bank reconciliation and yearly audit purposes.
- ix. The Accountant in charge of cash office will review and approve cash receipts entered into cash book.
- x. Capture the receipts in the GL maintained in the information systems, ensuring that the correct codes have been assigned.

5.3.2 Procedures for Handling Discrepancies in reconciliations

In the event of the reconciliation failing to balance at the first attempt, the following checks should be applied:

- i.** The Accountant Final Accounts shall Re-check that all items in the bank statement are in the cashbook, except in respect of adjustments such as payments in bank statement not yet credited in the cash books and cheques drawn but not yet presented brought forward from the previous month. Check especially that:
 - a)** All non cheque debits on the bank statement are in the cash book and included in the totals.
 - b)** All receipts on the bank statements are in the cash book, or are in respect of the lodgments in not yet credited by the bank figure of the previous months' bank reconciliation.
- ii.** Accountant will check that all items in the cashbook are in the bank statement except for the payments in not yet credited" and "cheques drawn not yet presented adjustments.
- iii.** The Accountant shall Check that the addition of the cashbook, and the cumulative figures are correctly brought forward and added on from the previous month.
- iv.** Check the correctness of the payments cash book total for the month by adding up the totals of the cheque schedules for the month and then adding on any direct bank debits. If this reveals a discrepancy, check the adding up of each individual cheque schedule, and then if necessary check item by item from the schedules into the cashbook.

6.0 MANAGEMENT OF IMPRESTS POLICY

6.1 Introduction

An imprest is an advance made to staff to undertake specific activities or services, upon which he is supposed to accounts for the funds advanced. The imprest could be a one off advance for specific activity (official trip) or may be granted to be a standing imprest to be surrendered by the end of the financial year.

Standing imprest accounts are replenishing account in the name of the Petty Cash holder, which is operated with University Petty Cash funds.

The purpose of the imprest system is to ensure that:

- i. Imprest is issued for approved activities and expenditure;
- ii. Proper approval systems are adhered to in making imprests payments;
- iii. Reasonable amounts are paid out as imprests;
- iv. An imprest is promptly and fully accounted for with appropriate supporting documents; and
- v. Travel and other activities requiring imprests are adequately planned for in advance

6.2 POLICY

The Maseno University will pay for travel and subsistence allowances for employees on official duties in accordance with approved guidelines and rates in two instances:

i. In country- out of station allowance

Officers travelling on duty within Kenya and away from their duty station will be paid a per diem (a flat accommodation allowance per night) based on the grade and the location of travel.

Officers travelling on duty but not spending a night away from their duty station will be eligible for breakfast, lunch and dinner allowance at a specified percentage of the respective per diem rates applicable to them

Expense incurred will be refunded based actual expenses incurred as is supported by official receipts.

The staff when away on official duties should be paid quarter per Diem.

ii. Out of country subsistence allowance

This allowance will be paid as per approved guidelines and Government of Kenya Circular. All out of country travel will be allowed after obtaining the relevant approvals as defined by relevant government circulars

6.3 PROCEDURES

6.3.1 The general procedures to apply in imprests management are as follows:

- (i)** The respective head of departments who had budgeted for activities will review and approve travel and activities imprests applications.
- (ii)** Imprest will be issued to officers for specific purposes and will be accounted for by submission of cash receipts attached to Goods Received Notes (GRNs) for goods and cash receipts properly authenticated for services procured.
- (iii)** Retirement of imprest must be made within 48 hours after the purpose for which the imprest was applied for has been fulfilled.
- (iv)** If this is not done the whole amount so taken will be debited to the Officer's personal account and recovered from his salary without notice. The accountant in charge of receivables shall consequently credit 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)

6.3.2 Imprest Requisition Procedures

- i.** The Applicant Complete and sign an Imprest Warrant to undertake activities which are include in the approved budget.
- ii.** The Head of Department to Review the Imprest Warrant to confirm activity within budget for the period and also checks reasonableness of rates and quantities used. Approve, if satisfied and forward the same to Accounts.
- iii.** The Senior Accountant- Expenditures Review Imprest Warrant will review and authorize payment
- iv.** Recording of the advance payment in the Register. Also update imprest ledger to reflect the debit on the imp rest holder's account by Receivables Accountant
- v.** The Imprest Accountant shall file imprest documents.

6.3.3 Procedures for Accounting for Imprest

- a.** The Imprest Holder in order to account for activity imprest, fill imprest accounting Form within 48 hours.
- b.** The Head of Department will Review expenditure documents to ensure that all expenditure items are supported by valid receipts /GRNs/vouchers. This will be Approved and forward to the imprest Accountant.
- c.** If there is a difference between imprest and when the imprest is undersurrendered the Imprest Accountant shall notify the imprestholder to make a refund.
- d.** Receivables Accountant shall ensure expenditure is assigned to the correct codes and correctly Analyzed by activity codes, cost Centre and financial codes.
- e.** Receivables Accountant shall post the expenditure by debiting the expense accounts and crediting staff imprest account.
- f.** The imprest accountant shall file documents.
- g.** Where there are any unused funds these should be deposited with the cashier and a receipt obtained. In exceptional cases where excess funds above imprest are used up, such an expenditure form would be referred for approval. Refund of such amounts will go through the PV system.

6.3.4 Un-surrendered Imprests

A staff debtors ageing analysis report shall be prepared monthly by the Receivables Accountant.

The staff imprest account should be reviewed on a monthly basis by the Imprest accountant.

In the event that an employee has not accounted for Imprests 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.

7.0 PAYROLL ADMINISTRATION

7.1 Introduction

Payroll administration is the management of payments on account of personal emoluments.

7.2 POLICY

The overall policy of Maseno University on of the payroll administration system is to ensure:

- (i)** Complete and accurate data capture and payroll processing;
- (ii)** Production of all required reports in a timely manner;
- (iii)** Employees are paid in accordance with letters of appointment;
- (iv)** There is adequate security over payroll data; and
- (v)** Statutory and voluntary deductions (PAYE, NSSF, NHIF, HELB loan, Sacco loans, and contributions) are properly accounted for and remitted to the appropriate authorities
- (vi)** No payment of salary made by cash unless special approval is given by Finance Officer
- (vii)** All payments should be made Directs to Employees Banks Accounts
- (viii)** Complete audit trail on all payroll payments and direct deposit with authorizing signatures at each stage.
- (ix)** Include allowances for transport, housing, acting appointments etc. in gross salary and pay at the approved rates to the relevant staff as authorized by the University Council.

The payroll policy of Maseno University on off cycle payments is to institute control and procedures to pay. In these instances the salaries section must prepare and submit a request for cycle or supplemental pay checks to be produced.

- i.** Ensure salaries section maintains a manual hard copy log of all requests for off cycle. This log is organized by payroll personnel, and list request is chronological order for each group.
- ii.** All departments must sign off before an employee can be removed from payroll register.
- iii.** Human resource Director and corresponding department heads must approve retro/garnishment pay request form before processing by salaries section.
- iv.** Stop-payment request are required to be signed by the employee and submitted to the finance department.

7.3 PROCEDURES

The Finance Officer and Director Human Resource is responsible for submitting all paper work to salaries section for processing of payroll.

- a) The payroll accountant shall receive Pay Change Advice (PCA) through Finance Officer for action.
- b) If the PCA is not concerning a new employee, then the accountant shall use the input to update the payroll. Otherwise if it concerns a new employee then the following occurs:
 - i. The letter of appointment must signify the acceptance of appointment by the new employee.
 - ii. When the new employee reports, a staff movement form is filled by his/her Head of Department and forwarded to personnel registry who allocates a personal file (PF) number to the staff and a copy sent to Salaries section.
 - iii. The payroll accountant incorporates the new employee in the payroll system after checking the terms of appointment, date of appointment, emoluments offered and minutes of appointment.
 - iv. The accountant shall make printouts e.g. pay-slips, deduction lists, net salaries, bank listing, and etc.
 - v. Payroll accountant shall check and verify the payroll for correctness and make necessary corrections and adjustments.
 - vi. After all the necessary changes to the payroll have been input, the payroll accountant shall close the payroll for that particular month. A report on the adjustments made to payroll in every particular month shall be produced.
 - vii. Payroll accountant shall raise a journal voucher of the summary of earnings, deductions and the net pay, to confirm the accuracy of the payroll in as far as debits and credits are concerned. A spread sheet for employee active list and total payments is also prepared and should tally with the journal voucher for ultimate accuracy.
 - viii. The accountant shall process the Payment Vouchers (PVs) for the banks and deductions.
 - ix. Salary payments and deductions shall be transferred to the banks.
 - x. Chief Internal Auditor (CIA) shall audit the payroll and PVs.
 - xi. The payroll for the following month then commences as above and the cycle continues.
 - xii. The payroll management is administered through management information system under which system Administrator maintains custody.

- xiii.** The Finance department is responsible for submitting all paper work to the salaries section for processing of off-cycle and supplemental payments.
- xiv.** The Senior Accountant is responsible for approving the various forms, such as the off-cycle check/ Prior Period adjustment request form, the time and attendance report, and personnel Action Form, associated with off-cycle and supplemental payments request.
- xv.** The payroll accountant must verify that stop-payment has occurred and the reissuance is received, as well as assist payroll section in verifying off-cycle checks, and other key off-cycle and supplemental payroll functions

7.3.1 Supplementary payments/Payments Outside the payroll/Off-cycle payments

During the normal payroll management in Maseno University there can be instances where off cycle and or supplementary payments are sometimes required to be issued to pay employees. Examples are when an employee is not paid correct amount, not paid at all or entitled to retro

- a)** The payroll accountant shall receive:
 - i.** Copies of letters appointing external part-time lecturers.
 - ii.** Claims for payment by the part-time lecturers approved by the DVC (ASA).
 - iii.** List of engaged casual workers.
 - iv.** Claim forms from casual workers duly approved by their supervisors and audited by Chief Internal Auditor.
- b)** PVs shall be raised for the claims while deducting PAYE for the taxable payments and processed. The deducted PAYE is recorded and paid out to Kenya Revenue Authority in the following month before the 10th day of the month.
- c)** Cheques or EFT Payments serial numbers will be written against the PVs and processed.
- d)** Payments via EFT made for casual wages.

7.3.2 Procedures – Employee Status Termination

- i.** The termination of Maseno University employees will commence with the Human Resource Department, which will complete Employee termination form. The Human Resource manager will complete and forward to the employees affiliated departments for approval.

- ii. The department heads will complete and return employee termination form to HR, who will then notify and forward the form to employee departmental Timekeeper.
- iii. The salaries assistant accountant shall stop the salary on receipts of the termination documents.
- iv. The salaries accountant will sign employee termination form as well as terminated Employees last T&A report and forward this information TO...
- v. If terminated employee accrued annual sick leave, or is eligible for gratuity, additional pay is determined and approved via the off-Cycle processing method outlined above.

7.3.3 Internal controls relating to salaries and wages

- i. The preparation and approval of request for Off-Cycle and Retro pay are segregated.
- ii. The salaries Accountant is responsible for approving Off-cycle Check Request/ Prior period Adjustment request, retro request and employee's termination form.
- iii. The payroll accountant is responsible for handling and sending application for stop cheque payment form.
- iv. The Distribution checks generated from off-cycle, additional pay and retro pay request is segregated from pay services staff that approve request.

7.3.4 PAYROLL GARNISHMENTS AND CHECK-OFF

Garnishments and check-offs are deduction from employees pay arising from Employees requests, court order and others.

The Maseno University Finance department maintains employee's database in the intergrated Management Information system.

There are instances when the payroll services Department is required to respond to request regarding garnishments, employee pay verifications and corrections.

- i. The salaries accountant will approve the release of any payroll information from salaries section.
- ii. The salaries section will only initiate an employee wage garnishment when it receives an official communications.
- iii. The salaries section will respond to information request that are made in writing from university staff.
- iv. The Legal department to liase with Finance Department within Finance department is responsible for responding to requests from Court order as well as from university employees.

- v. The accountant in charge of salaries is responsible for ensuring the finance provides accurate information in response to information request.
- vi. The Assistant Accountant –salaries is responsible for verifying wage and employee account information for reasonable requests and form initiating and processing official request for employee wage garnishment.
 - a) The salaries section will receive request via written documentation, email, etc.
 - b) The salaries section staff receiving request must document the following;
 - i. Full name of requestor
 - ii. Principle firm / organization of the requestor,
 - iii. Name of university staff solicited,
 - iv. Information/topics of request, and
 - v. Contact information of the Applicant.
 - c) The payroll accountant will complete a request for information release form and deliver it to assistant accountant. The assistant accountant will review form for accuracy and reasonableness of request itself before submitting to accountant in charge for final approval.
 - i. If request is unreasonable, in part or in its entirety, the Accountant in charge will comment and designate which employee information can be communicated and will then approve request for information release accordingly.
 - d) The salaries accountant in charge will provide final approval of the information release request. The request for information release form will then be sent by accountant in charge of salaries to Director Human resource. The Director Human Resource will complete and return form, between three and five business days.

8.0 MANAGEMENT OF ACCOUNTS PAYABLES

8.1 Introduction

Accounts payable are obligations that must be paid off within a given period of time in order to avoid default e.g. Accounts payables refer to short-term debts payable to third parties.

8.2 POLICY

The overall policy of Maseno University on Accounts Payable is to institute control and procedures to ensure:

- i.** All obligations are legitimately incurred for beneficial interest of Maseno University.
- ii.** All legitimate obligations are paid when Due.

8.3 PROCEDURES

The procedures to to be applied in managing accounts payable include:

- i.** Stores Controller Receipts of Goods through Delivery Notes (DN) against Local Purchase Order (LPOs) issued to suppliers.
- ii.** All obligation shall be reviewed on monthly.
- iii.** The payables Accountant shall Review invoice against LPO, DN and Good Received Note (GRN) and ensure accuracy and congruence. If not in order it should be returned to the Stores Controller, and if in order forward to Accountant for preparation of Journal Voucher (JV)
- iv.** If invoice agrees to the LPO, DN and GRN, and all documents have been duly authorized by creditors Accountant and expense is in line with budget: Post the invoices to the Creditors Control ledgers.
- v.** Review of creditors ledger by Senior Accountant for accuracy of account codes and other details(merge with no. 2)
- vi.** The officer shall update the creditors' ledger.
- vii.** The finance department is responsible for timely and accurate processing of invoices related to purchase orders. This payment includes goods, services, utilities,etc.
- viii.** The Finance Officer responsibility to ensure timely and accurate payment to suppliers. Departments must ensure that orders for goods and services are priced using valid LPO that are adequately funded and in cases where necessary, that account payable is notified when goods are received, monthly, quarterly and annually

- ix. The department should review charges posted to their accounts and notify accounts payables if correction are needed.
- x. The department should monitor their encumbrances to ensure that funds are available for future purchases.
- xi. The payment voucher should be authorized by DVC AFD, Finance Officer and VC.

8.3.1 REIMBURSEABLE EXPENSE TO STAFF

Reimbursable expenses are expenses incurred by employee in dischargement of official duties upon which the employer can refund the employees. To ensure that prompt reimbursement is made for eligible expenses and which have been approved by one level of signing, the Department Head is responsible for ensuring that funds entrusted to the faculty Member/department are used only for purposes consistent with the conduct of the University's Academic and research programs and activities in a cost effective manner. This equally applies to Disbursements made to reimburse faculty, staff and visitors for out-of-pocket expenses incurred to meet the approved objectives. The Department Head should ensure that there is a need for the expense prior to authorization and of the subsequent request for reimbursement prior to approval

8.3.2 COMPLETING EXPENSE CLAIM FORM

Submit your expense reimbursement claim as soon as you have completed your trip, at the latest within three working weeks following completion of travel or other activity for which expenses were incurred. Timely reporting is very important to ensure that charges are recorded against departmental accounts and research grants in the correct accounting period and while a grant is still open and eligible for charges.

If you have received an accountable advance, delays in submitting the expense reimbursement claim reconciling the advance with actual expenses could delay or prevent your receiving accountable advances in future.

All employees who are six (6) or more weeks late in submitting expense reports are considered delinquent and are not eligible for future accountable advances'.

8.3.3 ATTACHMENT OF ORIGINAL RECEIPTS

- i. The principle is that original receipts issued by suppliers must support requests for reimbursement. For on-line purchases using a personal credit card, the receipt would be the printout of the confirmation of purchase, registration, etc., provided by the website after payment.

- ii. If you are missing a receipt, please document this in writing, have the person to whom you report sign the document to approve its inclusion on the expense report, and attach the signed document to the expense reimbursement in place of the missing receipt.
- iii. Receipts are not required for subsistence or claims for mileage.
- iv. Other expenses that are difficult to receipt may be approved at the discretion of the individual approving the claim. Public transit fares, incurred for university business, and gratuities would be examples of such items.
- v. Organize receipts/proof of payment in the order of presentation of the item on the claim form.
- vi. In the case of a large number of receipts, review of the claim can be completed more efficiently if the receipts are numbered and the numbers are entered on the claim form.
- vii. Use staples (do not use paper clips) and if there are too many documents, place the receipts in an envelope and securely staple the envelope to the claim form.
- viii. If unable to comply in all respects with these requirements regarding expense reimbursement, attach a written and signed explanation to the claim form report and draw this to the attention of the person responsible for approving the claim.

8.3.5 OBTAINING APPROVAL

- i. Once you have completed the form, signed it and attached the original receipts, have the expense reimbursement /accountable advance settlement approved by the Head of Department. The approval of the person you report to indicates that the expenses are legitimate university business expenses and that they are appropriate and reasonable for the activity undertaken.
- ii. One-up approvers will review all employee expense reports for compliance with these policies and guidelines and will not reimburse an employee for expenditures that deviate from these policies without written approval of the department head. Each faculty/ department can initiate procedures that are more stringent than the above "one-up" requirement. This could be the case in a large department where it may not make sense for the one-up approver to be the final approver when this individual may not have control over the departmental budget. These guidelines represent the minimum requirements – faculties and departments are encouraged to initiate more stringent procedures were deemed necessary.
- iii. Approval of Claim of visitors and students are approved by the faculty or staff member responsible for authorizing the expense.

- iv. If the person who is authorized to approve a claim is not available, the claim must be approved by the head of department. In this situation, that means the approver must be the “DEAN” However, if there is an individual who is placed in an "acting" role and therefore taking over all the responsibilities of the approver (e.g. the associate dean sign for Head”, or a professor becomes the “acting chair” of a department) then the individual in the "acting" role would be authorized to approve the claim since they are, in effect, taking over the responsibilities of that position. It should be noted that when the “one-up” approver is available, he/she cannot delegate this authority to someone else.
- v. Obtain assurance that expenses claimed are eligible and that receipts / proof of payment comply with requirements set out in the above portion of this section. The business purpose must be clearly documented such that the purpose could be reasonably understood by an outside party.
- vi. The review should include an assessment of compliance with specific restrictions or limits, and should also include consideration of the necessity of the expense(s) and whether the most cost effective option(s) was selected under the circumstances.
- vii. Review and, if in agreement, approve the claimant's written explanation with respect to any items which do not comply with the requirements. Otherwise, return the claim to the claimant for adjustment.
- viii. Obtain assurance that the claimant is the signing authority for the account(s) being charged or has the approval of the account signing authority.
- ix. Obtain assurance that there are sufficient funds to cover the expenses.
- x. When satisfied that the claim meets University requirements, signify approval by signing the claim form in the designated area.

8.3.6 RECEIVING PAYMENT

Within a short period of time after the reimbursement has been Processes, you will receive payment credited via Electronic Fund Transfer to the bank account on record in your employee file, or receive a cheque.

8.3.7 ACCOUNTS PAYABLE OUTSIDE CREDITORS

- System records as accounts payable only valid transactions based on documented vendor invoices, receiving reports, or other reasonable documentation. If payment to a vendor is disputed, the Senior Accountant uses discretion on whether to record the related potential accounts payable, erring on the side of conservatism.
- Vendors and suppliers are paid in accordance with agreed upon payment terms, taking advantage of any discounts offered. If no payment terms were discussed, FLS assumes that accounts payable are to be paid 30 days after being invoiced. Salaries, wages earned, payroll taxes, professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when incurrence of the obligation occurs.
- Expenditure shall only be committed or incurred by any person, within the limits of a delegation in writing conferred on that person by the Council or Chief Executive
- A person who commits or incurs expenditure shall be responsible to exercise due economy and to ensure that funds are available for the purpose of that expenditure before any commitment is incurred.
- As a general rule an officer/employee is not to approve a matter that is self-related, e.g. Travel, expenses, overtime, petty cash etc. or to have an officer/employee who is subordinate to them approve such self-related matters. An officer/employee who exercises a delegation of authority should not approve a matter that is for an officer/employee for whom the delegated officer/employee has no responsibility.
- Expenditure for the purchase of land or buildings or the erection of new buildings shall not be incurred unless the proposal for expenditure is submitted for the prior written approval of the Council.
- All legitimate invoices are paid within 30 days
- Procedures are the control activities which help ensure that management policies are carried out. Control activities address both manual and information technology processes, and are applied at various organizational and functional levels. Control activities address the following areas:
 - a. Reconciliation of Accounts Payable Records - Reconciliation of source data, subsidiary ledger totals, and General Ledger control accounts is performed periodically to ascertain the accuracy of accounts payable entries.
 - b. Internal Reviews - Internal reviews are conducted to determine if duplicate payments or overpayments exist. To be done Quarterly

8.3.7 VOUCHER PREPARATION AND REVIEW

- i.** Invoices are received and stamped "Received" at the Finance Officer's office, the invoices shall then be recorded in a register who then forwards them to the Creditors' Accountant who verifies the amount due and approves the invoice for processing.
- ii.** The original invoice is filed in chronological order in the vendor's file
- iii.** The Creditors Accountant shall compare the invoice, local purchase order and the goods received Note when the item is received.
- iv.** The invoice is reviewed for: (To be merged with Task 10 Payables)
 - (a)** The nature, quality, and quantity of goods ordered and the related Price.
 - (b)** Accuracy of all arithmetic calculations and extensions.

8.3.8 RECONCILIATION OF ACCOUNTS PAYABLE RECORDS

- i.** The total balance in the Accounts Payable Subsidiary Ledger is reconciled with the General Ledger control account monthly.
- ii.** Debit balances in the Accounts Payable Subsidiary Ledger are resolved appropriately (e.g., an offset against other amounts due the vendor, requesting payment from the vendor, etc.)
- iii.** Vendor accounts are opened for any person, company, or government.
- iv.** Department that provides material, goods or services to Maseno University
- v.** Purchase Orders (PO) are issued for any supplies or materials over Kshs10,000.00 and must be prepared and verified by Procurement Officer and approved by VC or DVC (AFD)
- vi.** The expense code will be written on the Purchase Order.
- vii.** The finance copy of the Purchase Order is filed in an "Outstanding PO" file until the order has been received. Then, when the order has been received and checked the PO is filed in the Accounts Payable file.
- viii.** When the items are received from the supplier, appropriate back-up [I e: Goods received note]] is checked by the person receiving the order. Any missing items must be clearly marked on the goods received note.
- ix.** Also, be sure to advise the supplier right away if any items were missing.

- x. The GRN is then also placed in the Accounts Payable file in alphabetical order by supplier name.
- xi. When the Invoice is received from the Supplier/ Creditor, it is verified against the work performed or the goods delivered and authorized by the Stores Controller. The date of the invoice, the invoice number, the amount of the invoice, the invoice is coded to the appropriate account(s) are recorded in Accounts Payable for that Vendor. The Invoice is then placed in the Accounts Payable file in alphabetical order by supplier name. After the end of the month, a statement will be received from the supplier/ Creditor at the Finance Officer's office. This statement is also placed in the Accounts Payable file in alphabetical order by supplier name. By the end of the month, the Accounts Payable folder will contain goods received notes, purchase orders, invoices and statements, all filed in alphabetical order by supplier name.
- xii. When it is time to pay the Suppliers and Creditors, the creditors's accountant shall sort all of the Accounts Payable documents for each Supplier/ Creditor.
- xiii. Invoices shall be matched with all LPO's, and goods received notes (if available) and Payment voucher raised for aproval by the Senior Accountant Creditors.
- xiv. Each Payment voucher shall have the expense codes and amounts for each expense code Cashier will then raise a Cheque for approval by the designated signatories.
- xv. When a Creditor's Statement is to be paid, tick off () all of the Creditor's invoices from the Accounts Payable file against the statement. Check any un-ticked amounts on the statement very carefully - they have either
 - already been paid or
 - they have not yet been received or
 - they are someone else's invoices.
- xvi. A payment voucher is produced in triplicate for the total amount of invoices owing to each Supplier/Creditor. On the cheque counterfoil, the details of the invoice number(s) and amount of payment should appear. Once the Payment Vouchers have been signed and approved, ensuring that the details of the cheque numbers and dates approved are well documented and attached to the respective invoices.
- xvii. The three-part PV are then separated and distributed as follows:
 - Copy 1 (original) - Shall be forwarded to the senior accountant final accounts
 - Copy 2 - mailed/delivered to Supplier/Creditor together with cheque

Copy 3 - Remains with the Accountant creditors

Copy 4 - (Book copy) To be forwarded to the stores controller

- xviii.** Payments for purchases to be made through the invoices and NOT through supplier statements
 - a)** the payment is correctly recorded in the accounting records
 - b)** all payments are correctly recorded under the appropriate budgetary heads and expenditure votes

9.0 EXPENDITURE: ACQUISITION OF GOODS AND SERVICES

9.1 Introduction

Expenses are Outflows or depletions of assets from normal operations and losses (both realized and unrealized). Expenses decrease assets.

The authority to purchase goods and services is both a privilege and a responsibility. The individual who has this authority not only makes decisions as to what types of merchandise are needed, and in what quantities, but also commits the organization to the payment of money. Job descriptions should specify who is authorized to originate purchase orders, and for what types of goods and services. These details should be written out, and should be understood by the individuals involved.

9.2 POLICY

To provide direction regarding the acquisition of goods and services for Maseno University and specify requirements for expenditure commitments, purchases and contracts. The overall policy of Maseno University on acquisition of goods and services is to institute controls and procedures to ensure that:

- (i) Prior to making a commitment for the expenditure of funds, there must be sufficient funds in a budget approved by the Maseno University Council.
- (ii) When availability of funds is confirmed steps to purchase the goods and/or services can proceed.

9.3 PROCEDURES

The general procedures for Stores Control dwell on Receiving and documentation of the receipt and custody of goods.

9.3.1 Key Controls over Receipt of Goods and Services

- i. There should be an official order for all goods and services received by an organization. When goods or services are received, the goods received note (GRN) should be matched to a valid, open order to ensure its validity. Goods received which do not relate to a valid, open order should be investigated carefully: accepting such goods may incur an obligation which has not been properly approved.
- ii. The Delivery Note by the supplier should be signed by at least 2 officers (store keeper and stores controller)

- iii. Ensuring the complete recording of all goods and services is crucial to ensure that payments are only made for goods received. It is advisable to ensure that all goods received are signed for, and that the organization and the supplier keep a copy of this receipt.
- iv. Some key controls over the receipt of goods and services are:
 - a) all goods and services received are accompanied by a goods received note, copies of which are kept by the organization and supplier;
 - b) all goods received are matched to an official order before being accepted; the order is marked as closed on the system;
 - c) goods received without an official order are checked for appropriate authorization before acceptance;
 - d) all goods are checked for quality, quantity and specification before being accepted; the
 - e) goods received note is signed for by an authorized officer
 - f) Goods are only delivered to approved locations which have adequate security.

9.3.2 Key Controls over Payments for goods and services

Payments for goods and services may be made by cheque or direct bank transfer.

Security and efficiency are highest when using bank transfers, then cheque. It is therefore recommended that organizations limit the use of cheque payments where ever possible. Key controls over bank payments include:

- i. proper procedures for the preparation of payment vouchers, including attachment of supporting documents and deduction of discounts, returns, etc
- ii. adequate procedures for the receiving, recording, custody and issue of cheque books
- iii. adequate rules and regulations governing the preparation of requests for Treasury payments, e.g. machine printed, officials authorized to sign, use of crossings, etc
- iv. appropriate methods for transmission - by direct transfer to the payee's bank account, etc
- v. adequate procedures for the arrangement, storing and custody of all paid invoices and supporting documents for a specified period
- vi. Proper recording of all payments in the cash and bank books, monthly reconciliation with bank statements and follow-up of any uncleared items, all duties being properly segregated amongst staff.

9.3.2 Objectives with respect to an organization's purchase and payment systems

The overall audit objectives with respect to an organization's purchase and payment systems are to ensure the completeness, occurrence, measurement, regularity and disclosure of purchases and payments, and the completeness, valuation, ownership and disclosure of creditors and/or commitments.

9.3.2.1 Substantive procedures are as detailed below:

9.3.2.1.1 completeness-

- a)** All purchases, receipts, payments and creditors relevant to the period of review have been recorded. Appropriate orders are raised for all goods and services and ensure that:
 - i. Official order books are held securely. Only staff authorized to place orders have access to the order records
 - ii. Orders are raised promptly on official order forms
- b)** All goods and services that have been ordered are received and used as required

- i. Adequate segregation of duties exists between staff authorised to order goods; those who receive them and those who have access to the payments system.
- ii. All goods are checked upon receipt against the official order (or good received note) and their quality is checked; the invoice is then initialled and dated. Queries are documented and promptly, raised with the supplier.
- iii. Goods received are held securely. Where appropriate a secure designated receiving area is used.
- iv. All orders indicate where the goods should be delivered.

c) Duplicate payment are avoided

- i. Checks are made to ensure that duplicate payments are avoided. Invoices are stamped PAID when input for payment; payments are only made from original invoices.

- ii. Appropriate computer reports are produced and investigated, e.g. same invoice value or order number paid to same supplier in the last three months

d) All valid creditors are recorded on the creditors system

- i. Records of outstanding orders are checked periodically to ensure they are still open. Cancelled orders are marked as such on the order system

9.3.2.1.2 Occurrence - All recorded orders and receipts actually occurred and were relevant to the period of review

- a) All goods are received in full and relate to valid orders.
- b) All goods received are checked to official purchase orders before the goods received note is signed.
- c) Goods received are checked and signed for by appropriately authorised staff.

9.3.2.1.3 Measurement/Valuation- The recorded purchases, payments and creditors have been correctly and accurately valued or measured.

- a. Payments are made accurately and promptly for all goods and goods and services received and adequate segregation of duties exists between staff who:
 - i. certify payments;
 - ii. account for creditor payments;
 - iii. All payments are certified. This is documented by initialing and dating the invoice, to confirm checks made on receipt; that received as ordered; and expenditure code is appropriate;
 - iv. Lists are maintained of all staff authorized to certify invoices for payment.
- b. All payments for goods and services are adequately accounted for.
 - i. All payments give raise to an individual entry in the creditor payments system and can be traced to the relevant invoice.
 - ii. Lists of all proposed payments (prepayment reports) are checked, initialed and dated by authorized staff before the payments are made. For at least a

sample of these payments, checks are made that the value and payee are the same as on the invoice and the invoice has been properly authorized

- iii. Exception reports are produced of larger payments for particular checks. All payments over a certain value are individually signed or signed by a second person

9.3.2.1.4 Ownership - All recorded creditors are properly those of the audited body and arise solely from regular activities.

a. All creditors are generated solely from appropriately authorized orders

- i. All orders are suitably authorized Budget holders authorize orders to show that the goods or services are required and that a budget is available within their delegated limits.
- ii. Suitable levels of stocks are maintained. However, these should be minimized and no more than e.g. one month's supply should be held.
- iii. Amendments to standing data on creditors is adequately authorized and checked. Amendments to the creditor payments master file are suitably checked and authorized. Summary reports of all changes are periodically checked. Checks are made to ensure no staff are set up as creditors.

b. There are adequate access controls to the ordering and creditors system

- i. Passwords and user profiles are used to control access to information on the general ledger.
- ii. Passwords are changed at least every 6 months. Each member of staff has their own password and they have been clearly instructed not to give/ share/ tell their password to any other person.
- iii. The computer system administrator (the person who sets up new staff, changes profiles, etc) does not use the system or have access to any of the finance systems.

c. Transactions are in accordance with the appropriate delegated authority

9.3.2.1.5 Regularity - Purchases and payments are in accordance with established laws and regulations.

a. Payments are made in accordance with payment terms.

- i. Payments are made within an appropriate time scale with regard to prompt payment discounts and supplier terms of credit (30 days unless

otherwise stated in the contract). Compliance with payment terms is reported to management at least quarterly.

- b.** All payments relate to approved expenditure heads
 - i.** All orders are approved by budget holders or managers under delegated authority. Orders indicate the budget head to which the purchase relates.
 - ii.** Budget holders review all expenditure charged to their budgets each month to ensure the expenditure falls within the approved vote.

9.3.2.1.6 Disclosure - Purchases, payments and creditors have been properly classified and recorded in the organisation's financial records.

- a.** All transactions are properly recorded in the financial records.
 - i.** The structure of expenditure: records in the government's chart of accounts allows for the recording of types of expenditure incurred, by organisation and region.
 - ii.** All coding is checked for accuracy and consistency at least on one sample basis.

10.0 GRANT MANAGEMENT

10.1 Introduction

Grants are non-repayable fund, bounty, contribution, gifts or subsidy (in cash or kind) bestowed by a government, corporation, foundation or trust often but not always to nonprofit entities, educational institution, business or an individual for specified purpose to an eligible recipient. Grants are usually conditional upon certain qualification as to the use, maintenance of specified standard or proportional contribution of grantees or other grantors. Grant management refers to administrative tasks required to handle the money, reporting and program implementation in a way that meets generally accepted standards as well as the requirement of the funding source. There are seven grants that require management;

- i. Capital Grants – e.g. Endowment, Building, Equipment and Construction.
- ii. General Operating Grants – That are for every day operation of organization.
- iii. Program/ Project Grants – That are for specific activity or plan within an organization that are usually time limited.
- iv. Start – Up Grants – That cover the cost of starting a new project or organization.
- v. Technical assistance Grants – That support an organization development or infrastructural needs.
- vi. Planning Grants – That supports planning stages of a future project.

10.2 POLICY

The purpose of Maseno University on grants is to develop, implement and maintain meaningful grant oversight and coordination for the University thereby increasing grant related revenue, limiting University exposure to grant related legal liability. This will improve efficiency and impact on programs and services funded through grant. The policy and procedures contained herein are intended to foster exceptional stewardship of the public trust through a rigorous adherence to ethical standard associated with grant related activity

The specific objective of Maseno University on grant management is to institute controls and procedure to;

- i. Promote sound financial management.
- ii. Ensure that grant related activity is consistent with the University strategic priorities.
- iii. Ensure integrity of University good standing among the donors.
- iv. Ensure detection and mitigation of potential grant related problems.
- v. Promote efficiency and effectiveness in grant funded project and programs.

- vi. Ensure accountability for financial and programmatic elements of grant administration and management.

10.3 PROCEDURE

- i. No officer or employee of the University shall have any interest, financial or otherwise, direct or indirect or have any arrangement concerning prospective employment that will or may be reasonably expected to bias the design, conduct or reporting of grant funded program on which he or she is working.
- ii. It shall be the responsibility of Grant Principal Manager for each particular grant funded program to ensure that in the use of project fund, officials of the University shall avoid any action that might result in or create the appearance of using his or her official position for private gain, giving preferential treatments to any person or organization losing complete independence or impartiality or making an official decision outside official channel.
- iii. The receiving department shall be responsible for initiating the process of raising fund from the donor.
- iv. For research grant, Deputy Vice-Chancellor, Planning, Research and Innovation has sole responsibility for approving external funding for Research and planning Grants. While the Deputy Vice-Chancellor, Administration, Finance and Development has a sole responsibility for approving external funding for Capital Grants, General operating Grants, Program/Project grants, Start-Up Grants and Technical Assistance Grants.
- v. Both officers shall have in their respective responsibility to authorize the submission of grants proposal, execution of grants contract and grant agreements.
- vi. The Department of Finance shall be responsible for the oversight of grant related financial activity.
- vii. Finance Officer shall establish Research and Grant Account as appropriate, review of financial reports generated by recipient department, establishing and maintaining master file for each grant received by the University.
- viii. Grant Manager identifies and investigates any issue that may arise with respect to the management of University grant and general oversight of other related issue.
- ix. All fund received for the purpose of research and grants activities shall be deposited into Research and Grant Account.
- x. Funds in Research and Grants Account shall be used and applied by the Council for special purpose in accordance with the agreement between the donor and the University.

- xi.** Legal Officer shall conduct a legal review of grant agreement to ensure that all terms of agreement are legally enforceable and sound.
- xii.** A grant records shall be created in Grant Management Data Base for each grant awarded to the University. Each grant record shall include all information requested in Grant Management Data Base as applicable to the associated grant, including due date of reporting, relevant information from implementation plan and completion date of all tasks and deliverables. Each grant record shall be updated upon any changes to the status of and/or the information previously entered.
- xiii.** Upon notification of grant award, the recipient department shall convene an implementation and planning process which shall include departmental grant management committee and accounting staff, key project staff and any other key individual. If there is already existing work plan with sufficient detail about specific grant, it can take the place of an implementation plan.
- xiv.** Grant implementation plan shall have project overview, project goals and objectives, identification of roles and associated responsibility, anticipated expenditure schedule and evaluation matrix that identifies measurable objectives.
- xv.** The master file associated with grant award shall include submittal (e.g. application guidance and a copy of application), research (statistical and other information used in preparation of and support of grant), award (e.g. award letter, grant agreement, and any material relating to the award), finance (e.g. account set – up, purchasing order and invoice), report (e.g. report to granting entity and evaluation components).
- xvi.** Grant funds awarded to the University shall not be used to supplant an existing expenses so that current fund can be diverted to another use unless such use of grant funds are explicitly identified as allowable in writing by the University entity.
- xvii.** If the University anticipates receiving program income, it shall be budgeted in accordance with University budgeting procedures.
- xviii.** The custody of fund disbursed shall be under finance department and managed according to normal University procedures.
- xix.** Upon receipt of grants fund, finance department shall issue a receipt to the donor and notify the department concerned.
- xx.** The Principal Researcher shall prepare accurate financial reports as required by the grantor. Copies of all financial status and final reports prepared for submission to the grantor shall be provided along with the associated fund/ Agencies or organization number to finance department at the time of submission. The principal researcher shall prepare quarter activity and financial report to the relevant Deputy Vice-Chancellor (DVC) for onward transmission to the Council.
- xxi.** The receiving department shall prepare annual report to Deputy Vice-Chancellor concerned in their respective area of operation.

- xxii.** The University shall prepare progress or other programmatic report as required by the grantor. Copies of all progress and other programmatic reports prepared for submission to the grantor shall be provided to finance department.
- xxiii.** Upon completion of the grant period of each grant with an associated special revenue fund account, the recipient department shall prepare a memorandum that identifies the name of the grant, and special revenue fund number. The memorandum must indicate that the grant is being closed and describe the final required activities.
- xxiv.** Upon review of the memorandum and satisfy of any discrepancies, the finance department shall update the accounting system and place the memorandum in the master file.
- xxv.** The department shall prepare notification paper to the relevant Deputy Vice Chancellor for onward transmission to the council when there is a reasonable ground to believe that the department shall receive grant from the donor.
- xxvi.** The department receiving the grant award shall prepare a fiscal impact statement and submit it to the relevant Deputy Vice chancellor for submission to the council for approval, before any fund from the granting entity are appropriated or expended. The council paper shall be accompanied by the ward letter, grant agreement and any other required documentation. This procedure shall apply except for research fund.
- xxvii.** The department shall prepare a budget revision request to finance department to add the grant award to departmental budget. The fund and the project into which the grant funds are to reside must be clearly stated.
- xxviii.** The department shall ensure that the office of respective Deputy Vice-Chancellors has the required original grant award letter ready for signature. Grant awards must be clearly labeled at each location that requires a signature with a “sign here” label.
- xxix.** The department shall be responsible for submitting the grant award to the grantor by the grant award due date.
- xxx.** No grant fund shall be disbursed until council paper and budget revision approved by the University Council.
- xxxi.** Modification of budget associated with grant funded project in such a way that alters the grant amount or moves fund from one budget to another shall adhere to university policy and procedures for budget modification and grantor requirement.
- xxxii.** All income resulting from grant funded program shall adhere to University policy and procedures and shall be managed and maintained as established in the award letter, grant agreement, contract, special condition or other document generated by the granting entity.
- xxxiii.** All procurement activity associated with grant funded project or programs shall follow the procedure outlined in the University purchasing policy and procedure manual and maintain compliance with University charter requirements. A copy of the

grant agreement and/or documentation specifying grantor purchasing requirement shall be provided to ensure compliance.

xxxiv. All property acquired through grant fund shall be subject to the University Charter in addition to the University restriction and or requirement set forth within the terms of grant shall be managed according to provision set forth in procedure in managing non-current asset.

xxxv. The Finance Officer shall second an accountant to keep accounting records for each project. All grant and any related matching fund revenue and expenditure shall be recorded in the grant project. Any revenue and expenditure that occur in another program/project that are applicable to the grant or that are used as a match shall have a journal entry match to put the revenue or expenditure in the appropriate grant project with a detailed explanation, including General Ledger date and batch information.

xxxvi. Recipient department shall be responsible for adherence to the stipulation outlined in the approved grant award / contract to ensure allowable expenditure are incurred.

xxxvii. The University Directorate of Quality Assurance shall be responsible for developing a monitoring plan using the general and specific requirement of the grant. The quality assurance officer shall develop a timeline for internal monitoring and shall enter in a master grant.

xxxviii. Internal controls shall be strengthened and include risk based assessments in monitoring. Some factors to be considered during monitoring include;

- a. Program with complex compliance requirement which have a higher risks of non-compliance.
- b. The larger the percentage of program award passed through the greater the need for sub-recipient monitoring.
- c. Larger dollar award are of greater risks.
- d. Review and approve process for disbursement to sub- grantee.

10.4 Research Grants

- i. Funding agreement that constitute a contract shall be required prior to the acceptance and transfer of designated research fund. This agreement shall be instigated by either party and shall be reviewed by the University Legal Officer. Where funds are required from donation of public fund raising, an internal agreement outlining the condition of the use of fund shall be entered into prior to the release of funds.
- ii. The principal researcher shall initiate process of securing funds from the donor.
- iii. The Directorate of Research, Innovation and Partnership shall write to Deputy Vice-Chancellor concern upon request from principal researcher.

- iv.** Where the University is involved in any collaborative research program, a collaborative research agreement in accordance with the University collaborative research policy shall be signed.
- v.** The type of financial arrangement between the University and other research institution shall be clearly defined by a formal agreement.
- vi.** The type of financial arrangement and definition are detailed in the procedure underpinning this policy. Where the University is the administering institution, a financial agreement by way of contract shall be entered into between the funding body and the University. This is the primary contract and all sub- contracts for the disbursement of fund shall reflect the intent, principles, expectation and standard of the primary contract.
- vii.** Where the university is a participating institution, a contract shall be entered into which defines the University involvement in the research program.
- viii.** The management of research fund shall comprise of a series of stages commencing with the preparation of any funding application and concluding with the acquittal of the funding agreements and the closing of research fund account. The stages shall be;
 - a.** Planning – The following planning requirement shall apply;
 - i.** Application of funding are required to be costed in accordance with costing guidelines of the University or relevant funding body.
 - ii.** The principal researcher is required to ensure requested research fund are sufficient to cover the cost (including indirect and risk management) required to achieve anticipated research outcome.
 - b.** Initiation – Formal funding agreement and if appropriate, ethics consent are required prior to expenditure of research fund.
 - c.** Duration – Funds shall be managed through the grant in accordance with the funding agreement, provision of this policy and related procedures shall apply.
 - d.** Completion – all research accounts shall be closed at the end of the research program and surplus fund as defined in accrual accounting and shall be dealt with in accordance with the requirement of the internal University procedures.
 - e.** The respective Deputy Vice-Chancellor shall provide infrastructure to administer research fund with integrity. The DVC shall;
 - (i)** Establish separate project account for each new research agreement within the financial system.
 - (ii)** Make project reports available detailing all financial transaction and summarizing the financial status of individual research project.
 - (iii)** Prepare invoices to funding bodies in accordance with funding agreement.

- (iv)** Prepare financial acquittal for funding bodies and other funding partners as required under funding agreements.
- (v)** Co-ordinate independent audit of research fund as required under funding agreement.
- (vi)** Assist in the conduct of internal audit research fund initiated under Internal Audit Program.
- (vii)** Ensure all research funds are linked to a research program in the Research Management Data Base.
- (viii)** The University shall retain fifteen percent (15%) of research fund as administrative cost.
- (ix)** Properties acquired through the research grant shall be used to further the objectives of the project managed by principal researcher. Upon completion of project, all such property shall revert to the university.
- (x)** The principal researcher shall prepare quarter activity and financial report by the tenth (10th) day following end of quarter and submit to the relevant DVC for onward transmission to the Council.

11.0 PLACEMENT AND MANAGEMENT OF INVESTMENTS

10.1 Introduction

An investment is the purchase of monetary asset in order to gain profitable returns, as interest income, or appreciation in value. This includes purchase of bonds, stocks or real estate properties.

The purpose of the investment policy is to ensure maximization of income from surplus fund through prudent investment strategies, asset allocation and asset mix that minimize risks.

11.2 POLICY

The overall policy of Maseno University is to:-

- a) Compliance with the universities Act, Charter, Statutes and requirements on valuation, presentation and disclosure notes in financial statements.
- b) Establish an asset portfolio and appropriate asset allocation in order to achieve maximum return in the Long term.
- c) Develop investment strategies that will diversify risk of asset both in the short term and also in the Long term.
- d) Ensure all income from investment has been accounted for.

11.3 PROCEDURES

- a) The Finance department through the Finance Officer shall be responsible for identifying surplus funds or funds allocated to the investment account of the University for Purposes of investing.
- b) The Finance Officer shall be tasked with the responsibility of establishing an asset mix which will realize real rate of return on invested assets. The various assets to be invested include and not limited to:-
 - i) Fixed Deposits
 - ii) Equities both Local and international
 - iii) Fixed income Securities
 - iv) Real Estates Securities (Real Estate Investment Trusts, Mortgages)
 - v) Derivatives (Futures, Options)
- c) While formulating the asset mix the Finance Officer shall diversify the investments by:-
 - i. Limiting investments to avoid overconcentration in securities from a specific issuer or business sector.
 - ii. Limiting investment that have higher credit risks.
 - iii. Investing in securities with varying maturities

- iv. Continuously investing a portion of the portfolio in readily available funds such as local/county/municipal government bonds, money market funds or overnight repurchase agreement to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- d) For purposes of determining the maturity of the asset and the investment strategy the following time horizons shall be considered by the Finance Officer

Time horizon specification	Estimated time period before University need funds
Very short time horizon	less than 6 months
Short time horizon	6 months to 1 year
Intermediate time horizon	1 to 4 years
Moderately long time horizon	4 to 8 years
Long time horizon	over 8 years

- e) After determining the asset allocation the Finance Officer shall compile a report and submit it to the DVC, AFD, who then shall present to Vice-Chancellor to table it to the Council for approval.
- f) After approval the Finance Officer will initiate and purchase the investment securities in the securities exchange.
- g) Custody document from Central Depository Settlement Corporation (CDSC) shall be kept by DVC, AFD in a secure safe.
- h) After maturity of the asset the Finance Officer will sell the security and monies received will be deposited in the investment account of Maseno University.
- i) The senior accountant final accounts shall be responsible for updating the investment register.
- j) The Finance Officer shall be the liaison officer for the CDSC account and the exchange.
- k) The senior accountant final accounts shall be responsible for ensuring no manual accounting system runs alongside the computerized system.
- l) The senior accountant will responsible for preparing the quarterly cash flow report which lists the actual cash position quarterly together with the forecasted position to the end of the reporting year.
- m) The investment performance(reporting) of the total portfolio, as well as the equity and fixed income segments (both in terms of return and risk) will be measured against commonly accepted total return benchmarks, including NSE 20 Share Index, All Share index and any other market indices deemed appropriate.
- n) The asset mix will be reviewed no less often than quarterly. Rebalancing will occur as soon as practicable if the weighting of any asset class either exceeds or falls short of its benchmark. This will be done by the Finance Officer and present the rebalancing report to the DVC, AFD for approval.

12.0 NON-CURRENT ASSETS MANAGEMENT AND CONTROL

12.1 Introduction

An asset is any item of material value tangible or intangible, movable or immovable, capable of producing future economic benefit to the University. They are materials controlled by Maseno University as a result of past transaction or other past events. An item over which the University has control that can be used for more than 12 months and is not held for conversion into cash.

Maseno University's non-current asset management and control framework identifies the key elements associated with asset management namely acquisition, use, disposal and investment for property plant and equipment it considers a whole of life approach including operational requirements, acquisition enhancements and disposal of assets, all of which have an impact on asset valuation and depreciation. The University may control other asset under arrangements with other bodies, or under terms of leasing or tenancy agreements.

12.2 POLICY

The overall policy of Maseno University, on non-current assets is that, the asset is to be accounted for at its acquisition, use, management and disposal. To ensure the accuracy and integrity of all non-current assets accounting and reporting in respective register, plus ensuring that the validation and existence of fixed assets takes place and that an accurate and reconciliation process exists between the assets and ensuring all additions and disposals are fully accounted for. The following policies shall apply:

- i. The University will maintain proper stewardship over all its fixed assets.
- ii. There shall be proper maintenance of internal controls and an internal control environment that ensures the proper control and safeguarding of all non-current assets.
- iii. There shall be the capitalization of all tangible fixed assets on a historical cost basis.
- iv. The University shall provide accurate and timely reports to governance entities.
- v. The University shall maintain procedures to ensure that proper reconciliations and corrections are made on a timely basis.
- vi. The University shall ensure that all depreciation, where applicable is calculated, summarized, and reported on a basis consistent with Generally Accepted Accounting Principles (GAAP).
- vii. That The University shall publish internal policy and procedures regarding stewardship over all fixed assets.

- viii. There shall be an annual review of assets to verify the existence of assets recorded in the fixed assets register and to assess the serviceability of the assets.
- ix. All discrepancies arising from the review are to be investigated by the University Audit department.
- x. Ensure assets are not exposed to any hazards which may result in the insurance contract being rendered null and void in the event of a loss.
- xi. The University shall revalue its non-current assets after every five years.

12.3 PROCEDURE

It shall be the responsibility of the Finance Officer and the officer at each level of the organization to maintain and to account, for every asset in their control in the University.

The office of the Vice-Chancellor; Deputy Vice-Chancellor, Administration, Finance and Development and the Finance Officer are the sole authorizing agents for the purpose of purchase, additional and disposal of every asset.

This procedure applies to all staff at the University and covers the purchase, management, and the disposal. This procedure covers physical assets.

12.3.1 ASSET ACQUISITION AND DISPOSAL

- a. The University shall acquire assets only for the purposes of achieving its aims and objectives. The acquisition of an asset shall be as a result of a deliberate consideration of a request made through the planning process. Upon approval of the budget:
 - (i) The budget holder (AIE holder) will initiate the process of acquisition.
 - (ii) The DVC (AFD) will authorize the acquisition.
 - (iii) The purchasing officer will execute the acquisition, within the procurement policy framework.
 - (iv) All fixed assets belonging to the University must be recorded in the fixed assets register upon receipt of the asset.
- b. The initial cost of an asset includes the purchase price and other cost incurred to make the asset ready for use.
- c. All fixed assets belonging to the University must be recorded in the fixed assets register upon receipt of the asset.

12.3.2 AUTHORISATION LEVELS BASED ON THE CATEGORIES OF ASSETS

a. Freehold Land

The Vice-Chancellor shall be the sole authorizing agent and the initiator of the transaction, while the University Council shall be the approving authority.

b. Leasehold Land

The Vice-Chancellor shall be the sole authorizing agent and the initiator of the transaction, while The University Council shall be the approving authority.

c. Building/Construction

The Vice-Chancellor shall be the sole authorizing agent and the initiator of the transaction, while The University Council shall be the approving authority.

d. Motor Vehicle

The Vice-Chancellor shall be the sole authorizing agent and the initiator of the transaction, while the University Council shall be the approving authority.

e. Furniture and Fittings

The Head of Department shall be the sole authorizing agent and the initiator of the transaction, while the Deputy Vice-Chancellor, Administration, Finance & Development shall be the approving authority.

f. Library Books

The Librarian shall be the sole authorizing agent and the initiator of the transaction, while the Deputy Vice-Chancellor, Academic & Student Affairs shall be the approving authority.

g. General Equipments

The user department shall be the sole authorizing agent and the initiator of the transaction, while Council shall be the approving authority.

h. Loose Tools

The user department shall be the sole authorizing agent and the initiator of the transaction, while the HOD shall be the approving authority.

i. Patents

The Vice-Chancellor shall be the sole authorizing agent and the initiator of the transaction, while the University Council shall be the approving authority. The Procurement Officer shall execute the process of approved transaction.

12.3.3 CUSTODY AND MANAGEMENT OF NON – CURRENT ASSETS

All heads of responsibility centers shall implement procedures ensuring as far as possible the security of assets under their control.

12.3.4 RECORDING

The Finance Officer shall ensure appropriate and timely recording of the asset in the books of accounts, register, and computerized accounting system. The recording of the asset shall be done upon receiving inspecting and the certification of the invoice. The asset shall be recorded on historical cost or on its fair value. The recording personnel shall be separate from the inspectors. The inspectors shall be the evaluators. The recording personnel shall be different from the procurement personnel.

The procurement personnel shall have an ERP memorandum of all assets purchased in a particular year. The Finance Officer shall oversee that there is adequate segregation of the custody, recording and posting of the asset.

Year-end procedures for non-current assets shall be:-

- i. Reconcile the asset register to the general ledger.
- ii. Prepare fixed asset movement schedule.
- iii. Review impairment of assets.
- iv. Review compliance with accounting standard disclosure requirements.

12.3.5 CONTROL

- i. All keys to the asset(s) shall be in the custody kept in the office of the Head of Department.
- ii. All titles shall be kept under lock and key in the office of the Vice-Chancellor.
- iii. All logbooks to University vehicles will be kept in the office of the Vice-Chancellor.
- iv. All keys to the motor vehicles shall be kept in the office of the Transport Officer.

12.3.5 DISPOSAL OF EQUIPMENTS AND LOOSE TOOLS

The user through the Head of Department should initiate the process of disposal and the disposal may be triggered by:

- i. Loss of serviceability
- ii. Impairment of value
- iii. Loss of economic value
- iv. Technological obsolescence

12.3.6 MANAGERIAL REVIEW

The University shall revalue its non-current assets after every 5 years. Due regard shall be paid to the Procurement and Disposal Act, 2005

12.3.7 Depreciation

- a. Except for land the estimated useful life of an asset must be determined and its depreciation (or amortization) based on it. Depreciation method applicable shall be on a straight line basis.
- b. The following depreciation rates shall apply:
 - i. Buildings - 2% p. a
 - ii. Motor vehicles - 20% p.a.
 - iii. Furniture and fittings - 20% p.a. on residual value
 - iv. Library books - 10% p.a. on residual value
 - v. General Equipment - 20% p.a. on residual value
 - vi. Loose tools - 25% p.a. on residual value

The net asset should be disclosed in the General Ledger.

12.3.8 Revaluation of Assets

The Management should invite professional valuersto do the revaluation of the Assets from time to time.

12.3.9 Biological Assets

- i. Livestock
- ii. Farm growing plants like fruit-trees

13.0 ENDOWMENT POLICY

13.1 Introduction

Endowment - An endowment is an established fund of cash, securities, or other assets set aside for perpetuity to provide long-term funding for the University, it represents funds received from a donor or other outside entity in an agreement which, as a condition of the gift, generally stipulates that the principal is to be maintained in perpetuity and invested for the purpose of producing an income stream.

13.2 POLICY

The University shall establish the following Endowment funds:

- a) **Restricted Endowment Funds:-** Donors who make outright gifts of (e.g. \$ 100,000) or more are afforded the right to permanently name a designated fund. With a minimum outright gift of (e.g. \$ 5,000) a donor's endowment gift can be made to a previously established Named Fund or can be restricted to support a specific program of the University.
- b) **Unrestricted Endowment Fund:-** University accepts gifts of any amount to the University's permanent Unrestricted Endowment Fund to be used for general operations of the University. Each year the University Council of the University determines the use of this fund's distribution, based upon operational needs of the University
- c) Bequests in wills shall be available to the University only upon the death of the donor. The University shall also accept contributions in kind, including space, staff and movable property and:
 - i. Set forth principles and procedures that are designed to ensure the University complies with its responsibility to properly manage and administer its endowment funds.
 - ii. Ensure that the university is able to maintain the quantity and quality of projects and programs that are possible through the generosity of donors
 - iii. The University shall seek and receive private sector contributions for the purpose of establishing endowments to fulfill its mission and goals. Endowments shall be designated for development, scholarships, fellowships, and other educational activities.
 - iv. There shall be a Board of trustees created by Council to manage the University Endowment funds.
 - v. The University shall strive to uphold the highest level of accountability in the management of endowment fund

13.3 PROCEDURE

- i.** The University Council shall be responsible for soliciting and accepting any gift that establishes an endowment fund. Officers of the University; shall also solicit for endowment gifts or donations to the University.
- ii.** Funds to create endowment may be initiated by Council, Management, Deans/ Heads of departments/Directors. All such cases must however be approved by the Council.
- iii.** All endowment gifts and donation proposals by deans/heads of department or directors shall be submitted to the line DVC who shall present them to the University Management.
- iv.** The Vice-Chancellor shall then present the proposal to the Planning Finance and Investment Committee of Council for consideration and onward transmission to Council.
- v.** All gifts shall be received on behalf of the University by the University Council.
- vi.** Gifts in form of money shall be deposited to the University Endowment account established by the University through the Finance Officer.
- vii.** The Board of trustees shall be responsible for administration and disbursement of the endowment funds. The Board of Trustees shall classify each gift or donation as per the categories set out and shall be responsible for administering the same as per the category.
- viii.** The Board of Trustees shall invest a proportion of the endowment funds as per the University Investment policy.
- ix.** The Board shall provide an annual payout of 5% of market value in order to augment the University Budget
- x.** All transactions shall be recorded continuously as they come by the designated officer and reconciliations to be done monthly and submitted to the Finance Officer and the Board of Trustees.
- xi.** The designated officer shall also submit quarterly statement of account to the Finance Officer who will submit to the DVC AFD and DVC ASA according to the purpose of the endowment (Academic, development)
- xii.** The DVC shall then transmit the same to the VC and the Board of Trustees.
- xiii.** As part of the process of budgeting endowment fund expenditures, schools and departments must ensure that planned expenditures are in compliance with the terms of the gift instrument.
- xiv.** Expenses incurred for endowment purposes should be charged directly to the applicable endowment fund.
- xv.** The HOD/Dean/Director shall provide an annual explanation of the use of funds disbursed to them, to update the contributor and the Board of Trustees on the

progress made during the year and explain the impact of the gift on the department's work.

- xvi.** If an endowed academic position is vacant the Human Resource Policy shall apply,
- xvii.** For endowed scholarships, lecture series, etc., the HOD/Dean must provide details of how the money was spent, e.g., the name of the scholarship recipient and brief biographical information.
- xviii.** The Board of Trustees is responsible for monitoring the endowment funds.
- xix.** The Board of Trustees shall be responsible for reporting to the donor.

14.0 AUXILIARY SERVICES

Auxiliary services refer to other services offered by the University as avenues of generating income.

Maseno University auxiliary services comprise of but are not limited to;

- a)** Capacity building/Short courses
- b)** Accommodation services
- c)** Catering services
- d)** Maseno University farm
- e)** Kisumu Hotel
- f)** Maseno University bookshop
- g)** Maseno conference centre
- h)** Maseno University press
- i)** Varsity plaza rent
- j)** Research and Consultancies
- k)** Maseno funeral home
- l)** Vending services

14.1 POLICY

The purpose of the Maseno University auxiliary services policy is to ensure a steady stream of income for Maseno University to supplement tuition fees and government grants.

The overall policy is to ensure sustainability of income generating activities; this will be through ensuring that the units recover costs and return a surplus. There shall be a limited liability company “Maseno University Enterprises Limited (MUE Ltd.)”, a wholly owned subsidiary of Maseno University that shall be formed in accordance with Kenyan law and Maseno University statutes to manage the auxiliary services of Maseno University referred to as enterprises.

14.2 PROCEDURES,STRUCTURE AND GOVERNANCE

- a)** Maseno University Enterprises Limited (MUE Ltd.) will be a limited liability company existing under the laws of Kenya. MUE Ltd. will be considered a wholly owned limited liability company of Maseno University; being a company for Maseno University general enterprises and is a “supporting organization” to the University.
- b)** EMU will be governed by a board of directors to be appointed in accordance to Articles and Memorandum of Association and constituted as prescribed for in the Maseno University Statutes. The MUE Ltd. Board is responsible for the governance and

oversight of the MUE ltd. affairs, personnel, and properties. To address these responsibilities, the board should issue policies, ensure that MUE ltd. operates in accordance with its mission and all legal requirements, and monitor MUE ltd. financial condition.

- c) There shall be a Managing Director to be appointed competitively as prescribed by the University Statutes. The Managing Director shall be in charge of the day to day operations of the company and will be in charge of the various Income generating units.

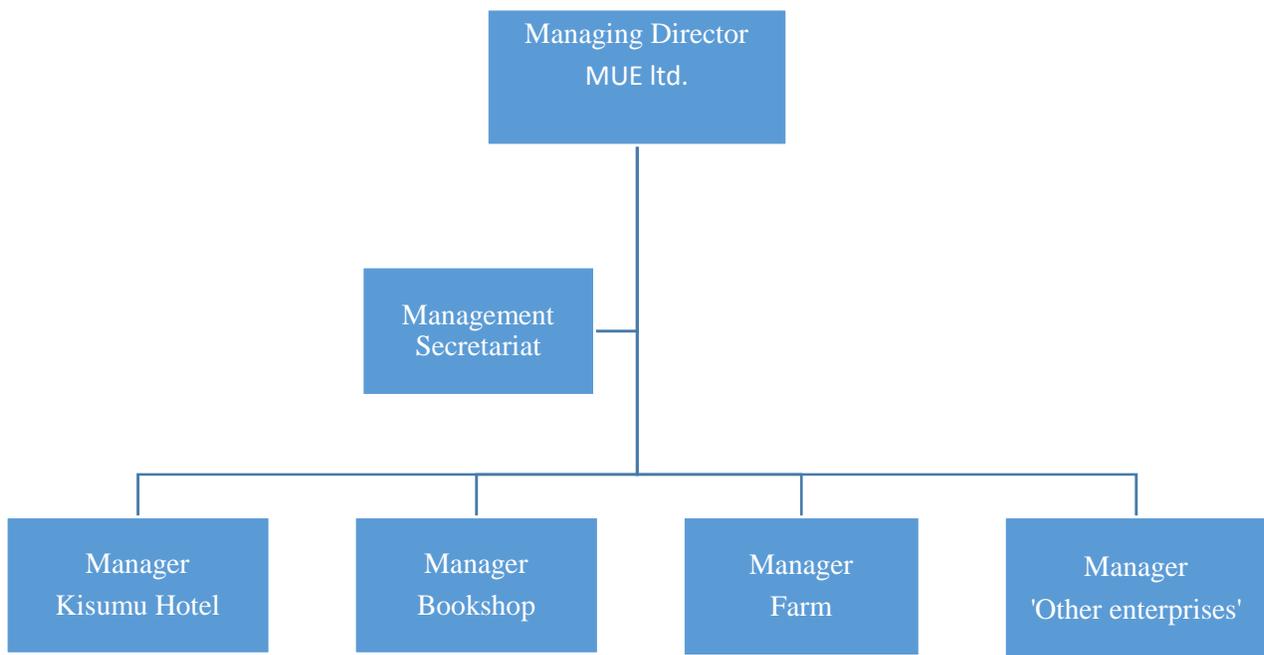


Figure 1 Proposed Organization Structure for MUE Ltd

‘Other enterprises’ - Consists of income generating activities or units that are not big enough to be considered individually.

14.3 Management secretariat - A team supporting the functions of the managing director.

With the approval of the Board and the Council, MUE ltd. may establish one or more affiliates in addition to the three or, come up with new income generating ventures.

14.4 Allowable Auxiliary Enterprises.

All auxiliary enterprises shall be integral to the fulfillment of the University's instructional, research or public service missions.

An auxiliary enterprise is allowable only if:

- a) There are compelling reasons of economic efficiency to do so;
- b) The project or service is unavailable elsewhere in the community;
- c) Providing the product or service is a major convenience to the University community or to members of the public participating in institutional activities; or,
- d) Offering the product or service is of major importance to maintaining the quality of the institution.

14.5 ADMINISTRATION PROCEDURES

In order to help ensure that the MUE ltd. operates in accordance with sound business practices, it shall at a minimum:

- a) Comply with corporate governance best practice and Maseno University administrative Requirements.
- b) Obtain the Board's approval of their annual budget, periodic performance reports, and financial statements.
- c) Develop, administer, and communicate written policies and procedures for all key business functions. These policies and procedures must at a minimum cover the following areas, budgeting, financial transactions, investment management, procurement, payroll, inventory, administrative services, employee welfare and motivation, and conflicts of interest.
- d) Establish and maintain a system of internal controls that is designed to provide reasonable assurance about the achievement of the MUE ltd. objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations.

The MUE ltd. shall have in place a mechanism to reimburse the University for the use of space, utilities, and other services that the University provides to the enterprises under EMU consistent with the approved annual budget and terms and conditions of the contract with the campus

14.6 Accountability and Reporting

EMU limited shall prepare consolidated annual financial statement in conformity with International Financial Reporting Standards (IFRS) and generally accepted accounting principles and have an audit conducted by an independent certified public accounting firm

or sole practitioner (independent auditor) in accordance with generally accepted auditing standards.

EMU shall prescribe the format and frequency of reporting for its enterprises, to enable it achieve its objectives of monitoring and measuring performance and reporting requirements to Maseno University.

To enable the University to include pertinent information in its annual financial statements, the audit must be completed within **45 days** after the close of the MUE ltd. financial year which will at 30th June. The independent auditor shall be appointed by the Kenya National Audit Office after a competitive procurement process.

The books and records, financial condition, operating results, and program activities of the MUE ltd. (and its enterprises would also be subject to periodic audit by the office of the University auditor, and to the extent allowed by law, by outside regulatory bodies.

All audit reports, including the certified (consolidated) financial statements and management letter (along with a corrective action plan) of the primary MUE ltd. (and any affiliate(s), must be transmitted to the MUE ltd. board.

MUE ltd. also must meet all regulatory filing requirements on a timely basis (e.g. taxes).

14.7 OTHER PROCEDURES

At the end of every financial year MUE ltd. will distribute part of its surplus as a dividend to Maseno University.

There shall be a fund created to ensure sustainability of the various units. (The fund will be made up of savings of the surplus from the enterprises). This fund will be used for capital regeneration and expansion only.

Dissolutions and dispositions of related net assets are subject to all applicable laws, regulations and restrictions, and unless otherwise stated, the net assets revert to the University or University-approved organization. Prices and rates charged by enterprises under MUE ltd. should be established to recover full costs and a margin.

15.0 MASENO UNIVERSITY COUNCIL AND THE FINANCIAL RESPONSIBILITIES

15.1 Introduction

The Council is the governing, controlling and administering body of the University, created under Section 36(1) the University Act and Sec 18(1) of the Maseno University Charter. Its operations are guided by the following:

- i. Universities Act 2012, Part V, S. 34;
- ii. Maseno University Charter, S. 18 & S. 19(1);
- iii. Maseno University Statute II, S.2.3 (a)

The functions of Maseno Universities Council are set out in the Section 35(1) (a) of the Universities Act 2012 and 18 of the Maseno University Charter. In discharge of its functions and the exercise of its powers under the Charter, the Council shall be guided by the national values and principles of governance set out under Article 10 of the Constitution of Kenya, 2010.

S. 19 Functions of the Council (Maseno University Charter Provisions)

- 2 (u) to promote and to make financial provisions and facilities for the executions of the functions of the University;
- (v) Subject to the laid down government procedures to approve sale, purchase, exchange, lease, or take on, lease movable or immovable properties of the University;
- (w) subject to the laid down government procedures, to approve the borrowing of money on behalf of the University; and for that purpose subject to the Act , to mortgage or charge all or any part of the property unless the conditions of the property so held provide otherwise, and so held provide otherwise to give such other security whether upon movable or immovable property or otherwise as the Council may deem fit.
- (x) To receive, on behalf of the University, donations, gifts endowments or development grants or other monies and make legitimate disbursements wherefrom.
- (z) To open bank account(s) for the funds of the University

15.2 POLICY

The overall policy of Maseno University on Council Financial responsibilities is to institute governance controls and procedures to ensure sound financial management through:

- (i) Evaluation of the implementation of strategies, policies, and management criteria and plans of the University (Maseno University Charter, S. 18 (9))
- (ii) Review of the viability and financial sustainability of the University and shall do so at least once every year. (Maseno University Charter, S. 18 (10))
- (iii) Ensuring that the University complies with all relevant laws, regulations, governance practices, accounting and auditing standards (Maseno University Charter, S. 18 (11))
- (iv) Approval of the policies of the University (Maseno University Charter, S.19 (2) (q))

15.3 PROCEDURES

Maseno University Statute XIX, S. 19 sets out specific financial provisions

15.3.1 S.19.1 General Provision

- (a) The Accounting Officer of the University Subject to provisions of the Public Finance Management Act 2012, Public Procurement and Disposal Act 2005, Public Audit Act 2003 and other subsequent and relevant legislations, shall be the Vice-Chancellor who shall undertake duties that include to:-
 - (i) Prepare and submit annual estimates to Council;
 - (ii) Manage assets and liabilities of the University;
 - (iii) Prepare and submit quarterly and annual financial reports to Council;
 - (iv) Be responsible to Council for the resolution of operational and financial problems of the University;
 - (v) Be responsible to Council for implementation of sound financial management of the University.
- (b) Any other financial responsibility as provided for by legislation.
- (c) Subject to Section 44 (1) of the Act the Council shall approve annual estimates before the commencement of the financial year to which they relate.
- (d) Subject to Section 44(2) of the Act the University may incur expenditures.
- (e) Subject to Section 44(3) of the Act the University may appeal for subscriptions, donations or bequests.

MASENO UNIVERSITY CHARTER PROVISIONS

15.3.2 S.19.5 Annual Estimates

- (a) Council shall cause to be prepared annual estimates in accordance to Section 44 of The Act and shall approve the same in accordance with Section 19(2)(r) of the Charter .
- (b) Before the commencement of a financial year, the Council shall cause to be prepared estimates of the revenue and expenditure of the University for that year.
- (c) The annual estimates shall make provisions for all the estimated expenditure of the University for the financial year concerned, and shall provide for–
 - (i) Expenditures on salaries, allowances and other charges in respect of members of the University;
 - (ii) Expenditures of pensions, gratuities and other charges in respect of retirement benefits which are payable out of the funds of the University;
 - (iii) Expenditures for proper maintenance of buildings and grounds of the University;
 - (iv) Expenditures for proper maintenance, repair and replacement of equipment and other moveable property of the University;
 - (v) Funding for the cost of teaching, research and outreach activities of the University;
 - (vi) Development expenditures; and
 - (vii) Creation of such funds to meet future or contingent liabilities in respect of retiring benefits, insurance or replacement of building or equipment and in respect of such other matters as the Council may determine from time to time.

15.3.3 S.19.6 Accounts and Audit

- (a) The Council shall cause to be kept proper books of accounts of income, expenditure, assets and liabilities of the University in accordance to Section 47(1) of the Act.
- (b) The accounts of the University shall be audited and reported upon in accordance to provisions of Section 47(2-3) of the Act and the Public Audit Act 2003.
- (c) The accounts of the University shall be audited by the Auditor-General in accordance with the Public Audit Act, 2003 and the Public Finance Management Act 2012,

together with all relevant financial management regulations provided by the Ministry for the time being responsible for public finance.

15.3.4 PART VI—GENERAL FINANCIAL PROVISIONS RELATING TO UNIVERSITIES (Public Universities)

- S. 44.(1)** A public university shall prepare and submit its annual estimates of revenue and expenditure to the Cabinet Secretary for approval in such form and at such times as the Cabinet Secretary shall from time to time prescribe.
- (2)** A public university may incur expenditure for purposes of the institution in accordance with estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Council.
- 49.(1)** A public university may invest any of its funds in securities in which for the time being trustees may by law invest in trust funds , or in any other securities which the Treasury or any other authorized body may, from time to time, approve for that purpose.
- (2)** A public university may, subject to the approval of the Treasury or any other authorized body, place on deposit with such bank or banks as the public university may determine, any monies not immediately required for the purposes of the university.
- 47. (1)** A public university shall cause to be kept all proper books of records of accounts of the income, expenditure and the assets of the university. Consider retaining this and deleting similar provision in charter and statues
- (2)** Within four months from the end of each financial year, a public university shall submit to the auditor general of corporations the accounts of the university together with -
- (a)** a statement of the income and expenditure of the university during the financial year; and

(b) a balance sheet of the university on the last day of the year.

(3) The accounts of a public university shall be audited and reported upon in accordance with the provisions of the Public Audit Act 2003.

S.48 All immovable property, shares, funds and securities as may from time to time become the property of the public university shall be in the name of the university and shall be dealt with in such manner as the institution may from time to time determine, subject to the conditions upon which any grants are made from public funds for capital or recurrent purposes ,and the conditions upon which any endowment, bequest or donation is made . for any purposes connected with the institution.

S.50 The financial year of a public university shall be the period of twelve months ending on the thirtieth day of June in each year.

15.3.5 S.19.7 Funds and Property of the University

(a) Funds of the University shall be sourced in accordance with provisions of Section 44(3) and 45 of the Act and shall include;-

- i.** Capitation grants;
- ii.** Income generating activities;
- iii.** Loans from government and financial institutions;
- iv.** All monies from any other sources provided for or donated to the University;
- v.** Council may, subject to any other written law, regulations and guidelines, appeal to the general public for subscriptions, donations or bequest for the benefit of the University.

(b) Unexpected balances of grants may be expended from one year to the next in accordance with provisions of Section 36 of the Act.

(c) Funds of the University may be invested in accordance with Section 49 of the Act.

(d) All funds of the University, shares, immovable property and securities shall vest in the University as provided for under Section 48 of the Act.

15.3.6 S.19.8 Determination of Fees and Charges

- (a)** In accordance to Section 19(2)(h) fees and any other charges payable shall be proposed by Management and forwarded to Council for approval where necessary.

- (b)** There shall be the following charges.
 - (i)** Consultancy;
 - (ii)** Ethical review;
 - (iii)** Project management;
 - (iv)** Any other that shall be determined by Council

15.3.7 S.19.9 Collection of Fees and Charges

- (a)** Every person who wishes to be registered as a student for a degree, certificate or other award of the University shall pay the University such registration fees and thereafter, such other fees as Council may determine from time to time.
- (b)** Every cost centre shall collect such approved charges for goods and services provided.

15.3.8 S.19.10 Funds and Accounts of the University

- (a)** All the funds, assets and property, movable and immovable, of the University will be managed and utilized by Council in accordance with Section 45(2) of the Act, Charter and the Public Finance Management Act 2012 in such a manner and for such purposes which, in the opinion of Council, would promote the best interest of the University.
- (b)** Provided that Council shall not charge or dispose off any immovable property vested in it without the prior approval of the Cabinet Secretary in the Ministry in the meantime responsible for finance as provided in the Act and Charter as provided **under Section 49(1) of the Act.**
- (c)** There shall be an Endowment fund to which Council shall appoint trustees to **oversee the Fund as provided under Section 49(1) of the Act.**
- (d)** The asset replacement fund shall be utilized for depreciation costs.
- (e)** In accordance to Section 46 of the Act unexpended funds of the University shall be carried forward from one year to the other.

- (f) There shall be paid into Endowment Fund all such monies as are received by the University and declared specifically to be payable into that fund which shall include but not limited to donations and grants.
- (g) All the monies of the University shall be paid into any one of the following accounts opened in accordance to Section 60(e) of the Act and Section 19(2)(z) of the Charter.
 - i. Revenue Account;
 - ii. Capital Account;
 - iii. Research and Grant Account;
 - iv. Investment Account;
 - v. Endowment Account.
 - vi. Any other that shall be determined by Council.

15.3.19 S.19.10.2 Capital Account

- (a) There shall be paid into the Capital Account all such monies as are received by the University for the purposes of capital expenditure and for the construction and improvement of the University.
- (b) The capital monies and the interest therefore of the Capital Account, shall be used and applied on capital expenditure for the construction and improvement of the university.

15.3.10 S.19.10.3 Research Grants Account

- (a) There shall be paid into the Research Grants Account all such monies as are received by the University for Research Purposes.
- (b) Monies in the Research Grants Accounts shall be used and applied by Council for specific purposes in accordance with the agreements made between donors and the University.

15.3.11 S.19.10.4 Investment Account

- (a) The University may invest any of the funds in securities as provided for under Section 49 of the Act.
- (b) The University may, subject to the approval of the Ministry for the time being responsible for finance or any other authorized body, place on fixed deposit with such banks as the University may determine, any monies not immediately required for the purpose of the University as provided in the sec 49(2) of the Act.

15.3.12 S.19.10.5 Endowment Fund

- (a)** Subject to the provisions of the Act, the monies standing to the credit of the Endowment fund, shall be invested by Council in such securities as trustees are authorized to invest in, under the provisions of the laws of Kenya
- (b)** Provided that where any sums are received by Council for any payment into the Endowment fund are in the form of stocks and shares of any kind other than securities, then Council may, in its discretion, retain such stocks or shares without **converting them into such securities.**
- (c)** The monies or any portion thereof standing to the credit of any of the accounts other than the Endowment Fund of the University may be invested by Council in such securities as Council may deem fit.
- (d)** Council shall not, save with prior approval of the Trustees, expend any Capital monies of the Endowment Fund and shall pay into the Revenue Account all interest received from investment of monies of the Endowment Fund.

15.3.13 S. 19.11 Borrowing

Subject to the Provisions of the Section 45(1)(c) of the Act and Section 19(2)(w) of the Charter, Council may borrow, either by way of overdraft from a bank or otherwise, such sums as it may from time to time require for the development of the University. Maseno University Statute, Schedule 1 also sets out Council Committees to assist in sound financial management

15.4.0 Planning, Finance and Investment Committee

15.4.1 Terms of Reference

- (a)** Receive, consider and recommend for Council approval, annual estimates of revenue and expenditure.
- (b)** Oversee compliance of budgetary allocation as approved within its annual budgets.
- (c)** Generate and receive proposals for subscription, donations and bequest for onward transmission to Council for consideration.
- (d)** Oversee proper recording of accounts of the income, expenditure and assets of the University and submission of financial reports as by law required.
- (e)** Oversee proper vesting of all immovable property, shares, funds and securities in the name of the University

- (f)** Receive and consider for onward transmission to Council proposal for investing University funds subject to legal requirements
- (g)** Receive for consideration and onward transmission to Council reports on management and administration of University;
 - i.** land and buildings
 - ii.** Machinery and equipments
 - iii.** Funds
 - iv.** Vehicles
- (h)** Receive and consider proposals for University fees and any other charges and recommend to the council for consideration and approval.
- (i)** Receive recommendation for onward transmission to Council on scholarships, bursaries and other awards.
- (j)** Receive proposals on opportunities for investments, for processing and onward transmission to council for consideration and approval.
- (k)** Receive and consider proposals on acquisition of fixed assets and recommend to Council for appropriate action.
- (l)** Receive reports on performance of University investments and submit proposals for Council consideration.
- (m)** Oversee the development, review and implementation of the University Strategic Plan in conformity with the medium term fiscal frame work and policy objectives.
- (n)** Receive, consider and submit for Council approval the annual Procurement Plan of the University.
- (o)** Recommend for Council approval the sale, purchase, exchange, lease, or take on of movable and immovable property;
- (p)** Subject to the laid down government procedures, to recommend for Council approval:
 - (i)** The borrowing of money on behalf of the University,
 - (ii)** Mortgaging or charging all or any part of movable and immovable property.
- (q)** Receive for consideration and recommendation to Council opening, and/or closing of bank account(s) for the funds of the University;
- (r)** Receive, consider and make recommendation to Council on reports of implementation of the University Master Plan bi-annually;
- (s)** Receive, consider and submit for Council approval proposals on new projects;

- (t) Review the performance of all ongoing projects and submit reports to Council on a quarterly basis;
- (u) Transact any other business as directed by Council

15.5.0 Audit and Risk Management Committee

15.5.1 Terms of Reference

- (a) Receive, review and recommend internal control mechanisms towards improving efficiency, effectiveness, transparency and accountability;
- (b) Receive and discuss internal and external audit reports and make recommendations to Council;
- (c) Review and oversee the settlement and implementation of recommendations from the Public Accounts and Public Investments Committees (PAC/PIC);
- (d) Review and regularly report to Council on the effectiveness and efficiency of the internal audit function;
- (e) Review Management procedures and make proposals to Council for mainstreaming of Risk Management, Controls and Governance;
- (f) Review and submit for Council approval the Audit and Risk Management Committee and internal audit department charters, and the internal audit annual work plans;
- (g) Review and submit proposals to Council on improvement of efficiency and effectiveness of Management systems, including and not limited to high risk areas such as public finance, human resource, academic programs, and general internal controls;
- (h) Review and submit a report to Council on compliance with policies, laws, regulations, procedures, plans, and ethics;
- (i) initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency;
- (j) Receive, consider and submit to Council progress reports from the head of internal audit unit including:
 - (i) Work performed compared with work planned.
 - (ii) Key issues emerging from internal audit work done.
 - (iii) Status of management response to audit findings and recommendations.
 - (iv) Changes to the annual work plan.

(v) Any limitation in resources that may affect the implementation of internal audit work plan.

(k) Transact any other business as directed by Council.

15.6 PART IX — MISCELLANEOUS

General functions of a university council with regard to financial management.

15.6.1 S. 60. A University Council shall have the necessary powers:

- (a) Manage, supervise and administer the assets of the university in such a manner as best promotes the purpose for which the university is established;
 - (b) Determine the provisions to be made for capital and recurrent expenditure and for reserves of the university;
 - (c) Receive any grants, donations or endowments on behalf of the university and make legitimate disbursements therefrom;
 - (d) Enter into association, collaboration or linkages with other bodies or organizations within or outside Kenya as the university may consider desirable or appropriate and in furtherance of the purpose for which the university is established and
 - (e) Open a banking account or accounts for the funds of the university.
- Oversight of risk management and control monitor and review the effectiveness of the risk management, control and governance arrangements. In determining its policies with regard to risk management and internal control, and thereby assessing what constitutes a sound system, the governing body should consider the:
- i. nature and extent of the risks facing the institution
 - ii. extent and categories of risk it regards as acceptable for the institution to bear
 - iii. Likelihood of risks occurring.
 - iv. Institution's ability to reduce the incidence and impact of risk occurrence.
 - v. cost of control relative to the benefit obtained in managing the related risk

19.12 Regulations

- (a)** Council shall ensure that the Medium Term Expenditure Framework (MTEF) of the University are prepared and such estimates shall be approved by Council and the parent Ministry in accordance with provisions of the Public Finance Management Act 2012, Section 44(1) of the Act, Charter and relevant accounting standards prescribed and published by the International Accounting Standards Board.
- (b)** Council shall ensure that annual estimates of revenue and expenditure (both recurrent and capital) of the University are prepared and such estimates shall be approved by Council and relevant Ministry in accordance with provisions of Section 44(1) of the Act and relevant accounting standards prescribed and published by the **International Accounting Standards Board.**
- (c)** Council shall not without the prior approval of the Cabinet Secretary of the parent Ministry and The National Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved in accordance with provisions of Section 44(2) of the Act.
- (d)** Council shall ensure that the final accounts of the University are prepared by Management in accordance with section 47 of the Act, Charter and relevant accounting standards prescribed and published by the National Accounting Standards board.
- (e)** The Vice-Chancellor shall submit to Council quarterly reports for approval and onward transmission to the parent Ministry and The National Treasury within ten (10) days after the end of each quarter.

15.0 REVIEW OF POLICY

15.1 REVIEW

This manual shall be reviewed after every three years. However, if there are developments in any of the areas relating to the contents herein, a review may be done before the three-year period.

EFFECTIVE DATE

These Financial Policies and Procedures shall take effect as from 13th January, 2017

APPROVED BY:

SIGNED: _____

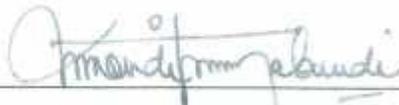


DATE: 13th Jan, 2017

PROF. ROSALIND MUTUA
CHAIRMAN OF COUNCIL

AUTHORIZED BY:

SIGNED: _____



DATE: 13th Jan, 2017

PROF. JULIUS O. NYABUNDI, Ph.D, OGW
VICE-CHANCELLOR