

MKSU/DVC-APF/FPPM/PDO10



**MACHAKOS UNIVERSITY**

**Finance Policy and Procedures Manual**

**SECOND EDITION**

**SEPTEMBER 2023**



ISO 9001:2015 Certified .....*Co-creating sustainable futures*

**APPROVAL**

**Policy Title:** Finance Policy and Procedures Manual  
**Policy Contact:** Deputy Vice Chancellor (Administration, Planning and Finance)  
**Approval Authority:** The University Council  
**Category:** Administration, Planning and Finance  
**Reference No.:** MksU/P/NO.... (2<sup>nd</sup> Ed)  
**Effective date:** 1<sup>st</sup> July, 2023

Approved by the University council:

Sign: .....  
Prof. Joyce J. Agalo, PhD  
Vice-Chancellor

Date: 15/9/2023

Sign: .....  
Dr. Christopher G. Gakahu, PhD  
Chairman of Council

Date: 15/09/2023



## FOREWARD

The Machakos University Finance Policy and Procedures Manual conforms with the University Charter and Statutes which require the Vice Chancellor, through the University Council, to devise and maintain a comprehensive Financial Management System. The policy and procedures manual has been developed in line with relevant laws and regulations governing public finance management. It has embodied the principles of public finance pronounced under Chapter 12 of the Constitution of Kenya (2010), to enhance transparency and accountability. The policy borrows best practices from different public sector institutions.

The purpose of this Policy and Procedures Manual is to provide the University Staff with direction and guidance on financial transactions, procedures and reports.

The policy will be a useful guide to the University Management, finance department staff and Machakos University fraternity in all finance related aspects. It aims at enhancing efficiency and effectiveness in operations as well as increasing accuracy, consistency and compliance with statutory requirements.

SIGNED: .....  .....

Prof. Joyce J. Agalo, PhD  
Vice-Chancellor

..... 15/9/2024 .....  
Date



## UNIVERSITY FUNDAMENTAL STATEMENTS

### VISION

Excellence in transformative scholarship and community service

### MISSION

To provide scholarship through teaching, training, research and innovation; and community service for sustainable industrial and socioeconomic transformation

### Machakos University Identity Statement

Machakos University is an Academic Institution Committed to Generating and Transmitting Knowledge, Skills, and Attitudes through Science, Technology, Research, and Innovation for the Benefit of Humanity.

### Machakos University Philosophy Statement

The Philosophy of Machakos University is 'Education for Industrial and Economic Transformation'

### Mandate

The mandate of Machakos University is to Teach, Train, Conduct research, Innovate, Collaborate, generate new knowledge and Community Service

### Core Values

- Creativity:** We shall use imagination and original ideas to create value for our customers.
- Agility:** We shall embrace urgency and flexibility in responding to customer demands
- Meritocracy:** We shall promote merit-based services
- Professionalism:** We are committed to high standards of training, research and service delivery
- Integrity:** We shall uphold honesty and high moral standards
- Inclusivity:** We shall offer equitable access to opportunities and resources



## ABBREVIATIONS / ACRONYMS

APF	~	Administration, Planning and Finance
ASA	~	Academics and Student Affairs
CDF	~	Constituency Development Fund
CFO	~	Chief Finance Officer
CPO	~	Chief Procurement Officer
CS	~	Cabinet Secretary
DVC	~	Deputy Vice Chancellor
ERP	~	Enterprise Resource Planning
FMIS	~	Financial Management Information System
GRN	~	Goods Received Note
HELB	~	Higher Education Loans Board
IGU	~	Income Generating Unit
IPSAS	~	International Public-Sector Accounting Standards
KNEC	~	Kenya National Examination Council
KRA	~	Kenya Revenue Authority
LPO	~	Local Purchase Order
LSO	~	Local Service Order
MksU	~	Machakos University
MoE	~	Ministry of Education
OAG	~	Office of the Auditor General
PAYE	~	Pay As You Earn
PFM	~	Public Finance Management
RIL	~	Research, Innovation and Linkages
VAT	~	Value Added Tax
VC	~	Vice Chancellor





## DEFINITION OF TERMS

<b>University Council:</b>	The Council of the University established under Machakos University Charter, 2016
<b>University Management Board:</b>	University Management Board means the University Management of Machakos University as established under Machakos University Charter, 2016
<b>Vice Chancellor:</b>	The Academic, Administrative and Accounting Officer in the service of Machakos University
<b>Deputy Vice Chancellor (APF):</b>	The officer who deputizes the Vice Chancellor on matters of administration, planning and finance.
<b>Chief Finance Officer:</b>	The officer responsible for implementing all the financial matters and accounting services in the University.
<b>Chief Internal Auditor:</b>	The officer responsible for providing independent and objective evaluations of the University financial and operational activities.
<b>Officer:</b>	An employee in the service of the Machakos University
<b>Asset:</b>	A resource with economic value owned or controlled by the institution and from which future economic benefits are expected
<b>Fixed Asset:</b>	Tangible assets acquired with the intention of use on a continuous basis for a period beyond one (1) year.



<b>Capitalization:</b>	Recording of a cost as an asset, rather than an expense. This approach is used when the benefits from a cost are expected to be entirely consumed in the current period, but rather over an extended period beyond one (1) year.
<b>Ledger:</b>	A collection of an entire group of similar accounts in double-entry bookkeeping. In MksU system, it consists of interlinked digital files, but follows the same accounting principles as the manual system.
<b>Financial Statements:</b>	A collection of financial reports that show an organization's financial performance and position/condition.
<b>Bank Reconciliation:</b>	The process of comparing the amounts in the Cash account in the general ledger to the amounts appearing on the bank statement.
<b>Amortization:</b>	Refers to allocating the cost of an intangible asset over a period of time or spreading payments over multiple periods.
<b>Write-off:</b>	Elimination of an item from the books of account or reduction in book value of an item.
<b>Disposal:</b>	The act of selling an asset that has been depreciated over its useful life.
<b>Voucher:</b>	An accounting document representing an internal intent to make a payment to a person or an entity, such as a vendor or service provider.



<b>Budget:</b>	A formal written statement of Management's plans for a specified period of time expressed in financial terms
<b>Cash transactions:</b>	Transactions for which payment is settled immediately when goods and/or services are received.
<b>Credit Transactions:</b>	Transactions for which payment is settled after the goods and/or services have been provided to the customer.
<b>Dishonored Cheques:</b>	A cheque that a bank on which is drawn declines to pay due to various reasons.
<b>Report in the portal:</b>	This means students logging in their portals and registering that they shall be in campus during a particular study session hence billed for that session.





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## 1.0 INTRODUCTION

### 1.1 Preamble

Machakos University (MksU) was Chartered on 7<sup>th</sup> October, 2016. It is the successor to Machakos University College which was established through a Legal Notice No. 130 of 5<sup>th</sup> September, 2011. MksU is an institution of higher learning committed for quality teaching, training, research, innovation and ensuring accessible, affordable, flexible and relevant academic programmes for the changing socio-economic, political and other societal needs.

Towards supporting effective execution of the University's mandate, the Finance Department provides prudent Financial Management Services in compliance with the public finance regulatory environment. The Finance Department operates under the Deputy Vice Chancellor (Administration, Planning and Finance) who is responsible for human resource, administrative, planning, infrastructural, development and financial matters of the University. The Chief Finance Officer shall be the head of the finance department.

### 1.2 Rationale

The department implements the financial management policies, procedures and directives issued by the University authorities. These policies are binding and impact on all the financial activities of Machakos University. The Finance department performs the following key functions:

- a) Collection of and accounting for all revenue due to the University
- b) Payments for services and goods used by the University
- c) Preparation of management accounts
- d) Preparation of the annual budget
- e) Implementation of the approved budget
- f) Establish and maintain the asset register of the University
- g) Advising the University Management and Council on prudent financial management and compliance to the applicable Public Finance regulatory framework

- h) Cash flow and investments management.
- i) Preparing and submitting of the University quarterly and annual reports and financial statements.
- j) Ensure compliance with statutory regulations.
- k) Custody and management of all University assets and financial records.
- l) Timely and effective management of all taxes.

### 1.3 Scope of the Policy

- a) This policy and procedure manual documents all financial management procedures, accounting policies and regulations, and financial reporting procedures of Machakos University.
- b) This policy and procedure manual shall apply in all financial transactions and operations of Machakos University
- c) The Policy covers all aspects of financial management and applies to:
  - i. All Staff, Students, Researchers, Consultants and Independent Contractors, and Collaborating institutions of the University.
  - ii. All the University's Divisions, Schools, Directorates and Administrative units

### 1.4 Purpose of the Policy

The Finance Policy and Procedure Manual is intended to:

- a) Promote prudent financial management in the University;
- b) Create awareness within amongst staff of the expected conduct in the management of the University's financial resources;





- c) Ensure compliance with the Public Finance regulations and other relevant government and international regulations and guidelines on public financial management;
- d) Provide standard framework in the utilization and management of the University's financial resources
- e) Promote accountability in the use and appropriation of the University's financial resources

### 1.5 Objectives of the Policy

- a) To guide Machakos University during financial planning
- b) To outline the standard operating procedures for finance processes in Machakos University
- c) To give guidance in preparation and interpretation of Machakos University financial reports

### 1.6 Guiding Principles

The following principles underlie this policy and should guide its application and interpretation.

- a) The resources of the University shall be used in accordance with the provisions of chapter twelve (12) of the constitution of Kenya, The PFM Act 2012, The PFM Regulations 2015, The Treasury and other Government circulars and the general directives of the University Council.
- b) The University Council shall approve financial statements and annual budget estimates.
- c) The resources of the University shall be administered in accordance with allocations provided in the approved budgets of the University.
- d) All members of the University community shall be guided by a sense of mutual trust and goodwill throughout the various phases in the financial transactions and activities.

- e) All MksU members shall observe high level of integrity in the application of this policy and procedure manual.
- f) Transparency and accountability shall be observed and embraced not only in the application of this policy and procedure manual but also in the management of the University's financial resources.

### 1.7 Regulatory and Legislative Framework

This policy and procedures manual is informed by the following legal, regulatory and institutional framework:

- a) The Constitution of Kenya, 2010
- b) Public Finance Management Act 2012
- c) Public Finance Management Regulations 2015
- d) Public Procurement and Asset Disposal Act 2015
- e) Public Procurement and Asset Disposal Regulations 2020
- f) The National Treasury Circulars issued from time to time
- g) Circulars from Other Government bodies like SCAC and SRC
- h) Universities Act, 2012
- i) State Corporations Act CAP 446. Revised Edition 2015 [2012]
- j) The Accountants Act No. 15 of 2008. Revised Edition 2012 [2009]
- k) International Public Sector Accounting Standards (IPSAS)
- l) Public Audit Act 2015
- m) Machakos University Statutes, 2019
- n) Machakos University Charter, 2016
- o) Other MksU policies



## 2.0 ADMINISTRATION OF THE POLICY

### 2.1 Office of the Vice-Chancellor

- a) The Vice Chancellor being the Accounting Officer shall take overall responsibility for the implementation of this Finance Policy and Procedures Manual.
- b) Authority to incur expenditure or obligations and make payments chargeable to the resources of the University shall be conferred on the Vice- Chancellor by the University Council by virtue of:
  - i. Allocations made in a budget by a decision of the University Council, or
  - ii. Any other financial decision adopted by the University Council, which provides the authority to incur obligations in accordance with the limits specified in the decision.
- c) Authority to incur expenditure or obligations and make payments for specific donor funded projects shall be conferred on the Vice Chancellor through the terms and conditions contained in the funding agreement.

### 2.2 Budget Implementation Committee

- a) The Vice-Chancellor shall appoint a Budget Implementation Committee (BIC)
- b) BIC shall provide advice on matters budget preparation and implementation

### 2.3 Office of the Chief Finance Officer

The Chief Finance Officer shall;

- a) Sensitize members of MksU staff on this policy and procedure manual
- b) Implement this policy and procedure manual
- c) Ensure compliance with this policy on matters revenue collections, expenditure and preparation of financial reports and statements
- d) Advise the University Management and Council on matters relating to this policy for prudent financial management

- e) Ensure harmony with other policies during application of this policy

## **2.4 Non-Compliance to this Policy and Procedure Manual**

A Staff who breaches any provision of this Policy and Procedure Manual shall be subject to the relevant disciplinary procedure of the University.

## **3.0 POLICY IMPLEMENTATION**

### **3.1 BUDGETING**

#### **3.1.1 Budget Policy Guidelines**

This sub-section outlines the budget guidelines for purposes of this Policy

##### **3.1.1.1 Budget Guidelines**

The University Budget shall:

- a) Be balanced i.e. Revenue=Expenditure.
- b) Reflect all expected revenue and planned expenditure.
- c) Take into account expenditure priorities of the University.
- d) Be affordable to the University.
- e) Cover one financial year.

##### **3.1.1.2 Form of the budget**

- a) The annual budget shall cover all activities of the University's incomes and expenditures for the financial year to which they relate and shall be presented in Kenya Shillings; divided into titles according to their nature.
- b) The annual budget shall be accompanied by such information required by the University Council and/or as may be deemed necessary by University Management Board.





- c) Explanatory notes shall be provided on sources of income and expenditure for new activities and for extensions of existing activities.
- d) For the purpose of comparison, the allocations for the current financial year shall be presented alongside the estimates for the previous financial year's proposed and final budget.

### **3.1.1.3 Budget Implementation**

#### **3.1.1.3.1 Budget Reallocation**

- a) The Budget Implementation Committee periodically checks the budget status and recommend budget re-allocations to the VC of the votes which may be depleted.
- b) The VC may authorize reallocation of expenditure within votes as per the guidelines in PFM Regulations Section 48.

#### **3.1.1.3.2 Budget Variance**

- a) The VC shall inform the Cabinet Secretary, parent ministry immediately of any circumstance that is likely to affect materially the budgetary results either through revenue and expenditure or other receipts and payments of the University as per PFM Regulations 2015 Section 47.
- b) The VC shall inform the Cabinet Secretary, parent ministry of actions taken to mitigate any budget variations.

### **3.1.2 Budgeting Procedures**

- a) The process starts after the National Treasury issues a circular on the guidelines for preparing the subsequent year budget and the medium term projections. This circular is usually issued not later than 30<sup>th</sup> August of the current financial year
- b) The Vice Chancellor communicates the contents of the National Treasury circular to the Deputy Vice Chancellor in-charge of Administration, Planning and Finance and the Chief Finance Officer.
- c) The DVC (APF) initiates the University Budget preparation by writing to all heads of Divisions, Departments, Directorates and sections to submit their budget requirements, procurement plans and staff requirements



- d) The Chairman of the Budget Implementation Committee (DVC-APF) calls for BIC meeting to consolidate all departments' requirements to come up with a proposed budget
- e) The Proposed budget is then presented to the University Management Board which recommends to the Finance, Planning and Development Committee of Council
- f) The Finance, Planning and Development Committee of Council recommends the proposed budget to the University Council for approval
- g) The Vice Chancellor ensures that the Proposed Budget is submitted to the parent ministry and the National Treasury by 31<sup>st</sup> January.
- h) After submission of the proposed budget, the national budget process continues until approval by National Assembly.
- i) The parent ministry communicates the allocated budget by issuing printed estimates to the Vice Chancellor.
- j) The VC communicates the printed estimates to the DVC (APF) and the CFO for rationalizing the University Budget.
- k) The Budget Implementation Committee rationalizes the Budget according to the printed estimates
- l) The Budget is presented to the University Management Board which recommends to the Finance, Planning and Development Committee of Council
- m) The Finance, Planning and Development Committee of Council recommends the budget to the University Council for approval
- n) The Vice Chancellor then implements the approved budget by ensuring that budgetary controls are in place



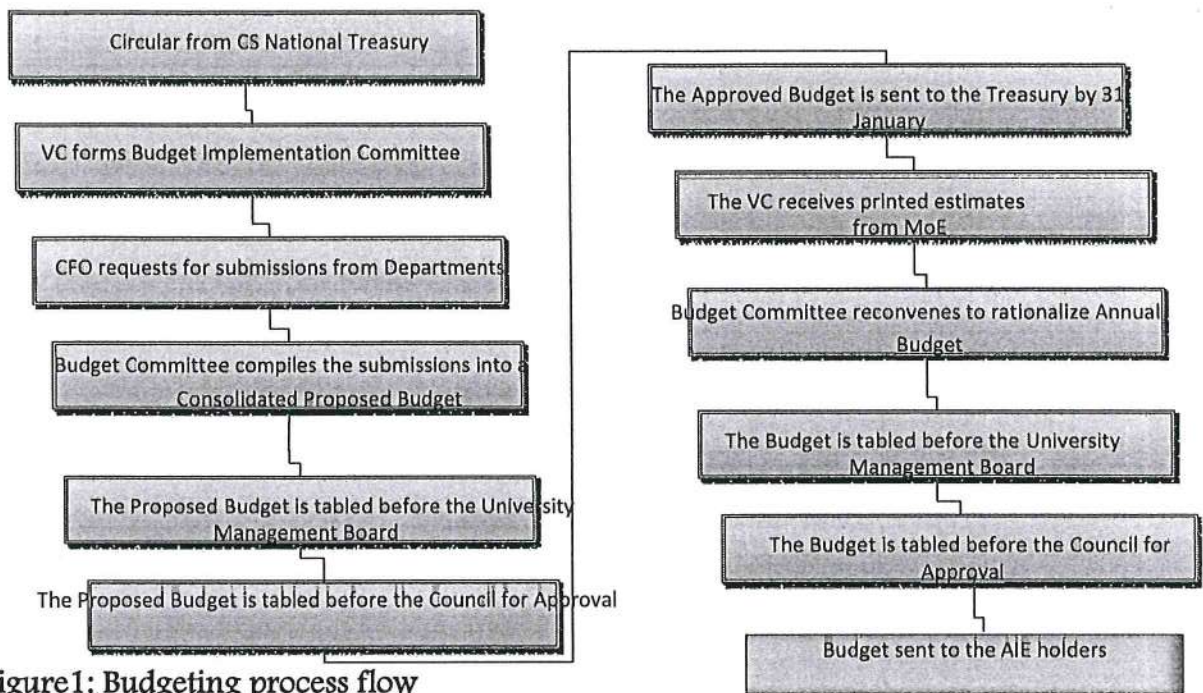


Figure 1: Budgeting process flow

## 3.2 REVENUE MANAGEMENT

### 3.2.1 Revenue Management Policy Guidelines

This sub-section outlines the revenue management for purposes of this Policy

#### 3.2.1.1 General Guideline

- a) This policy shall apply to management of all revenues in the University.
- b) The management of revenue shall be the responsibility of the CFO or an officer authorized under him/her to carry out such duties on his/her behalf.
- c) Revenue Transactions may be in cash or credit.

#### 3.2.1.2 Revenue Components

The revenue categories of the Machakos University shall include the following:

- a) Income from Tuition fees and other related charges
- b) Income from Recurrent grants
- c) Revenues from Income Generating Units

- d) Donor Aid and Research grants
- e) Income from any other source.

#### **3.2.1.3 Receipts**

- a) All receipts issued shall be in the name of 'Machakos University'
- b) All receipts shall be automatically serialized by the ERP system.
- c) The receipts shall be an acknowledgement of monies received on behalf of the University for goods sold/disposed and services rendered/to be rendered, grants received, cash donations among others.
- d) The receipt shall be issued to the client while a copy shall remain in the system as a posting to the cashbook. For audit trail purposes, the receipt may be printed from the ERP system from time to time whenever it is necessary.
- e) The receipting officer shall receipt the cheques indicating the necessary details in the ERP system. Where cheques are not due to the University or incorrectly prepared they shall be returned with remarks.
- f) All receipts/collections shall be correctly accounted for.

#### **3.2.1.4 Custody of Cheques Received**

- a) All cheque receipts shall be kept in cash safes provided at various collection points.
- b) The Chief Finance Officer shall put in place measures to ensure safe custody of the monies received at various collection points.

#### **3.2.1.5 Banking of collections**

- a) All cheques collected shall be banked in the specified University bank accounts within three (3) working days.

#### **3.2.1.6 Dishonored Cheques**

- a) In case a cheque is dishonored, the relevant receipt shall be cancelled.
- b) The Chief Finance Officer shall notify the customer of the dishonored cheque.
- c) All charges that may arise due to dishonoring of the cheques shall be charged to respective customers.



### **3.2.1.7 Posting of Revenue Accounts**

- a) All receipts shall be posted in the Cash Book immediately after receipting
- b) Ledgers shall be maintained to keep a record of revenue receipts (Income ledger) and debtors (debtors' ledgers).
- c) Control accounts shall also be maintained in respect of sponsorships and donor funds.
- d) Bank reconciliation shall be carried out on a monthly basis

### **3.2.1.8 Revenue Reports**

Reports on revenue shall be prepared on a quarterly basis or on need basis. The following reports shall be produced:

- a) Monthly Bank Reconciliation Statements
- b) Quarterly revenue reports showing budgeted revenue, cumulative actual revenue earned for the period and the variance.
- c) Quarterly debtors' analysis

### **3.2.1.9 Internal Control System for Revenue**

- a) An internal control system shall be operated to ensure that there is adequate segregation of duties.
- b) The examination section shall have access to all records of revenue transactions.
- c) Spot checks of received cheques and other revenue instruments shall be carried out periodically.

### **3.2.1.10 Fee refunds**

- a) Fee refunds shall be refunded less administrative charges for students who have been admitted and exited the University.
- b) Excess fee due to over-payment shall be refunded in full for applicants who have not been admitted and students who have cleared.
- c) Any excess fees originating from sponsorships shall be refunded to the source or otherwise as instructed from the source.
- d) Caution money shall be refunded upon transfer, withdrawal, discontinuation, expulsion, completion and/or in the event of death.

### 3.2.2 Revenue Management Procedures

#### 3.2.2.1 Acknowledgment of Student Fees

The following procedure shall be followed when acknowledging student fees:

- a) This shall start with the CFO uploading the fee structures in the ERP system before the start of the academic year.
- b) Student invoices are automatically generated when the students report in the ERP system.
- c) Upon receipt of a payment document from a Student, the student finance accountant shall confirm the transaction from the bank statement and receipt accordingly. In case of online payments, the receipt shall be generated automatically from the ERP system. Bankers and sponsorship cheques shall be receipted and allocated to the respective students accordingly. Fees paid via mobile platform shall be receipted upon confirmation of the payment transaction from the bank statement.
- d) In the event of any anomaly, the accountant shall advise the student appropriately.

#### 3.2.2.2 Sponsorship Allocation

The officer in charge of sponsorships shall:

- a) Receipt the lump sum cheque amounts
- b) Allocate the respective amounts to the individual students' accounts
- c) Bank the sponsors' cheques
- d) Confirm from the bank statements clearance status of the cheques.
- e) The CFO shall acknowledge the amounts received from the sponsors attaching the lump sum amounts receipts, allocation schedules
- f) In case the cheque is dishonored, the transactions shall be reversed.
- g) Returns showing the status of sponsorship allocation shall be done on need basis and unutilized funds refunded.

#### 3.2.2.3 Invoice Adjustments

This shall occur when there is a fee variation in such circumstances where the student did not report for a previous semester, deferments, there is billing for damages, for industrial attachment/teaching practice, hospital bill, re-takes, supplementary exams, remarking, KNEC





exams, graduation fees and; any other circumstances which would be applicable like catering and fee transfers.

The following procedure shall be followed in Invoice adjustment:

- a) The Registrar (ASA) request the CFO to do invoice adjustment
- b) The accountant shall confirm the student fee status and make the appropriate invoice adjustment

#### **3.2.2.4 Student Clearance**

The following procedure shall be followed in student clearance:

- a) Upon receipt of the student clearance form, the accountant in-charge shall check and confirm the student invoicing and payments from the time the student was admitted to the current status.
- b) After confirmation of the fee status, the accountant clears or advises the student accordingly.

#### **3.2.2.5 Student Fee Refunds**

The following procedure shall be followed in student fee refunds:

- a) The student shall make a request to Registrar (ASA) for fee refund
- b) The Registrar (ASA) shall make a recommendation to the CFO for the refund
- c) The Student Finance Accountant shall confirm the student fee status and advise the CFO accordingly.
- d) The CFO shall forward the request to the approving authority for approval.
- e) After the refund request has been approved, the payment is processed.

#### **3.2.2.6 Income Generating Units**

The income generating units of Machakos University include: Machakos University Hotel and Conference Center, Students' Cafeteria, Hire of University facilities, production units, consultancies, commercialization of research output among others.

The procedure for recognizing revenues from the IGUs include:

- a) This shall start with the respective officer informing the CFO of the IGU transaction and expected revenue.
- b) On receipt of the information from the officer about the IGU, the Accountant in-charge of the IGUs shall enter the details about the activity in the ERP system, print and issue an invoice to the customer.
- c) Upon receipt of a payment document from a customer, the accountant shall confirm the transaction from the bank statement and receipt accordingly. Bankers' cheques shall be receipted to the respective customer and banked accordingly. Monies paid via mobile or electronic platforms shall be receipted upon confirmation of the payment transaction from the bank statement.
- d) In the event of any anomaly, the accountant shall advise the customer appropriately.

### **3.2.2.7 Banking of Incomes from IGUs**

- a) At the close of the each working day, the cashier shall tally the receipts and the cheques received for banking and present the same to the Accountant in charge of IGUs for verification. During weekends and public holidays, the cashiers shall tally the receipts in the morning of the following working day.
- b) Upon verification, the Accountant in charge of IGUs shall ensure all cheques are banked.
- c) In case of direct deposits and credit advices, the Accountant in charge of IGUs shall issue the relevant official receipts against bank statements and communicate to the respective customer.

## **3.3 DEBTORS MANAGEMENT**

### **3.3.1 Debtors Management Policy Guidelines**

Machakos University debtors include students, staff and the customers for Machakos Hotel and Conference Centre among others. The University's debtors shall be stated at their nominal value.

#### **3.3.1.1 Student debtors**

Student debtors arise from uncleared student fee balances at a given time.

- a) Students shall be required to report in the student portal at the start of the semester.
- b) Student accounts shall be automatically updated upon reporting in the ERP system.
- c) Students shall not be allowed to sit for semester examinations without clearing their fees balances
- d) Students with outstanding fees balances shall not be cleared by the University

### 3.3.1.2 Imprest Debtors

Imprest debtors arise from non-accounted advances issued to members of staff to undertake specific University activities at a given time. There shall be three classes of imprests i.e. standing imprests (office petty floats), temporary imprests and special imprests.

- a) Imprests shall be used for the purposes for which an approval was granted.
- b) Imprests shall not be issued to members of staff with any other outstanding imprests
- c) All imprests for the purchase of goods or services shall be made in accordance with the Public Procurement and Assets Disposal Act, 2015, its amendments and the relevant regulations
- d) Imprests shall be surrendered within 7(seven) days after accomplishing the task for which it was requested for.
- e) In any case, no imprest shall go unaccounted for by the end of the financial year within which it was issued.
- f) Imprests must be accounted even if full recovery has been done from the salary.
- g) Interest on un-accounted imprest amounts shall be charged at the prevailing Central Bank rate



### 3.3.1.3 Trade and Other Debtors

Trade and Other debtors arise from trading activities offered by the University on credit basis. Majority of trade debtors are from the University Hotel and other external customers.

- a) The University shall accept at least 50% down-payment of the proforma invoice to government entities before offering services to the customers.
- b) In addition to the down- payment, there shall be a commitment in the form of a local service order (LSO)
- c) The outstanding balance shall be paid within 30 days after the services have been offered.
- d) When the credit period of 30 days is surpassed, the University shall not offer any services on credit to the debtor
- e) After the end of 30 days, the University shall among other options, consider a legal advice regarding the debts
- f) There shall be no credit sales for private entities and individuals

### 3.3.1.4 Provision for doubtful debts

- a) There shall be a provision for doubtful debts during annual reporting.
- b) A provision for any uncollected debt shall be provided as a doubtful debt as follows:
  - i. Below 5 years – 1%
  - ii. 5 – 10 years – 50%
  - iii. Above 10 years – 75%
- c) The percentage provision for doubtful debts shall be subject to amendment by the University Council after assessment of the economic environment.

### 3.3.1.5 Writing off bad debts

- a) Bad debts shall be written off when the University Management and Council deem them uncollectible and upon approval of the National Treasury in line with the Act.



- b) The bad debts written off shall be incorporated in the annual reporting as per the International Public Sector Accounting Standards (IPSAS).

### **3.3.2 Debtors Management Procedures**

#### **3.3.2.1 Student Debtors Collection**

- a) Notifications shall be done on notice boards or the University website notifying the students on the deadline for fees payments
- b) Reminders shall be done via notices

#### **3.3.2.2 Imprest Accounting Procedure**

The procedure for accounting for imprest shall be as follows:

- a) The applicant obtains and appropriately fills the imprest surrender form after accomplishing the task.
- b) The accountant in-charge shall verify the imprest accounting documents and clear the imprest debtor in the ERP system accordingly.
- c) In the event of non-accounting for the imprest, the CFO inform the imprest holder to surrender
- d) Where an imprest is not surrendered within the stipulated time then full recovery measures shall be instituted i.e. recovery from the staff's salary.
- e) Where the salary of the imprest holder is not sufficient to recover the whole imprest amount, the Vice Chancellor shall authorize the imprest to be recovered in instalments and disciplinary action may be taken against the imprest holder; PFM regulation Sec 93 (10).

#### **3.3.2.3 Trade and Other Debtors Collection**

The procedure for collection of trade and other debts shall be as follows

- a) Constant reminders shall be done via phone calls
- b) Reminder letters shall be send via email
- c) After the credit period lapses, demand letters shall be send to the debtors



### 3.4 EXPENDITURE MANAGEMENT

#### 3.4.1 Expenditure Management Policy Guideline

- a) All expenditures of the University shall be approved/ authorized by the Vice Chancellor.
- b) The approved Budget shall constitute part of authorization for the University to incur expenditure or obligations and make payments for the purposes for which appropriations were approved.
- c) The Vice Chancellor shall be responsible for effective implementation of all the financial rules, guidelines and limits.
- d) The CFO shall ensure that requests and spending are approved and are within the budget allocations.
- e) Payment of expenditures shall only be made based on duly certified supporting vouchers and other documents which indicate that the goods or services have been received in accordance with the documents establishing the obligation.
- f) All credit purchases shall be made through the Procurement department.
- g) The CFO shall ensure all cheque books are kept in safe custody.
- h) The payroll shall be prepared monthly and shall reflect the emoluments due to all employees.
- i) Machakos University shall deduct at source, withhold and remit all relevant taxes and other statutory deductions as required by law. The University shall comply with the relevant regulations and their amendments thereafter.

#### 3.4.2 Payment Procedures

##### 3.4.2.1 Imprest Processing

- a) This procedure shall start with the applicant writing a letter/memo explaining the purpose for expenditure to the Vice Chancellor through the immediate Supervisor and DVC (APF) for approval.
- b) Upon approval, the imprest accountant shall confirm whether the applicant has any outstanding imprest



- c) The applicant shall then raise an imprest warrant supported by the approved letter/memo
- d) The imprest accountant shall process the imprest voucher once the warrant is properly authorized
- e) The Imprest Voucher is then forwarded to Budgetary Control section for confirmation of funds availability and commitment.
- f) The Imprest Voucher is forwarded to DVC (APF) for approval.

#### **3.4.2.2 Payment of Suppliers and other Bills**

- a) This shall start with the CFO receiving an invoice from the Procurement Officer for goods/services/works.
- b) The CFO shall verify the invoice against the delivery note, LPO/LSO, and any other applicable support schedule.
- c) In the event of a discrepancy, the invoice shall be returned to the procurement department with recommendations for adjustments and re-submission.
- d) Upon verification, payment shall be processed considering availability of funds and aged creditors' schedule.
- e) The details of the payment voucher shall be automatically posted to the relevant cashbook after payment posting.

#### **3.4.2.3 Electronic Payment Procedure**

- a) An authorized bank agent of the University shall initiate the payment via the paying bank portal and send for first approval.
- b) The CFO or one of the DVCs shall approve the payment and send to the second approval.
- c) With respect to cheque signing threshold, the Vice Chancellor or one of the DVCs shall do the second approval for the bank to clear the payment.

#### **3.4.2.4 Procedure for Payment of Salaries**

- a) This shall start with the CFO receiving new staff movement advices by 15<sup>th</sup> every month.

- b) The CFO shall prepare the payroll in consideration of the following:
  - i. Staff movement advice and Appointment letter
  - ii. Statutory deductions
  - iii. Loans and SACCO deductions
- c) The CFO shall forward the monthly payroll to the DVC (APF) and Vice Chancellor for-approval.
- d) The Vice Chancellor shall consider support of payroll changes while approving the payroll
- e) The CFO shall then process the payments for the statutory deductions and salaries to various financial institutions
- f) Upon preparation of the payroll, the accountant shall prepare the following documents/ reports:
  - i. Pay slips
  - ii. Recovery lists
  - iii. Salary advice list to various financial Institutions

#### 3.4.2.5 Payment of Casual Wages

- a) The CFO shall receive approval for payment of casuals
- b) The CFO shall verify the accuracy of the supporting documentations.
- c) The CFO shall then process the payment

#### 3.4.2.6 Payment of Part-Time Lecturers

- a) The part-time lecturers shall submit claims for their payments with relevant supporting documents through their chairmen of departments and deans of their respective schools.
- b) The chairmen of departments/ deans of schools shall collect, verify and forward all the claims to the VC for payment approval
- c) The CFO shall verify the accuracy of the supporting documentations
- d) The CFO shall then process the payment.





#### 3.4.2.7 Statutory Payments Procedures

The University shall remit all statutory deductions on or before the stipulated dates as outlined below:

- a) P.A.Y.E – On or before 9<sup>th</sup> day of the following month
- b) Withholding Tax – On or before 9<sup>th</sup> day of the following month
- c) Withholding VAT – On or before 20<sup>th</sup> day of the following month
- d) VAT – On or before 20<sup>th</sup> day of the following month
- e) Withholding Tax on rent – On or before 20<sup>th</sup> day of the following month
- f) NHIF – On or before 9<sup>th</sup> day of the following month
- g) NSSF – On or before 9<sup>th</sup> day of the following month
- h) NITA Levy – On or before 10<sup>th</sup> day of the following month
- i) Catering Levy – On or before 9<sup>th</sup> day of the following month
- j) Affordable housing Levy - On or before 9<sup>th</sup> day of the following month

### 3.5 CREDITORS MANAGEMENT

#### 3.5.1 Credit Management Policy Guideline

- a) The creditors of Machakos University shall be stated at their nominal value.
- b) In managing the creditors, the University Management shall consider the financial position of the University.
- c) The University creditors are; Trade creditors, Part-time lecturers, Payroll creditors, Tax Creditors, Students Creditors among others.
- d) The Chief Finance Officer shall ensure payments are done based on the aged analysis and prepare periodic reports on the outstanding creditors.
- e) Priority shall be given to the suppliers under the special group category.
- f) All staff payroll deductions shall be remitted by 15<sup>th</sup> of the following month.
- g) All taxes shall be remitted on or before the submission dates as per the Income and VAT Acts and the respective tax regulations.
- h) Caution money shall be refunded within 30 days after clearance by the student.



## 3.6 RESEARCH FUNDS AND DONATIONS

### 3.6.1 Research Funds and Donations Policy Guidelines

- a) All externally sourced research funds and donations for the University shall be administered in accordance with Machakos University relevant policies unless otherwise specified by the donor or funding agency in the specific MoUs.
- b) In case of any purchases for goods or services for the research projects, Public Procurement Procedures shall apply
- c) Financial reports on research projects shall be in line with the donor funding and University guidelines
- d) All research assets treatment will be based on the contractual agreement between the donor and the University otherwise it shall be expensed, but after the closure of the project the asset will be revalued and capitalized.
- e) Research revenue shall be earned as research funds are spend on the respective research projects.
- f) Donations shall be recognized when received and the asset recognition criteria are met.
- g) Value for donations related to property, equipment and other assets shall be estimated by the University or as advised by the donor.
- h) Donations in kind of current nature shall be recognized in the period received and categorized as inventories in accordance with IPSAS 23.
- i) Donations in kind of capital nature shall be prorated in their useful life in a systematic manner and categorized as deferred income in the financial statements in accordance with IPSAS 23.
- j) Amortization of donated capital equipment shall be done over the appropriate depreciation period and the amounts debited in deferred income reserves.

### 3.6.2 Procedure for Management of Research Funds

- a) The principal investigator will notify the CFO on funds to be channeled through the University Account.



- b) On receipt of the funds in the University account(s), the Accountant in charge of Research grants shall receipt the funds under the research liability account and issue the acknowledgement receipt to the funding agency and inform the principal investigator.
- c) The Accountant in charge of Budgetary Control shall then create a vote for the research project.
- d) Payments for the Research shall be made as per the terms and conditions in the letter of award.
- e) On periodic basis, the Accountant in charge of Research grants shall prepare financial reports on the research project in line with donor funding and University guidelines.

### **3.6.3 Requesting of Research Funds Procedure**

- a) The principal investigator shall do a request for the funds to the VC for approval through DVC RIL and DVC APF attaching all the supporting documentations.
- b) Upon approval, the CFO shall process the request accordingly.

## **3.7 FIXED ASSETS MANAGEMENT**

### **3.7.1 Fixed Assets Management Policy Guideline**

- a) The Responsibility for fixed Assets acquired shall lie with the respective department in which they are deployed.
- b) Each department shall ultimately be responsible for the proper use of assets.
- c) A physical inventory of supplies, equipment and other property shall be undertaken every end of the financial year.
- d) All Fixed Assets shall be clearly tagged with agreed identification marks and serial number shall be given to each of these assets.
- e) There shall be a fixed Asset register maintained with all a record of all the assets indicating purchase date, asset class, description, serial number, and current location among others as may be prescribed from time to time.

- f) The CFO shall ensure proper records of assets are kept in line with the provisions of accounting policies.
- g) All University fixed assets shall be insured
- h) Fixed Assets disposal shall take place when fixed assets are incapable of efficient performance of their functions.
- i) Revaluation of fixed assets shall take place on the 8<sup>th</sup> year from the last revaluation or are incapable of efficient performance of their functions, whichever comes first.

**3.7.1.1 Depreciation Policy**

- a) Fixed Assets shall be depreciated at predetermined rates.
- b) The property, plant and equipment shall be reported at cost less accumulated depreciation and impairment losses
- c) Depreciation shall be calculated on straight line basis over the estimated useful lives of the assets at the following annual rates:

i. Land	0.0%
ii. Buildings	2.5%
iii. Motor vehicles	12.5%
iv. Property, Plant & Equipment	12.5%
v. Computers & Computer Software	12.5%
vi. Library books	5%
vii. Loose Tools	12.5%

**3.7.2 Procedure for Assets Management**

- a) The CFO shall receive information on a new fixed asset from the CPO and refer it to the Accountant in charge of Fixed Assets.
- b) The Accountant in charge of Fixed Assets shall liaise with the CPO and tag the asset (indexing) after delivery but before issuing to the respective users
- c) Fixed Assets shall be updated in the fixed asset register after tagging.



- d) In case of any need for revaluation of fixed assets, the CFO shall provide the required specifications for revaluation.
- e) The revaluation report shall be tabled to the University Management and Council for noting and direction.

### **3.8 CASH MANAGEMENT**

#### **3.8.1 Petty Cash Management Policy Guideline**

- a) The CFO shall ensure there is sufficient cash to cater for petty cash payments.
- b) There shall be a petty cash float limit as approved from time to time.
- c) The Machakos University Bank accounts shall be reconciled monthly.
- d) Regular spot checks shall be done to ascertain the cash held by the cashier against the cash payments done

#### **3.8.2 Petty Cash Recoupment procedure**

- a) The cashier shall record all cash payments in a cash register which would be used to monitor the cash balance
- b) In the event that the cash register shows minimal balances which cannot support operations, the cashier shall prepare a summary of all the cash payments from the last recoupment
- c) The summary shall be attached to the imprest/payment vouchers which need to be recouped and forwarded to the examination section for verification of the recoupment. All the recoupment documents shall be stamped 'recouped'
- d) The CFO shall prepare a request to the VC through the DVC (APF) for approval to recoup as per the recoupment summary and vouchers
- e) The VC shall consider the petty cash limit to be held and the amounts to be recouped while approving the recoupment
- f) Upon approval, the cashier shall raise a recoupment voucher against the approved recoupment
- g) An open cheque shall be drawn which will enable encashment by a bank agent



### 3.8.3 Bank Reconciliation Procedure

- a) The reconciliation accountant shall reconcile the cash book and bank balances on a monthly basis by following these work instructions:
  - i. Adjust the cash book with any items appearing in the bank statement and not in the Cash book.
  - ii. Identify the unpresented cheques and uncredited banking.
- b) The accountant shall prepare the bank reconciliation statement and forward to the CFO for information and action.
- c) In the event that there is a discrepancy between the bank statement and the cash book, the CFO shall communicate to the bank for clarification.

## 3.9 FINANCIAL REPORTING

### 3.9.1 Financial Reporting Policy Guideline

- a) Machakos University Council is responsible for the preparation and fair presentation of the financial statements in accordance with International Public-Sector Accounting Standards.
- b) The Council shall determine necessary internal controls to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- c) The financial statements shall be prepared in accordance with the Public Financial Management Act (PFM), the state corporations Act, the Universities Act and International Public Sector Accounting Standards (IPSAS).
- d) The financial statements shall be prepared on quarterly and annual basis.
- e) The financial statements shall be presented in Kenya shillings, which is the functional and reporting currency of The University.
- f) The accounting policies shall be applied consistently.
- g) The financial statements shall be prepared based on historical cost, unless stated otherwise.
- h) The cash flow statement shall be prepared using the direct method.



- i) The financial statements shall be prepared based on accrual basis.
- j) Machakos University accounts shall be audited annually by the Auditor General in accordance with the Public Audit Act, 2015.

### 3.9.2 Revenue Recognition

#### **i. Revenue from non -exchange transactions: IPSAS 23**

Donations shall be recognized when received and the asset recognition criteria are met. Values for donations related to property, equipment and other assets are estimated by the University or as advised by donors. Donations in kind of current nature shall be recognized in the period received and categorized as inventories while those of capital nature shall be prorated in their useful life in a systematic manner and categorized as deferred income in the financial statements in accordance with IPSAS 23.

Transfer from government entities shall be measured at fair value and recognized on obtaining the asset if the transfer is free from conditions and is probable that the economic benefits or service potential related to the asset will flow to The University and can be measured reliably.

#### **ii. Revenue from exchange transactions: IPSAS 9**

Fees and other incomes shall be recognized as and when earned during the financial period. Revenue from the sale of goods shall be recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and is probable that the economic benefits or service potential associated with the transaction will flow to The University.

#### **iii. Budget Information: IPSAS 24**

The budget shall be prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of The University. Because of the adoption of the accrual basis for budgeting purposes, there shall be no basis, timing or entity differences that would require reconciliation between the actual comparable



amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**iv. Property, Plant and Equipment: IPSAS 17**

All property, plant and equipment shall be stated at cost less accumulated depreciation and impairment losses. Cost shall include expenditure that will be directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, The University recognizes such parts as individual assets with specific useful lives and depreciate them accordingly.

Likewise, when a major inspection is performed, its cost shall be recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**v. Inventories: IPSAS 12**

Inventory shall be measured at cost upon initial recognition. After initial recognition, inventory shall be measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory shall be measured at the lower of cost and current replacement cost. Net realizable value shall be the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories shall be recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of The University.

**vi. Nature and purpose of reserves**

The University shall create and maintain reserves in terms of specific requirements. The reserves shall be maintained to cater for assets replacement, settlement of bad and doubtful debts, and any other contingency.



**vii. Changes in accounting policies and estimates – IPSAS 3**

The University shall recognize the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy shall be applied prospectively; if retrospective application is impractical.

**viii. Employee benefits: IPSAS 25**

Retirement benefit plans: The University established a defined contributions benefits scheme by the name Machakos University Retirement Pension Scheme under the custodian of Machakos university pension scheme, where employees' contributions shall be channelled to.

**ix. Related parties – IPSAS 20**

The University shall regard a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over The University, or vice versa. These parties shall offer managerial, advisory and regulatory services. The National Government, Members of Council and the management team shall be regarded as the related parties in preparation of MksU Financial Statements.

**x. Cash and cash equivalents – IPSAS 2**

Cash and cash equivalents shall comprise of cash in hand, mobile platforms, cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

**xi. Comparative figures**

Where necessary comparative figures for a previous quarter shall be amended, or reconfigured to conform to the required changes in presentation.

**xii. Significant judgments and sources of estimation uncertainty – IPSAS 1**



The preparation of the MksU Financial Statements in conformity with IPSAS shall require the University Council to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future.

**xiii. Estimates and assumptions**

MksU shall base its assumptions and estimates on parameters available when the consolidated financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of The University. Such changes shall be reflected in the assumptions when they occur (IPSAS 1.140). The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are described below;

**xiv. Useful lives and residual values**

The useful lives and residual values of assets shall be assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the University
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- c) The nature of the processes in which the asset is deployed
- d) Availability of funding to replace the asset
- e) Changes in the market in relation to the asset.

**xv. Provisions**

A provision for any uncollected debt shall be provided as a doubtful debt as follows:

- i. Below 5 years – 1%

- ii. 5 – 10 years – 50%
- iii. Above 10 years – 75%

**xvi. The Accounts Receivables**

The Accounts receivables shall be stated at their nominal value.

**xvii. Accounts Payables**

The Accounts payables shall be stated at their nominal value.

**xviii. Deferred Income**

Deferred income shall arise from donations in kind of fixed assets and shall be amortized annually at the relevant depreciation rate.

**xix. Capital Reserves**

Capital reserves recognized in the financial statements shall comprise of development grants from the ministry and revaluations of property, plant and equipment.

**xx. Subsequent events – IPSAS 14**

These shall comprise of events after the reporting period end with a significant impact on the financial statements for the period.

**xxi. Corporate Tax**

Machakos University is exempted from paying corporate tax by the Income Tax Act Cap 470 of the laws of Kenya.

**xxii. Financial Risk Management**

Machakos University's activities expose the institution to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management shall focus on unpredictability of changes in the business environment and shall seek to minimize the

potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The University's financial risk management shall encompass the scrutiny and proactive oversight of many key elements of the University's operations including credit risk, liquidity risk and market risk.

### 3.9.3 Procedure for Preparing Financial Statements

- a) At the end of every quarter and financial year, a trial balance shall be prepared by the Accountant in charge
- b) In the event, the trial balance does not balance, the accountant shall reconfirm the totals posted from the ledger.
- c) The Accountant shall then forward the trial balance to the CFO for confirmation
- d) The CFO shall then prepare the financial statements on a quarterly and annual basis.
- e) Upon preparation of the financial statements, the CFO shall submit the same to the Vice Chancellor for information and action.
- f) The reports shall be presented in the University Management and later University Council for Approval
- g) The Vice Chancellor shall then ensure copies of financial reports are filed and submitted to the relevant government agencies.

## 4.0 IMPLEMENTATION GUIDELINES

### 4.1 Transitional Arrangements

- a) The Financial year of Machakos University shall begin from 1<sup>st</sup> July and end on 30<sup>th</sup> June.
- b) This Policy and Procedure Manual shall apply to financial activities and transactions on the commencement of FY 2023-2024.



#### 4.2 Policy and Procedure Manual Implementation

- a) The DVC (APF) will put in place deliberate plans and efforts in building awareness of this policy and procedure manual to all the interested parties and stakeholders
- b) The DVC (APF) shall put in place an implementation framework for this policy and procedure manual
- c) This policy shall be implemented in harmony with other MksU policies
  - a) The DVC, APF shall put in place deliberate plans and efforts in building awareness of this policy and procedures manual to all the interested parties and stakeholders

#### 5.0 MONITORING AND EVALUATION

- a) The DVC (APF) shall monitor and evaluate the implementation of this policy and procedure manual.
- b) The DVC (APF) shall file periodical/annual monitoring and evaluation reports to University Management

#### 6.0 REVIEW OF THE POLICY AND PROCEDURE MANUAL

This policy will be reviewed within a period not exceeding five (5) years or as need arises