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<th>DOCUMENT</th>
<th>PROCEDURE FOR PROVISION OF FINANCIAL SERVICES</th>
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<td>DOC. NO:</td>
<td>MSU/AFD/FIN/OP/20</td>
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<td>REV. NO:</td>
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<td>AUTHORIZED BY:</td>
<td>DEPUTY VICE-CHANCELLOR, AFD</td>
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<td>ISSUED BY:</td>
<td>FINANCE OFFICER</td>
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0.1 DOCUMENT CHANGES

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<tr>
<th>Date</th>
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<tr>
<td>26/03/14</td>
<td>Clause 0.2 reviewed to state the procedure shall be available on the University website</td>
<td>DVC, AFD</td>
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<td>26/03/14</td>
<td>Omission of title hence purpose is captured under clause 1.</td>
<td>DVC, AFD</td>
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0.2 DOCUMENT DISTRIBUTION

Documents shall be available in the Maseno University website for authorized users.

1. PURPOSE:

To effectively and efficiently provide financial services to the University in accordance with the University statutes and international accounting standards.

2. SCOPE:

This procedure covers all aspects of providing financial services for the whole university in accordance with the stipulated financial and accounting standards.

3. REFERENCES:

3.1 ISO 9001: 2008 Quality Management Requirements
3.2 Maseno University Quality manual
3.3 Maseno University Terms of Service
3.4 International and Kenyan accounting Standards
3.5 International Standards on Auditing
4. **TERMS (DEFINITIONS)**

VC – Vice-Chancellor
DVC (AFD) - Deputy Vice-Chancellor, Administration, Finance and Development
DFO - Deputy Finance Officer
FO - Finance Officer
Draft Budget - is that budget which has not been approved by the University Council.
AIE - ‘Authority to Incur Expenditure’
AIE holder - is that head of a department or a unit, given the power to incur expenditure on behalf of the University.
Virement - means transfer of funds between the votes
MB - Management Board
HELB - Higher Education Loans Board
IGA - Income Generating Activities
SGS - School of Graduate Studies
Petty cash - minor payments
Authorized Float Amount- is an established level of Petty Cash Float that must be maintained under the imprest system.
Revenue - applies to all income for the university.

**CUE - Commission for University Education**

Voucher - means all Payment Vouchers, Claim Vouchers and Imprest Warrants
VAT - Value Added Tax
HOD - Head of Department
CIA - Chief Internal Auditor
PV - Payment voucher
CV - Claim voucher
IW - Imprest Warrant form
PCA - Pay Change Advice. This is normally originated from Administration and contains information which affects employee’s remuneration.
PAYE - Pay As You Earn –Tax
NHIF - National Hospital Insurance Fund
TB - Trial Balance
AAP - the Generally Accepted Accounting Principles
System Audit - Involves a series of activities in which an external auditor performs overall inspection and evaluation of processes in an organization.
Management Letter - Document or documents whereby the external auditor formally reports issues arising from audit.
LPO – Local Purchase Order
F&GP Committee – Finance & General Purposes Committee of Council

5. RESPONSIBILITIES
Finance Officer shall be responsible for the implementation and effective supervision of these procedures.

6.0 METHOD
6.1 Budget preparation
6.1.1 FO shall send notices to all the departments and units to send in their budget requirements for next financial year.
6.1.2 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 DVC,AFD.
6.1.3 Finance Budget Sub- Committee shall consider and forward the draft budget to Budget Committee of the University and to the VC for further consideration.
6.1.4 The draft budget shall be submitted to the F&GP Committee of Council for discussion and recommendation to Council for approval.
6.1.5 The draft budget shall be forwarded to Council for approval.
6.1.6 The draft budget together with Minutes of Council shall be forwarded to the Ministry of Higher Education, Science and Technology not later than 28th of February each year.
6.1.7 After approval by the Treasury, the DFO (Planning) shall prepare an internal budget from the initial draft to reflect the approved estimates.
6.1.8 The FO through the DVC, AFD shall submit the draft internal budget to the University Budget Committee for discussion and recommendation to the VC.
6.1.9 After approval by the VC, the draft budget shall be forwarded to the F&GP Committee for discussion and recommendation.
6.1.10 After recommendation by the F&GP Committee, the budget shall be submitted to Full
6.1.11 After approval by Full Council, extracts of the budget shall be circulated to respective Chairmen/Heads of Department, Deans and Directors.

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

6.2 Method for Budgetary Control

6.2.1 The Vote Book Controller, under the supervision of the Senior Accountant In-charge of the section, shall post the departmental estimates from the approved budget to the respective vote heads on quarterly basis, which is on a three-month allocation.

6.2.2 The Vote Book Controller shall make commitments on requisitions and vouchers for all forms of expenditure in the vote book.

6.2.3 The Senior Accountant shall ensure that commitments do not exceed the quarterly allocations for each respective vote head.

6.2.4 Any requisitions, in excess of the quarterly allocation will be returned to the AIE holder for adjustment downward or virement.

6.2.5 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 (Planning).

6.3 Method for Management of Students Finance

6.3.1 Before commencement of each semester, students shall make payments by depositing cash in the University’s relevant bank accounts countrywide.

6.3.2 The accountant shall update Students’ ledgers with the schedules of loans and bursaries received from HELB.

6.3.3 On the day of registration, Academic division shall issue the students with “Movement forms” to be filled in every section of the registration exercise.

6.3.4 Finance section desk shall issue the students with a receipt on production of bank pay-in slips.

6.3.5 After the registration exercise, the accounts clerk shall use receipt books to update the Students ledgers/records.


6.4.1 If and when the University realizes surplus funds, the FO shall make a proposal to MB to invest.

6.4.2 MB shall then consider the proposal before forwarding it to the University Council to invest the surplus
funds.

6.4.3 Once the Council approves the proposal, the FO is mandated to seek the best current options of investments and present these to MB for consideration.

6.4.4 On approval by MB, the surplus funds are invested.

6.5 Method for IGA Sales

6.5.1 There shall be offer for sale of goods and services.

6.5.2 The unit cashiers shall receive money from customers and issue receipts.

6.5.3 The customer shall go to the various sales points and produce the receipt in exchange for the goods.

6.5.4 All the unit cashiers shall surrender the cash received to the revenue cashier in the main cash office on daily basis.

6.5.5 The revenue cashier shall issue revenue receipts to the unit cashiers who shall attach a copy to the cash sale book.

6.5.6 The cash sale book shall be audited instantly and investigations carried out to ascertain any under- cast or over-cast of sales.

6.5.7 The revenue cashier shall bank all the revenue into the IGA bank account.

6.6 Method for IGA – Internal Supplies

6.6.1 The IGA unit e.g. the Farm, shall receive orders through LPO's from departments e.g. Kisumu Hotel.

6.6.2 The unit shall supply as per the LPO and give out delivery notes to be signed by the recipient of the goods.

6.6.3 The unit shall raise invoices for the delivered goods and forward them to creditors section for settlement.

6.6.4 The payment shall go through the payment voucher process and then a cheque written in favour of IGA.

6.6.5 The cheque shall be deposited into the IGA bank account.

6.7 Method for Research Grants Management

6.7.1 Research grants money from various donors/organizations shall be received by the University.

6.7.2 Research grants money received shall be banked in the Research bank Account. The Director – SGS and the researcher concerned shall be notified.

6.7.3 The accountant in-charge shall open ledger accounts for the various researchers.

6.7.4 The researcher shall apply for the funds through imprest warrants, which must be authorized by Director – SGS and Administrative costs recovered.

6.7.5 The imprest warrant shall be recorded in the imprest register and the researcher’s ledger account.
6.7.6 Finance Officer and the Director-SGS will transfer an equivalent amount from the research bank account to the main current account, from where the amount will be paid.

6.7.7 The researcher shall account for the imprest within the stipulated time.

6.7.8 On completion of the research project the researcher in conjunction with the accountant in-charge of research projects, shall prepare a receipts & expenditure statement to the Finance Officer through the Director-SGS.

6.7.9 Any equipment bought by the researcher for the research project shall be surrendered to the University.

6.7.10 The researcher shall prepare a financial report of the research project to the respective donor which shall be checked and verified by the FO before submission.

6.8 Method for the Debtors Management (Credit Control)

6.8.1 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.

6.8.2 The accountant in-charge shall raise invoices and post them in the respective debtors ledgers.

6.8.3 The accountant shall forward the original invoices to the respective debtors and copies to salaries section for recoveries.

6.8.4 The accountant shall update the debtors’ ledgers with the monthly salary recoveries and any cash payment.

6.8.5 The accountant shall prepare monthly debtors’ report for the FO.

6.9 Management of Petty Cash Float

6.9.1 The Paying cashier shall be advanced an authorized amount of float at the beginning of the financial year for making payments of up to an approved amount on fully processed vouchers, claim vouchers or imprest warrants.

6.9.2 The cashier shall pay between 9 a.m -12 noon in the morning hours and between 2 p.m – 4.30 p.m in the afternoons.

6.9.3 The payee shall certify receipt of cash by appending signature on the voucher.

6.9.4 The cashier shall then enter the details of all payments in the cashbook.

6.9.5 The paying cashier shall balance the cashbook every day after 4.30pm.

6.9.6 When the total amount of paid vouchers reaches half the amount of float issued, paying cashier shall raise a claim voucher for that amount for his recoupment.

6.9.7 The recoupment voucher goes through the payment voucher process before a cheque is raised for withdrawal of cash.
6.9.8 The paying cashier shall then forward all the paid documents to final accounts section for posting into the ledger.

6.9.9 The paying cashier shall surrender the float at the end of each financial year and apply for a new one in the beginning of each financial year.

6.10 Method for Revenue Collection

6.10.1 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.

6.10.2 The receiving cashier shall issue receipts for all revenue and record these in the revenue cashbook.

6.10.3 The receiving cashier shall balance the cashbook after 4.30 p.m every day.

6.10.4 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.

6.10.5 Copies of the paying-in-slips are forwarded for postings into the ledger.

6.11 Method for Banking Process

6.11.1 The Chief cashier shall take over cash from the receiving cashier and also collect any cheque for withdrawal.

6.11.2 The chief cashier shall prepare all the pay-in-slips for the monies to be banked in the various bank accounts.

6.11.3 The chief cashier shall make all arrangements to facilitate banking.

6.11.4 While at the bank the chief cashier does all the banking activities.

6.11.5 From the bank the chief cashier shall hand over the pay-in slips to the receiving cashier for verification and the withdrawn cash to the paying cashier.

6.12 Method for Cheque writing

6.12.1 The cheque-writing cashier shall receive fully processed vouchers against which cheques are to be raised.

6.12.2 The cheque-writing cashier shall write cheques as per the instructions on the voucher.

6.12.3 The cheque-writing cashier shall prepare cheques schedules for the written cheques.

6.12.4 The senior accountant in-charge shall approve the cheques schedule.

6.12.5 The chief internal auditor shall verify the cheques schedule.

6.12.6 The FO appends first signature on the cheques.

6.12.7 The DVC or VC appends second signature on the cheques.
6.12.8 The fully signed cheques are returned to FO for recording.
6.12.9 The fully signed cheques are taken to cheque-writing cashier for sorting where the vatable ones are taken to creditors section for issuance of VAT certificate.
6.12.10 The cheque-writing cashier dispatches the cheques.

6.13 Method for Creditors Management (Debt Management)
6.13.1 The accountant-in-charge shall receive documents pertaining to creditors.
6.13.2 The accountant shall check and analyse the documents by counter checking LPO against the GRN & invoice to ascertain if they are in agreement.
6.13.3 The accountant shall prepare monthly creditors’ aging schedule.
6.13.4 The accountant shall open creditors ledgers and invoices posted.
6.13.5 The accountant shall prepare payment vouchers and cheques against the invoices.
6.13.6 FO shall release the signed cheques to creditors section for dispatch according to the aging schedule.
6.13.7 The accountant shall update creditors’ ledgers with the payments.
6.13.8 VAT certificates for the vatable ones shall be issued by the accounts clerk and dispatched together with the cheques.
6.13.9 The accountant shall prepare weekly VAT returns, raise VAT cheques and deposit these into the VAT bank account.
6.13.10 The accountant shall reconcile creditors ledgers with the statements received from creditors.

6.14 Method for Payment Voucher Process
6.14.1 PVs shall be raised in payments section while CVs be raised by the respective claimant using blank CV forms from a centrally kept book in Payment section while attaching all the necessary supporting documents.
6.14.2 The PV shall be approved by the senior accountant while CV shall be approved by the HOD.
6.14.3 The Registrar-Administration shall approve the PV/CV.
6.14.4 The PV/CV shall be committed in the vote book.
6.14.5 The PV/CV shall then be approved by the VC.
6.14.6 The FO shall give final approval for payment.
6.14.7 The CIA shall examine and verify the PV/CV.
6.14.8 The PV/CV shall be received in cash office in a register where either cash payment is made if it is less than Kshs 10,000 or a cheque raised.
6.15 Method for Departmental Petty Cash Float Process

6.15.1 The user department shall put in a request for a float by writing to the DVC (AFD) through the HOD.

6.15.2 DVC, AFD shall consider and forward the same to the VC for approval.

6.15.3 Upon VC's approval, an IW for the amount approved shall be raised by the prospective float holder and taken through the process of imprests. However, the imprest is surrendered at the end of the financial year, unlike other imprests.

6.15.4 The petty cash float details shall be entered in the departmental floats register.

6.15.5 The float holder shall make requests for reimbursements on monthly basis filling a CV and attaching the relevant receipts.

6.15.6 The HOD shall verify the claim before forwarding it for processing

6.15.7 The reimbursement claim shall go through the process of CV.

6.15.8 The float holder shall surrender the float at the end of the financial year, i.e. 30th June upon which the imprest is cleared.

6.15.9 If the float holder wishes to continue holding the float in the next financial year, he or she shall apply for a new float in the beginning of the financial year and the process is repeated.

6.16 Method for Imprest System

6.16.1 The prospective imprest holder shall present himself or herself to the imprest accountant who then shall verify and ascertain that the prospective imprest holder does not have any outstanding imprest.

6.16.2 A blank IW shall be issued from the central book kept in Imprest section and the imprest number and name of imprest holder recorded in the Imprest Register.

6.16.3 The IW shall be filled by the imprest holder and then taken to the respective HOD or Director-SGS in case of research imprest for authorization.

6.16.4 The details of the IW shall be recorded in the imprest register by the Imprest Accountant.

6.16.5 The IW shall be voted.

6.16.6 The IW shall be approved by Registrar-Administration.

6.16.7 The IW shall go for second approval by DVC.

6.16.8 The IW shall be given the final approval for payment by FO.

6.16.9 CIA shall audit the IW.

6.16.10 The IW shall be forwarded to cash office for payment.

6.16.11 A copy of the IW shall be taken to imprest section for custody.
6.16.12 The imprest holder shall account for the imprest within 48 hours or within a specified period, by filling a prescribed accounting form and attaching all relevant receipts to form the “accounting document”.

6.16.13 If there is under-expenditure, the imprest holder shall pay the amount to the cash office and attach the receipt to the accounting document. Over-expenditures are not encouraged.

6.16.14 The accounting document shall be checked and approved by the imprest holder’s HOD before it is forwarded to imprest section for verification.

6.16.15 The accounting document shall be attached to the copy of IW in imprest section and shall then be verified by the imprest accountant.

6.16.16 The accounting document shall be audited by CIA, who shall advise FO to recover from the imprest holder’s salary, any unpaid under-expenditure, any disallowed expenses or the whole amount of imprest, if the accounting is rejected.

6.16.17 The accounting document shall be sent to imprest section where it will be cleared from the imprest register by the imprest accountant.

6.16.18 The accounting document is filed by imprest section for future reference.

6.17 Method for Payroll Administration

6.17.1 The payroll accounts clerk shall receive PCAs via FO for action.

6.17.2 If the PCA is not concerning a new employee, then accounts clerk 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 HOD and forwarded to personnel registry who allocates a P/F 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.

6.17.3 After all the necessary changes to the payroll have been input, the payroll accountant shall close the payroll for that particular month.

6.17.4 The accounts clerk shall make Printouts e.g. pay-slips, deduction lists, net salaries, bank listing, and etc.

6.17.5 Payroll accountant shall check and verify the payroll for correctness and make necessary corrections and adjustments.

6.17.6 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
The accountant shall process the PVs for the banks and deductions.

CIA shall audit the payroll and PVs.

Salary payments and deductions shall be transferred to the banks.

The payroll for the following month then commences as above and the cycle continues.

**Method for Payments outside Payroll**

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 CIA

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.

Cheques will be written against the PVs and processed.

Cheques for casual wages shall be cashed by the chief cashier and paid in the cash office while those of part-timers are dispatched.

**Method for Production of Accounts**

The senior accountant shall receive all accounting documents from the various sections of Finance department and organize to have them input into the accounting system.

Data is keyed into the accounting system.

The posted documents shall be marked as posted and dispatched to the filing room for filing and safe custody.

The senior accountant shall produce monthly TBs and organize to prepare Bank reconciliation statements for all the bank accounts.

The senior accountant shall prepare quarterly accounts, management accounts and any required financial statement from the TBs.

The senior accountant shall prepare draft final accounts.

The senior accountant shall forward the draft accounts to FO, DVC, AFD, VC and Chairman of Council for
their approval, before transmission to the National Audit Office by 30th September every year, for external audit purposes.

6.20 Method for External Audit Management

6.20.1 The external auditor will visit the University to carry out systems audit at the beginning of every financial year and issue a management letter of weaknesses.

6.20.2 The University shall respond to the issues raised.

6.20.3 After the end of each financial year and before 30th September, The Finance officer shall submit the draft report and accounts for the particular year to the National Audit Office for auditing.

6.20.4 After receiving the draft accounts, the external auditor shall visit the University to carry out the final Accounts audit.

6.20.5 After concluding the final Accounts audit, the external auditor shall write a management letter to the VC.

6.20.6 The VC shall respond to the management letter immediately and may consult with the external auditor whenever necessary.

6.20.7 The external auditor shall write to the VC a final letter stating intention to issue a certificate on submitted accounts.

6.20.8 The VC shall respond to the letter and submit 6 copies of the accounts.

6.20.9 The Auditor general shall then issue a certificate on the accounts.