



**JARAMOGI OGINGA ODINGA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FINANCIAL MANAGEMENT POLICY**

**December, 2013**

## JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

### Financial Management Policy

2013

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**Signed:**



Vice-Chancellor, Secretary to Council  
Prof. S. G. Agong'

19<sup>th</sup> Dec. 2017

Date



Chairman of Council  
Dr. B. J. Mwandotto

19<sup>th</sup> Dec. 2014

Date

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**LIST OF ABBREVIATIONS AND ACRONYMS**

<b>A- in -A</b>	Appropriation in Aid
<b>AIE</b>	Authority to incur Expenditure



<b>JOUST</b>	Jaramogi Oginga Odinga University of Science and Technology
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GOK</b>	Government of Kenya
<b>GRN</b>	Goods Received Note
<b>HR</b>	Human Resources
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>PPOA</b>	Public Procurement Oversight Authority
<b>PV</b>	Payment Voucher

## **1 INTRODUCTION**

### **1.1 Background and Legal Mandate**

Jaramogi Oginga Odinga University of Science and Technology operates under the following legal and regulatory framework.

1. The Constitution of Kenya, 2010
2. The Universities Act No 42 of 2012
3. The JOOUST Charter of 2013
4. The State Corporation Act 446
5. The Public Audit Act of 2003
6. Public Financial Management Act of 2012
7. JOOUST Statutes , 2013

### **1.2 Basis of Preparation and Limiting Conditions**

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

### **1.3 Objectives and Purpose**

The policy will enable JOOUST to effectively discharge its obligation under Statues 2013. Specifically, it provides comprehensive guidance in relation to financial management and accounting policies, procedures transactions and reports. It records and presents in single document, a basis guide of accounting policies and procedures to be adopted in the running of the JOOUST.

The Policy is a reference resource by JOOUST staff, auditors, and other relevant parties. It shall also be used in connection with training of the staff of the JOOUST.

### **1.5 Scope**

This documents the financial management framework, accounting policies and regulations, and reporting procedures of JOOUST. It also gives an overview of the procurement procedures and auditing arrangements

### **1.6 Amendments**

All amendments to this policy document shall be initiated by the Deputy Vice Chancellor (Planning, Administration and Finance) in consultation with the UCMB and transmitted to JOOUST Council for approval before they become effective.

## **2. OVERVIEW OF FINANCIAL MANAGEMENT FRAMEWORK**

This section contains an overview of JOOUST's financial management framework

Figure 1: Basic Organ gram of the Financial Management and Accounting Function

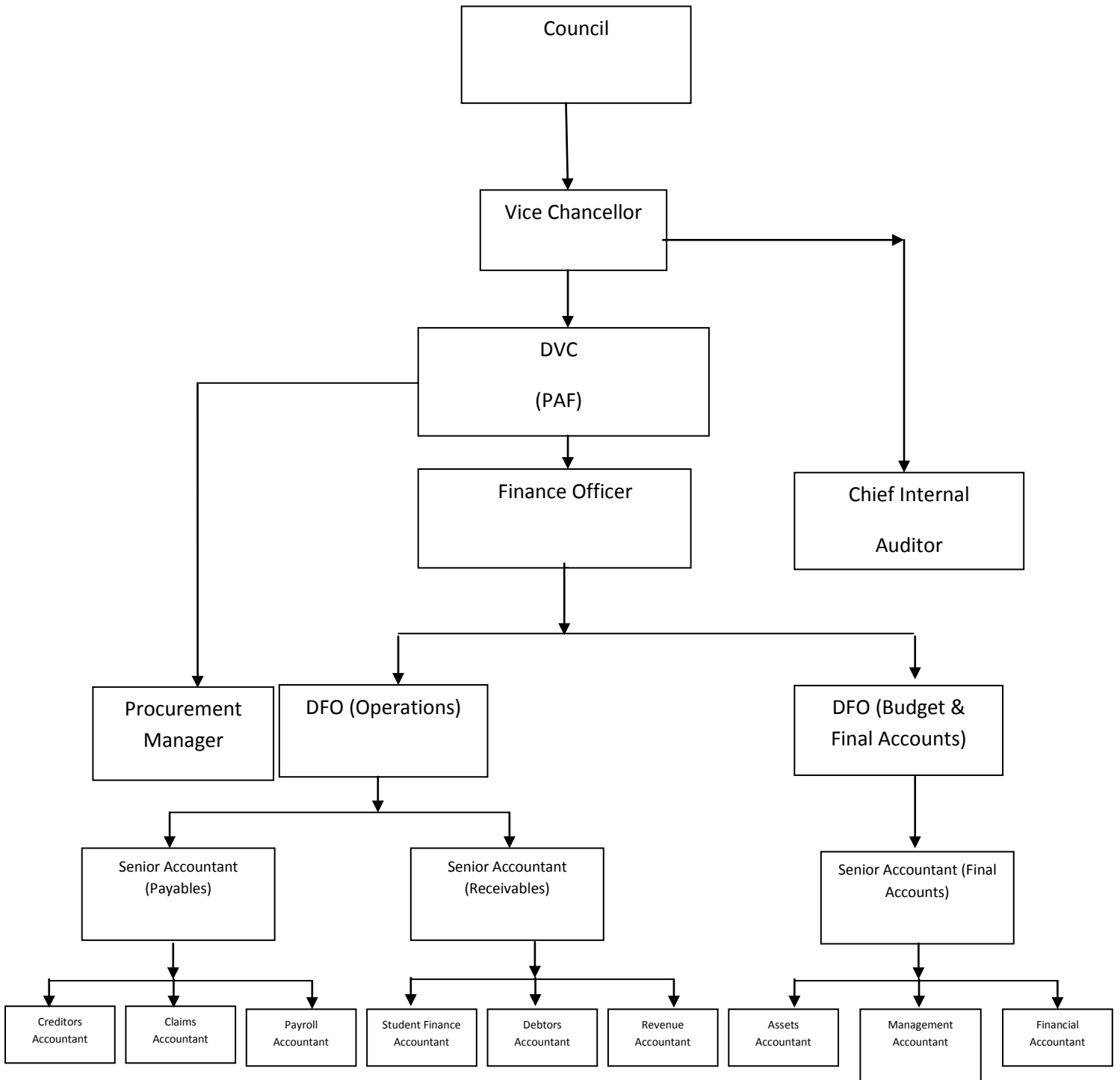
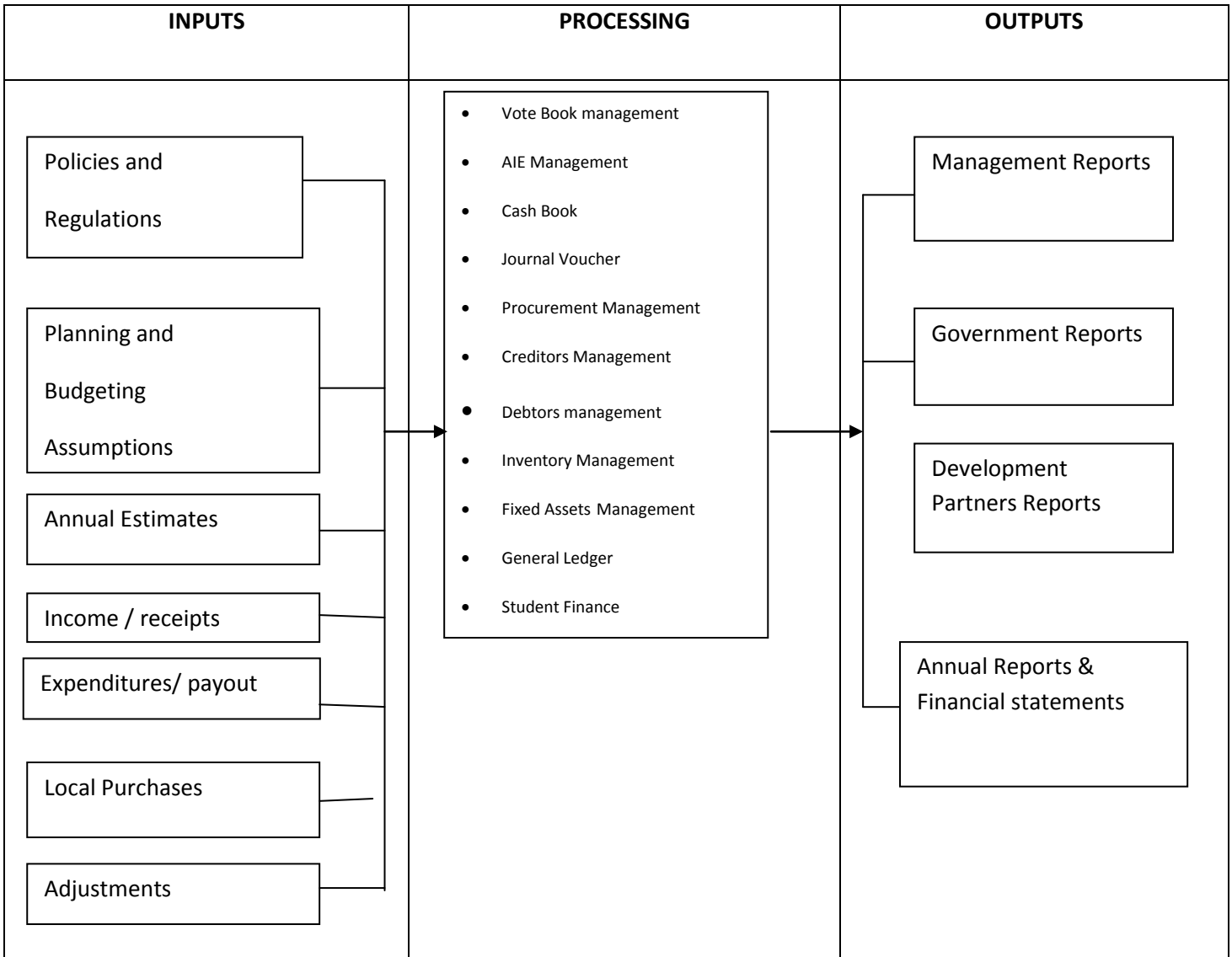


Figure 2: Summary of JOOUST Financial Management overview



**Table 1: The Specific Processes in Financial Management**

Process	Enabling Framework
Planning and Budgeting	<ul style="list-style-type: none"> <li>• GOK Annual estimates</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• GOK budgetary allocation</li> <li>• Appropriation -In-Aid</li> <li>• Internally generated Funds</li> <li>• Direct Funding from Development partners , where applicable</li> </ul>
Disbursement authorization	<ul style="list-style-type: none"> <li>• Vice Chancellor</li> <li>• Deputy Vice Chancellor (PAF)</li> <li>• Finance Officer</li> </ul>
Accounting	<ul style="list-style-type: none"> <li>• GOK Regulations</li> <li>• Development partners requirements , if applicable</li> <li>• International Financial Reporting Standards</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• GOK regulations</li> <li>• Development partner requirement if applicable</li> <li>• International Financial Reporting Standards</li> </ul>
Audit	<ul style="list-style-type: none"> <li>• GOK Regulations and Legal requirements</li> <li>• Development partner requirements if applicable</li> </ul>

### **2.1 Planning and Budgeting**

The planning and budgeting of JOOUST shall be carried out in accordance with the relevant legal and regulatory provisions as outlined in those frameworks.

In accordance with Sec 11 of the State Corporations Act cap 446 governing preparation of Estimates of Parastatal Organizations and Sec 44 (1) of the University Act 2012. The University Budget Committee shall have the responsibility for ensuring that JOOUST budget proposals are prepared and submitted in good time.

- a) JOOUST shall prepare annually a three year forward budget (MTEF) for approval by the parent Ministry and the National Treasury.
- b) The forward budget which should cover both the capital (development) and operating (recurrent budget) should form the basis of their subsequent annuals budget.
- c) Any proposed financing from the exchequer and /or their budgets to the Investment Division of the Treasury latest by 1<sup>st</sup> January each year for consideration and approval by the Treasury before the preparation of annual budgets

### **2.2 Funding and Flow of Funds**

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

- a) GOK revenues system ( the normal budgetary allocations in the approved budget for the Ministry for Education, Science & Technology );

- b) Appropriation – in Aid(A –in –A );
- c) Direct research grants from funding partners ;
- d) Proceeds from Long term investments e.g. IPO's;
- e) Royalties; and
- f) Any other Council approved revenue e.g. Endowment funds

### **2.3 Funding through the GOK Revenue System**

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

The Principal Secretary (PS) Ministry of Education, Science & Technology is the AIE holder (Authority to incur expenditure and is ultimately responsible for accounting for the funds allocated to his Ministry. The PS delegates this role to the Vice Chancellor of JOOUST who is the designated AIE holder)

On receipts of the AIEs at the JOOUST level, the AIE holder spends the funds as per the annual estimates submitted to the Ministry and approved by the National Treasury.

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

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

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

### **2.4 Appropriations- in – Aid**

This may be through:

- a) Direct disbursement where payments are made to the suppliers of goods and services by the development partners
- b) Reimbursement where JOOUST pays first for the goods and services supplied and later claim reimbursement from the development partners, and
- c) Payment of cash advances to JOOUST by the development partner.
- d) Internally Generated Funds

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

### **2.5 Direct Research Grants from Funding Partners**

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

## **2.6 Proceeds from Long Term Investments.**

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

## **2.7 Royalties Receivable**

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

## **2.8 Any other Council Approved Revenues**

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

## **2.9 Accounting**

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

The accounting system of JOOUST shall be a commercial accounting system which incorporates non-cash adjustments such as reserves, provisions, accruals and prepayments with accounts for capital liabilities and assets.

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

## **2.10 Reporting**

The accounting system used by JOOUST will be sufficiently robust to meet reporting requirements for the effective running of JOOUST in accordance with good corporate governance practices and GAAPs.

In addition, the system should meet Government and Development Partner reporting requirements. The detailed reporting requirement and procedures are outlines in Section 17 of this policy.

## **2.11 Audit**

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

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

### **3.0 ACCOUNTING POLICIES & REGULATIONS**

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

1. The Universities Act No. 42 of 2012
2. The State Corporation Act ( 446)
3. The Public Audit Act, 2003
4. Public Financial Management Act,2012
5. International Financial Reporting Standards(IFRSs)
6. JOOUST Statutes, 2013

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

#### **3.1 Books of Accounts and Financial Statements**

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

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

1. Statement of Financial Position showing in details the assets and liabilities of the University at the end of the financial year.
2. Statement of Comprehensive Income of the University for the Financial Year just ended.
3. Statement of Cash flows for the University at the end of the financial year.
4. Statement of Changes in Equity for the financial year just ended.

#### **3.2 Accounting System**

In accordance with Government financial regulations and procedures, the accounting systems shall be a commercial accounting system which incorporates non-cash adjustments such as reserves, provisions, accruals and prepayments which accounts for capital, liabilities and assets. The preparation and presentation of the accounts will generally conform to the requirements of the international financial reporting standards (IFRSs), Cost and Management Accounting will also be adopted to assist management to run JOOUST on sound commercial lines.

#### **3.3 Accounting Period**

In accordance with section 50 of the University Act 2012 the financial year of JOOUST shall be the period of 12 months beginning 1<sup>st</sup> July each year and ending on 30<sup>th</sup> June the following year.

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



### 3.4 Significant Accounting Policies

#### a) Basis of Preparation

The financial statements shall be prepared in accordance with International financial reporting standards as may be issued by the respective standard setting bodies from time to time. The financial statements shall be prepared under the historical cost convention

#### b) Funds and Revenues recognition

Funds from GOK or Development partners shall be recognized when received

Income from internally generated activities shall be recognized when earned.

#### c) Expenditure recognition

Expenditure is recognized on an accrual basis when incurred.

#### d) Translation of foreign currencies

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

#### e) Reporting in Foreign currencies

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

#### f) Segmental reporting

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

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

#### g) Property ,plant and equipment

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

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

#### h) Depreciation

Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The annual rates of depreciation used are as follows:

1. Building	2.5%
2. Plant , Machinery and equipment	20%
3. Office Equipment	12.5%
4. Computer equipment	33.3%
5. Motor vehicles	25%
6. Furniture and fittings	12.5%

**i) Impairment of assets**

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

**j) Operating lease rentals**

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

**k) Inventories**

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

**l) Debtors**

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

**m) Creditors and other payables**

Creditors and other payables are stated at cost.

**n) Provisions**

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

**o) Cash and Cash equivalents**

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

**p) Consistency**

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

**4. PLANNING AND BUDGETING PROCEDURES**

**4.1 Recurrent and Development Estimates**

JOOUST shall prepare not later than 31<sup>st</sup> of January of every year and submit to the parent Ministry and to National Treasury for approval estimates of JOOUST’s revenue and expenditure for the following financial year, in accordance with the State Corporations Act Sec 11(1) and Sec 44 of the Universities Act. The estimates shall be accompanied by proposals for funding for all projects to be undertaken by JOOUST or the implementation of which will continue during the financial year to which those estimates relate. No annual estimates and proposals for funding projects shall be implemented until they have been approved by the Minister with the concurrence of the Treasury.

**4.2 Linkage between MTEF and JOOUST strategic plans and Budgets**

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

1. JOOUST shall prepare annually a three year forward budget for approval by the parent Ministry and the National Treasury. The forward budget should cover both the capital ( development ) and operating ( recurrent ) budgets to form the basis of their subsequent annual budgets;
2. Any proposed financing from the exchequer and/or from external development partners must be contained within the parent Ministry’s budget ceiling and
3. JOOUST shall submit the recommendations of its budget to the Investment Division of the Treasury latest by 31<sup>st</sup> January each year for consideration and approval by the Treasury before the preparation of annual budgets

JOOUST strategic plans and budgets shall be submitted to the parent Ministry within the MTEF budgeting process calendar.

**Table 2: JOOUST Work plans and recurrent expenditure budgets**

<b>Procedure</b>	<b>Responsibility</b>
1) Staff within various cost centers contributes toward development of annual departmental estimates	Heads Of Departments
2) The departmental heads submits their expenditure estimates to the Finance Officer for Consolidation	Heads Of Departments
3) Finance officer Consolidates expenditure estimates from various departments	Finance Officer
4) University Budget Committee meeting to review consolidated expenditures estimates	Deputy Vice Chancellor (PAF)

5) Approval of expenditure estimates by the UMB	Vice Chancellor
6) Approval of expenditure estimates by the Council	Council
7) Submission of estimates to the Ministry for Approval	Vice Chancellor

**Table 3: JOOUST Investment plans and development expenditure Budgets**

Procedure	Responsibility
1. The activities planned for the year are identified from the objectives outlined in the strategic plan and business Plan	Head of departments
2 Each head of department in consultation with Finance and Planning departments develops a drafts expenditure budget	Heads of Departments / Finance Officer
3. Each draft budgets are consolidated by the Finance Officer and circulated and discussed by the University Budget Committee	Deputy Vice Chancellor (PAF)
4. The consolidate draft budget is forwarded to the Council for review and approval	Vice Chancellor
5. The approved draft budget is forwarded to the Principal Secretary, Ministry of Higher Education, Science & Technology for review and approval	Vice Chancellor
6. The Principal Secretary reviews the draft budget and proposes any adjustment and then forwards the same to National Treasury for inclusion in the GOK annual estimates and then taken to parliament for approval	PSs MOEST & National Treasury
7. The approved budgets draft is adopted and each department is forwarded their approved budgets for their use and control.	Vice Chancellor & Finance Officer

**Table4: Planning and Budgeting Reports**

	Description / Type	Frequency	Distribution User
1	Strategic plan	At least Once in 5 years	JOOUST and relevant stakeholders
2	Business plan	Annually	All departments within JOOUST
3	Annual Work plans	Annually	All departments within JOOUST
4	Recurrent expenditure budget – Annual and three year forward	Annually	All departments within JOOUST
5	Development expenditure Budget – Annual and three year forward	Annually	All departments within JOOUST
6	Investment strategy, plan & risks	At least once in 3 years	All departments within JOOUST

## **5. ACCOUNTING FOR REVENUE AND GOK / DEVELOPMENT PARTNERS FUNDS**

### **5.1 Purpose**

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

### **5.2 Accounting for Government Funds**

#### **5.2.1 Requisition of funds**

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

#### **5.2.2 Receipts and recording**

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

### **5.3 Accounting for A in A**

#### **5.3.1 Requisition of funds from development Partners**

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

#### **5.3.2 Accounting of funds**

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

### **5.4 Internally Generated Revenues**

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

#### **5.4.1 Types of internally generated revenues**

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

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

## **5.5 Billing /Invoicing Procedures**

### **5.5.1 Billing for student fees**

Invoicing shall be done upon the provision of students roll from the Academic Registry confirming the number of students who have been admitted to pursue JOOUST academic programmes. This should be done immediately it is established the dates of semester/sessions dates so as to enable the students to fully access their fee balances.

### **5.5.2 Other Incomes**

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

## **5.6 Updating the Accounting records and Debtors**

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

## **5.7 Accounting for Direct Donor Funds/ Research Grants**

### **5.7.1 Firm Commitments with development Partners**

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

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

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

All research grants received by JOOUST shall subject to approval of JOOUST Council attract 10 % administration charges that shall automatically be deducted by JOOUST for administration of such grants.

### **5.7.2 Disbursement Schedule**

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

### **5.7.3 Receipts and Updating Accounting Records**

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

**Table 5: Revenue Reports**

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

**6. DEBTORS AND PREPAYMENTS**

**6.1 Purpose**

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

**6.2 Debtors**

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

**6.3 Recoverability**

JOOUST shall allow up to 30 days moratorium before payment for monthly fees and any other amount due on contractual obligations. This period may however be revised by the Vice Chancellor if deemed necessary.

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

**6.4 Bad Debts Provisions Policy**

The Finance Officer shall review all outstanding debts which are under dispute, on a monthly basis before any bad debt provisions are made

Provisions shall be made for bad and doubtful debts at the following rates

Period Outstanding	Percentage Provision
241 -360 days (8-12 months)	25%
Over 1 year	50 %
Over 2 years	100%

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

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

### 6.5 Prepayments and Deposits

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

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

### 6.6 Staff Debtors – Advances / Imprests

#### 6.6.1 Guidelines

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

Retirement of imprest must be made within 48 hours after the purpose for which the imprest was applied for has been fulfilled. 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 debit the relevant expense account with the amount of the expense and debit the surrendering officer’s account by the same amount and reconciling all these to the GL

**Table 6: Imprest Requisition Procedures**

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



**Table 7: Procedures for Accounting for Imprest**

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

**6.6.2 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 regular basis by the accountant. This is through a well maintained imprest warrant application and surrender register.

In the event that an employee has not accounted for 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.

**6.7 Key Controls for Debtors Management**

1. Individual debtor account shall be maintained and reviewed on a monthly basis;
2. A schedule of prepayments shall be maintained;
3. An Imprests application and surrender register shall be maintained;
4. Approval of all imprest application by the Vice Chancellor for out of the country trips; and
5. Approval of all Imprests accounting forms by budget holders (Heads of departments).

**Table 8: Debtors Reports**

Description / Type	Frequency	Distribution / User
Aged A/R Analysis ( Both General and staff )	Monthly	Finance Dept

Movement in Provision for bad and doubtful debts	Monthly	Finance Dept
--------------------------------------------------	---------	--------------

**7.0 PROCUREMENT MANAGEMENT**

- a) Procurement shall be to the maximum extent possible on a practical open and free competition basis;
- b) JOOUST shall obtain values for money on all its procurement of goods and services ; and
- c) Procured goods and services are delivered in the correct quantity and quality in a timely manner.

**7.1 Linkage to Procurement Policy**

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

**8 ACCOUNTING FOR EXPENDITURE**

**8.1 Purpose**

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

The procedures are outlined to ensure that:

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

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

**8.2 Accounting for Recurrent Expenditure**

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

**Table 10: Recurrent Expenditure Reports**

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

**8.3 Accounting for Capital Expenditure**

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

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

## **9 PAYROLL PROCEDURES**

### **9.1 Purpose**

The purpose of the payroll system is to ensure:

1. Complete and accurate data capture and payroll processing
2. Production of required reports in a timely manner
3. Employees are paid in accordance with letters of appointments
4. There is adequate security over payroll data
5. Statutory and voluntary deductions are properly accounted for and remitted to the appropriate authorities
6. Payroll expense is posted to the General Ledger system

### **9.2 Guidelines**

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

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

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

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

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

### **9.3 Payroll Preparation Procedures**

This section only details the payroll preparation procedures. Details on other personnel procedures will be included in the JOOUST personnel policies and procedures policies.

For the purposes of payroll processing, the Finance Department will receive a payroll staff movement advice from the Registrar Administration with the following employee details as follows;

1. Full name of employee
2. Payroll number (provided by the system /HR DEPT)
3. Position in Department
4. Bank Name & Branch
5. Bank Account Number
6. Statutory registration number (PIN, NSSF, NHIF, ID)
7. Other registration numbers (e.g. Co-operative Society)
8. Emoluments details

9. Date of Birth
10. Date of appointment /Reporting date.

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

The Finance Officer will ensure strict compliance with the law in regard to taxes and other statutory deductions. He will ensure that JOOUST obtains all the pertinent information regarding statutory deductions and complies with them. Such information can be obtained from Kenya Revenue Authority, NSSF, NHIF, the print media (e.g. Kenya Gazette) e.t.c penalties due to non – compliance resulting from the negligence of an officer shall be recovered from that officer.

It will be the duty of the Finance Officer to ensure that all recoveries are effected on timely basis. Payroll reports (net salaries statutory and non – statutory deductions) will be reviewed by the Finance Officer. Once approved, they will be forwarded to the Vice Chancellor of JOOUST for authorization of the payments.

**Table 11: Updating Payroll Records**

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

**Table 12: Monthly Payroll Processing**

<b>Procedure steps</b>	<b>Responsibility</b>
1. Generates payroll reports including pay slips, bank transfer, statutory and other deduction not later than 20th of every month	Payroll Accountant
2. Review payroll reports ensure errors noted are rectified sign and approve for final processing	Finance Officer
3. Review Monthly payroll reports, sign and return to Finance Department	Registrar Administration
4. Obtain signatories for bank transfer letter ( Same as cheque ) and dispatch to the bank for money transfer to the respective employee bank accounts	Finance Officer
5. Observe payment procedures to pay monthly statutory and other deductions	Payroll Accountant
6. Update the general Ledger with the payments by debiting the various expense accounts with the payroll related payments as follows : ENTRIES TO GENERAL LEDGER: <ul style="list-style-type: none"> <li>• Dr. Gross Salary</li> <li>• Cr Payroll Liabilities (Net Salary , NSS , NHIF , PAYE Co-op etc )</li> </ul> ENTRY ON PAYMENT <ul style="list-style-type: none"> <li>• Dr. Payroll Liabilities</li> <li>• Cr. Bank</li> </ul>	Senior Accountant
7. File Documents	Payroll Accountant

**10 PAYABLES MANAGEMENT (CREDITORS)**

**10.1 Accounting for Creditors**

**10.1.1 Purpose**

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

1. All liabilities of JOOUST are recognized as and when they are incurred , and
2. All liabilities are reviewed on a monthly basis to ensure that JOOUST is able to honor its obligations as an when they fall due.

**10.1.2 Guidelines**

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

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

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

**Table 13: Procedures for Recognition of Creditors**

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

**10.2 Accruals and Provisions**

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

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

**10.3 Key Controls for Creditors Management**

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

**Table 14: Creditors Reports**

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

**11 FIXED ASSETS**

**11.1 Purpose**

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

**11.2 Definition**

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

**11.3 Acquisition of Fixed Assets**

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

#### **11.4 Donated Assets**

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

#### **11.5 Capitalization**

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

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

#### **11.6 Fixed Assets Register**

A register should be maintained to record all capitalized assets (Over Kshs. 20,000 in value)

The purposes of a fixed Asset Register are:

- a) To provide a means of controlling the assets including acquisition, disposal and transfer;
- b) To enable accounting calculations to be performed on asset cost, depreciation and net book value, and
- c) To allow assets to be checked regularly in order to avoid misappropriation
- d) The register should give details of each asset as follows:
  1. Date of purchase
  2. Description of the asset including model and serial number
  3. Cost
  4. General and specific location
  5. Asset number
  6. Responsible official
  7. Depreciation Policy
  8. Class and category of asset and
  9. Condition

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

#### **11.7 Asset Listing**

A separate asset listing should be kept for all assets including those under Kshs20, 000 in value. The purposes on a fixed asset listing are:

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



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

**11.8 Depreciation**

Depreciation is charged annually on a straight line basis to write down the cost of each asset to its residual value over its estimated useful life

The depreciation rates for the fixed assets of the JOOUST are outlined below.

**Table 15: Depreciation of Property, Plant & Equipment**

Category	Estimated Useful Life	Depreciation rate
Buildings and other Civil works	40Years	2.5%
Plant, Machinery & Equipment	5 Years	20%
Office Equipment	5 Years	12.5%
Motor Vehicles	4 Years	25%
Computer and related equipment	3 Years	33.3%
Furniture and Fittings	8 Years	12.5%

**11.9 Disposal of Fixed Assets**

The assets of JOOUST shall be disposed of in accordance with the provisions of the Public Procurement and Disposal Act 2005.

**11.10 Controls over Fixed Assets Usage**

Fixed assets usage will be controlled through the use of the following documents

1. Vehicles Movement Register (Work tickets)
2. Fixed Assets Movement Register
3. Permanent Stores Inventory Holders Form

**11.11 Verification of Fixed Assets**

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

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

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

**Table 16: Procedures for Fixed Assets Acquisition and Capitalization**

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

**Table 17: Procedure for Recording Fixed Assets Depreciation**

<b>Procedure</b>	<b>Responsibilities</b>
On a monthly basis prior to running the Trial Balance for the period, run the depreciation journal for the period	Senior Accountant
Review the depreciation journal and post the relevant journal to the General ledger Dr Depreciation a/c Cr accumulated depreciation a/c	Senior Accountant
Print the depreciation report from the GL	Senior Accountant
Prepare the fixed Assets movement report	Senior Accountant
Review fixed assets movement schedule	Finance Officer
File fixed Assets Movement schedule	Senior Accountant

### 11.12 Key Controls for Fixed Assets Management

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

**Table 18: Fixed Assets Reports**

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

## 12. INVENTORY MANAGEMENT

### 12.1 Purpose

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

### 12.2 Valuation policy

Inventories are stated at the lower of cost and net realizable value. Cost includes all cost of purchase and other charges incurred in bringing the inventories to their present location and condition. The cost of inventories is based on the weighted average cost, if the purchase cost is higher than the net realizable value, stock are written down to the realizable value

### 12.3 Physical Stock Counts

Physical stock should be undertaken at least once very quarter. This should be carried out by at least two officers, who should not be from the storekeeping staff. They should not in any circumstance have prior knowledge of stock ledger balances but should be provided with the list and details of the

code no, the description and the unit of issue of the items to be checked in blank forms on which to enter the quantities actually counted.

The physical stock counted should be compared with the stock ledger balances and any discrepancies investigated immediately and reconciled. Any adjustments to agree physical count to stock ledger balances should be authorized by the Finances Officer. Such adjustments should be supported by reference to the relevant stock taking reports.

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

**Table 19: Procedures for Inventory Management -Ordering and receipting of stock**

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

**Table 20: Procedures for Inventory Management – Issuing of stocks**

<b>Procedure</b>	<b>Responsibility</b>
Store Requisition Note ( SRNs ) raised by end user	End user
Head of department review stores Requisition Note and Approves	Head of Department
Stores Requisition Note submitted to stores for costing of stocks available and submitted to Vote Book Accountant for voting	End User
Raise stock Issue Note (SIN ) and issue to end user who signs the voucher to acknowledge receipts of goods .A copy of SIN is sent to Finance Department	Store Clerk /End User
Update the Bin Card	Store Clerk
Update the Store ledger using a copy of SIN	Stores Controller

**12.4 Stock Records**

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

**12.4.1 Store Ledger Card**

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

**12.4.2 Stock Requisition Note (SRN)**

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

**12.4.3 Stock Issue Note**

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

**12.5 Key Controls in Inventories management**

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

**Table 21: Inventory Reports**

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

**13 CASH MANAGEMENT**

**13.1 Purpose**

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

**13.2 Revenue Procedures for receipts of funds**

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

**Table 22: Procedures for Receipts of funds**

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

**13.3 Expenditure**

Procedures for disbursing and authorization of funds. JOOUST cannot, without the prior approval in writing to the Minister and the National Treasury, incur any expenditure for which provision has not been included in the approved annual estimates as outlined in the state Corporations Act Sec 12.

**Table 23: Payment Procedures**

<b>Procedure</b>	<b>Responsibility</b>
1. Review invoice against LPO and GRN and ensure accuracy and congruence. If not in order return to the Stores office	Payables Accountant
2. Review expenditure to ensure expense is in line with approved budget and sufficient available funds exist against the respective category	Payables Accountant
3. If Invoice agrees to the LPO and GRN and all document have been duly authorized by the required signatories and expense is in line with budget , prepare payment voucher (PV ) PVs should be serially numbered	Accounts Clerk(Payables)

4. Record PV in vote book to update commitment of funding against the respective expenditure category	Vote book Accountant
5. Forward PV together with all supporting documents to the Finance Officer for Verification and endorsement.	Payables Accountant
6. Prepared PV is checked and passed for payment after ensuring that all supporting documents are attached.	Finance Officer
7. Review PV against all supporting documentation and ensure accuracy , congruence and authorize the expenditure in line with JOOUST approved Budget and work plans	Deputy Vice Chancellor(PAF)/any other authorized person
8. Signed PV authorized for payment is received by Vice Chancellor and further reviewed comprehensively to ensure that the expenditure was incurred in line with JOOUST policies, procurement guidelines and that all other requirements were fully met by the purposed recipient of the funds	Vice Chancellor
9. Cheque is prepared in accordance with the approvals given and all deductions done as per the relevant laws in force	Cashier
10. Cheque is signed as appropriate and the cashier records them in the cheque schedule to be delivered to the Bank.	Senior Accountant(Payables)
11. Collector of cheque signs cheque dispatch Register /cheque is sent to payee through registered mail as appropriate.	Cashier
12. Post the PV to the Cash book and update the general Ledger	Payables Accountant
13. File PVs supporting documents in order of the PV serial number	Payables Accountant

### 13.3.1 Cheque Handling

- a) All cheque payments not exceeding Kshs. 50,000 in value shall be signed by the Finance Officer and any other signatory.
- b) All cheque payments exceeding Kshs. 50,000 in value shall be signed by the Vice Chancellor and any other signatory.
- c) All cheque payment Vouchers must be entered in the Vote book before they are submitted for payment. The Vote book must show the date of entry ,particulars of expenditure, the amount expended , the total expenditure against the vote and the balance of expenditure available after taking into account any known commitment .
- d) All cheques will be supported by a payment voucher and will be entered into a cheque payment register register before they are released. The register will show the name of the payee, the amount, the cheque number and the date of collection (or dispatch by registered mail or courier).
- e) All cancelled cheque will be stamped " VOID " and recorded in the cheque register with the word " CANCELLED " in the payee space.

- f) All cheques should be crossed and opening of crossed should only be made for petty cash or travel purposes. Under no circumstances should blank cheques be signed open.
- g) The senior accountant should be the custodian of all unused cheques. All unused cheques should be locked in a safe at the end of every day.
- h) All unused cheque books and leaves shall be kept by the Finance Officer.

#### **13.4 Bank Reconciliations**

Bank reconciliations shall be prepared on a monthly basis by the Senior Accountant and reviewed by the Finance Officer.

#### **13.5 Cash flow Projections**

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

#### **13.6 Cash in hand (Petty Cash)**

##### **13.6.1 Objectives**

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

##### **13.6.2 Safe custody of petty cash**

Adequate controls over cash held and petty cash payments made and prompt and accurate processing, issuance, recording and accounting for petty cash shall be undertaken by the paying cashier. The cashier shall cause to be kept a petty cash book where all transactions involving petty cash shall be recorded and balances carried on a daily basis.

The payments through petty cash shall then be analyzed according to the GL codes and posted accordingly to ensure accurate reporting on expenses on a monthly basis

##### **13.6.3 Petty Cash Guideline**

JOOUST shall maintain a petty cash float to meet small office expenses.

Any payments in excess of Kshs 20,000 to payees who are not University staff shall be made by cheque. The cashier will maintain a float as shall be approved from time to time. Any other cash withdrawal for specific purposes shall be surrendered to the cashier for proper accounting before the money is paid out.

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

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



#### **13.6.4 Request**

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

#### **6.6.5 Payment**

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

#### **13.6.6 Accounting for expenditure**

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

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

#### **13.7 Cash reconciliation Procedures**

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

#### **13.8 Insurance**

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

#### **13.9 Key Cash Management Controls**

- a) Adequate segregation of duties shall be effected,
- b) Cash receipts shall be recorded immediately upon receipt and banked within a period of not later than one working day,
- c) Cash payments shall be verified and approved before payment is made,
- d) All requests for payment must be supported fully by approved documentation before the payment voucher is prepared,
- e) The payment voucher shall be coded with the relevant account codes,
- f) All payments shall be approved by designated officers,
- g) All vouchers and supporting documents shall be stamped " PAID" immediately upon payments,
- h) All reconciliations shall be prepared on a monthly basis,
- i) Blank cheque should never be signed opened,
- j) All cancelled cheques are stamped "VOID " and recorded in the register with the word "CANCELLED " on the payee field,
- k) At least two signatories are required to authorize any payments from the bank.

**Table 24: Cash Management Reports**

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

**14. RESERVES**

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

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

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

**Table 25: Movement in Reserves Reports**

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

**15 INVESTMENTS**

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

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

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

## **16 GENERAL LEDGER (GL)**

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

1. All JOOUST income as set out in this policy
2. All JOOUST expenditure as set out in this policy
3. Interface with the following systems to capture all transactions and balances generated by this system
4. Debtors system
5. Creditors systems
6. Cash book system
7. Inventory management system
8. Fixed assets register
9. Payroll system

### **16.1 Structure of Accounts**

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

### **16.2 Chart of Accounts and Account Codes**

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

### **16.3 General Ledger Analysis Codes**

In addition to the chart of accounts, the general ledger will need to provide for various levels of analysis. The suggested analysis codes structure is presented together with the chart of accounts in the appendices.

### **16.4 Balances to be maintained in the GL system**

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

1. Monthly and year to date and budget
2. Monthly and year to date actual
3. Monthly and year to date and prior year actual

**Table 26: General Ledger Reports**

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

**17. REPORTING PROCEDURES**

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

**17.1 Annual Procedures and Reporting**

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

**17.2 Monthly Procedures and Reporting**

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

**Table 27: Financial Reports for JOOUST**

No.	Name of Report	Frequency
1	Funds Received	Monthly
2	Income and Expenditure reports by cost center	Monthly
3	Consolidated actual expenditure Vs. Budget	Quarterly
4	Cash flow projections	Monthly
5	Funding gaps	Monthly
6	Balances sheet Current periods Vs Corresponding period in the previous year	Monthly /Quarterly/Annually

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

#### 18. AUDITING ARRANGEMENTS

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