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Document Title: STANDARD OPERATING PROCEDURE FOR FINANCIAL MANAGEMENT		

CHUKA UNIVERSITY

Standard Operating Procedure


For

Financial Management (CU/SOP/FIND/24)

Document Review Sheet


The signatures below certify that this Standard Operating Procedure has been reviewed and accepted, and demonstrates that the signatories are aware of all the requirements contained herein and are committed to ensuring their provision.

	Name & Signature	Position	Date
Prepared by	Mr. J. M. Ndiku	Senior Accountant	25.6.2012
Reviewed by	Prof. D. K. Isutsa	Deputy Vice-Chancellor (AA)/MR	01.3.2013
Approved by	Prof. E. N. Njoka	Vice-Chancellor	25.3.2013

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1.0 AMENDMENT RECORD SHEET

This Standard Operating Procedure is reviewed regularly to ensure relevance to the systems and process that it defines. A record of contextual additions or omissions is given below.

DATE	ISSUE NO.	REVISION NO.	PAGE NO.	SUBJECT OF REVIEW /MODIFICATION	REVISED BY HOD	APPROVED BY MR
1.3. 13	02	00	ALL	Changed Quality Management Representative to Management Representative	J. M. Ndiku	Prof. Isutsa
1.3. 13	02	00	ALL	Changed Deputy Principal to Deputy Vice-Chancellor	J. M. Ndiku	Prof. Isutsa
1.3. 13	02	00	ALL	Changed procedures to processes	J. M. Ndiku	Prof. Isutsa

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2.0 GENERAL

2.1 Purpose

The purpose of this procedure is to ensure that the activities of the Finance Department are in compliance with this International Standard and the CU's and the Government's statutory policies, procedures, International Accounting Standards and other regulations.

2.2 Scope

This procedure applies to and defines the activities carried out by the Finance Department.

2.3 References

- CU Charter, 2013
- CU Quality Manual
- CU Statutes, 2013
- Government and Management Circulars
- International Accounting Standards
- ISO 9001:2008 International Standard, Clauses 5.4, 6.1, 8.0
- Public Audit Act, Cap 412
- Public Procurement and Disposal Act, 2005
- State Corporations Act, Cap 446

2.4 Abbreviations

AAC	Assistant Accountant
SAA	Senior Accounts Assistant
IAS	International Accounting Standards
AC	Accounts Clerk

2.5 Definitions

Ledger: A book in which the monetary transactions are posted in the form of debits and credits.

Payment Voucher: A document containing summary of details for a specific payment.

2.6 Responsibility

The Finance Officer has the primary responsibility of ensuring that this procedure is implemented and remains adequate for its intended purpose and for providing the information from which the documentation for its processes can be compiled and for initiating action to keep them up to date. All departmental staff members are responsible for implementing and ensuring that this procedure is followed.

3.0 ADMINISTRATIVE STRUCTURE

Finance Department is one of the sub-divisions within the Division of Administration, Finance and Planning of the University. The department's administrative structure is as follows:



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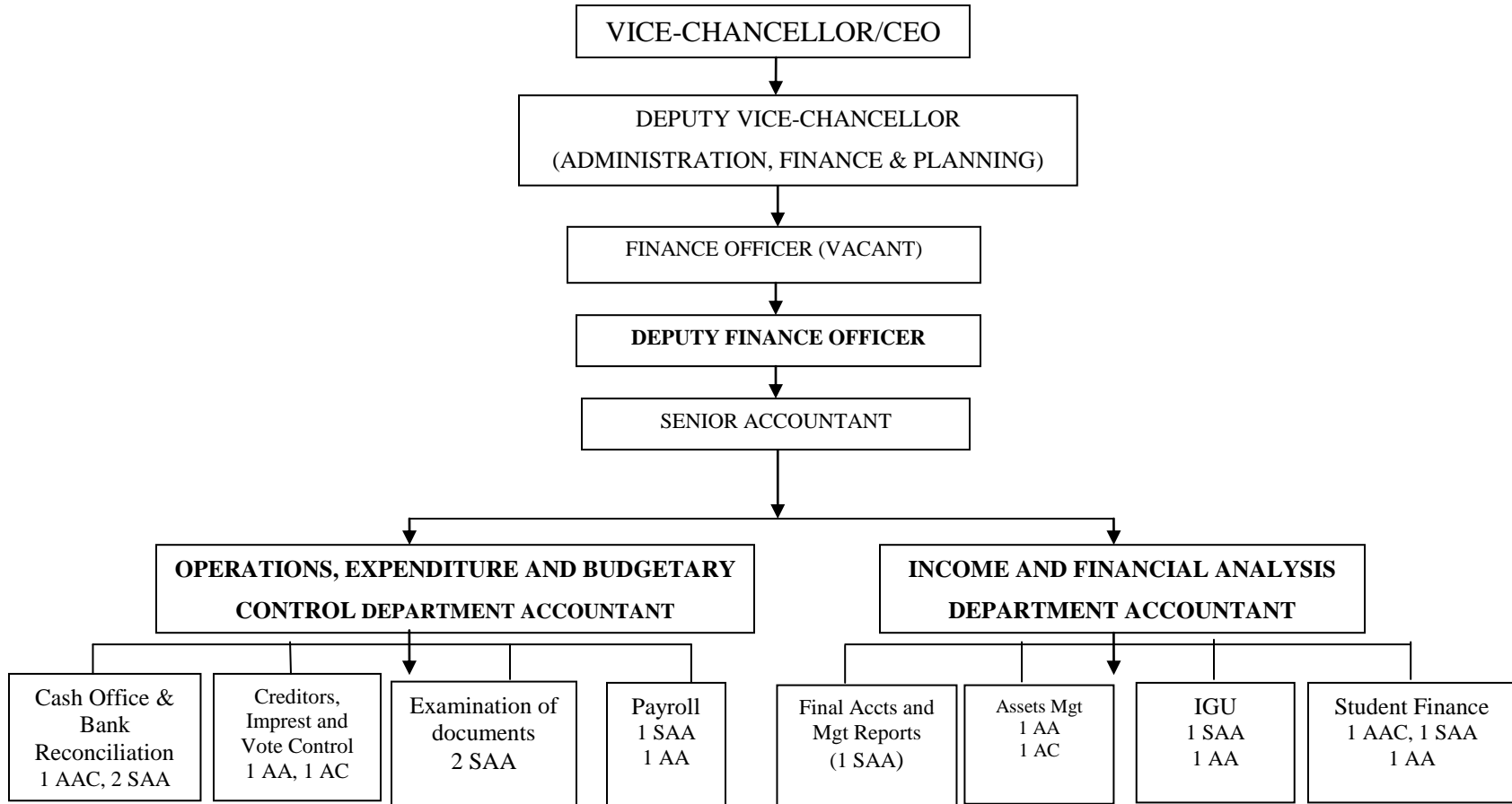
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LEGEND:

AAC = ASSISTANT ACCOUNTANT.

AA = ACCOUNTS ASSISTANT.

SAA = SENIOR ACCOUNTS ASSISTANT

AC = ACCOUNTS CLERK

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4.0 PROCESSES

4.1 Overview

The Finance Department is responsible for the University's activities related to finances. The core activities of the office include:


- (i) Accounting for Income
- (ii) Processing of Payments
- (iii) Budgeting Process
- (iv) Imprest Processing and Surrender
- (v) Preparing Financial Accounts and Audit Reports

4.2 Process for Accounting for Income

- (i) Customers such as Students, Bidders and the Government deposit their payments in the appropriate University bank accounts.
- (ii) Accountants prepare and issue receipts for the income.
- (iii) Accountants issue receipts for income paid by cash, bankers' and CDF cheques upon presentation of the same.
- (iv) Cashier record the collections in the relevant Cash and Deposits registers.
- (v) The In-charge Cash Office balances and verifies that the receipts have been written and coded properly the collections using a Daily Cash Summary Report from the Computerised System.
- (vi) Accountants verify the receipts in the System and process to update cashbooks and students' statements.
- (vii) Accountants prepare bank reconciliation reports on a monthly basis to confirm that all receipts have been accounted for and ascertain the status of banking.
- (viii) Accountants post income into the respective ledger accounts in the General Ledger.

4.3 Process for Processing of Payments

- (i) Creditors section receive paying documents as follows:
 - (a) Suppliers: GRN, Delivery Note, Requisition, LPO and Invoice.
 - (b) Teaching claims: duly approved claims, appointment letter, and attendance sheets.
 - (c) Other Claims: duly signed/ approved detailing expenditure incurred.
 - (d) Imprest: duly signed and approved imprest warrant and supporting documents.
- (ii) Accountants confirm that the required documents are attached and appropriate approvals have been granted.
- (iii) Accountants prepare a payment voucher and approve for cheque printing in computerised accounting system. (Withholding tax & PAYE are retained where applicable).
- (iv) Accountants examine the paying documents and endorse to ensure correctness of amounts, payees and coding.
- (v) Accountants register the documents and forward to Internal Auditor.

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- (vi) Accountants receive the documents from Internal Auditor, register and forward to at least two authorised signatories.
- (vii) The Accountants issue the cheques to the payees upon presentation of identification.

4.4 Process for Budgeting Process

- (i) All Heads of Departments submit their budgets for the following financial year in accordance with management and government guidelines.
- (ii) Upon receiving the budgets, the Finance Officer compiles all anticipated income and expenditures into the various expenditure and income vote heads to come up with a proposed University budget.
- (iii) The proposed budget is presented to the Management for discussion and approval.
- (iv) Subsequently, the Vice-Chancellor tables the budget to the Finance, Farms, General Purpose and Enterprise Company Committee and the University Council for discussion and approval.
- (v) The Vice-Chancellor submits the University budget to the Ministry of Higher Education, Science and Technology and the Treasury by the due dates.
- (vi) The Government releases the approved budgets before end of June of every year.
- (vii) The Management rationalizes the proposed budget to align it with the Government approved estimates.
- (viii) The Vice-Chancellor submits the rationalised budget to the University Council for final discussion and approval.
- (ix) The Management allocates the budget to various vote holders and departments for implementation and control.

4.5 Process for Imprest Processing and Surrender

- (i) An applicant writes a letter explaining the purpose for an imprest, which if valid is approved by Vice-Chancellor/Deputy Vice-Chancellors.
- (ii) An applicant raises an imprest warrant supported by the approved letter.
- (iii) The warrant is then forwarded to Vote Book Section for confirmation of funds' availability and commitment.
- (iv) Debtors section confirms that the applicant has no outstanding imprest and the warrant is properly authorised.
- (v) The warrant is then forwarded to the Vice-Chancellor/Deputy Vice-Chancellors for approval of payment.
- (vi) Accountants process the payment once approval is granted.
- (vii) After accomplishing the task for which the imprest was requested, the applicant prepares an imprest surrender form and attaches a copy of the approved memo and receipts to account for the expenditure within one month.
- (viii) The applicant requests reimbursement where an over expenditure occurs.
- (ix) If there is an under expenditure, the applicant banks the balance in the relevant CU bank account before processing the imprest surrender claim as shown under (vii).

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- (x) The surrender form is authorized by the Head of Department, approved by the Registrar (A&P) and finally checked by the Internal Auditor.
- (xi) Debtor staff assign a surrender number generated by the computerized accounting system to the surrender form and the relevant journal entries are captured.
- (xii) The applicant is no longer held as a debtor to the University.
- (xiii) A list is compiled of all imprest defaulters, who do not surrender within stipulated period, to salaries section to recover from the payroll.

4.6 Process for Preparing Financial Accounts and Audit Reports


- (i) Accountants continuously capture data on income and expenditure and record into various books of accounts.
- (ii) Accountants conduct stock take at the end of financial year in the main store(s) to ascertain the value of inventory.
- (iii) Accountants check accounts in various IGUs to ascertain profits as at close of year.
- (iv) Accountants present a complete set of accounts to Management for discussion.
- (v) The In-Charge, Finance Department presents the Annual Report and Financial Statements to the University Council for discussion and approval.
- (vi) The In-Charge, Finance Department takes the accounts to the Auditor General to prepare for audit as required by the Exchequer and Audit Act (2003).
- (vii) After the Audit, the accounts are submitted to the Ministry of Higher Education, Science and Technology and the Ministry of Finance.

5.0 RECORDS

- (i) Memos
- (ii) CDF/Sponsors notifications
- (iii) HELB notifications
- (iv) Online bank statements
- (v) Cheques
- (vi) Bank statements and bank reconciliation statements
- (vii) Project payment certificates
- (viii) Payment vouchers
- (ix) Fixed asset register and stock-take schedules
- (x) Creditor's ledger and debtors' ledger

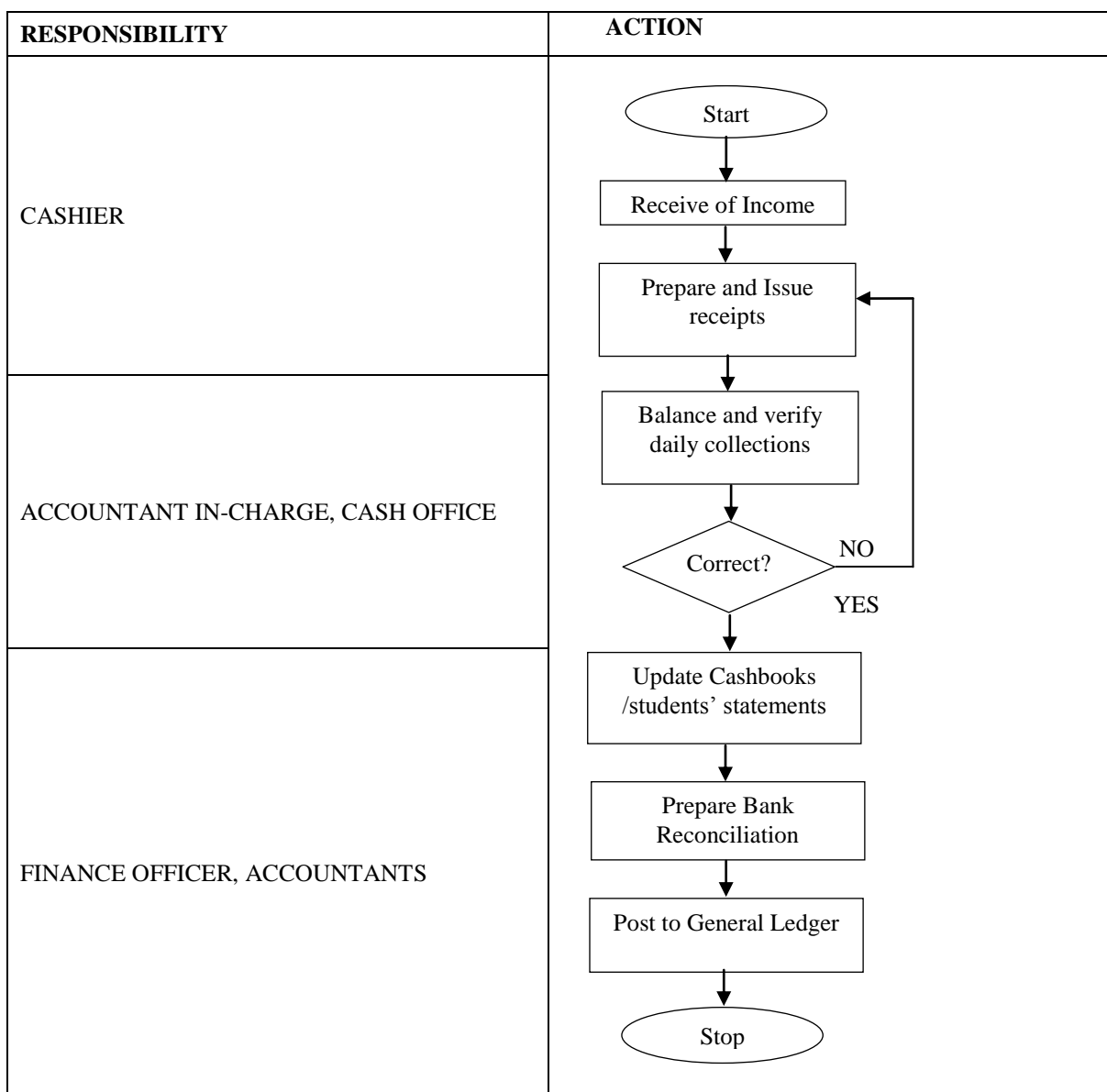
6.0 KEY PERFORMANCE INDICATORS/OBJECTIVES


Refer to the Departmental Annual Work Plan

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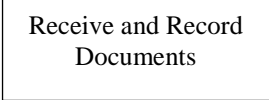
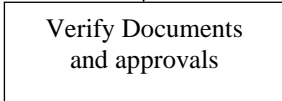
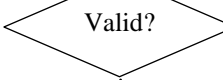
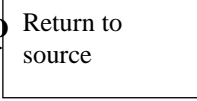
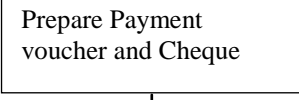
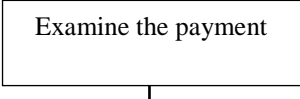
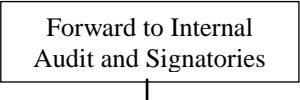

APPENDIX I: PROCESS MAPS

i. Accounting for Income



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ii. Procedure for processing of Payments

RESPONSIBILITY	ACTION
SECRETARY, ACCOUNTANTS	
ACCOUNTANT IN CHARGE, CREDITORS SECTION	
FINANCE OFFICER, ACCOUNTANTS	
	
	
	
	
	
	



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iii. Budgeting Process

RESPONSIBILITY	ACTION	
FINANCE OFFICER	<pre> graph TD Start([Start]) --> Receive[Receive Departmental Budget proposals] Receive --> Consolidate[Consolidate dept. Budget Proposals] Consolidate --> MB[Management Board] MB --> NO_1{NO Approved?} NO_1 -- NO --> Consolidate NO_1 -- YES --> UC[University Council] UC --> YES_1{Approved?} YES_1 -- NO --> MB YES_1 -- YES --> Ministries[Ministries] Ministries --> Rationalise[Rationalise Budget] Rationalise --> Allocation[Allocation to dept. for implementation] Allocation --> Stop([Stop]) </pre>	
ACCOUNTANT IN CHARGE, VOTE BOOK SECTION		
FINANCE OFFICER		



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iv. Imprest Processing and Surrender

RESPONSIBILITY	ACTION
IMPREST APPLICANT	
VICE-CHANCELLOR/ DEPUTY VICE-CHANCELLORS ACCOUNTANT IN CHARGE, DEBTORS SECTION	
FINANCE OFFICER, ACCOUNTANTS	<pre> graph TD Start([Start]) --> Warrant[Raise Imprest Warrant] Warrant --> Approved1{Approved & Funds Available?} Approved1 -- NO --> Stop([Stop]) Approved1 -- YES --> Outstanding{Outstanding imprest?} Outstanding -- NO --> Payment[Process payment] Outstanding -- YES --> Stop Payment --> Surrender[Prepare Imprest Surrender Claim] Surrender --> Approved2{Approved?} Approved2 -- NO --> Surrender Approved2 -- YES --> Clear[Clear debtor] Surrender --> Merge(()) Clear --> Merge Merge --> Stop </pre>



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v. Preparation of Financial Accounts and Audit Reports

RESPONSIBILITY	ACTION
<p>ACCOUNTANTS IN CHARGE: FINANCIAL REPORTS, ASSETS AND CASH OFFICE SECTIONS</p>	<pre> graph TD Start([Start]) --> Step1[Post Income and Expenditure data to General Ledger] Step1 --> Step2[Conduct Asset Count] Step2 --> Step3[Prepare Accounts] Step3 --> Step4[University Management Board] Step4 --> Step5[University Council] Step5 --> Dec1{Approved?} Dec1 -- NO --> Step4 Dec1 -- YES --> Step6[Forward to Auditor General] Step6 --> Dec2{Audited?} Dec2 -- NO --> Step4 Dec2 -- YES --> Step7[Relevant Ministries] Step7 --> Stop([Stop]) </pre>
<p>FINANCE OFFICER</p>	