



TECHNICAL UNIVERSITY OF MOMBASA

A Centre of Excellence

FINANCIAL MANAGEMENT POLICY



TUM IS ISO 9001: 2015 CERTIFIED

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ABBREVIATIONS AND ACRONYMS

TUM	Technical University of Mombasa
MIOME	Mombasa Institute of Muslim Education
MTI	Mombasa Technical Institute
MPUC	Mombasa Polytechnic University College
GOK	Government of Kenya
VC	Vice-Chancellor
DVC	Deputy Vice-Chancellors
AFP	Administration, Finance & Planning
IPSAS	International Public Sector Accounting Standards
OAG	Office of Auditor General
FMS	Financial Management System
PPAD	Public Procurement and Asset Disposal
SRC	Salaries and Remuneration Commission
HELB	Higher Education Loans Board.
CDF	Constituency Development Fund
A/R	Aging Report
GRN	Goods Received Notes
PDB	Planning Development and Budget Committee

DEFINITIONS

“Integrated Financial Management System” is an IT-based budgeting and accounting system that manages spending, payment processing, budgeting and reporting for governments and other entities

“Historical Cost Convention” refers that assets are recorded at their initial cost and are not subsequently revalued upwards, and liabilities valued at the amount initially received in exchange for the obligation

“Endowment Policy” means a life insurance contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.

“Financial Portfolio” means a collection of investments held by an investment company, hedge fund, financial institution or individual.

“Subsidiary Company” means a company that is owned or controlled by another company, which is called the parent company, parent, or holding company. The subsidiary can be a company, corporation, or limited liability company. In some cases, it is a government or state-owned enterprise.

“Recurrent Expenditure” means an ongoing expenditure of an organization, such as salaries and travelling expenses.

“Budget Virement” means a transfer of monies from one department to another maintaining the same overall budgetary allocation

PREFACE

Chapter 12 of in the Constitution of Kenya focuses on the Principles of Public Finance, which are founded on openness and accountability that encourage prudent and responsible use of public funds. Technical University of Mombasa being a public institution is no exception. Like all public institutions, it is required to comply with the provisions within the Constitution as well as other statutory guidelines that ensure transparent and accountable utilization of public funds.

This financial management policy takes cognizance of recent developments and strides that have occurred in the financial sector, particularly in terms of utility and accounting of public funds and the use of information technology as a tool for enhancing accountability. This policy provides TUM stakeholders with guidelines and regulations on the utilization of finances within the University to ensure enhanced service delivery in teaching, partnership, research, innovation, administration and other scholarly activities. The policy encompasses the current laws governing public finance in Kenya. All University stakeholders are advised to read and be familiar with this policy.

On behalf of the Council, I, therefore, take this opportunity to thank all members involved in the review of the financial management policy. I also wish to commend the TUM Management and Senate in the review of this policy.

Dr Robert Arunga
Chairman of Council

FOREWORD

The fight against corruption is founded on the proper, accountable and transparent use of public funds. Technical University of Mombasa is a public institution is required by law to ensure that its financial resources are utilized transparently and that every transaction is open and accountable. Though this requirement is prescribed by the Constitution and accompanying Statutes, there is need to domesticate policies that will aid the institution in ensuring that the requirements are implemented.

The Financial Management Policy will guide the institution in the utilization of public funds under its care in accordance to the law or laws provided. The policy further ensures inclusivity with regard to stakeholders on accounting functions and other financial service operations of the institution such as how payments shall be received and made. Furthermore, it recognizes the major role played by information technology in financial management by ensuring that the institution embraces the same in compliance with the laid down regulations.

Prof. Laila U. Abubakar
Vice-Chancellor

ACKNOWLEDGEMENTS

Revision of a policy manual is a task that demands a lot of time and commitment. The task is even more challenging when one has to mix it with his/her normal daily office schedule. For this document to reach at this stage, a number of people burnt their midnight oil to see to its fruition. It is this group of people this acknowledgement is dedicated to.

I wish to express our special thanks for the following officers in acknowledgement of their sacrifices that made this review possible:

- | | | |
|-------|----------------------|----------------------------|
| i) | Prof. Joseph Rasowo | DVC (AFP) |
| ii) | Mr Dalton Mwaghogho | Finance Officer |
| iii) | Mr Justin Ombui | Chief Accountant |
| iv) | Ms Serah Okumu | Deputy Chief Legal Officer |
| v) | Ms. Susan Mwangi | Ag. Procurement Manager |
| vi) | Ms. Agnes Tsuma | Finance |
| vii) | Ms. Priscilla Haro | Finance |
| viii) | Mr Eric Odhiambo | Finance |
| ix) | Mr Jacqueline Omole | Finance |
| x) | Ms Rawia Miselemani | Finance |
| xi) | Ms Christine Burungu | Finance |
| xii) | Ms Zainab Munyala | Finance |

Prof. Joseph Rasowo

Deputy Vice-Chancellor (AFP)

1.0 INTRODUCTION

Technical University of Mombasa (TUM) is an institution of higher learning established by the Universities Act (Revised 2016) Cap 42 of the laws of Kenya. Her mandate is to undertake technological, professional and scientific education and training to disseminate knowledge while ensuring access, equity, quality and relevance of education. The institution's history can be traced back to 1948 when it was started as Mombasa Institute of Muslim Education (MIOME). In 1967 it was transformed to Mombasa Technical Institute (MTI) and later was upgraded to become Mombasa Polytechnic in 1972.

In 2007, through the Legal Notice Order No. 160 Mombasa Polytechnic became Mombasa Polytechnic University College (MPUC), a constituent college of Jomo Kenyatta University of Agriculture and Technology (JKUAT). In 2013, MPUC attained a full-fledged University status and was renamed Technical University of Mombasa (TUM).

In order for the University to achieve its mandate, it needs to utilize its resources in a transparent, efficient, effective and accountable manner whilst being compliant with the existing laws. In 2012, MPUC developed a Financial Rules and Regulations Manual which guided the Institution in financial management. Considering the changing laws as well as the status of the University there was a need to review the Manual and incorporate the current position with regards to financial management for public institutions.

This policy has been developed to conform to the Strategic Plan 2018 – 2022 and is applicable to all University stakeholders. It, therefore, supersedes the Financial Rules and Regulations Manual 2012. This policy is guided by the following:

1.1 Vision

A Technical University of Global Excellence in Advancing Knowledge, Science and Technology

1.2 Mission

To advance knowledge and its practical application through teaching, research and innovation to serve both industry and the community

1.3 Core Values

The Council, Senate, Management, staff and students of TUM will endeavour to institutionalize and inculcate values fostering a strong corporate culture while promoting quality service delivery, cohesion in our diverse community and achieving the targeted goals. These will be realized by espousing the following values:

- i) *Excellence.* We strive for excellence in quality teaching, learning and research, and customer focus by continuously assessing ourselves, applying our own and international benchmarks.
- ii) *Integrity and Professionalism.* We expect high standards of integrity, ethics and respect from one another across the institution and honour collegiality and a climate of critical professionalism among staff and students.
- iii) *Equity.* We are committed to equity, diversity and fairness, and seek to nurture and build on our diverse cultural heritage
- iv) *Teamwork.* We place a high premium on teamwork and shared responsibility working with each other and with external groups in ways that are mutually beneficial.
- v) *Creativity, innovativeness and environmental sustainability.* We embrace innovative problem solving and promote creative value-based solutions. We cultivate a socially secure, responsive and sustainable green environment.

1.4 Motto

Jiddu Tajidu (Endeavour and Achieve)

1.5 Policy Statement, Guiding Principles and Objectives

1.5.1 Statement of Purpose

This financial management policy is formulated to guide the implementation and utilization of University financial resources and facilities through the provision of appropriate standards to be adopted by the University. The policy is meant to ensure accountable and transparent use of public resources and safeguard the University against legal implications.

1.5.2 Guiding Principles

The University Financial Resources exist and are maintained to support the core purposes of the University in teaching, learning, research, innovation and administration.

- i) All administration of financial resources procedures shall be transparent and accountable.
- ii) The relevant Government policies and regulations on financial reporting and auditing standards shall govern the utilization of all financial resources.

1.5.3 Objectives

The objectives of this financial management policy are:

- i) To provide guidance in developing a pervasive, reliable and secure financial infrastructure that conforms to the recognized international standards.
- ii) To promote accountability and transparency in the utilization of TUM finances.
- iii) To co-ordinate and control TUM budgetary processes.
- iv) To plan, co-ordinate and control all revenue generation and expenditure.

1.6 Legal Framework

The following but not limited to, legal instruments and institutional policies shall be applicable to this policy:

- i) Constitution of Kenya, 2010
- ii) Cabinet Secretary to Treasury (incorporation) Act, 2012
- iii) Public Financial Management Act, 2012
- iv) The Public Finance Act Regulations
- v) The Public Audit Act, 2015
- vi) The Universities Act No. 42 of 2012
- vii) The State Corporations Act (446)
- viii) Public Procurement and Asset Disposal Act, 2015
- ix) TUM Statutes, 2019
- x) International Public Accounting Standards (IPSAS)
- xi) ISO 9001:2015 Quality Management System

1.7 Regulatory Framework

This policy is intended to meet regulatory requirements acceptable to GOK and where appropriate, specific accounting policies and reporting requirements that may be set out in agreements between TUM and any Development Partner Agency providing funding.

1.8 Responsibilities

The following are responsibilities assigned to aid in the implementation of this policy:

- i) The University Council has the responsibility to review and approve all financial policies.
- ii) The Vice-Chancellor is the chief accounting officer and has direct responsibility for maintaining this policy.

- iii) The Deputy Vice-Chancellor (AFP), is the head of the finance division and oversees implementation of this policy.
- iv) The Finance Officer shall provide guidance and advice on the implementation of the policy.
- v) Heads of sections in the finance department have assigned responsibility for information security of any application, data or infrastructure facility, service or process within their department.
- vi) All stakeholders, internal and external, have a primary responsibility to comply with the University's financial management policy.
- vii) The Finance Department shall collaborate with other departments to ensure the provision of efficient and optimal financial services to the university.
- viii) The Finance Department staff shall undergo continuous professional development in the form of training and workshops to update them on the emerging issues and changing trends in the sector.

1.9 Policy Scope

This policy document applies to any person using any financial resources of the University. The policy scope covers all University staff and students; any other organization using TUM financial services and resources, persons contracted to develop, repair or maintain TUM financial management systems and suppliers.

2.0 FINANCIAL RESPONSIBILITY POLICY

2.1 Introduction

The Financial Management Policy deals with the management of TUM finances and resources. TUM is a Public University established in accordance with the Universities Act, 2012 and is a corporate body with perpetual succession, common seal, and shall in its corporate name be capable of;

- i) Purchasing or otherwise acquiring, holding, charging and disposing of movable or immovable property;
- ii) Borrowing or lending money;
- iii) Suing and being sued; and
- iv) Doing or performing all such other things or acts for the proper performance of its functions under the provisions of the Universities Act, (Revised 2016), PFM Act, 2012 and the TUM Charter.

2.2 The Council

The Council of the University has the overall responsibility of managing the affairs of the University, including its financial portfolio. The Council is also responsible for policy formulation and guidance of operations of the University and its subsidiary companies.

2.3 Vice-Chancellor/ Accounting Officer

The Vice-Chancellor, as the Chief Executive Officer of the University, deals with the day to day administrative and academic management of the University. The Vice-Chancellor is the accounting officer of the University and therefore is responsible for the overall financial functions of the University. The Deputy Vice-Chancellors, Deans, Directors, Departmental Heads and Section Heads exercise delegated authority and are responsible to the Vice-Chancellor for the accounting functions in their respective units.

The duties and responsibilities of the Accounting Officer shall include: -

- i) Ensuring the University funds are applied only for the purposes approved by the Council and in conformity with the laid down rules and regulations;
- ii) Ensuring that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods and services and that, in the case of goods, adequate arrangements are made for their custody, safeguarding and maintenance;
- iii) Signing the Statutory Financial Statements and thereby taking responsibility for their accuracy;
- iv) Preparing accurate and realistic estimates of Recurrent and Development Expenditure, which shall be within the prescribed ceilings;
- v) Ensuring all amounts due to the University, including tuition fees, other fees or other income, are collected promptly, officially receipted and properly accounted for;
- vi) Ensuring that all contracts entered into by the University are lawful and are complied with;
- vii) Ensuring all expenditure incurred by the University is within the Council approved budget estimates;
- viii) Managing and controlling University resources and ensuring policies set by the Council are followed;
- ix) Ensuring that all financial and accounting records of the University kept in any form, including in electronic form are adequately protected and backed up;
- x) Ensuring all reasonable precautions are taken to safeguard the receipt, custody, issue and proper use or disposal of University property and that regulations and statutes relating thereto are strictly observed; and
- xi) Ensuring all income and expenditure relating to income generating activities of the University are operated in accordance with approved policies and regulations.

In order to effectively discharge these duties and responsibilities, the Vice-Chancellor is assisted by the DVC (AFP).

2.4 Deputy Vice-Chancellor (AFP)

The DVC (AFP) is the head of the Administration Finance and Planning division of the University and is answerable to the Vice-Chancellor.

The responsibilities of the DVC (AFP) are as follows:

- i) Shall chair the Planning, Development and Budget Committee;
- ii) Shall oversee the implementation of the Financial Management Policy; and
- iii) Shall undertake the delegated duties of the Accounting Officer.

2.5 Finance Department

The Finance Department is charged with the responsibility of implementing sound financial controls of the University. It ensures effective management of the University's financial resources and provides professional guidance to the University on financial matters.

In order to achieve its objectives, the department designs and implements sound accounting and financial systems in accordance with international accounting practices, professional standards and guidelines issued from time to time by professional and regulatory bodies.

The department is responsible for collection, custody and banking of all income due to the University. This includes all income generated through income generating units of the University. All other officers in departments/units of the University undertaking collection of funds exercise delegated authority from the department and must implement all the necessary financial controls in respect of funds collection. The department also ensures that expenditure incurred is in accordance with University policies and guidelines.

The Finance Officer is the administrative and professional head of the Finance Department and is responsible for the management of the Finance Department. He is assisted by Chief Accountant, Section Heads and other finance staff.

The duties of the Finance Officer shall include: -

- i) Maintaining books of accounts and records relating to all income, expenditure and investments;
- ii) Ensuring sound financial management of the University funds through the application of appropriate financial systems and investment options;
- iii) Implementing effective financial and stores control systems;
- iv) Preparing statutory financial statements and other financial reports in conformity with relevant professional standards and other statutory requirements;
- v) Preparing the University's Annual Budget in consultation with user departments and submission of expenditure returns;
- vi) Ensuring University financial systems are sound in design and operation and comply with International Public Sector Accounting Standards and other professional and regulatory guidelines;
- vii) Ensuring economic utilization of University resources and other assets; and
- viii) Provide financial consultancy and advisory services to TUM Management and any other entity as may be approved from time to time.

2.6 Subsidiary Companies

The Companies which are wholly owned by the University shall operate under the University Financial Management Policy. The University currently owns TUM Enterprises Ltd.

3.0 INTEGRATED FINANCIAL MANAGEMENT SYSTEM POLICY

3.1 The Accounting System

The University is required to produce quarterly and annual statutory financial reports which are subsequently audited by the Office of Auditor General (OAG) or any other auditor authorized by him. The financial year of TUM runs from 1st July to 30th June of the following year.

Pursuant to the above: -

The University shall keep proper books of records of accounts of the income, expenditure, and assets.

Within three months from the end of each financial year, the University shall submit to the Office of Auditor General the accounts of the University together with: -

- i) A Statement of Financial Performance (income and expenditure) of the University during the financial year; and
- ii) A Statement of Financial Position (Balance Sheet) of the University on the last day of the year.

In order to meet this objective, the University operates an Integrated Financial Management System (IFMS) which captures accounting data from all the accounting units.

The computerized accounting system incorporates the classification of accounts, the expenditure, and income accounting system, bank accounts, student ledgers, salaries and wages ledgers and all other aspects of financial accounting within the University.

The system encompasses a modular layout consisting of:

- (i) Accounts Payable
- (ii) Accounts Receivable
- (iii) General Ledger
- (iv) Inventory Control
- (v) Asset Management Module
- (vi) Bank Services

3.2 Annual Estimates

The University shall prepare and submit its annual estimate of revenue and expenditure to the Cabinet Secretary for the Parent Ministry for approval in such form, and as such times as the Cabinet Secretary shall from time to time prescribe.

The annual estimates shall include all expenditure categories that require to be provided for which include and not limited to the following;

- i) For the proper funding of the cost of teaching and research activities in the University;
- ii) For the payment of the salaries, allowances and other charges in respect of the staff of the University;
- iii) For the payment of the pensions, gratuities and other charges in respect of retirement benefits which are payable out of the funds of the University;
- iv) For the proper maintenance of the buildings and grounds of the University;
- v) For the proper maintenance, repair, and replacement of the equipment and other movable property of the University;
- vi) For the creation of such reserve funds to meet future or contingent;
- vii) Liabilities in respect of retirement benefits, insurance or replacement of buildings or equipment, or in respect of such other matters as the Council may think fit; and
- viii) No expenditure shall be incurred for the purposes of the University except in accordance with the annual estimates approved by the Council.

3.3 Classification of Accounts

The accounts are classified based on their nature and identified using segmented codes. These segments are coded based on the account type, department, nature of expenditure and type of income.

3.4 Trial Balance

The Finance Department shall produce the trial balance on a monthly, quarterly and a final one at end of the financial year, for the purpose of: -

- i) Checking arithmetical accuracy of postings;
- ii) Preparation of financial management and statutory reports;
- iii) Preparation of estimates for submission to the Parent Ministry.

3.5 Preparation of Statutory Financial Statements

The University statutory financial statements shall be prepared at the end of every quarter and financial year. Statutory financial statements are prepared under the historical cost convention.

3.6 Significant Accounting Policies

3.6.1 Basis of Preparation

The University financial statements shall be prepared in accordance with International Public Accounting Standards (IPSAS) Accrual Basis, as may be issued by the respective standard setting bodies from time to time. They shall be prepared under the historical cost convention.

3.6.2 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.

3.6.2 Expenditure Recognition

All expenditure shall be recognized when incurred.

3.6.3 Translation of Foreign Currencies

All assets and liabilities expressed in foreign currencies are converted into Kenya shillings at the exchange rate ruling as 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.

3.6.4 Reporting in Foreign Currencies

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

3.6.5 Property Plant and Equipment

Property, plant and equipment items 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.

3.6.6 Revaluation of Assets

Revaluation of fixed assets may be required to accurately describe the true value of the Property, Plant and Equipment. The University Assets will be revalued by an authorized government valuer after every three years.

3.6.7 Impairment of assets

The carrying amount of assets shall be 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.

3.6.8 Operating Lease Rentals

Payments made under operating leases are charged to the income and expenditure account over the period of the lease.

3.6.9 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.

3.6.10 Debtors

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

3.6.11 Creditors and other Payables

Creditors and other payables are stated at cost.

3.6.12 Provisions

Provisions are recognized when TUM 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.

3.6.13 Cash and Cash Equivalents

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

3.6.14 Consistency

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

3.7 Year-End Finalization of Accounts

Reconciliation of various accounts shall be on a continuous basis and must be completed by the end of July each year to allow the completion of statutory financial statements by 30th August. The final trial balance shall be completed by 31st July.

3.8 Closing of Cash Books:

The closing date of the cash book shall be 30th June, each financial year.

3.9 Bank Reconciliation

Bank reconciliation shall be prepared on a monthly basis by reconciliation section and reviewed by the Finance Officer by 10th of the following month.

3.10 Accruals

Pending payments and income earned but not yet received by 30th June shall be accrued and treated either as Sundry Creditors or Debtors and journalized in the accounts.

3.11 Non-Current Assets

A statement of all Non-Current Assets owned by TUM as at the end of the financial year shall be incorporated in the final accounts.

These shall include Non-Current Assets movements during the year as follows:

- i) A schedule of all additions to Non-Current Assets;
- ii) A schedule of all disposals;

- iii) Computation of gain or loss on disposal;
- iv) A schedule of work-in-progress;
- v) A schedule of all assets donated;
- vi) Transfer of Non-Current Assets; and
- vii) The depreciation charge for the year.

3.12 Cash Survey and Bank Balances

There shall be a cash survey in the Cash Office as at 30th June. The survey shall be conducted by a team of at least two people appointed by the Finance Officer. Cashbook balances shall be reconciled with bank balances. Cash and bank balances held by the University as at 30th June shall be reflected in the statutory financial statements.

3.13 Statutory Financial Statements for Subsidiary Companies

TUM shall incorporate subsidiary companies. The University shall exercise control over partially or wholly-owned companies in pursuance of its objectives and ensure preservation and enhancement of its investments. The statutory financial statements for these subsidiary companies shall be prepared separately but be consolidated and incorporated in the University's Statutory Financial Statements in accordance with IPSAS.

4.0 REVENUE POLICY

4.1 Main Source of Income

The main source of income for TUM is Capitation Grant from GoK. Other sources of income include: -

- i) Tuition fees and other charges;
 - ii) Accommodation and catering levies;
 - iii) Investments and Disposals;
 - iv) Income Generating Activities;
 - v) Research Funds;
 - vi) Rental income;
 - vii) Donations.; and
 - viii) Any other income as shall be determined by the University from time to time.
- All income received must be receipted on the official TUM receipts.

4.2 Revenue Collections

- i) All cash/cheques collection shall be banked intact on a daily basis on specified University bank accounts. Collections made on weekends and holidays shall be banked on the following working day;
- ii) Tuition and other fees shall only be received in form of direct bank deposits, banker's cheques or through Electronic Transfers;
- iii) Revenue collection in the form of cash shall be discouraged except in circumstances where collection in this form is inevitable;
- iv) Payments out of cash collection are strictly prohibited;
- v) Encashment of personal cheques shall not be allowed;
- vi) There will be daily checks by the revenue accountant on all receipts in use by cashiers;
- vii) There shall be daily checks by revenue accountant on all revenue collected by cashiers and through direct banking;
- viii) The Finance Officer shall oversee all revenue collection;

- ix) Where manual receipts are issued, the receiving cashier shall at all times maintain only one receipt book which must be surrendered before obtaining another one. Same as the cases of manual system, electronic receipts shall be accounted for;
- x) The Revenue Accountant shall check the receipts daily summary and cash books as to the accuracy of posting and banking on a daily basis. Any shortages or surplus shall be investigated and reported to the DVC (AFP);
- xi) An up-to-date cash book shall be maintained at all times by the Reconciliation Section;
- xii) Where revenue is received through direct cash deposit, the same shall be auto received in cash office and any student issues relating to the same shall be resolved when the student produces a copy of the bank deposit slip to the Cash Office;
- xiii) Where revenue is received through sponsor cheques the same shall be received in cash office with a copy of a cover letter in an official letterhead that is duly signed and stamped; and
- xiv) Where revenue is received through direct credits to the bank, electronic funds transfer or mobile money transfer, the receiving officer shall ensure that: -
 - The bank statements are checked daily for such credits;
 - The remitter is identified and the receipt is acknowledged; and
 - The correct beneficiary is identified and official records updated.

4.3 Safes and Cash Boxes

- i) All cheque books shall be kept in a fireproof safe under the custody of the Finance Officer
- ii) All cash at hand shall be kept in a cash box under the custody of the cashier and shall be checked daily by the Revenue Accountant.

4.4 Loss of Accountable Documents

Any loss of accountable documents shall be reported immediately to the Finance Officer who will, in turn, inform the DVC (AFP), VC and Chief Security Officer to undertake the appropriate action.

4.5 Cash Handling Precautions

The cashier shall at all times be accompanied by security personnel for cash in transit above Kshs. 500,000 (Five hundred thousand Kenya Shillings)

4.6 Fidelity Guarantee

Under this policy, the underwriter indemnifies the University for loss of money or cash equivalent belonging to TUM which might arise following any act of fraud or dishonesty committed by employees directly involved in the handling of cash or cash equivalent with regard to Cash in custody and Cash in transit.

4.7 Debtors Control

The Section Head of debtors shall ensure that an up to date debtor's ledger is maintained and reconciled on a monthly basis. The Section Head shall ensure prompt recovery of all University debts. Any unrecoverable debts shall be referred to the legal office for necessary action.

4.8 Security of Cheque Books

- i) All Cheque books issued by the Finance Officer to the cashier shall be kept under lock and key and shall be under the custody of paying cashier or any other designated officer.
- ii) An up-to-date register indicating all receipts and issues of Cheque books shall be maintained by the Finance Officer.
- iii) Collection of new cheque books from the bank shall be done by a signatory of the bank account or an agent authorized by the signatories.

4.9 Dishonoured Cheques

- i) A register for dishonoured Cheques shall be maintained by the cashier;
- ii) When a cheque is dishonoured, the cash book shall be credited immediately and other necessary entries effected;
- iii) The drawer(s) of dishonoured cheque(s) shall be informed for immediate cash deposit;
- iv) Dishonoured cheques shall be referred to the relevant Sections for recovery;
- v) Any unrecoverable debts shall be referred to the legal office for action; and
- vi) All costs, including bank charges, associated with the replacement of a dishonoured Cheque shall be borne by the drawer.

4.10 Bank Accounts

- i) When there is a need for a new University bank account, the Finance Officer will make a request to the VC through the DVC (AFP) in writing. If the request is accepted, it shall be presented to the Council for recommendation and the request submitted to the National Treasury for approval;
- ii) The signatories of the bank accounts shall be the VC, The Deputy Vice-Chancellor (AFP), DVC (ARE) and the Finance Officer;
- iii) The Finance Officer shall have administrative authority over the management of all University bank accounts;
- iv) The Finance Officer shall retrieve bank statements on a weekly basis for reconciliation and other relevant purposes;
- v) Scrutiny of the entries in the bank statements shall be carried out daily by Finance Officer and institute investigations on any suspicious entries;
- vi) All research funds shall be operated from a designated account and shall not be utilized for any other purposes other than research.

5.0 EXPENDITURE POLICY

5.1 Introduction

All expenditure incurred by the University shall be within the estimates and budgets approved by the Council., and all such expenditure incurred shall be authorized by the VC or DVCs and shall be controlled by the Finance Department:

- i) All payments shall be made on official TUM payment vouchers. The payment vouchers shall be serialized dated and shall properly describe the payment being made;
- ii) The payment voucher shall be prepared in the Finance Department, and be signed by the person preparing it before subsequent approval by the Section Head;
- iii) The expenditure shall be charged to the proper vote/account.
- iv) All payments will be voted to confirm the availability of funds.

5.2 Approval of Expenditure

Heads of user departments will recommend expenditures within planned, approved and budgeted for activities within the financial year.

5.3 Payments

- i) Approval of payment vouchers implies that all the requirements mentioned above (4.1) have been met;
- ii) All payment vouchers shall be properly supported and duly verified;
- iii) Payments may be effected by way of cheques, RTGS, EFT, Cash, or any other method, depending on the circumstances, applicable rules and regulations stipulated by the University, the banks, or as regulated from time to time; and
- iv) Amount up to Kshs 5,000.00 shall be paid from petty cash. Amounts above Kshs 5,000.00 shall normally be paid by cheque or other approved non-cash form of payment.

5.4 Payment for Goods and Services

- i) Where payment is in respect of goods/services purchased, the goods/services shall have been received and confirmed through an Inspection and Acceptance Committee Report. The Chairperson or Head of Department where the goods/services are delivered shall certify such receipts;
- ii) The certified invoice, accompanied by the inspection and acceptance committee report and the delivery note shall be attached to the purchase order together with the original requisition note, and the goods received note where applicable;
- iii) The certified documents shall be forwarded to the Finance Office for payment.
- iv) Payments to suppliers shall normally be based on invoice aged analysis;
- v) The Procurement Manager shall submit all awarded contracts and pending invoices before the end of the financial year to finance department for commitment; and
- vi) The Finance Officer shall oversee the payments.

5.5 Creditors Ledger

The Section Head of expenditure shall ensure that an up to date creditor's ledger is maintained and reconciled on a monthly basis.

5.6 Payment of Rent and Services for Leased Properties

- i) All rental income shall be receipted as per the lease agreement.
- ii) The Finance Officer shall inform the legal office of any rent defaulters for necessary action.

5.7 Salaries and Wages Payments

The Salaries and Wages Sections shall be responsible for: -

- i) Ensuring timely processing of salaries and wages to the employees within the set timelines;

- ii) Ensuring statutory and other deductions are effected and remitted to relevant authorities within the set timelines;
- iii) Ensuring that only current serving employees are paid.

For proper functioning of Salaries and Wages Section, the following guidelines shall be observed: -

- i) There shall be a separate file for every employee maintained by the Human Resource Department. The Personnel Division shall assign the personal (Payroll) numbers after identification of the employees;
- ii) Salaries shall be paid as per the letter of appointment indicating acceptance of offer with effect from the date indicated in the Staff Movement Advice;
- iii) Removal of employees from the payroll shall be in accordance with their terms of service and duly communicated by the Human Resource Manager;
- iv) The authorized officers shall supervise the preparation of the payroll. The Head of the Salaries and Wages Section shall ensure that any variation in the payroll is duly authorized;
- v) Monthly payrolls shall be compared with previous monthly payrolls, and any variances authenticated by the Head of the Section;
- vi) All staff shall be paid through the staff bank accounts in accordance with the terms of their employment; and
- vii) All staff salaries shall be subjected to the two-thirds rule.

5.8 Allowances

The University shall pay allowances as approved by the Council and where they are within the University regulations subject to budget provisions.

5.9 Foreign Currency Transactions

5.9.1 Foreign payment Requirements

All foreign travels by University staff shall be guided by the SRC circular.

5.9.2 Importation

All foreign procurement shall be guided by the PPAD Act, 2015.

5.10 Mileage Claims

University Policy on official travel requires that University transport be used for official duties whenever possible but where transport is not available a member of staff may claim reimbursement for use of his/her personal vehicle. The reimbursement shall be based on the official AA rates and shall be paid only after approval by the Vice-Chancellor.

5.11 Submission and Approval of Personal Claims

Personal claims shall normally be submitted within the relevant financial year or otherwise be forfeited if submitted three months after the end of the Financial Year.

6.0 STUDENTS FINANCE POLICY

6.1 Introduction

All students admitted to TUM for any Degree, Diploma, Certificate or other awards of the University shall pay the University such registration fees, tuition fees, other fees and charges as determined by Senate and approved by Council from time to time.

6.2 Fee Payment Policy

- i) The responsibility for the collection of fees rests with the Finance Officer, Deans, Directors of Institutes and schools and Chairpersons of Departments. They shall ensure that no student obtains services by attending classes or taking exams when they have not paid. It is irregular for any member of staff to teach or offer any other services to any student who has not paid fees;
- ii) Fees are payable either per semester, trimester or academic year. All students shall pay 100% of fees per semester within the first three weeks;
- iii) For continuing students, in the event of inability to pay in full, the student shall be allowed to pay in two instalments as follows:
 - 1st instalment shall be paid within the first three weeks of the semester. This will include 50% of the tuition fee plus 100% of other applicable charges. (These charges include examination, medical subscription, activity, registration, student identity card, computer/internet, field/academic trips, attachment, library, student union and accommodation)
 - 2nd instalment of 50% tuition fee shall be paid in full by the 12th week of the semester.
- iv) Fees may be paid in full upfront for one academic year or more. All students who pay full fees for one academic year upfront shall be eligible to a 2.5% discount per academic year on tuition fees only.

- v) The University shall withhold any and all services, examination results, conferment of any degree, certificate or award until all outstanding fees are settled and further reserve the right to institute other legal recovery proceedings against students with outstanding fees and also surcharge an interest at a rate to be determined by Management.
- vi) All tuition and other fees payable by or in respect of students shall be paid into respective University fee collection accounts.
- vii) Fees paid to the wrong University accounts shall be deemed to be within the University Bank accounts and it is the duty of the Finance Officer to initiate a transfer on behalf of the student to the correct respective University account.
- viii) No student shall be allowed on the graduation list with a fee balance. The Deans/ Directors of Schools and Institutes shall face disciplinary action for any name appearing on the graduation list with a fee balance.

6.3 Loans/Bursaries from the Higher Education Loans Board

The following action shall be taken in connection with loans/bursary awards:

- i) The Finance Officer shall receive loans/bursaries awarded to students from the Higher Education Loans Board due to the University as fees. HELB shall provide the list of the beneficiaries of the loans/bursaries.
- ii) Students awarded Government of Kenya Loans/bursaries shall have their accounts credited with the loan/bursaries amounts.

6.4 Constituency Development Fund (CDF) and other Sponsors

- i) All remittances from CDF and other sponsors to the University shall be received by the Students Finance Office.
- ii) Upon analysis of the beneficiaries, the funds shall be credited to the student accounts.

6.5 Work-Study Programme

Students who benefit from the work-study programme shall have their earnings credited directly to their students' fee accounts.

6.6 Fee Refund Policy

Students shall ONLY be refunded on the following conditions: -

- i) Students who withdraw from a programme before the commencement of the course shall be refunded less 10% administrative charges;
- ii) Students who withdraw, are expelled or deceased after the semester has commenced shall not be entitled to a refund;
- iii) That the student has cleared and graduated and the excess fees had originated from the student's own resources shall be refunded less 15% administrative charges;
- iv) Excess fees arising from CDF, HELB and other sponsors are paid back to the source. The request has to be accompanied by an approval letter from the Sponsor; and
- v) Excess fees arising from donations or sponsorship for students may be considered for transfer to accommodation to meet the legitimate needs of the students with written authority from the sponsor.

7.0 DEBT POLICY

7.1 Debtors and Prepayments

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

7.2 Debtors

Debtors may arise from the amount due to TUM from another party resulting from contractual obligations or other transactions. These may include internal debtors and external debtors as follows;

A. Internal Debtors

- i) Student Debtors;
- ii) Staff Imprest debts;
- iii) Bonding – this applies where a staff member resigns from the University before completion of serving the bond period after the sponsorship of studies and/or study leave;
- iv) Erroneous payments in the salary; and
- v) Surcharges - this applies when the University recovers amounts from a staff member for such cases as loss of property, damage to property or any other reason as may deem fit.

B. External Debtors

- i) Institutional Debtors – These are organizations that TUM has collaborations/business activities. These include universities who require the use of our facilities such as laboratories; and
- ii) Rental Income Debtors – From the staff who rent University premises. Some of our buildings have been hired for banking services, restaurant services and other small businesses like Mpesa. These are invoiced on a monthly basis. Staff rental payments are done through check off as for the rest payment is

done in advance by depositing cash in our bank accounts and remitting the bank slip to the University cash office for receipting.

7.3 Staff Debtors - Imprests Guidelines

Imprest will be issued to staff 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.

Surrender 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 staff personal account and recovered from his salary within a month without notice.

7.4 External Borrowing

Before seeking additional funds to accelerate the initiation or completion of certain projects, TUM shall consider the following:

- i) Purposes for which funds are required;
- ii) Conduct a feasibility study on the benefits of the project under consideration.
- iii) Consider the legal debt limitations;
- iv) Repayment of debt;
- v) Compliance with the Constitution of Kenya Chapter Twelve and the Public Financial Management (Section 51 of 2012);
- vi) Integration of capital planning and debt financing activities;

TUM shall seek approval from the Council, Ministry of Education, Science and Technology and the National Treasury after which the institution shall abide by the Public Procurement and Disposal Act (2015) in procuring debt.

7.5 Recoverability

TUM shall normally allow up to 30 days' moratorium before payment for monthly fees and any other amount due on contractual obligations. The Finance Officer shall

inform the Legal Office on any outstanding debts for necessary action. The Debtors section head shall maintain the Debtors Ledger.

7.6 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
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.

7.7 Bad Debts Writing Off.

Any amounts due to the University that prove to be bad debts after diligence to recovery efforts have failed shall be written off only after approval by the University Council.

Once the Council has approved writing off of the bad debts they shall be expensed in the income and expenditure statement.

7.8 Prepayments and Deposits

TUM 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 schedule of all prepayments and deposits shall be prepared and reconciled to the General Ledger

7.9 Debtors Reports

TUM shall maintain a separate account for each debtor. Debtor accounts shall be maintained by debtors' section and an A/R (ageing report) shall be produced on a monthly basis and debtors' statements sent to individual debtors thereof.

8.0 BUDGET POLICY

8.1 Budgeting

The budgeting function of TUM shall be the responsibility of the DVC (AFP) through the PDB committee. The Finance Department shall form the secretariat to the budget process. Budgeting shall be consistent with the annual activities as revised from time to time and expenditure shall not take place until the National Treasury and the University Council approves the budget estimates.

8.2 Form of Budget

The annual budget shall cover all activities of the University income and expenditures for the financial year to which they relate and shall be presented in Kenya Shillings. It shall be accompanied by such information required by the University Council and or as may be deemed necessary by the VC.

Explanatory notes should be provided on sources of income and expenditure for new activities and for extensions of existing activities. For the purpose of comparison, the allocations for the current financial year shall be presented alongside the estimates for the following financial year.

8.3 Budgeting Procedures

The budgeting process of TUM shall be carried out on the basis of the following procedures.

i) Request for estimates

The budgeting process shall strictly adhere to the National Treasury Budget cycle guidelines. Immediately the circular is received the Finance Officer shall prepare a request for estimates memo, which he/she shall issue, to various Departmental and Section Heads. The request for estimates memo shall state each period's budgeting objectives in line with TUM's annual plan.

ii) Initiation of Departmental Budgets

The Finance Officer shall request the various cost centres to prepare departmental budgets showing recurrent and Capital activities for the forthcoming financial year. The budgets, besides qualifying receipts and expenditure, shall provide justification for the amounts derived therein, by clearly stating the assumptions used to derive such revenue estimates and costs quantities. The Section Heads shall respond and provide section budgets within a period not exceeding one month from the date of the request for estimates memo.

iii) Budget Discussions

The Section Heads shall review the budgets received from various departments then consolidate them into Annual Budget. The annual budget shall then be submitted to the Deputy Vice-Chancellor (AFP) who shall convene a PDB committee meeting for consideration and recommendation.

iv) Annual Budget Approval

The Finance Officer shall then forward the Annual Budget to the Vice-Chancellor through the Deputy Vice-Chancellor (AFP). The annual budget shall then be forwarded to the University Management Board for review and recommendation. The Board shall discuss the budget and recommend to the University Council for approval.

The Vice-Chancellor shall forward the approved budget to the relevant Government Ministries and/or Agencies.

v) Submission of Budget to Ministries

The TUM budget shall normally be completed by the 15th of December of each year. The Annual Budget shall be submitted to various line ministries for inclusion in their own budgets not later than 31st January of each year, or as may be prescribed by the Ministries from time to time.

8.4 Budgetary Control - Vote book

The approved budget shall form the Key Control Document for TUM. For purposes of controlling expenditures, the following procedures shall be observed.

- i) Request for expenditure in Line with the Budget using the vote book;
- ii) All requests for expenditure shall be carried out in line with the budgetary provisions for each Department, and each Department Head shall be required to ensure that the department budget has not been overspent with respect to goods/services requisitioned.

8.5 Budget Review and Supplementary Estimates

Authority to incur commitments in relation to unforeseen and extraordinary expenses and transfers between appropriations shall be approved by the University Council.

Supplementary and revised budget proposals shall be submitted to the University Management Board for consideration after recommendation by the PDB committee. The supplementary Budget shall then be presented to the University Council for approval within the financial year.

On a half-yearly basis, a budgetary review shall be carried out, and where the need arises applications for supplementary budgets shall be made at the time of the review. In cases of extraordinary situations or emergency requirements, a Departmental head that the requirements to be incurred under a given budget line are far in excess of the estimates so included he/she shall liaise with the Finance Officer to seek authority for supplementary financing from the PDB committee. The supplementary estimates shall only become available for use after approval by Treasury.

8.6 Budget Virement

The virement process will follow a similar process for budget approval.

9.0 ENDOWMENT FUND

- i) The University shall endeavour to solicit for funds which shall go towards the establishment of an Endowment Fund.
- ii) All monies collected by the University and declared specifically payable to an Endowment fund shall be invested as directed by the University Council and in line with Government policy. The interest earned thereon shall be deposited into a revenue account while the principal amount shall not be expended without prior authority of the Vice-Chancellor as provided for in the Statutes.
- iii) Interest from the Endowment fund shall be utilised with the approval of the Council towards research, scholarships, or further investment into the fund.

10.0 REVIEW OF THE FINANCIAL MANAGEMENT POLICY

This Financial Management Policy shall be reviewed in conformity with the University's requirements as necessitated as follows:

- i) To accommodate the fast-changing financial environment, the policy shall normally be reviewed after 5 years or as when the need arises;
- ii) When there is a significant change in the University systems and procedures;
- iii) When there is a major institutional strategy change; and
- iv) When there is a change in the prevailing financial standards and guidelines.

**THIS FINANCIAL MANAGEMENT POLICY IS EFFECTIVE FROM THIS 15TH
DAY OF APRIL 2019.**

DR. ROBERT ARUNGA

COUNCIL CHAIRPERSON



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A Centre of Excellence