



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science and Technology)

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OFFICE OF THE DEPUTY FINANCE OFFICER

KIBABII UNIVERSITY COLLEGE

FINANCIAL MANAGEMENT POLICY

DATE DECEMBER ,2015

POLICY TITTLEKibabii University Finance Management Policy

POLICY THEME: Our goal is to ensure proper effective and efficient finance processing in the provision of services to the University college stakeholders.

POLICY CONTACT;Deputy Principal (Planning, Administration and Finance)

APPROVAL AUTHORITY:University College Council

CATEGORY: Finance Department

REFERENCE NO: KIBU/FIN/DOC/0011

COMMENCEMENT DATE: Approved by Council on

SIGNED:

Principal, Secretary to Council

Date

Chairman of Council

Date

LIST OF ABBREVIATIONS AND ACRONYMS

KIBUCO	Kibabii University College
A-IN-A	Appropriation in Aid
GAAP	Generally Accepted Accounting Policy
IPSAS	International Public Sector Accounting Standards
AIE	Authority to Incur Expenditure
IAS	International Accounting Standards
GOK	Government of Kenya
IFRS	International Financial Reporting Standards
PPOA	Public Procurement and Oversight Authority
GRN	Goods Received Note
PV	Payment Voucher

Introduction

Background and legal mandate

Kibabii University College being a constituent College of Masinde Muliro University of Science and Technology operates under the following legal mandate and regulatory framework.

1. Legal notice No. 115 of 12th August, 2011
2. The Constitution of Kenya, 2010
3. Public Financial Management Act, 2012
4. The universities Act No 42 of 2012
5. MMUST statutes
6. Public Audit Act of 2013
7. The State Corporation Act 446
8. MMUST Finance and regulations

Basis of preparation and limiting factors

The laid down procedures in this draft financial management Policy (FMP) bases on the relevant reviewed documentation of the roles and functions of the kibuco.

Objectives and purpose

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

SCOPE

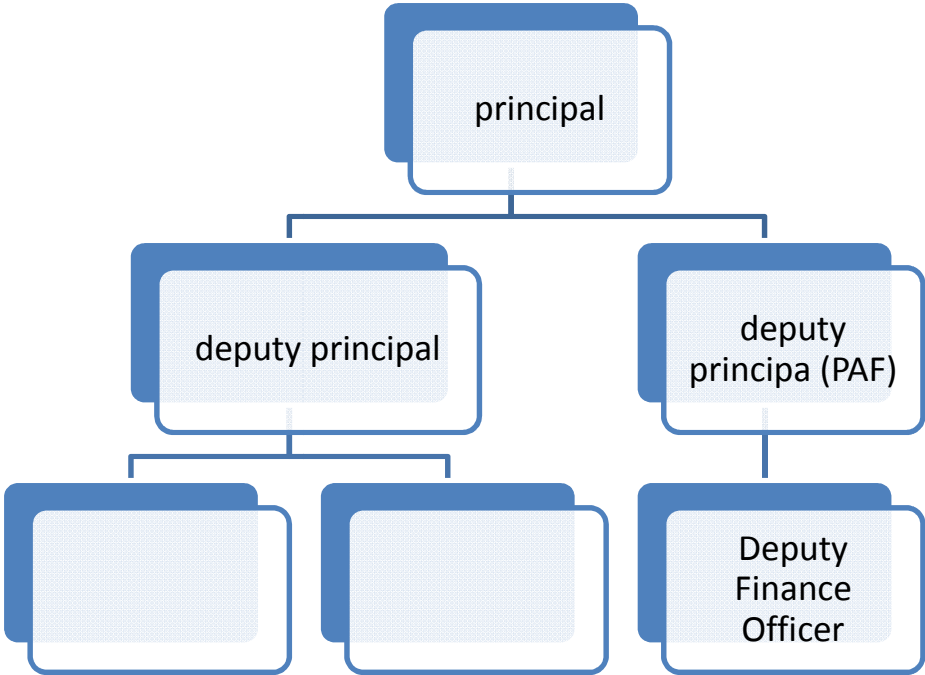
This documents the financial management framework, accounting policies and regulations, and reporting procedures of KIBUCO. It also gives an overview of the procurement procedures and auditing arrangements.

Amendments

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

OVERVIEW OF FINANCIAL MANAGEMENT FRAMEWORK

This section contains an overview of KIBUCO’s financial management framework



INPUTS	PROCESSING	OUTS
Policies and regulations	Vote Book management	Annual Reports
Planning and budgeting assumptions	AIE Management Cash book	University Management Reports
Annual estimates	Journal Voucher	Government of Kenya Reports (GOK)
Income/Receipts	Procurement Management	Capital
Expenditure/Payouts	Creditors Management	Development/Partners Reports
Local Purchases Adjustments	Inventory Management	
	Debtors Management	
	Fixed Asset management	
	General Ledger Student Finance	

The specific financial management Processes

Process	Enabling Framework
Planning and Budgeting	a) GOK Annual Estimates
Funding	a) GOK budgetary allocation b) Appropriation -In-Aid c) Internally generated Funds d) Direct Funding from Development partners , where applicable
Disbursement Authorization	a) Vice Chancellor b) Deputy Vice Chancellor (PAF) c) Finance Officer
Accounting	a) GOK Regulations b) Development partners requirements , if applicable c) International Financial Reporting Standards
Reporting	a) GOK regulations b) Development partner requirement if applicable c) International Financial Reporting Standards
Audit	a) GOK Regulations and Legal requirements b) Development partner requirements if applicable

Planning and Budgeting

The planning and budgeting of KIBUCO 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 KIBUCO budget proposals are prepared and submitted in good time.

- a) KIBUCO 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 1st January each year for consideration and approval by the Treasury before the preparation of annual budgets

Funding and Flow of Funds

KIBUCO 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

Funding through the GOK Revenue System

Under the Revenue System, KIBUCO 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 Principal of KIBUCO who is the designated AIE holder). On receipts of the AIEs at the KIBUCO level, the AIE holder spends the funds as per the annual estimates submitted to the Ministry and approved by the National Treasury.

KIBUCO 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 .

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 KIBUCO pays first for the goods and services supplied and later claim reimbursement from the development partners, and

c) Payment of cash advances to KIBUCO by the development partner.

d) Internally Generated Funds

KIBUCO 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 KIBUCO will collect from its day to day activities.

Direct Research Grants from Funding Partners

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

Proceeds from Long Term Investments.

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

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.

Any other Council Approved Revenues

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

Accounting

KIBUCO 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 KIBUCO 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 recording and analysis of accounting data.

Reporting

The accounting system used by KIBUCO will be sufficiently robust to meet reporting requirements for the effective running of KIBUCO 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 outlined in Section 17 of this policy.

Audit

The Accounts of KIBUCO 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.

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. MMUST Statutes, 2013

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

Books of Accounts and Financial Statements

KIBUCO shall keep proper books of accounts, recording all the property, undertakings, funds, activities, contracts, transactions and other business of the KIBUCO, 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, KIBUCO Council shall prepare and submit to the auditor general (corporations) not later than 30th 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 College for the Financial Year just ended.
3. Statement of Cash flows for the University College at the end of the financial year.
4. Statement of Changes in Equity for the financial year just ended.

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), International Public Sector Accounting Standards, Cost and Management Accounting will also be adopted to assist management to run KIBUCO on sound commercial lines.

Accounting Period

In accordance with section 50 of the University Act 2012 the financial year of KIBUCO shall be the period of 12 months beginning 1st July each year and ending on 30th 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.

Significant Accounting Policies

Basis of Preparation

The financial statements shall be prepared in accordance with International financial reporting standards and International Public Sector Accounting Standards (IPSAS) 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