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KISII NATIONAL POLYTECHNIC

FINANCE POLICY

KNP/FP/03
2020 Edition

CONTROLLED

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KISII NATIONAL POLYTECHNIC

FINANCE POLICY

Policy No.

KNP/FP/03

Principal's Signature

N. W. G.

Date

6/5/2021

**Approval by Governing
Council
Chairman's Signature**

A. A. M.

Date

6/5/2021

Responsible Office

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FOREWORD

The Kisii National Polytechnic is a State Corporation registered in 1972 under the Education Act CAP 212 of the Laws of Kenya with the objective of providing technical education and training

KNP draws on public resources and must be transparent and accountable in its utilization of these resources. This Finance Manual has been developed in recognition of the need for a single, documented reference guide for finance and accounting officers in KNP in their day to day work; as well as being a source of information for other stakeholders.

This Manual is a key reference guide for the practices, policies and procedures used in finance and accounting in KNP. The Finance manual provides a standardized and official document for all KNP staff and officers on financial management and accounting. It will form an invaluable guide to our accounting and finance staff as they go about their day to day duties as well as providing guidance and information to other KNP Departments in understanding the accounting and financial management policies and procedures. Additionally, the interaction of roles and responsibilities across the finance and accounting functions will be well understood as documentation of end to end processes now exist.

This Manual will provide a guide that ensures uniformity and standardization in the way tasks are approached across the whole of KNP; a handy reference and training guide to assist new and existing staff to become familiar with various aspects of their work; and provide continuity in the way finance and accounting policies and procedures are undertaken in KNP.

Prof. Kisilu Kitainge



Chairman Governing Council

ACRONYMS

AIE	Authority to Incur Expenditure
BPS	Budget Policy Statement
GC	Governing Council
EFT	Electronic Funds Transfer
FO	Finance Officer
GL	General Ledger
GOK	Government of Kenya
GRN	Goods Received Notes
HODs	Head of Departments
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMS	Integrated Management System
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
JV	Journal Voucher
KNADS	Kenya National Archives and Documentation Services
LPO	Local Purchase Order
LSO	Local Service Orders
MOE	Ministry of Education
MTEF	Medium Term Expenditure Framework
KNP	Kisii National Polytechnic
OAG	Office of the Auditor General
PSASB	Public Sector Accounting Standards Board
PFM	Public Finance Management

1.0 INTRODUCTION

1.1 Historical Background

Kisii National Polytechnic was founded in 1971 as a Harambee Institute of Technology. It was registered in 1972 under the Education Act. CAP 212 of the laws of Kenya with the objective of providing technical education and training for youths. It was moved from St. Vincent Centre where it was initially housed, to the current site in 1980. The first buildings to be put up were Woodwork Technology and Mechanical Engineering workshops, Typing Pool, Hostels, Kitchen and Dining hall. The curriculum then was Secretarial and Building technology. The institute was elevated to a national polytechnic in May 2016 through Legal notice No. 93. Since then more courses have been introduced and currently Kisii National Polytechnic offers more than eighty-eight (88) courses in Certificate and Diploma levels.

Science and Technology (S&T) activities have been recognized in the institution since its inception as vital to social and economic development. There has been rapid expansion of Science and Technology since the enactment of Science and Technology Act CAP 250 of the laws of Kenya (1977).

KNP is managed by the Governing council and college administration comprising of the Principal, Deputy Principals, the Registrar, the Dean of Trainees, Heads of Departments and their Deputies. Day to day learning activities in the college is managed by the Departments.

1.2 Mandate

The mandate of Kisii National Polytechnic is to develop an institution with excellence in training scholarship entrepreneurship, research, consultancy, community service and products with emphasis on technology, its development, impact, and application within and outside Kenya.

1.3 Vision

To be the preferred training institution for technical and vocational skills development.

1.4 Mission

To develop highly qualified, globally competitive and innovative human resource by providing quality training, applied research & extension and entrepreneurship skills that are responsive to market demands.

1.5 Core Values

The Polytechnic operations are guided by the following core values:

- a) Excellence
- b) Innovativeness

- c) Teamwork
- d) Integrity
- e) Transparency

1.6 Objectives of this Manual

The objective of this Finance policy and procedure manual is to:

- i. To provide a guide to handling KNP financial and accounting processes, policies and practices to ensure consistency and standardization across the entire Polytechnic.
- ii. To detail the internal controls in each aspect of financial management and accounting to minimize risks in finance and accounting activities.
- iii. To provide a guide and reference to the Governing Council and other stakeholders in conducting day to day financial operations of the Polytechnic
- iv. To ensure policies and procedures used in financial management are based on best practices, principles and comply with statutory regulations.

1.7 Scope of Finance and Accounting Manual

This Finance policies and procedures manual will encompass all aspects of financial management and accounting in the Polytechnic, related to:

- a) Development of annual work plans and budgets;
- b) Monitoring, surveillance and reporting on budget execution;
- c) Receipt and custody of funds from the exchequer;
- d) Receipt, custody and accounting for revenue received
- e) Expenditure processing and reporting (all classes of expenditure including payment of suppliers, payroll, imp rest and so on) and
- f) Financial accounting and reporting

While preparing this manual, the following key laws, rules, regulations, standards and legislations have been considered:

- a) The Constitution of Kenya, 2010
- b) Technical and Vocational Education and Training Act 2013
- c) The Public Finance Management Act, 2012
- d) The Public Finance Regulations, 2015
- e) International Accounting Standards
- f) International Public Sector Accounting Standards (IPSAS)
- g) Public Procurement and Disposal Act 2015 and the Public Procurement and Disposal Act Regulations of 2006.

1.8 Applicability of Finance and Accounting Manual

These finance policies and procedures shall be applicable to internal and external stakeholders. The policy is not to be issued to any outside party without written consent and approval from the Principal.

2.0 RESPONSIBILITIES AND FUNCTIONS

2.1 Accounting Officer

Accounting officer shall, in accordance with Article 226(2) of the Constitution and Section 68(1) of the Public Finance Management Act, 2012:

- a) Ensure that all expenditure made by the Polytechnic is lawful, authorised, effective, efficient, economical and transparent.
- b) Ensure that the Polytechnic keeps financial and accounting records that comply with the Public Financial Management Act 2020
- c) Ensure that all financial and accounting records the Polytechnic keeps in any form, including in electronic form are adequately protected and backed up;
- d) Ensure that all contracts entered into by the Polytechnic are lawful and are complied with;
- e) Ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods, services, and that, in the case of goods, adequate arrangements are made for their custody, safeguarding and maintenance;
- f) Ensure a strategic plan for the Polytechnic in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government is prepared;
- g) Ensure preparation of estimates of expenditure and revenues of the Polytechnic in conformity with the strategic plan.
- h) Submit the estimates of the Polytechnic to the Cabinet Secretary Ministry of Education who, after approving it, shall forward it to the Cabinet Secretary National Treasury.
- i) Ensure preparation of annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and forward a copy to the National Treasury and
- j) Take appropriate measures to resolve any issues arising from audit which may remain outstanding.

2.2 Obligations of Public Officers

Section 79 of the PFM Act, 2012 requires all public officers to comply with the Constitution and all laws relating to national government resources and;

- a) Ensure resources under their responsibility are used lawfully, in an efficient, effective, economic and transparent manner; and
- b) Within their areas of responsibility ensure adequate arrangements are put in place for proper use, custody, safeguard and maintenance of public property and use best efforts to prevent damage to public financial interests

2.3 Core Responsibilities of Finance and Accounts

Responsibilities and Functions of the personnel involved in finance and accounting system of the Polytechnic, as well as changes to their duties shall be documented. Duties shall be adequately segregated to ensure that the same person cannot request, approve/ authorize and make payments. Every reasonable effort should be made to involve at least two persons in each transaction.

The Finance and Accounts function has the following key responsibilities:

- a) Development of Polytechnic's budget based on the annual work plans.
- b) Monitoring and surveillance of actual expenditures against budget;
- c) Reporting on budget implementation.
- d) Processing transactions:
 - Maintain and continuously improve the accounting and reporting systems to effectively and efficiently meet requirements of the Polytechnic.
 - Manage day-to-day receipts, payments and treasury operations (bank and cash balances) transactions processing.
- e) Maintaining integrity, accuracy and sufficiency of the Polytechnic's financial information including:
 - complying with all statutory and regulatory reporting requirements;
 - satisfying internal financial and management information needs;
 - Being responsible for the key processes and systems by which financial information is generated and distributed
 - overseeing financial accounting reporting activities of the Polytechnic;
- f) Liaising with internal and external auditors on matters relating to audit
- g) Preparing statutory reports as required including tax returns and payroll returns;

3.0 FINANCIAL MANAGEMENT GUIDELINES

These are the financial accounting concepts and principles that are used in the financial management activities of the Polytechnic.

3.1 Accounting Principles and Concepts

The Polytechnic will observe accounting practices acceptable to the Government of Kenya and in line with International Public Sector Accounting Standards (IPSAS) as per **Kenya Gazette Notice No. 5440 dated 8th July 2014**, and where appropriate, specific accounting policies and reporting requirements set out in grant and other contractual agreements with external donors.

The Polytechnic shall ensure disclosure of all significant accounting policies adopted by the Polytechnic in the preparation and presentation of its financial statements in line with IPSAS Accrual Basis of Accounting Method.

The fundamental accounting policies of the Polytechnic are outlined below which relate to each section of the finance and accounting cycle. They are covered in the respective chapters of this policy and procedure manual.

- a) **Accounting Convention:** Transactions shall be recorded and accounts maintained on an accrual basis.
- b) **Fair presentation and compliance to accounting standards:** Financial statements are required to present fairly the financial position, financial performance and cash flows of the Polytechnic. Such fair presentation will generally be achieved by compliance with accounting standards as prescribed by the Public Sector Accounting Standards Board (PSASB). PSASB is established under the Sections 192 to 195 of the PFM Act (2012). The Public Sector Accounting Standards Board is required to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities including the Polytechnic.
- c) **Reporting period:** The financial year of the Polytechnic shall be a period twelve months commencing on 1st July and ending on 30th June in the next succeeding year.
- d) **Functional currency:** the functional currency of the Polytechnic is the Kenya Shilling (Ksh.)
- e) **Translation of foreign currencies:** Assets and liabilities, at the financial position date, that are expressed in foreign currencies should be translated into Kenya shillings at the exchange rates as at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure account in the year in which they arise.
- f) **Materiality:** Each material item should be presented separately in the Financial statements and immaterial items aggregated with amounts of a similar nature.
- g) **Recognition of Revenue and Expenses:** The Polytechnic shall recognise all revenues from the various sources and expenses when the event occurs.
- h) **Assets and Liabilities:** Where applicable, all the assets and liabilities of the Polytechnic shall be recognised, recorded and appropriately disclosed in the financial statements as and when they arise. This will be in line with Government treatment of assets and liabilities using IPSAS Accrual Basis Accounting Method.
- i) **Comparative figures:** Where necessary, comparative figures for the financial year shall be amended or reconfigured to conform to the required changes in presentation
- j) **Subsequent Events:** Events subsequent to the financial year end with significant impact on the financial statements shall be reported or disclosed.

4.0 BUDGETING AND PLANNING

4.1 Overview

The budget shall serve as a control instrument for the Council and a management tool for the proper running of the affairs and programs of the Polytechnic. At least six months before the commencement of each financial year, the Council shall cause to be prepared estimates of the revenue and expenditure of the Polytechnic for that financial year. The Budgeting process shall be guided by relevant provisions of the PFM Act, 2012, and the National Treasury guidelines through circulars.

The Principal is responsible, in particular for ensuring that—

- a) all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the Polytechnic during the financial year;
- b) the estimates are complete and accurate as possible;
- c) the estimates have been framed with regard to economy and efficiency;
- d) the requisite authority has been obtained, where necessary, before provision is made in the estimates; and
- e) the estimates are submitted to the National Treasury and the Parent Ministry in the prescribed format.

4.2 Budget Guidelines

Unless provided otherwise in the Public Finance Act, Regulations or any other guidelines developed in furtherance of the Act or Regulations, the following guidelines shall be observed at all times during budget formulation and approval:

- a) all revenue and expenditure shall be entered into the budget estimates;
- b) expenditure entered in the budget estimates shall be authorized for one financial year only;
- c) budget shall be balanced;
- d) the Kenyan shillings shall be the unit of account for drawing up and implementation of the budgets, as well as the presentation of those accounts;
- e) total budget revenue shall cover total budget expenditure; and
- f) Budget estimates shall take into account expenditure priorities which contributes to the realization of the required output and desired policy outcome.

4.3 Budget preparation process

The Polytechnic's annual budget shall be prepared in line with the National Treasury's guidelines through Circulars.

The Principal shall send notices to all the departments and units to send in their budget requirements for the next financial year. The FO shall prepare and compile the draft summarized

budget using the data. This shall be discussed by the Budget Committee chaired by the Deputy Principal Administration. The Finance Budget Committee shall consider and forward the draft budget to the principal for further consideration and recommendation.

The draft budget shall be submitted to the Finance Committee of the Council for discussion, recommendation and approval by the Governing Council. The proposed budget together with Minutes of the Council shall be forwarded to the Ministry of Education and extracts of the budget shall be circulated to respective Heads of Department.

4.4 Budget Execution

Public Finance Management Regulations 44 states that, National government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the Contingencies Fund, or supplementary estimates.

In execution of the budget, the Principal shall:

- a) Ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and approved by the Council and
- b) Manage control and ensure that policies are carried out efficiently and wastage of public funds is eliminated.

4.5 Budget Reallocation

For purposes of section 43(3) of the PFM Act, 2012, Accounting Officers, may authorize reallocation of funds within programmes or sub-votes provided that:-

- a) This does not affect the total voted provision;
- b) The provisions in the budget of the programme or sub-vote from within which the funds are to be transferred are unlikely to be utilized;
- c) Reallocation is in accordance with donor conditions in the case of reallocation impacting on donor-funded expenditure;
- d) The reallocation does not affect the voted provisions from wage to non-wage expenditure or from capital to recurrent expenditure; and
- e) Allocations earmarked by the National Treasury for a specific purpose may not be used for other purposes, except with Treasury's approval.

Budget reallocations shall be approved by the Council upon review by the Polytechnic's Finance Budget Implementation Committee.

4.6 Budgetary controls and Reporting

Each HOD will ensure that the operational costs do not exceed the approved budget. The Finance and accounts division shall monitor departmental as well as overall administrative expenditure to ensure that the Polytechnic's operations remain within the approved and funded level.

A monthly expenditure report shall be prepared and presented to Management for review.

A quarterly expenditure return shall be submitted to the Council through the Finance Committee of the Council.

5.0 REVENUE MANAGEMENT

Revenue means all monies receivable by the Polytechnic, which shall comprise of the following:

- a) Government capitation grants
- b) Fees charged for tuitions per MOE guidelines and also examination rates set out by the external examination bodies
- c) Loans from Government and financial institutions
- d) All moneys from any other source provided for or donated to the Polytechnic
- e) All moneys from income generating activities
- f) Such moneys as may be appropriated by Parliament for the purposes of the Polytechnic and
- g) Council may, subject to any other written law, regulations and guidelines, appeal to the general public for subscriptions, donations or bequest for the benefit of the Polytechnic.

5.1 Revenue Recognition

Under the accrual basis of accounting, revenues are recorded at the time of delivering the service or merchandise, even if cash is not received at the time of delivery.

(i) Revenue from non-exchange transactions – IPSAS 23

Transfers from other government entities and Revenues from non-exchange transactions (Government grants) are to be measured at fair value and recognized on obtaining control of the asset. The Polytechnic shall recognize revenues from non-exchange transactions when the event occurs and the asset recognition criteria are met.

(ii) Revenue from exchange transactions – IPSAS 9

Rendering of services (Tuition). The Polytechnic recognizes revenue from rendering of services by reference to the stage of study when the academic year can be estimated reliably.

5.2 Invoicing

- a) Students shall be invoiced upon successful admission to the course of study as follows:
 - i) Capitation from the Government of Kenya
 - ii) Fees payable directly by the student
- b) The invoices shall be generated.
- c) A credit note shall be raised by FO to correct any errors in the invoice.

5.3 Receipting of revenues

- a) All moneys payable to the Polytechnic shall be deposited in the designated bank accounts or designated Polytechnic mobile money paybill numbers.
- b) Receipting of moneys received shall be through electronic receipts. All receipts of moneys shall be acknowledged promptly on an authorized pre-numbered receipt.
- c) The invoice number shall be indicated on the receipt where applicable.
- d) A cashbook (register) must be kept and maintained wherein all moneys received are recorded serially with adequate details of the transaction.
- e) The Cashbook and the bank statements should be reconciled by 10th of the following month.

5.4 Debtors Management

- a) Fees shall become due upon invoicing.
- b) The FO shall prepare monthly reports on outstanding fees debts
- c) The debt collection process shall involve issuance of notices, SMS and phone calls
- d) The debtors must be issued with statements of their accounts which will reflect the original debt, amount paid to date. The total amount due will be classified as either 30, 60, 90 or over 90 days old.

5.5 Government Grants

Government Grants shall be recorded in the books of the Polytechnic as follows:

- i) Grants of revenue nature shall be credited to Income and Expenditure account and where the grant has not been received as at the financial position date, a provision shall be made as a debtor in the books provided it is beyond reasonable doubt that the grant will be received; and,
- ii) Where the grant is of a capital nature, it shall be credited to the capital account and thus will form part of the capital account in the balance sheet.

6 BANK AND CASH OPERATIONS

This section provides the policies and procedures governing the operation of the Polytechnic's bank accounts and is guided by Section 28 of the PFM Act, 2012.

6.1 Classification of Bank Accounts

Separate bank accounts will be operated for the following specific purposes:

- a) Recurrent expenditure account: for receipt of recurrent revenue and payment of recurrent expenditure.
- b) Development account: for receipt of development funds and disbursement of funds for capital expenditure projects.
- c) Deposit account

The bank accounts shall be maintained in the local currency (Kenya Shillings).

6.2 Opening and operating Bank Accounts

- 1) The Principal will make written request to the Council for authorization to open a bank account with details and justification for the need and the purpose of the bank account.
- 2) On receipt of authorization from the Council to open a bank account, approval will be sought by the Principal through the Parent Ministry, from the National Treasury, as required under Section 28 and 29 of the PFM Act to open the bank account.
- 3) The Principal will, in writing, designate the signatories to each bank account which must have at least 3 signatories from both cluster A and B as shown in the table below:

Cluster A	Cluster B
Principal	Finance Officer
Deputy Principal Academics	Senior Accountant
Deputy Principal Administration	

- 4) The Principal shall at all times maintain a complete and updated register of all the Polytechnic's active bank accounts indicating details of the account such as, the bank, signatories, branch location, purpose of the account and so on.
- 5) At the end of each financial year, the Finance Officer must collect the certificate of balance for each bank account. This is through instructions issued to the Bank by the account signatories to provide the certificate of balance. These certificates of balance must be filed along with the other bank statements for the bank account.

- 6) A request to close a bank account must be made in writing to the Council by the Principal for authorization and subsequently transmitted to the National Treasury for approval. The approved bank account closing instructions will be transmitted to the bank in which the account is held. Accounts that are closed must have their mandates withdrawn from the records, the bank account register updated to reflect the closure and balances transferred as directed.
- 7) Account signatories may identify designated *bank agents* within the Polytechnic. Bank agents must be appointed in writing by the Account Signatories with a letter providing details of: the bank agent's name, bank account number for the account for which they are appointed as agents, designation/position at the Polytechnic, Identity card Number and photograph. Bank agents may be authorized to:
 - a) Collect bank statements and cheques or any other documentation from Bank related to the Account on behalf of the signatories;
 - b) Withdraw cash from the bank account; and
 - c) Convey instructions to the bank from the signatories;
- 8) Account signatories must also inform the bank in writing when an officer ceases to be a designated bank agent.

6.3 Cheque Management

- a) Where a bank account has associated cheque books, these must be held securely
- b) A register of the cheque books indicating cheque book series, date received and the bank account they relate to will be maintained.
- c) Cheque signatories are required to sign the cheque and the cheque signing register as well when approving payments.

6.4 Preparing and signing of cheques

- a) When cheques are required for payment purposes, the payment will be prepared by the designated accountant in the Polytechnic.
- b) Cheques will be completed with details from the authorized payment voucher including the payee, the date and so on in readiness for signing by the authorized signatories.
- c) A cheque signing register shall accompany the cheques for signing. This register outlines the cheque details including: payee, cheque number, date and signatures and is intended to track cheque signing procedures.
- d) Cheques, together with all supporting documentation, will be examined by finance officer to confirm that they are correctly prepared prior to signing.
- e) Examined cheques will be presented to the authorized signatories for signing who are required to confirm the cheque amounts against the supporting documentation including the authorized payment voucher. Authorized signatories are also required to sign the cheque signing register when they have signed the cheque.

- f) Signed cheques should be recorded serially in the outgoing cheques register with details of the payee, date and amount. On collection of the cheques, the collector should sign the payment voucher to confirm collection.

6.5 Stale and cancelled cheques

- a) Cheques that are cancelled prior to signature and not issued should be recorded in the cheque book register and subsequently destroyed to prevent any malpractices.
- b) Cheques that are cancelled after signature should be destroyed by perforating the signature part and stored securely and disposed of per the accountable document disposal guidelines.
- c) Cheques that remain uncollected or unbanked and become stale (that is unbanked for longer than 6 months) should be cancelled and indicated as cancelled in the cheque register. Cancelled cheques should also be perforated to prevent reuse.

6.6 Loss of Cheques / Cheque Books

In the event that a cheque book / cheque leaf is lost, the officer in whose custody, this occurs must inform the Principal in writing.

The account signatories must immediately write to the Bank to report the loss and request the Bank to cancel the lost cheques.

6.7 Requisitioning of new Cheque Books

- a) In the event that the stock of cheque books runs out the Account Signatory may request the bank for a stock of new cheque books.
- b) The accountant provides a summary of the cheque books indicating the “used” or “lost” series to support the request for new cheque books. This is provided to the Account Signatories.
- c) The duly signed request for new cheque books is submitted to the Bank by the Polytechnic’s agent who is also duly instructed to collect the new cheque books.
- d) New cheque books are received by the officer designated by the Account Signatories to store the cheque books and details of the cheque number series are recorded in the cheque register.

6.8 Electronic Transfers

Where the Polytechnic opts to use electronic funds transfers instead of cheque payments:

- a. Schedules of electronic transfers (outlining the amounts, transfer instructions, bank account details and all necessary electronic transfer details) shall be maintained and filed serially.
- b. The funds transfer instructions will be prepared, examined and authorized in a similar manner to cheques.

- c. Authorization of the funds transfer instructions will be by the authorized bank account signatories.
- d. The duly approved instructions will be conveyed to the bank for effecting the transfer.
- e. In the event of electronic transfers using online banking: the authorization will only be by the designated bank account signatories who will also be required to safely store any authorization tokens or passwords for the bank accounts. For electronic transfers, authorization should only be done on receipt of duly approved payment vouchers, following which the transaction details will be recorded on the payment voucher.

6.9 Bank Deposits

Deposits will be made into the respective bank account corresponding to the purpose of the bank deposits.

6.10 Bank Statements

- a. Every month the bank account signatories, the Finance Officer will receive or have online access to bank account statements.
- b. Bank statements should be filed and retained in line with the document retention policy.
- c. The Polytechnic shall aim to have real time access to its bank account statements through electronic banking platforms to allow constant monitoring of bank balances.
- d. Any issues arising from the bank reconciliation must be referred to the Bank Manager, as soon as possible but not later than the next reconciliation report, by the Finance Officer.

6.11 Bank Reconciliation

Bank reconciliation shall be prepared on monthly basis for all bank accounts held by the Polytechnic. The reconciliation shall be prepared by the Finance Officer, reviewed and examined by the Principal. It should reconcile the Polytechnic's respective cashbook balance and the balances from the bank statements. Any outstanding items should be noted and explanations sought.

6.12 Petty Cash Policy

- i) The Polytechnic shall maintain an appropriate petty cash float of Ksh.200,000 to meet small office expenses and emergency expenditure. Petty cash should not be used as a way of avoiding the laid down procurement process.
- ii) No I Owe You (IOUs) or advances shall be allowed from the petty cash float.
- iii) At least one surprise cash count of the petty cash shall be carried out each month or as necessary. The Finance Officer shall be responsible for the surprise cash counts, and ensure that a Cash Count Certificate is filled and signed accordingly.
- iv) The Principal shall appoint a Council of Survey at the end of each financial year to verify the closing cash balance, and issue a cash certificate as at that date.

6.13 Disbursement procedures and Replenishment

- i) Requests for reimbursement from petty cash will be made through a memo approved by the Principal
- ii) The Polytechnic shall process and pay cash request/ claims in cash up to a Maximum of Kshs. 10,000.00
- iii) The staff being paid by the cashier shall acknowledge the receipt of the cash.
- iv) Prior to seeking reimbursement, the cashier must ensure that the nature of the expenditure is appropriate, the supporting documentation is adequate, and the amount is covered in an approved budget line.
- v) The cashier shall raise petty cash reimbursement form/ voucher where all the necessary details relating to the expenditure shall be filed
- vi) The cashier updates the petty cash book to show that the cash has been accounted for.

In all cases cash issued will be accounted for by way of original cash sale receipts. Petty cash reconciliations shall be prepared on a daily basis and surprise cash counts carried out.

8. IMP REST MANAGEMENT

8.1 Definition of imprest

Regulations 91 of the PFM Act defines an imprest as a form of cash advance or a float which the Accounting Officer may authorize to be issued to officers who in the course of duty are required to make payments which cannot conveniently be made through the cash office of a government entity or bank account.

The officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant. An imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant.

8.2 Types of Imprest

There are two types of imprest namely:

- i) Temporary or Safari Imprest
- ii) Standing Imprest

Temporary Imprest

- 1) Temporary imprests shall be issued mainly in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses. Before issuing temporary imprests, the Accounting Officer shall ensure that:
 - a) The main objective of the journey cannot be achieved by other cheaper means;
 - b) The applicant has no outstanding imprests;

- c) The applicant has been recorded in the imp rest register including the amount applied for;
 - d) Adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.
- 2) A holder of a temporary imp rest shall account or surrender the imp rest within 48 hours after returning to duty station.
 - 3) In the event of the imp rest holder failing to account for or surrender the imp rest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate. In addition to the interest charged the Accounting Officer shall take appropriate disciplinary action against the officer concerned for the abuse of the imprest.
 - 4) If the Accounting Officer does not recover the temporary imp rest from the defaulting officer as provided for in the PFM regulations the Accounting Officer commits an offence as provided for under the Act.
 - 5) In order to effectively and efficiently manage and control the issue of temporary imprests, an accounting officer or AIE holder shall ensure that no second imp rest is issued to any officer before the first imprest is surrendered or recovered in full.

Standing Imprest

- 1) Standing imp rest shall be intended to be in operation for a time and requires bringing the cash level of the advance continuously up to the agreed fixed level by systematic reimbursement of expenses.
- 2) Standing shall involve personal responsibility as it shall be issued to an officer in his or her own name, and not to the holder of an office.
- 3) When an imp rest holder leaves the service, or is transferred, he or she shall surrender the total standing imp rest which includes cash plus payment vouchers which together amount to the fixed level of the imp rest, and a new imp rest issued to his or her successor.
- 4) The holder of a standing imp rest shall keep a memorandum cash book to record all receipts and payments and the balance on hand shall agree with the cash balance recorded in the cash book, and in the absence of any receipts, the actual cash balances plus the expenses paid shall equal at all times the fixed level of the imp rest for which the imp rest holder is personally responsible.
- 5) When the imp rest holder needs to have his or her funds replenished, he or she shall send an abstract and analysis of his memorandum cash book, plus originals of the supporting payment vouchers to finance and accounts division.

If the accounts division is satisfied that the expenditure has been incurred for the intended purposes, and there is no irregularity in the payment vouchers, it shall arrange for the analyzed expenditure to be posted to the various heads and items, and arrange for the cash to be transferred to the imp rest holder so as to "top-up" his or her fund.

8.3 Obligation of an imp rest holder

An officer holding an imp rest shall ensure that:

- a) The imp rest issued to him or her shall be used for the intended purpose only;
- b) The imp rest moneys and any payment vouchers awaiting replenishment are adequately safeguarded at all times;
- c) Proper receipts are received for all payments out of the imprest;
- d) The full amount of the imp rest can be accounted for at all times in cash, stamps, money at bank and completed payment vouchers; and
- e) Goods purchased through imp rest shall be received at the store and a GRN issued.

9. EXPENDITURE

9.1 Introduction

The Principal is authorized under Section 70 of the PFM Act to spend the money on any expenditures charged to the Consolidated Fund, as long as it is for the purposes budgeted for.

An officer / staff instructed to make payments for which he/she has any concerns shall raise those concerns in writing to the Principal.

All expenditure payments must be supported by the relevant budgetary allocation as indicated in the approved budget.

The payment process must have adequate internal controls including: adequate segregation of duties between those preparing payment documents, those approving payments and execution of actual payment. In addition, authorization of any expenditure must ensure the procedures and policies as laid out in this manual have been adhered to and the correct supporting documentation is completed.

9.2 Types of Expenditure

There are two principal types of expenditure:

- a. **Development expenditure:** these are expenditures related to capital items such as fixed assets, civil works and so on.
- b. **Recurrent expenditure:** these are expenditures related to operational expenses and include expenses for operations, staff emoluments and payment for repairs and maintenance.

9.3 Vote-book Management / budget control

- a) The Vote-book is used by the Polytechnic to monitor its budget implementation per vote head / budget line. The Finance Officer shall ensure that a vote book is maintained for every financial year.
- b) On a monthly basis, vote utilization reports are presented to the Management.
- c) On a Quarterly basis, an expenditure report will be presented to the Council through the Finance Committee.

9.4 Payment process of Creditors

It's the policy of KNP to establish and maintain effective Internal Control System. Payments must be processed in accordance with the guidelines, policies and procedures contained in this finance manual.

Receipt of Invoices

Invoices shall be received in Procurement who shall stamp and record them into the register. All supporting documentation attached to the invoices (Copies of Goods Received Notes (GRNs),

Contracts, and Evaluation report, Inspection and Acceptance Certificate, Local Purchase Orders / Service Orders) should be forwarded to the Accounts office from procurement in a register.

Voucher Preparation

Payments have to be processed immediately in respect of the demands for settlement of goods and services which have been supplied/ rendered to KNP in accordance with its regulations, valid contracts and valid agreements. This shall be supported by LPOs, LSOs, invoices, contracts, certificates, receipts and any other relevant document duly confirmed by the Polytechnic's receiving officers. The payment shall be effected by raising a payment voucher which shall be recorded in the voucher movement register. A standard credit period for up to 60 days shall be observed by Finance for all suppliers and contractors payments.

Voucher Examination/ Checking

The Payment Voucher shall be subjected to scrutiny by an Accountant and Internal Auditor to ascertain the following:

- i) That the payment is supported by appropriate certificates / invoices, receipt of goods and services, confirmation that no such payment was made earlier and any other relevant document.
- ii) The Polytechnic expenditure is in conformity with the regulations governing the payment
- iii) That the payment documents are verified, casted and computed and that they conform to the payment to be done
- iv) All statutory requirements have been complied with
- v) The cost has been charged and posted to the correct account code.
- vi) When the checking/ examination is completed the officer should initial on the voucher.

Payment Review, Approval and Authorization

The payment vouchers shall be forwarded to the Finance Officer for review and approval after satisfying him/ her that the cost has been appropriately incurred, it is in line with the Polytechnic's objectives & regulations, then the Principal or his designee being the Polytechnic's Accounting Officer shall authorize the payment.

10. STAFF AND COUNCIL PAYMENTS

10.1 Staff Costs

The payment of emoluments, allowances and other fringe benefits shall be governed by the Polytechnic's Human Resource Policies and Procedures Manual.

Therefore, the manual will be adopted in so far as it governs staff payments to become part and parcel of this Financial Policies and Procedures manual.

10.1.1 Emoluments

The Human Resource Officer shall provide the initial basic information to be acted on by Finance. For any subsequent adjustment and variation to personnel emoluments, an authorized Pay Change Advice (PCA) emanating from Human Resource department shall provide the necessary information. The Human Resource Officer shall maintain a transaction file for each month.

Electronic Funds Transfer shall be made to respective employees' bank accounts by the end of each month under normal circumstances.

Any payments to staff, other than as stated on the letter of appointment, must be subject to approval by the Principal. Pay slips shall be issued to the employees setting out details of emoluments by the Human Resource department.

10.1.2 Voluntary /Statutory Deductions

Voluntary/statutory deductions made from personnel emoluments shall be based on authorities provided by individuals in writing/ or as per statutory requirements. Staffs shall however, be expected to make 'standing orders arrangements' for personal commitments. All statutory deductions and other deductions made from the employee's salary must be paid promptly to the relevant bodies before the expiry of submission date.

10.1.3 Temporary staff

Staff on temporary terms of service and casuals shall be paid by voucher. Otherwise, the rest of the staff shall be paid through the monthly pay-roll.

10.1.4 Allowances

The staff allowances shall be as enumerated in Polytechnic's Human Resource Policies and Procedures Manual and the payments thereof shall be governed by the said document and any other regulations of the Polytechnic in operation from time to time.

There shall be a pay slip on monthly basis of detailed and summary of all salaries/allowances paid to staff and total individual deductions/net payments.

10.2 Remuneration of Council Members

The Governing Council shall be paid as stipulated in the Council Charter. Council Members shall be expected to sign attendance register during the meetings.

Relevant applicable statutory taxes shall be deducted from the Council Members remuneration.

11. ASSETS MANAGEMENT

11.1 Definition of Assets

An Asset in the context of this manual shall be taken to mean any resource controlled by the Polytechnic as a result of past events and from which future economic benefits are expected to flow to the Polytechnic.

Fixed Assets are those assets which the Polytechnic expects to derive economic benefit for a period exceeding one year and Current Assets are those the enterprise expects to derive economic benefit for one year or less.

Fixed Assets are defined as all tangible or intangible assets with a useful life to the Polytechnic of three (3) years or more and having a minimum value at the point of acquisition of Shillings thirty thousand (Kshs. 30,000/=) either individually or collectively.

11.2 Recognition of Assets

An asset is recognized in the financial position when it is probable that the future economic benefits will flow to the enterprise and the asset has a cost value that can be measured reliably.

An asset is not recognized in the financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the Polytechnic beyond the current accounting period.

Instead, such a transaction results in the recognition of an expense in the income statement. This treatment does not imply either that the intention of management incurring expenditure was other than to generate future economic benefits for the enterprise or that management was misguided. The only implication is that the degree of certainty that economic benefits will flow to the enterprise beyond the current accounting period is insufficient to warrant the recognition of an asset.

The underlying concepts and principles involved in the establishment of Fixed Asset policy has taken due regard of the International Public Sector Accounting Standards (IPSAS 17).

11.3 Classification

The Polytechnic shall classify its assets as follows:

Fixed assets:

- i) Immovable Property (Property Plant and Equipment
- ii) Furniture & fittings
- iii) Office equipment
- iv) Motor vehicles
- v) Computer equipment

Current assets:

- i) Cash and cash equivalents
- ii) Debtors & Pre-payments

11.4 Accounting for fixed assets

Fixed assets shall be stated in the financial position at cost or valuation less depreciation.

11.5 Disposal of assets

The Polytechnic shall devise and adopt a sound policy to ensure that a recognized valuer, values all the assets before disposal. The assets of the Polytechnic shall be disposed off on the following conditions:

- i) Impairment
- ii) Evidence of obsolescence
- iii) Asset is fully depreciated
- iv) Management deems it prudent to dispose

Assets shall be sold/ traded in or otherwise disposed of in accordance with the provisions of the Public Procurement & Disposals Act 2015 and the State Corporations Act. This shall be after the recommendation of a Council of Survey duly constituted by the Principal.

On Fixed Asset disposal whether by sale or scrapping, the difference between any sale price and the net book value of the asset, should be taken to "Profit or Loss on sale on Fixed Asset Account" in the Income and Expenditure statement. The fixed asset account in the financial position should be credited with the original cost price and the depreciation account debited with the depreciation to date.

11.6 Depreciation of fixed assets

The assets of the Polytechnic shall be depreciated annually on a reducing balance basis and the depreciable amount charged to income over the assets useful life at the following rates using:-

Asset		Rate	useful life
Immovable Property	:	2.5%	40years
Furniture & Fittings	:	12.5%	8years
Office Equipment	:	12.5%	8years
Motor Vehicles	:	25%	4years
Computer	:	33⅓%	3years
Software	:	12.5%	8years

When an asset is acquired, depreciation will be charged in the year of purchase on pro rata basis and no depreciation will be charged in the year of disposal.

11.7 Recording of fixed assets

The Polytechnic shall maintain Fixed Assets Register wherein various details of fixed assets shall be listed, and a respective ledger account for each asset wherein all relevant transactions shall be recorded.

Asset movement register

The register shall contain the following entries;

- i) Type of asset;
- ii) Serial No/Registration No.
- iii) Date of Purchase
- iv) Purchase Value
- v) Warranty Period
- vi) Years of Usable Value

The fixed asset register shall be maintained by Human Resource and administration division.

11.8 Writing-Off Fixed Assets

Writing-off of fixed assets as a result of un-serviceability, theft or other loss, etc shall have to be authorized by the Principal after due consideration of the appropriate reports.

KNPGoverning Council shall ratify the Principal's action upon receipt of a report tabled before it by the Principal.

11.9 Accounting for donations in kind

In the event KNP benefits from donations in form of assets i.e. vehicles, equipment, buildings, etc, the following shall be done:

- (a) The items donated shall be recorded in a Donor Project/Activities Data Capture Form.
- (b) The cost of the Asset shall be debited to the particular category.
- (c) The Grant/Donation shall be credited to capital grants Account.
- (d) The Asset shall be subject to the depreciation rate applicable.
- (e) Assets of unknown values shall be subjected to valuation or reasonable estimates of cost based on prevailing market rates.
- (f) In the event that Government of Kenya has given an exemption from custom duties and VAT, the Asset shall be subject to a valuation and any valuation surplus arising there from shall be credited to GOK grants account in the Polytechnic's books.
- (g) VAT and Commission expenses should be budgeted for respective budgets where donors are concerned.
- (h) The accounting treatment for the donations both in kind and in cash shall be as above, donor requirements shall also be taken into consideration.

11.10 Replacement of Fixed Assets

Fixed Assets shall be replaced after the same have become uneconomical to maintain. This shall be budgeted for using the normal capital budgeting process.

11.11 Revaluation of Fixed Assets

Where assets have been refurbished under advice from technical department, Finance shall determine the surplus. Revaluation shall be guided using the relevant Accounting Standards.

The Management may at the discretion of the Principal recommend for a Professional Evaluation of the key assets after every four (4) years or any other reasonable period the Management deems necessary.

The Governing Council shall be informed of any such revaluation through a report tabled before them by the Principal.

11.12 Repair of Fixed Assets

Repairs on fixed assets shall not exceed 10% of the cost of the item in any one year or at a single go.

In cases where the 10% amount is exceeded, then the Principal shall authorize such expenditure.

11.13 Investment of funds

In accordance with the Public Finance Management Act, any funds for the Polytechnic not immediately required for any purpose may be invested in a manner which the Council may with the approval of the Cabinet Secretary responsible for finance determine. Surplus funds for the Polytechnic will be invested as follows once approval has been granted:

- i) In Government securities
- ii) Place deposits with any banks quoted in approved securities Exchange in Kenya.

The basis of investment shall take cognizance of:

- i) Investment risk;
- ii) Income yield;
- iii) Maturity profile and;
- iv) Security

Investment records

The Polytechnic shall maintain registers for all investments, which shall contain the following details:

- i) Type of investment;
- ii) Date and cost of investment;
- iii) Documents of title and encumbrance if any;
- iv) Rate of interest;
- v) Date of maturity; and,

vi) Market value as at the last financial year.

11.15 Intangible Assets

An intangible asset is an asset that is not physical in nature. Goodwill, brand recognition, software and intellectual property, such as patents, trademarks, and copyrights, are all intangible assets.

Amortization of intangibles is the process of expensing the cost of an intangible asset over the projected life of the asset. The process of amortization reduces the value of the intangible asset on the financial position over time and reports an expense on the income statement each period to reflect the change on the financial position during the given period.

Amortization refers to the write-off of an asset over its expected period of use (useful life). Softwares shall be amortized 12.5% on reducing balance basis.

11.16 Accounts receivable/ Debtors

These are economic benefits due to the Polytechnic and there is probability of recovery. These include prepayments, fees payable and accountablemp rest advanced to staff for official traveling and other official incidental expenses while on duty away from their workstations.

Ensure provision for debtors

12. LIABILITIES AND EQUITY

12.1 Definition

A liability is a present obligation of the Polytechnic arising from past events, the settlement of which is expected to result in an outflow from the resources embodying economic benefits. Equity is the residual interest in the assets of the Polytechnic after deducting all its liabilities.

12.2 Recognition of Liabilities

A liability is recognized in the financial position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

In practice, obligations under contracts that are equally proportionately unperformed (for example, liabilities for inventory ordered but not yet received) are generally not recognized as liabilities in the financial statements. However, such obligations may meet the definition of liabilities and, provided the recognition criteria are met in the particular circumstances, may qualify for recognition. In such circumstances, recognition of liabilities entails recognition of related assets or expenses.

12.3 Classification of liabilities

Liabilities are classified into long-term and current liabilities. Long-term liabilities are obligations whose settlement will take a period of more than one year while the current liabilities take a period of up to a maximum of one year.

12.4 The Polytechnic's liabilities

Accounts payable

These relate to the value of goods delivered and services rendered not settled.

Accruals

A charge for work that has been done but not yet invoiced, for which provision is made at the end of a financial period.

Long-term liabilities

The Polytechnic will maintain a liabilities register to record long-term liabilities as and when they arise. The liabilities register will contain the following:-

- i) Date of loan;
- ii) Name of lending institution;
- iii) Rates of interest and due dates;
- iv) Redemption/maturity
- v) Details of collateral;
- vi) CouncilPolytechnic minute number.

Chart of Accounts.

The Polytechnic shall maintain a chart of accounts as shown in **Annex 1.**

14.2 Review of accounting documents

The Finance and Accounts Division shall be responsible for designing, reviewing and introducing accounting forms and documents for use in authorization and recording of financial transactions of the Polytechnic.

14.3 Preservation of accountable documents and books of accounts

All accountable documents and books of accounts are to be preserved for a minimum of 10 (ten) years.

14.4 Destruction of accountable documents and books of accounts

Disposal of Accountable Documents is subject to the Public Archives and Documentation Service Act which requires:

- a) The Principal to form a committee to review the Accountable Documents to be disposed and ensure they are in line with the retention periods.
- b) Finance and Accounts to provide lists of their disposable Accountable Documents to the committee for review.
- c) From the Committee's recommendations, the Principal communicates, in writing to the Director, Kenya National Archives and Documentation Service (KNADS) on the Accountable Documents to be disposed of and seeks approval to dispose.
- d) Kenya National Archives undertakes verification of the disposable Accountable Documents and issues a certificate of destruction to the Principal.
- e) Destruction is undertaken in line with the KNADS Act.

15. LOSSES AND WRITE-OFF

15.1 Definition of losses for the Polytechnic

The term losses include:

- a) Actual loss or destruction of, or damage to, or failure to account for the disposal of Polytechnic money, securities or property (including any money or other property not belonging to the Polytechnic which is held or used by an officer in his or her official capacity either alone or jointly with any other person.
- b) Non-collection of any moneys due or belonging to the Polytechnic, or to any other organization for which the Polytechnic is responsible.
- c) Payments made or liabilities incurred without or in excess of any statutory, administrative or any other, including nugatory and similar payments arising from incorrect certificates and irregular or excess issues of stores etc.
- d) Unauthorized use of stores, vehicles, buildings, equipment or any other property, or service provided for official purposes.
- e) Compensation and similar payments (including third party claims in respect of vehicle accidents), legal and court costs and any other additional expenditure or liability which was available or need not have been incurred.

15.2 Procedure for handling losses

- a) On the discovery of any defalcation or loss due to any cause, investigation proceedings must be started immediately and a report made to the Principal and to the police where applicable. This report should give the amount involved and any other essential information that may be immediately available, including if appropriate a brief account of action taken to prevent further loss, effect recovery, etc
- b) The Accounting officer shall maintain a register of all losses incurred by the Polytechnic and attach a list of all losses incurred during that year to the financial statements submitted to the Auditor-General for audit with a copy to the National Treasury.
- c) Where any doubt arises on the correct classification of a loss or the accounting procedure required the directions of the National Treasury shall be sought.
- d) The fact that losses arise from un-collectable revenue, irrecoverable overpayments, or irrecoverable claims at the time of disposal does not preclude the prior investigation of circumstances of the losses.
- e) Applications for write off shall be accompanied by an investigation report indicating whether remedial accounting or other action is necessary.
- f) An Accounting Officer may only write off losses if he or she is satisfied that: -
 - ✓ all reasonable steps have been taken to recover the losses and the loss is irrecoverable; or
 - ✓ he or she is convinced that —
 - (i) recovery of the loss would be uneconomical;

(ii) it would be to the advantage of the state to effect a settlement of its claim or to waive the claim.

- g) If the loss falls within the accounting officers powers under section 69 (1) of the Act, he or she shall authorize the write off of the loss with the approval of the Council of up to an amount not exceeding hundred thousand (KSh. 100,000) shillings in any one incidence and submit a report to the National Treasury and the Auditor-General.
- h) If the loss falls within the Cabinet Secretary's powers under section 69 (2) of the Act, the accounting officer shall seek the approval of the Cabinet Secretary to authorize him or her to write off the loss of an amount exceeding the one hundred thousand (KSh. 100,000) shillings but not exceeding one percent of the Polytechnic's approved estimates.
- i) The approval of the Cabinet Secretary shall be communicated to the accounting officer in writing with a copy to the Auditor-General.
- j) Any loss exceeding the threshold for the Cabinet Secretary shall fall within the Cabinet powers under section 69 (3) of the Act, the Accounting Officer shall—
 - ✓ seek the approval of the Cabinet through the Cabinet Secretary to authorize him or her to write off the loss exceeding one percent of the Polytechnic's approved budget in any one incidence;
 - ✓ the approval of the Cabinet shall be communicated to the Accounting Officer through the Cabinet Secretary in writing with a copy to the Auditor General;
- k) The accounting officer shall also make a disclosure in the financial statements of the Polytechnic.

15.3 Recovery of losses

Interest may be charged on recoverable losses at the Central Bank Rate.

16. RISK MANAGEMENT AND INTERNAL AUDIT

16.1 Introduction

The risk management and internal audit processes are concerned with identifying and mitigating risks within the Polytechnic. The financial management processes described in the preceding sections have many risk areas and must be constantly monitored, identified and managed. This is done through a risk management process supported by a robust internal audit. This section of the manual provides an overview of the risk and internal audit procedures as they pertain to financial management.

16.2 Risk Identification and Assessment

Management and mitigation of risks is a core function of each functional area of the institution the finance and accounts function is expected to:

- a) Complete risk identification templates in which risks are identified, rates them, their impacts, probability and therefore the level of overall risk.
- b) This identification and assessment of risk is carried out quarterly at the beginning of each quarter and may be updated if issues arise during the course of the quarter.

16.3 Risk Reporting

Risk mitigation strategies are defined to address the identified risks and a quarterly risk review is carried out by the risk and internal systems function to determine effectiveness of the mitigation strategies.

The Principal shall review the findings and recommendations of the risk assessment report and provide feedback on the implementation of the suggested recommendations as well as comment (if any) on the findings.

16.4 Role and Scope of Internal Audit

Internal audit is undertaken by an independent internal audit unit that reports directly to the Polytechnic's Council Audit and Risk Committee. The Polytechnic's finance and accounting function is key auditee by the internal audit. The internal audit function (as detailed in Section 73 of the PFM ACT 2012 AND THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2020 and The Public Finance Management (Amendment) Bill, 2020) has been put in place to ensure that there are appropriate arrangements in place for conducting internal audit according to the guidelines of the PSASB.

17. STATUTORY AUDIT

17.1 Types of Audits

There are various types of audits that may be carried out by external auditors, which include:

- a) Statutory year-end audit of financial statements carried out by the Office of the Auditor General (OAG).
- b) Audits carried out by other Government auditors such as: Public Procurement Oversight Polytechnic, Ethics and Anti-Corruption Commission, among others
- c) Targeted audits e.g. audits as may be conducted at the request of oversight agencies and National Assembly, sometimes triggered by its Sector Committee.
- d) Audits commissioned by development partners and donors.

17.2 Statutory Audit Timelines and Requirements

The statutory audit is subject to timelines as indicated in the Constitution and in the PFM ACT 2012 AND THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2020 and The Public Finance Management (Amendment) Bill, 2020. Key statutory timelines are:

- a) Under Article 229 of the Constitution, the Auditor General must audit and report on the Polytechnic's financial statements within 6 months of the end of the financial year.
- b) The Polytechnic shall prepare and submit financial statements within three months of the end of financial year i.e. by 30th September.

17.3 Management Responses

External auditors may raise audit queries and raise audit issues through management letters (MLs) for clarifications.

Queries from the Auditor General must be responded to within the timeframe indicated in the management letter / auditors' reports. Queries not addressed within the expected timeline are detailed in the Audit Report that is presented to the National Assembly, which may require the Polytechnic to respond. To avoid this scenario, management are required to prioritize responses to audit queries that may be directed to them.

Annex 1

KNP Chart of Accounts

Electricity Water & Conservance
Graduation Expenses
Insurance
Internet/ICT
Laboratory Equipment and Practicals
Local Transport and travelling
Medical Expenses
Development expense
Production Unit
Repair Maintanance & Improvement
School Equipment & stores
Student ID
Workshop Equipment and Practical
Pay As You Eat
Caution Money
TVET/HELB Bursary(Refund)
Students Council
Examination Expenses
Sundry creditors
Cleaning services and security services

Annex 2: KNP Accounting Forms

KISII NATIONAL POLYTECHNIC

PAYMENT VOUCHER

Payee:	PV No:
Address	Date :

DESCRIPTION:					
PARTICULARS		INVOICE AMOUNT	WHT	NET AMOUNT	
				Shs	Cts
Total Amount Payable					
A/C	DESCRIPTION			DEBIT	CREDIT

Total Amount in words:.....

Voucher prepared by: Date Voucher Checked by: Date	Examination I certify that the expenditure has been entered in the votebook and adequate funds are available to cover it. Sign..... Date.....
Review I certify that the expenditure detailed above has been incurred for the authorized purpose. Sign..... Date.....	Authorisation I hereby authorise the payment above without any alteration. Sign..... Date.....

Received Cheque No..... for the amount of this payment as stated above

Name: Sign ID No..... Date.....

KISII NATIONAL POLYTECHNIC

IMPREST REQUISITION FORM

NO.....

Accounts Department

NOTE: This imp rest should not be paid unless and until all previous imp rests have been surrendered and fully accounted for.

Name:

P/No:

Department:

J/Grade:

Item No.	Details	AMOUNT (KSHS)
Total Amount		

Requested by:

Date

Signed

TO: CASHIER/ACCOUNTANT

You are hereby authorized to issue the amount as stated above in respect of an imp rest to be accounted for on or before

Recorded in imp rest Ledger

Signed

Date

Cashier/Accountant

Signed

Date

Finance Officer

I acknowledge the receipt of an imp rest in the sum of Kshs..... which I hereby undertake to account for in full on or before

In the event of my failure to retire it within 7 working days after completion of the activity, the Executive Director is authorized to recover the amount of the imp rest from my salary.

Signed

Date

KISII NATIONAL POLYTECHNIC

ISF NO.

IMPREST SURRENDER/CLAIM FORM

Staff Name

P/NO

Department/Region

Designation

Staff Grade

Date	Description	Receipt No.	No of Days	Rate per Day	Amount	
					Kshs	Cts
		Total Costs				
		Less: Imprest/Advance taken				
		Net Amount due to/ (From) staff				

ACCOUNT	DESCRIPTION	DEBIT		CREDIT	
		Shs	Cts	Shs	Cts
	TOTAL				

<p align="center">CLAIMANT</p> <p>The expenses above were incurred while on official duty/ facilitating the official business of the Agency.</p> <p>Date..... Sign.....</p>	<p align="center">EXAMINATION BY ACCOUNTS</p> <p>I certify that the above expenditure is properly supported, has been entered in the vote book and adequate funds are available to cover it.</p> <p>Date Signature.....</p>
<p>AUTHORIZATION</p> <p>I hereby authorize the payment above without any alteration.</p> <p>Date..... Sign.....</p> <p>Principal</p>	

Received Kshs. for the amount of this payment as stated above

Name: Sign ID No Date.....

IMPREST SURRENDER INSTRUCTIONS

1. Print the employee name, Department and job grade on the first part of the form.
2. State briefly the purpose/ nature of the expense/ Journey.
3. List all the expenses incurred whilst in the Polytechnic's official business/ activities.
4. Deduct any travel advances received and any company prepaid expenses from the total expenses incurred and indicate the net amount due to/ (from) the staff member.
5. Attach originals of receipts and/or invoices for costs other than those covered under per diem allowance listed on the surrender form. Receipts must be mounted on "A4" size paper (If no receipt was available, the employee should give a brief explanation of the cost and justification). Number each receipt and/or invoice, and list this number after the expense description on the surrender form.

6. The employee should bring the surrender form to Accounts Section and if there is unexpended travel advance funds; the repayment should be made to the Polytechnic in the same currency that the employee received for the advance. A receipt should be given to the employee documenting the repayment.
7. No employee is authorized to approve their own expense report/ Surrender form. Every expense report must be approved by the Principal

All travel related employee expense reports/ surrender forms should be submitted to finance within 7 days after the trip failure to which the whole travel advance shall be recovered from the employee's salary without further warning at the end of the month.

**KISII NATIONAL POLYTECHNIC
INVOICE**

7 ISSUE AND REVIEW OF THE MANUAL

2.1 Custody and issue of the manual

- i. The Principal is responsible for the custody and issuance of this Manual
- ii. The Manual shall be available to all stakeholders for reference purposes

2.2 Revision of the manual

- i. This Manual shall be updated and revised every five years or any other time as there may be need.
- ii. Any member of staff may initiate changes to the Manual by submitting written suggestions to the Finance Officer.
- iii. All recommended changes shall be submitted to the Governing council for final approval
- iv. Once amendments are approved, the Principal shall ensure implementation of the revised manual.

2.3 Confidentiality

This manual and guidelines are for **internal use only** and should not be copied or circulated to unauthorized entities

