

Financial Management Manual

LAHORE GARRISON UNIVERSITY

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LAHORE GARRISON UNIVERSITY

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NOTIFICATION FINANCIAL MANAGEMENT MANUAL

The Competent Authority has approved Financial Management Manual of Lahore Garrison University.



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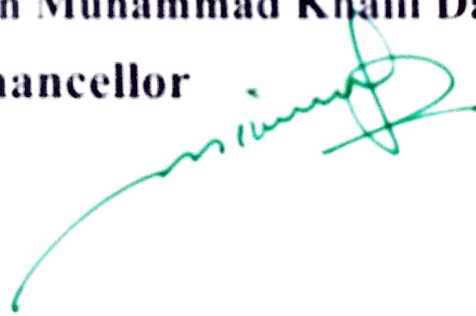


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ACRONYMS

LGU	Lahore Garrison University
BoG	Board of Governor
F&PC	Finance & Planning Committee
BRS	Bank Reconciliation Statements
BPV	Bank Payment Voucher
BRV	Bank Receipt Voucher
CFO	Chief Financial Officer
CoA	Chart of Accounts
CWIP	Capital Work in Progress
CPV	Cash Payment Voucher
CRV	Cash Receipt Voucher
Café	Cafeteria
Cr	Credit
Dr	Debit
DIA	Director Internal Audit
AT	Assistant Treasurer
FMM	Financial Management Manual
FAR	Fixed Asset Register
FAC	Financial Assistance Committee
FA	Financial Assistance
FY	Fiscal year
GL	General Ledger
GRN	Good Received Note
GIN	Good Issued Note
G&A	General & Administration
HoD	Head of Department
IA	Internal Audit
ISAs	International Standards on Auditing
IFAC	International Federation of Accountants

IAASB	International Auditing and Assurance Standards Board
IT	Information Technology
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JV	Journal Vouchers
MoF	Ministry of Finance of Pakistan
FBR	Federal Board of Revenue
NRV	Net Realizable Value
PPE	Property, Plant & Equipment
PG	Post Graduate
PR	Purchase Request
PCV	Petty Cash Voucher
PO	Purchase Order
RFP	Request for Payment
TL	Transfer Letter
YTD	Year to Date

Chapter 1

INTRODUCTION TO THE MANUAL (1 V0)

1.1 Scope and Purpose of the Financial Management Manual (FMM The or This Manual): The finance and accounting department of Lahore Garrison University (LGU or the Organization) is tasked with providing support to the Organization’s objectives, through delivery of high-quality financial management and advisory services in order to maximize return on funds used to the advantage of its beneficiaries.

1.1.1. The finance and accounting department facilitates staff to effectively undertake their activities and assists management in their decision making, oversight and risk management roles. The finance and accounting department plays a vital role in designing and implementing controls that are necessary for achieving its objectives: safeguarding resources, producing reliable financial records, ensuring effectiveness and efficiency of operations, and complying with relevant legal and contractual requirements. In addition to transactional review, the finance and accounting department provides critical financial analysis of past, current activities, and future plans and activities. The department is responsible for analyzing and evaluating financial aspects of transactions e.g. as part of program proposals and agreements in line with the Organization’s strategic and financial objectives and condition. The department also provides important information to management, internal audit, and those charged with governance for effective decision making, review and oversight. Because of the importance of its role to the Organization, it is necessary that finance and accounting staff are always compliant with high professional and ethical standards and remain in compliance with LGU’s Code of Conduct.

1.1.2. This is the Financial Management Manual of LGU and contains policies, procedures, process flows relevant to financial management activities in key areas. It is designed to formalize and standardize financial policies and procedures, for major areas; to enable effective implementation and smooth operations of the Organization.

1.1.3. Furthermore, the Manual will assist in recognizing and understanding major areas, ensuring consistent thinking, implementation of policies and actions on these, by staff within the finance function and relevant departments, including internal audit. By giving process level information, the Manual will enable finance function to perform their duties better. The objectives of this Manual include:

- a.** Enabling effective oversight of activities including through better internal controls;
- b.** Providing written policies and procedures to be followed by existing and new employees in finance and relevant departments;
- c.** Clarifying responsibilities of the finance and relevant departments;

- d.* Ensuring the maintenance of accurate records of the Organization's financial activities;
- e.* Relieving the management of repetitive instructions;
- f.* Providing uniformity in application of policies and procedures;
- g.* Facilitating co-ordination and communication among several departments/persons;
- h.* Providing means for the constant review and improvement of policies, procedures, and internal controls;
- i.* Facilitating responsible use of funds with audit trail of transactions that documents such responsibility;
- j.* Ensuring that financial transactions are for legitimate purposes of the Organization, are based on operational needs (including legal and contractual) and are duly authorized by competent authority.

1.1.4 Achievement of above objectives will assist the organization to be accountable, reasonable and fair. The organization shall be transparent and accountable in its activities, and shall be reasonable in paying employee salaries, and other administrative and logistical expenses, to gain the public trust.

- 1.2. Elements of Financial Management:** The following elements of financial management must be in place to achieve good practices in financial management.
- 1.3. Accounting Records:** The Organization must use good quality accounting standards and maintain an accurate record of financial transactions to demonstrate whether funds have been utilized efficiently, effectively, and in accordance with needs and obligations of the organization. Accounting records also provide valuable information about how the resources/operations are being managed and whether it is achieving its objectives.
- 1.4. Financial Planning:** Linked to the Organization's strategic and operational plans, the budget is the foundation of any financial management and planning system and plays an important role in monitoring the use of funds.
- 1.5. Financial Monitoring:** Provided the Organization has established a budget and has kept and reconciled its accounting records in a clear and timely manner, various financial reports could be produced for decision making and for assessing the progress of the Organization.
- 1.6. Internal Controls:** A system of controls, checks, and balances collectively referred to as internal controls should be put in place to safeguard the Organization's assets and manage various risks. They also assist in deterring theft or fraud and detecting errors and omissions in the accounting records. An effective internal control system also protects staff involved in financial tasks.

Note that all of the elements must be in place continuously. Effective financial control will not be achieved by partial implementation.

Internal controls are discussed in more detail below.

1.7. Internal Controls: The Organization places great importance on the efficient, effective, and proper use of resources. It is a key responsibility of management, across all departments, to ensure that financial resources are managed appropriately and that adequate controls over these resources are maintained to prevent misuse. As mentioned above, internal controls are the fundamental elements in developing financial systems that are effective and efficient and manage risks in achieving the objectives of the organization. Internal controls should be purposeful in addressing risks but should not unnecessarily restrict activities.

1.8. The objectives of a system of internal control are:

- a.* Reliability of financial reporting.
- b.* Compliance with laws, regulations, contractual obligations and organization's policies and procedures.
- c.* Safeguarding assets of the Organization.
- d.* Economic and efficient use of operational resources; and
- e.* Established program/operating goals and objectives that will be met.
- f.* Internal controls should be embedded throughout all phases of the accounting and financial management processes. Every employee, across all departments, plays a role in either strengthening or weakening the Organization's internal control system. Therefore, all employees need to be aware of the concept and purpose of internal controls.

1.9. Primary responsibilities for operational systems and Internal Control:

- a.* As the top governing body, the Board of Governor (BoG) and its committees are responsible for the overall establishment, implementation, and maintenance of systems, and ensuring that the overall control environment is adequate to safeguard resources and ensure accuracy, efficiency, and reliability in accounting and operating information. The university Bylaws established the duties of BoG and its various committees e.g. The BoG is responsible for approving policies of the university as recommended by the Vice Chancellor/Academic Council-ACM, Board of Studies and Research-BASR and its Finance and Planning Committee is responsible for oversight of Academic, Research and financial and other controls of the university.
- b.* As Chief Executive Officer of the University, the Vice Chancellor is responsible for providing management, leadership, and operational direction for the University's daily

activities. The Vice Chancellor is the highest executive responsible for implementation of university policies.

- c. As head of Finance, the Treasurer is responsible for the day-to-day operations of finance and account department, and keeping the Manual updated in line with requirements/obligations of the Organization including: laws and regulations, LGU’s Bylaws, accounting standards, contractual obligations, risk assessment, changes in internal and external requirements.
- d. Each department/budget center head is specifically responsible for ensuring compliance with internal controls and contribute towards developing and strengthening internal control system. All employees of the university are responsible for managing internal controls and assisting the Finance and account department in this regard in order to achieve efficient financial management through the application of controls within approved policies, processes, and procedures.
- e. The Internal Audit Department is responsible to perform internal audits and provide independent and objective reviews of transactions, controls and other areas in accordance with approved audit plan.

1.9.1. Specific controls are described in appropriate chapters of this Manual. However, some basic internal controls are mentioned below. The organization should consider these and other controls when developing or updating policies, processes and procedures.

1.10. Segregation of Duties There must be segregation of duties so that no one person has complete or substantial control of any process. Full control of a process can allow the person to manipulate the process. For example, financial transactions must be prepared by one person and reviewed by another; one person cannot be responsible for authorizing a purchase, making the purchase and paying for it; information prepared by one person should be reviewed by another at a higher level. Similarly, receiver of cash should not have authority to record cash transactions.

1.10.1 The table below includes a few examples of requirement of appropriate segregation of duties between persons performing various roles:

There should be segregation of duties between		
Preparer of vouchers	Vs	Reviewer or Approver of vouchers
Preparer of Cheques		Signer of Cheques
Receiver of cash		Recorder of cash receipts

Preparer of bank deposits or records cash receipts		Preparer of bank reconciliation
Preparer of Bank Reconciliation Statement (BRS)		Reviewer of BRS
Safe keeper of physical security of assets		Performer of physical verification of assets
Approver of Purchase Request		Approver of supplier
Solicitor of bids		Evaluator of bids

1.11. Review and Authorization Limits ensure double verification and assists in preventing unauthorized transactions and in establishing accountability. Reviews should be performed to ensure that critical decisions, high value transactions or external reports are substantially correct. For example, bank payments should be made only upon the authorization of two signatories and financial reports should be reviewed by a second person for accuracy and completeness.

1.12. Independent Reconciliations and Confirmations: internally generated reports and documents should be reconciled to independent sources of information and proofs of accuracy should be performed on work at various stages of completion. An example would be reconciling the bank ledger balance to an account statement obtained from the bank.

1.13. Physical Controls such as verification of assets with book balances can assist in ensuring existence and condition/valuation of assets.

1.14. General IT Controls access to computer records, accounting software, and physical assets (such as servers) and applications should be restricted, and regular backup of key information should be performed. Access to financial system files, for example, should be restricted to prevent intentional or unintentional changes to data.

1.15. Regular and timely Reporting and Monitoring: Accounting and reporting functions should be specifically assigned to staff members and employees should be held accountable for timely and accurate reporting. Completion of functions should be documented with appropriate working papers that are available for inspection and are verifiable through signatures and dates. Budgeted results should be compared with actual results, analyzed, and actions taken.

1.16. Regular Reviews of Risks and Controls: Internal audits of systems could be conducted to obtain evaluation of risk management, control, and governance processes.

1.17. Fraud and Dishonesty: Fraud is dishonestly obtaining a benefit, or causing a loss, by deception or other means. Benefits may be financial, such as misappropriating property and false invoicing, or non-financial, such as falsification of results and disclosure of information for a dishonest purpose.

1.18. LGU Charter, Bylaws and Manuals: This Manual includes excerpts from LGU Bylaws/Statutes in relevant chapters to facilitate compliance with the Bylaws/Statutes. However, the excerpts cannot be a substitute for the Bylaws/Statutes. Similarly, the fee revenue chapters include summarized information obtained from the Financial Assistance and Scholarship Policies which is maintained by the Registrar. As the summarized information cannot be a substitute of Financial Assistance and Scholarship Policies, finance staff must consult Financial Assistance and Scholarship Policies in performing their duties under the Financial Management Manual.

1.18.1. Moreover, the LGU Human Resources (HR) Manual includes policies and procedures related to the preparation of payroll. Accordingly, the HR Manual must be consulted for the preparation of payroll.

1.18.2. All LGU policies, processes and procedures must be developed in line with LUG Charter and Bylaws, and must be comply with applicable laws, regulations and contractual requirements (refer paragraph 1.6. below)

1.19. Applicability and Implementation of the Manual: After approval by BoG, this Manual shall override the latest version of the Organization’s policies, any rules, policies and procedures for areas covered by the Manual. Except for the circumstances mentioned below, the Organization must implement policies and procedures contained in this Manual for its activities/transactions.

1.19.1. The operations of the Organization are governed by applicable laws and regulations of the Government of Pakistan. LUG is required and committed to complying with all applicable laws and regulations. Therefore, in case of any **conflict** between the provisions of this **Manual** and any applicable **law or regulation** issued by a regulatory authority in Pakistan, the provisions of the law and regulation shall **override the Manual**. In such cases, the Manual may need amendment as per approved procedures of the university. Applicable laws include, but are not limited to:

- a.* The HEC, PHEC and PHED Rules and Regulations.
- b.* **NCEAC and NBEAC** Rules and Regulations.
- c.* The Income Tax Law of Pakistan
- d.* Sale Tax Law of Pakistan
- e.* Labor Law

1.19.2. Additionally, the Organization must ensure compliance with specific contractual requirements outlined in contracts, agreements or directives e.g. with/from a donor entity. In relation to finance function, such contractual requirements shall be identified by the Treasurer for compliance over applicable period of obligation,

which may be the period of contract/agreement or longer. As in case of laws and regulations, in case of any conflict between the provisions of this Manual and any contractual requirements, the provisions of contractual requirements shall prevail.

1.20. Unauthorized Transactions: Any transaction not conducted in accordance with policies, procedures, or processes in this Manual, LGU Charter and Bylaws will be considered to be an ‘unauthorized transaction’. Immediately following occurrence or identification, all unauthorized transactions must be reported by the Treasurer to the Vice Chancellor for information and review.

1.21. Additions/Updates, Changes and Administration: All organizations face change as a permanent factor, and some of the reasons why changes occur and may require changes to be made to the Manual are mentioned below:

- a.* Changes in environment and strategic direction-donors and funding levels, operations, programs undertaken etc.
- b.* New requirements from Government/regulatory authorities.
- c.* Changes in technology.
- d.* Furthermore, changes/additions to Manual may be required if:
- e.* Improvements are noted from the implementation of the policies or market information; and
- f.* It is decided to develop policies and processes for areas that were not previously covered.
 - i.* As stated above in paragraph **1.3**, the Treasurer is responsible for accuracy and completeness of content of this Manual, and for any additions, updates and required changes. The Treasurer will regularly review the Manual for this purpose.
 - ii.* To update the Manual, the Treasurer shall first assess the reason (s) for the update/change and document the same in a prescribed form after discussion with relevant university senior management/staff. The Form should include the following information:
 - a.* Current provisions (or that policies do not exist);
 - b.* Reason(s) for change/addition;
 - c.* Proposed change/addition;
 - d.* Impact of change/addition and why the change has been classified as ‘minor’ (if applicable);
 - e.* Other information, analysis, or explanations necessary to understand the change.

- i. The form/document, along with relevant section of the updated Manual, shall be submitted to the VC and Director Internal Audit for review. After a final review by all, the form, with necessary details, shall be submitted to BoG for approval.
- ii. Once an amendment has been approved and the Manual updated, the Treasurer will disseminate the amendment or revision to relevant employees. To advise staff of specific changes, the Treasurer will issue circulars to relevant staff, along with a copy of the amended policy for review and onward dissemination to all concerned. It is therefore important that any amendments or revisions are properly numbered and dated.
- iii. The Treasurer shall maintain a revision history register to record and track all changes/updates to the Manual in a single place. The register should include the following particulars:
 - a. Date of change/addition;
 - b. Effective date;
 - c. Reference of the change/addition;
 - d. Brief particulars of change/addition; and
 - e. Old and new version number of the Chapter/Process.

1.22. Version Control: Each chapter of the Manual will be assigned a specific number e.g. this chapter, “Chapter 1- Introduction to the Manual’ is numbered as 1v0. Similarly, Chapter 3 “Budgeting” is numbered 3v0. After the first change/addition is approved, and these chapters are updated, these will be numbered as 1 v1 and 3 v1, respectively, with date and particulars of change documented as follows:

Previous Version	Updated Version	Dates and particulars of development/modification
1 v0	1 v1	Developed on –November 2024. Modification with effective date----- . Finance Officer replaced by the Finance Manager in Policies/Process -----
3 v0	3 v1	-----

Chapter 2

FINANCIAL ACCOUNTING SYSTEM (2 V0)

2.1 General: The University has adopted and follows the International Reporting Standards (IFRS) for preparation and presentation of its financial statements. All financial transactions must be recorded in the books of account in accordance with the approved Chart of Accounts (CoA) discussed below. The transactions of the University must be recorded and maintained in the Peachtree (or any accounting software as may be in use from time to time), with regular backups conducted and maintained appropriately.

2..1. The General Ledger, including Bank Books, is maintained in Peachtree (see 2.2) on a regular basis, through posting of approved and complete vouchers.

2..2. Subsidiary ledgers are maintained in Peachtree (*refer to paragraph 2.4*), ERP or in suitable applications as approved and adopted by the University's management.

2.2 Accounting Records: All transactions must be recorded through duly approved standard vouchers. Vouchers, different types discussed below, must be supported by documentary evidence of transactions and approved by competent authority before posting in the accounting system. Sufficient documentary evidence must be readily referenced and available for each voucher i.e. either attached with each voucher or kept properly referenced and readily available. Vouchers are used as evidence of monetary transactions and are the primary source of recording them. This leads to accumulating accounting/financial information used for decision making and control purposes. Keeping the above in mind, each voucher should include sufficient information, including the following:

- a.* Date of the transaction
 - b.* Details of preparer, reviewer and authorizer
 - c.* nature and particulars of a transaction
 - d.* amount of the transaction
 - e.* calculation and break-up of the total amount
 - f.* program and project to which the transaction relates, along with the basis for the allocation
 - g.* donor to which the transaction relates
 - h.* budget line and account code of the transaction
 - i.* foreign exchange conversion calculation-if required; and
 - j.* any other information to understand the transaction.
- i. Vouchers which do not have readily available and proper documentary evidence/details to fully explain a transaction should not be considered complete.
 - ii. Chapter 14 covers policies relating to financial data archival.

iii. The following are the different types of vouchers to be used for recording different types of transactions:

2.3 Journal Vouchers: Journal Voucher (JV) shall be used to record non-cash transactions including reversals and adjustments. Examples are: (a) adjustments of advances on receipt of expenses reports and supporting documents (b) inter-account transfers, (c) corrections of transaction already booked, d) reconciliation of accounts, and e) allocation of expenses, etc. Such adjustments must be supported by complete vouchers as discussed above. JVs must only be entered in the accounting system (currently Peachtree) by the Finance staff after review and approval from the Treasurer and or Director Internal Audit.

Adjusting entries must be approved by the Treasurer and or Director Internal Audit. Adjustments proposed by the Treasurer must be approved by the Vice Chancellor..

2.4. Bank Payment Vouchers: Bank Payment Voucher (BPV) shall be used to record transactions involving payment of different liabilities and expenses through banking channels.

2.5. Petty Cash Vouchers: Petty Cash Voucher (PCV) shall be used to record payment (except salaries or personal advances) not exceeding PKR 5,000/-.

2.6. Bank Receipt Vouchers: Bank Receipt Voucher (BRV) shall be used to record transactions involving receipts of fee and other cash through banking channels.

As mentioned in Chapter 14 “Financial Data Security” back dated entries are not permitted without approval of Treasurer and Vice Chancellor.

2.7. Maintenance of General Ledger: The General Ledger (GL) must consist of opening balances and all transactions of the University during a period. These records will remain as a permanent track of all financial transactions of the University in accordance with adopted accounting policies.

2.7.1. As required, the GL will be supported by a number of subsidiary ledgers for items such as Bank/cash, fixed assets, inventories, debtors, and creditors. In some cases, transactions are recorded in subsidiary ledgers and lead to update GL e.g. Fee revenue is directly recorded through ERP. Some transactions will be posted directly to the GL without any sub-ledger posting. These include transactions relating to expenses, revenue, capital contributions, loan proceeds, loan repayments only, proceeds from sale/disposal of assets and adjusting entries.

2.3 Maintenance of Subsidiary Ledgers: The Organization will maintain subsidiary ledgers for the following areas/accounts:

2.3.1 Fixed Assets Register (FAR): The Organization maintains a FAR for its Property, Plant and Equipment (PPE). FAR is a detailed record, showing details of all items with descriptions, code, location, date of acquisition, cost, donors etc. Details about PPE management are included in Chapter 8.

- 2.3.2 Inventory Records:** Inventory records are maintained by various départements in excel/registers/ledgers. This record forms the basis for physical stock taking, and reconciliation of inventory balances with physical balances held. Detailed inventory policies and processes are included in Chapter 6.
- 2.3.3 Payables:** Subsidiary ledger for creditors is maintained in Peachtree. Policies and processes for account payable are included in Chapter 12.
- 2.3.4 Receivables:** Details of student related receivable are included in the ERP. Summary level receivable is booked in Peachtree based on information from ERP. Receivables from Sponsors/donors/staff are booked in the receivable module of Peachtree. Policies and processes relating to receivables are included in Chapter 11.

2.4 Preparation of Trial Balance, Financial Statements and Reports: All transactions of the Organization must be posted in General Ledger accounts (in approved account codes), following the basis of accounting and accounting policies. At the end of each month, the Finance Department will close accounts, extract Trial Balance and conduct the following:

- a.* Ensure completeness and accuracy of amounts including review of un-booked liabilities/expenses, revenue/receivables etc. related to accounting period
- b.* Review each account in the trial balance to ensure that all accounts are properly reflected in the Trial Balance
- c.* Reconcile the balances with subsidiary ledgers
- d.* Check the classification of different heads of account; and
- e.* Make adjustments, if required, after obtaining required approvals.

2.5. Financial Statements: Financial Statements shall be prepared periodically and at a minimum annually in accordance with applicable financial reporting framework (refer paragraph 2.7). These seek to provide information about the Organization’s financial position, performance, and cash flows that is useful by a wide range of users and these are also required for annual audit purposes. These Financial Statements shall include:

- a.* Statement of Financial Position
- b.* Statement of Comprehensive Income
- c.* Cash Flow Statement
- d.* Statement of Changes in Equity
- e.* Accounting Policies and Explanatory Notes.

2.5.1. The Assistant Treasurer is responsible for the preparation of financial statements in accordance with the applicable financial reporting framework. Responsibility for the

preparation and review of the annual Financial Statements shall be as per the following order:

Preparation of Financial Statements	Assistant Treasurer
1st Review	Treasurer
2nd Review	Director Internal Audit
Recommend	Finance and Planning Committee
Final approval	Approving Authority BoG

2.5.2. To ensure compliance with requirements of IFRS, IFRS checklists must be used in preparation of IFRS complaint financial statements. While completing the checklists, it must be kept in mind that these are not substitutes for understanding IFRS and seeking advice of professional advisor.

2.5.3. The IFRS Financial Statements must be prepared within 03 Months of end of financial period. This will, among other benefits, assist in timely completion of audit.

2.5.4. Monthly financial statements, including Statement of Financial Position and Statement of Comprehensive Income, shall be prepared by the Assistant Treasurer, reviewed by the Treasurer and Director Internal Audit, Finance and Planning Committee, and presented to the BoG for approval.

2.5.5. For management reporting or specific purposes, special financial statements could be prepared considering the requirements. The notes shall clearly explain the basis and policies followed in preparation of such financial statements. These shall be reviewed by the Treasurer before submission.

2.6. Fiscal year: The fiscal year for the University commences on 1st July each year and ends on 30th June of the next year.

2.7. Financial Reporting Framework: LGU has adopted the International Financial Reporting Standards (IFRS) as its financial reporting framework. Therefore, annual financial statements must be prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). As required by IFRS, a clear Statement of Compliance must be included in its IFRS financial statements including IFRS and IFRIC interpretations.

2.8. Basis of Accounting: The University follows an accrual basis of accounting for recording transactions and preparation of its financial statements. Under this basis, income and expenses are recognized when incurred. Significant accounting conventions and policies are provided below to explain the University's significant policies.

2.9. Basis of Measurement: LGU’s IFRS financial statements are prepared under the historical cost convention and presented in Pak Rupees. Under this convention, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation. All values are rounded to the nearest Pak Rupees. Certain buildings, Computers and Equipment, donated by the Defense Housing Authority-DHA and other donors have been stated at values from independent appraisals made, plus subsequent additions at cost, less accumulated depreciation.

2.10. Accounting Conventions

2.10.1. **Going Concern:** Under this assumption, the University is viewed as continuing in business for the foreseeable future. Financial statements are generally prepared on a going concern basis, unless management either intends to liquidate the University or to cease operations, or it has no realistic alternative but to do so.

2.10.2. **Consistency:** The University must consistently apply the same accounting principles from period-to-period. This ensures that financial statements from various periods remain comparable from period-to-period. A change in policy is only made when it is required by law, new pronouncements, or a change in policy demonstrably results in better accounting treatment and presentation. Selection, application, changes in accounting policy (ies) and treatment of errors are addressed in accordance with International Accounting Standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors”-IAS 8.

2.11. Significant Accounting Policies: Accounting policies are an integral part of financial management systems. Standardization of accounting policies and consistent application thereof, facilitates users of financial statements in making financial decisions and in fulfilling users including donor requirements. Significant accounting policies adopted by management for accounting and preparing financial statements are as follows:

2.11.1. **Functional and Presentation Currency:** LGU financial statements are presented in Pak Rupees which is also LGU's functional and presentation currency.

2.11.2. **Property, Plant and Equipment (PPE):** Property, plant and equipment, except freehold land, is stated at cost less accumulated depreciation and any identified impairment losses. Cost includes expenditure and related overheads that are directly attributable to the acquisition of the asset.

2.11.3. **Criteria for Recognition of Property, Plant, and Equipment:** As per the International Accounting Standards-16 (IAS-16), PPE is recognized when:

- a.* It is probable that future economic benefits associated with the item will flow to the entity; and
- b.* The cost of the item can be measured reliably.

2.12. Recognition Thresholds: For recognition of property, plant, and equipment, LGU management has determined the following thresholds based on assessment of materiality for LGU:

Assets Type	Description	Cost (PKR)
IT Equipment	Computer, Laptop, Desktop, printer, Copier, ISP antenna, Satellite modem, server, Cisco switch, Smart phone, Firewall, Monitor, storage, etc.	25,000 or More
Furniture and fixture	Sofa set, Conference table, other large desks and tables.	15,000 or more
Electrical/Office Equipment	Generator, Treadmill, Camera, Security equipment, Refrigerator, Elliptical trainer, TV, Floor machine, Pressure tank, Potato Peeler machine, Digital burner, Fryer, walk through scanner, Fuel distribution machine, Drill machine, Heavy Stabilizer, UPS etc.	15,000 or more
Land	All land	All value
Building & Improvements	Buildings, Roads and Landscaping, Utility Tunnels and Conduits, Pipeline Energy System, Recreation Courts, Athletic Fields, Container, etc.	All value
Library Books	All types including special collection and Art works	All value
Vehicle	All types	All value
Buildings and renovations	All buildings and renovations will be book as per accounting policy	100,000 or more
Other Assets	The items which does not meet the criteria of any of the above mention class, will fall under other fixed assets e.g. Classroom desks, Fire Arms	15,000 or More

- 2.12.1. Property, plant, and equipment falling within value/cost below capitalization threshold mentioned above shall also be expensed out and recorded through memorandum record for control, legal and donor requirements. Accordingly, such item of property, plant, and equipment will not depreciate however other particulars in the same pattern of FAR will be maintained.
- 2.12.2. When building or fabricating assets, acquiring land, land improvements, buildings or equipment, all significant expenditures that are necessary to obtain and prepare

the asset for its intended use are capitalized. In addition, costs such as freight, insurance, installation, commissioning costs and assembly will be capitalized.

- 2.12.3. The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the University and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing, repairs and maintenance of property, plant and equipment are recognized in profit or loss as incurred.
- 2.12.4. Operating lease payments are recorded as expenditures or expenses of the related funds when incurred.
- 2.12.5. Renovation and improvement costs are incurred to restore or improve buildings or other property, plant, and equipment. These costs involve the substitution of old parts for new ones and increase the economic benefits to be derived from the asset. In order to capitalize a renovation or improvement cost, the following criteria must be met:
 - a. The cost must equal or exceed the capitalization threshold, unless there is considered value to “memo” record these items in the financial records at zero value.
 - b. The renovation or improvement must either:
 - i.* Significantly extend the useful life of the original asset, or
 - ii.* Increase the future service potential of the asset.
- 2.12.6. If both of these criteria are met, the cost must be capitalized and recorded. Expenditures not meeting both of these criteria shall be classified as a maintenance expense. Maintenance expenses do not significantly extend the life of the asset beyond the expected useful life at acquisition or increase the future service potential of the asset. Maintenance costs are incurred to keep the asset operational throughout its useful life.
- 2.12.7. Land is capitalized as a property, plant, and equipment regardless of its cost, and is a non-depreciable asset. Acquired land is recorded at the purchase price plus additional costs such as legal and recording fees, surveying fees, damage payments, and land/site improvements that ready land for its intended use and produce permanent benefits. Examples of land/site improvements are excavation, fill and grading, removal, relocation, or reconstruction of property of others, such as railroads and telephone and power lines, and the construction of retaining walls.

2.13. Donated Property, Plant and Equipment: LGU recognizes donation of property, plant and equipment at fair value if, it meets the recognition criteria of property, plant and equipment.

- i. The Treasurer is responsible for supervising and approving appraisal process related to determination of fair value of donated assets including CWIP. The appraisal of land, building must be conducted by a qualified and independent professional appraiser, LGU surveying experts or by government authorities.

2.14. De-recognition of Property, Plant, and Equipment: An item of property, plant, and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

2.15. Capital Work in Progress (CWIP): Capital work in progress is stated at cost less identified impairment loss, if any. All expenditure connected with specific assets, including expenditures on material, labor and appropriate directly attributable overheads, incurred during installation and construction period are carried under capital work-in-progress. For each asset/project costs must be separately booked. These costs are transferred to property, plant, and equipment as and when assets are available for use as evidenced by certificate of completion for each asset.

- i. Depreciation on the asset will be charged per depreciation policy when asset is available for use.

2.15.1. **Depreciation:** Depreciation on property, plant and equipment, except freehold land, is calculated, using the reducing balance method, to allocate their cost over their estimated useful lives, at rates given in table below.

Assets Type	Description	Useful life	Depreciation Rate
IT Equipment	Computer, Laptop, Desktop, printer, Copier, ISP antenna, Satellite modem, server, Smart phones, Cisco switch, Firewall, Monitor, storage, etc.	3 Years	33%
Furniture and fixture	Sofa set, Conference table, other large desks and tables	10 Years	10%
Electrical/Office Equipment	Generator, Treadmill, Camera, Refrigerator, Elliptical trainer, TV, Floor machine, Pressure tank, Potato Peeler machine, Digital burner, Fryer, walk through scanner, Fuel	5 Years	20%

	distribution machine, Drill machine, Heavy Stabilizer, UPS etc.		
Computer software	All software (e.g. MS Dynamics GP, Power Campus etc.)	3 Years	33%
Land	All land	No depreciation	No depreciation
Building & Improvements	Buildings, Roads and Landscaping, Utility Tunnels and Conduits, Pipeline Energy System, Recreation Courts, Athletic Fields, Container, etc.	20 Years	5%
Library Books	All Types including special collection and Art works	3 Years	33%
Vehicle	All type	5 Years	20%

- 2.15.2. **Charging of Depreciation on Additions and Disposals of PPE:** Depreciation on additions to property, plant, and equipment, is charged from the date on which the relevant asset is acquired or capitalized (when asset is available for use), while no depreciation is charged from the date on which the asset is disposed of. Impairment loss, if any, or its reversal, is also charged to income for the year. Where an impairment loss is recognized, the depreciation charged is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.
- 2.15.3. **Gain and Loss on Sale, Disposal of PPE:** The gain or loss of disposal of an item of property, plant, and equipment are determined by comparing proceeds from sale net of sale costs with carrying amount of the asset and is recognized as income for the year.
- 2.15.4. **Intangible Assets:** Intangible assets are non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevant recognition criteria are initially measured at cost, subsequently measured at cost and amortized on a systematic basis over their useful lives (unless the asset has an indefinite useful life, in which case it is not amortized). Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Examples are trademarks, patents, and copyrights.

2.15.5. **Recognition Criteria:** An intangible asset shall be recognized if, and only if:

- a. It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- b. The cost of the asset can be measured reliably.

2.16. Recognition Threshold: For recognition of an intangible asset, LGU has determined thresholds of PKR 5Million or above based on assessment of materiality by management. The intangible asset valuation will be performed by an independent reliable source.

2.16.1. **Impairment of Intangible Asset:** The Treasurer will review an intangible asset for impairment as per requirements of IAS-36.

2.16.2. **Amortization of Intangible Asset:** Intangible assets are amortized at 33%/year. Amortization of intangible assets commences from the date an asset is capitalized.

2.16.3. **Inventories:** Inventories are stated at the lower of cost (stated at average cost) or Net Realizable Value (described below). Cost comprises of purchase price and other costs incurred in bringing inventory to its present location and condition (described below).

2.17. Net Realizable Value: The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realizable value is consistent with the view that assets should not be carried in excess of amounts expected to be realized from their sale or use.

2.18. Cost of Inventories: The cost of inventories shall comprise all costs of purchase, cost of conversion, and other cost incurred in bringing the inventories to their present location and condition. The cost of purchase of inventories comprises of the purchase price, import duties and other taxes (other than those subsequently recoverable by the university from the taxing authorities). Trade discount, rebates, and other similar items are deducted in determining the cost of purchase.

2.19. Recognition as an expense: When inventories are purchased, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. LGU's inventory generally includes petrol and diesel, cleaning and plumbing material, stationery, spare parts, IT accessories etc.

a) (Chapter 6 deals with inventory management)

2.20. Cash and Cash Equivalent: For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balance in bank.

Government Grants and Revenue Recognition

2.20.1. **Government Grant:** Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and LGU will comply with all attached conditions.

2.20.2. **Grant Income:** Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grant income should be recognized and transferred from deferred income accounts based on nature of grant as follows:

2.20.2.1. **Grant Related to Income/Costs:** Grants relating to income/costs are deferred and recognized as income to the extent of the costs incurred and invoiced for reimbursement.

2.20.2.2. As per LGU's policy, grant related to income/costs must be booked gross i.e. it must not be deducted from related expenses, and separately presented.

2.20.2.3. **Grants Related to Capital Assets:** Grants relating to property, plant, and equipment are recognized as total income in the year of commencement of usage, and depreciation charged on the assets on a straight line basis.

2.21. Tuition Fee: Tuition fee revenue from degree and non-degree programs is recognized in the period in which the educational instruction is performed. Accordingly, tuition and fees becoming due or received in advance are deferred until the educational instruction is provided and related expenses incurred. Students have a "add/drop" week per semester and term to adjust their course load selection, and related tuition impact. Refunds are provided as the HEC approved policies and procedures.

2.21.1. Tuition and fee revenues are recognized on calendar month basis by evenly apportioning number of days of academic semester falling in calendar month. This approximates fee earned from teaching services/instructions provided. Financial Assistance (related to Tuition Fee) is deferred and expensed on the same basis to ensure matching of Financial Assistance expense against related revenue.

2.22. Miscellaneous Income: Dormitory, Transport and rent from Cafeteria is recognized on a calendar month basis..

i. **(Chapters 10 covers revenues from Tuition, dorm and meal incomes and include detailed accounting policies and processes)**

The following revenues are recognized on a cash basis

- a.* Late payment fees
- b.* Library fines
- c.* Fee for transcripts and documents
- d.* Testing fees
- e.* Convocation charges
- f.* Bank interest and
- g.* Sale of small items.

2.23. Taxation: In view of the Article 2 (36) of the Income Tax Law of Pakistan, LGU enjoys Not for Profit-NPO status and therefore LGU income is exempt from tax.

2.24. Foreign Currency Translation: Foreign currency transactions are translated into functional currency using the exchange rates prevailing on the date of the transaction¹. Monetary assets and liabilities, denominated in foreign currencies, are translated into functional currency using the exchange rate prevailing on the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary items at the year-end exchange rates are charged to income for the year.

2.25. Financial Instruments: A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.25.1. All the financial assets and financial liabilities are recognized at the time when LGU becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when LGU loses control of the contractual rights that comprises the financial assets. All the financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gains and losses during the year on de-recognition of the financial assets and financial liabilities are taken to the Statement of Activities.

¹ IAS 21 allows use of average exchange rate for a specific period. The use of average exchange rate is only appropriate:

- If the rates used approximates actual exchange rate at date of transaction
- If the exchange rates do not fluctuate significantly
- The exchange rates and period is documented as per approved policy

2.26. Financial Assets: In relation to the university's receivables, accounts receivable are financial assets as they provide contractual right to receive cash from its customers and other entities.

2.27. Recognition and De-Recognition of Financial Assets and Financial Liabilities: All the financial assets and financial liabilities are recognized at the time when the LGU becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when LGU loses control of the contractual rights that comprises the financial assets. All the financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gains and losses during the year on de-recognition of the financial assets and financial liabilities are taken to statement of comprehensive income.

2.28. Offsetting of Financial Assets and Financial Liabilities: A financial asset and a financial liability is offset and the net amount is reported in the Statement of Financial Position if LGU has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.29. Impairment

2.29.1. **Non-Financial Assets:** The carrying amount of LGU's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

2.29.2. An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

2.30. Financial Assets: A financial asset is assessed, at least, at each reporting date to determine whether there is any objective evidence that LGU will not be able to collect all amounts due according to the original terms of the receivable. Individual significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

2.30.1. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The provision is recognized in the income and expenditure account.

(Chapter 11 deals with Receivables from Grants and students and includes provisioning and write off policies and procedures.)

2.31. Provisions: Provisions are recognized when LGU has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect current best estimate.

2.32. Contingencies and Commitments: All significant contingent liabilities, assets, and commitments must be disclosed in the financial statements of LGU.

2.32.1. The University must maintain full records of all contingent liabilities, such as pending legal lawsuits. Furthermore, it shall maintain details of commitments that could have possible financial implications.

2.32.2. Appropriate disclosure(s) for contingencies and commitments in the financial statements must be made. It will be the responsibility of the Treasurer to ensure accuracy and adequacy of the disclosures. For this purpose, required information including opinions from legal advisor (including estimates of amounts) must be obtained.

2.33. Cost Allocation Policies: The overall policy for allocation of costs is to allocate/charge expenses (direct and indirect) to projects/programs in a manner that is documented, reasonable, allocable, fair and allowable. Chapter 9 ‘Grants Management’ includes overall

policy, definitions related to cost allocations, responsibilities for grant management and processes, etc.

2.33.1. LGU presents its Statements of Comprehensive Income using functional classification of expenses (Cost of Operating Activities, Administration Expenses, Program/donor related incomes and expenses). Therefore, elements of the Statement should be classified accordingly in its financial Statements.

2.34. Direct Costs are directly charged to related projects to work out actual cost of department/projects/awards. Some employees, considered direct to a contract, may work on more than one project. In this case, expenses must not be charged to a single award but a fair allocation must be done according to approved basis (refer Chapter 9 for definition).

2.35. Other Direct Costs are administrative salaries and operating costs from the Support Departments to enable the delivery of the academic programs.

2.36. Indirect Costs should be allocated to projects using allocation bases that reasonably and fairly allocate indirect costs to related projects. Indirect costs are applied equitably/fairly across all business activities/functions of the University, according to the benefits each gains from them. Some examples of indirect costs are office space rental, depreciation, utilities, and clerical and managerial staff salaries (refer Chapter 9 for definition).

2.37. Bases of Allocation of amounts to department/Projects/Awards must be fair, reasonable, allowable and allocable. Allocation bases selected should be consistently used. Appropriate/fair allocation basis could be selected from the list (non-exhaustive) below:

- a.* Number of Employees
- b.* Number of Students
- c.* Actual time input by employees on an award
- d.* Percentage of revenue generated
- e.* Direct salaries and wages including (or excluding) all fringe benefits
- f.* Total direct cost excluding capital expenditures; and
- g.* Floor Area.

2.38. Definitions and accounting policies included in other Chapters: Some chapters of this Manual may include accounting policies and/or definitions from IFRS and explanations. In relation to accounting policies, in case of any contradiction between material of this Chapter and other chapters, material in Chapter 2 will prevail. Moreover, in case of changes in Chapter 2 or other chapters, corresponding changes must be made in related chapters.

2.39. Chart of Accounts

- a.* The Chart of Accounts (CoA) adopted by the Organization shall be used to classify, record, budget and report financial transactions. Every transaction must be properly coded to ensure accuracy of posting into the GL.
- b.* Proper description and unique numbers shall be assigned to all the accounts indicating specific ledger accounts. CoAs must be adequate for proper recording, financial management and donor reporting purposes.
- c.* All additions, amendments or deletions to the Chart of Accounts will be incorporated by the Assistant Treasurer after obtaining approval from the Treasurer. The process for updates/revision, described in Chapter 1, should be followed for changes in CoA.
- d.* It is to be ensured that access to CoA and any resulting changes shall be restricted to authorized personnel of the Finance Department only.

2.39.1. It shall be the responsibility of the Assistant Treasurer to conduct periodic reviews of CoA, on at least an annual basis, under the supervision of the Treasurer to ensure that the CoA is adequate.

Chapter 3

BUDGETING (3 V0)

3.1 BUDGET POLICIES

3.1.1. Policy Purpose: LGU's annual Organizational budget must clearly reflect its business plans for the upcoming fiscal year/period and provide a source for planning and control. The Annual Academic Plans must be developed in line with the LGU Strategic Plan and contractual obligations. This section of the chapter defines and describe the rules required for developing and utilizing an annual operating and capital budget.

- a.* The annual budget is the primary instrument of fiscal control and, accordingly, contains all projected revenues and expenditures of the Administrative, Academic and other, if any, departments/division/branch etc. of the University. This policy covers all University Budget Centers and includes operating and capital budgets for the upcoming fiscal year.

3.1.2. Budget Centers, Budget Managers and Budget Responsible Person: Budget Centers are Academic, Administration and Other divisions/units of LGU for which management intends to collect and analyze financial and related information and develop budgets and plans. Sub-budget centers are part of Budget Centers and represent organizational unit at the lowest level to be recorded.

3.1.2.1. Budget Centers shall be determined and recommended by the Treasurer in consultation with respective Dean/Director of respective faculty/Department, and approved by the Vice Chancellor-VC. Paragraph **3.1.11** lists Budget Centers assigned to Budget Managers.

3.1.2.2. In relation to budgeting process, **Budget Managers** are senior management employees (Deans, Directors etc.) responsible for coordinating with Finance Department, collecting and reviewing information from assigned Budget Centers and providing required information to Budget Responsible Persons and Finance Department for developing/revising budgets.

3.1.2.3. In relation to budgeting process, **Budget Responsible Persons** are senior management employees (HoDs, Deputy/Assistant Directors) responsible for collecting required information (including quantitative data) from Budget Managers, costing and providing the information to Finance Department (refer paragraph **3.1.10** for Table Listing Responsible Persons).

3.1.3. Heads of Department/Department Heads: are individuals directly responsible for operations and management of officially designated functional areas within LGU.

3.1.4. Departments: represent organizational Unit (s) of LGU for which a Head of Department is officially designated.

- 3.1.5. Classification of Budget Expenses and Revenues-Operating Budget:** For developing Operating budget, the University's expenses and revenues are classified into Academic and Administration Divisions. Each division is composed of various Budget Centers as listed in paragraph 3.1.11 below. Classification of expenses and revenues is as follows:
- 3.1.6. Academic Expenses and Revenues:** Includes expenses and revenues relating to Academic Budget Centers such as those that offer various Academic Programs. Academic Degree Division also includes those Budget Centers that directly support the University's Budget Centers offering academic programs e.g. Library, Admissions, Student Affairs, Offices of Registrar.
- 3.1.7. Administration/Support Expenses:** Expenses relating to Budget Centers that indirectly provide support to Academic Division (and budget Centers of Administration Division) are classified under Administration Division. These are described as Administration or Support expenses.
- 3.1.8. Ancillary operations:** These are the various revenues and expenses incurred as supplemental to the core operations of the University, i.e. to provide academic programs. These are the café, Hostel, Transports, etc. This must be depicted under 3.1.3 because as the University becomes more and more independent and fully implements its financial improvement plan, non-academic and non-administrative units will be more prominent.
- 3.1.9. Program/Project Expenses and Revenues:** Expenses and related revenues of Specific Programs/projects e.g. funded/Sponsored by donors/Funders can either be separately presented as Program revenues and Expenses, or classified under any of the above Divisions. In either case their expenses and revenues must be presented separately.
- 3.1.10. Unrestricted Fund:** Unrestricted Funds are funds/resources which are under the complete jurisdiction of the LGU Management and BoG. These funds are raised for supporting activities of the LGU as per management discretion. It includes income generated from operations and/or efforts of the University e.g. fundraising, contributions from BoG, Café incomes, Hostel Income, Transport income, unrestricted donations and any other unrestricted funds.
- 3.1.11. Budget Timelines, Guidelines/Instructions, Consolidation**
- 3.1.11.1. Budget Timelines:** Approved annual operating and capital budgets must be available for implementation at the start of each fiscal year. To achieve this

objective, the Finance department will prepare a budget timetable that schedules activities and timelines for the budget process.

- 3.1.11.2. Budget Templates:** The Finance Department prepares budget templates at the start of each budget preparation cycle. It includes activities, timelines, templates for collecting information and employees responsible for collecting, reviewing, compiling and providing information to the Finance Department for review and consolidation. Budget instructions must be approved by the Treasurer.
- 3.1.11.3. Integration of the Budget with Strategic Plan:** The University should prepare and manage its budget in conjunction with the approved strategic plan by the BoG.
- 3.1.11.4. Annual Business/Action Plan:** The key for successful and effective use of LGU resources is to have a comprehensive annual business/Action plan that the budgets are based on. The Plan identifies: key objectives, success factors, strategic initiatives, student enrolment projections, trend analysis, specific business plans for, Academic, Development, Recruitment, and Manpower plans.
- 3.1.11.5. Organizational Budget:** The Organizational Budget consolidates revenue and expenses (including capital) related to all Budget Centers and all grant budgets. The organizational Budget is prepared on a fiscal year basis (July 1st – June 30th). The Organizational Budget should be updated during the fiscal year due to changes (new donors fund, actual student enrolment, close of donor project, increase/decrease in existing grant budget etc.) with confirmed funding and changes in estimated costs.
- 3.1.11.6. Capital Budget:** an annual capital budget should be prepared in consultation with the budget managers, replacement schedule of fixed assets, and consideration of capital intensive new projects. The funding sources should be identified as well.
- 3.1.11.7. Grant Budget (Restricted Fund):** Grant Budgets (restricted funds) represent those funds that have been restricted by donors or grantors through specific terms and conditions agreed between LGU and the donor/grantor. Such terms and conditions include operations/activities, duration, area of operations, types of beneficiaries, allowable costs, etc. The grant budgets are developed based on projected direct program costs and adequate coverage of administrative/indirect costs.
- 3.1.11.8. Grant Income:** The grant income included in the LGU Budgets should only be related to confirmed/secured grants and expected income from prospective donors when success of winning an award is reasonably assured i.e. a proposal has been submitted and negotiations are in advanced stages.

Confirmed grants are approved current grants and may continue after June 30th into the next fiscal year. The operational budget is prepared on a fiscal year basis, which does not often coincide with grant period (s). In such cases the respective grant budget should be prorated.

3.1.12. Budget Approval: Para 25 (1) Chapter V of LGU Act-2014, approved by the Government of Punjab states, “The budget of the University shall be approved, and its accounts shall be maintained and audited in such manner as may be prescribed by the Board.”

3.1.12.1. Para 25 (2) Chapter V of LGU Act-2014, approved by the Government of Punjab states, “The Board may approve the budget of the University, appropriations of accounts of the University and settle an audit Para relating to the audit of the University.”

3.1.12.2. Para 25 (3) Chapter V of LGU Act-2014, approved by the Government of Punjab states, “The Board may delegate the power of appropriation or re-appropriation of funds upon any of the officers of the University.”

3.1.12.3. Further, Para 9 (i) of the Statutes requires the Finance and Planning Committee to, “Prepare the annual statement of accounts and propose annual budget estimates and advise the board thereon;”

3.1.12.4. The Finance Department should share the BoG’s approved budget with all respective budget managers.

3.1.13. Budget Monitoring: Budget Managers and the Finance Department are responsible for monitoring the spending and revenue generation where applicable, relative to their approved budgets and communicate concerns regarding the overall available budget and funds available in specific expense types with Finance Department.

3.1.13.1. The Finance Department is required to continuously/regularly monitor budget spending. The Finance Department will ensure availability of budget amounts before any procurement/commitment. The Finance Department will prepare and provide Mid-term/Year budget review reports to senior management and Budget Managers. Based on Mid-Term’s actual revenue/funds and spending, The Treasure will recommend and present revised budget to Vice Chancellor and Budget Managers. Total expenditure in the revised budget will not exceed the total expenditure of the BoG approved budget.

3.1.14. Budget Currency: LGU's Annual Budget currency shall be consistent with financial statements reporting currency, the Pak Rupees. Grants, reports, and budgets shall be submitted to the donors/granter in the donors/granters preferred currency.

3.1.15. Unallowable Expenses: The expenses which are not paid/allowed by the donors/granters i.e. "unallowable" shall be budgeted in separate account codes and paid from LGU's unrestricted funds. These expenses must be kept at a minimum level through proper budgeting and negotiations with donors/Granters.

3.1.16. Roles and Responsibilities: The Finance Department supervises and co-ordinates with Budget Managers and senior management to develop the annual budget and any revisions that may follow.

3.1.16.1. As mentioned above, the Finance Department (more specifically the Treasurer and Assistant Treasurer) is also responsible for preparation of budget timetable, training to budget managers, budget templates, coordinating, reviewing information, preparing financing budget, consolidating University-wide budget, providing explanations to BoG and senior management during their reviews etc.

3.1.16.2. Each Budget Center is responsible to co-ordinate and co-operate with Finance Department and Budget managers for providing required information and explanations and participate in meetings. After approval of budget, the Budget Managers and Budget Center staff are also responsible for implementing, monitoring and oversight of their respective budgets.

3.1.16.3. Budget Managers are responsible for collecting quantitative information from assigned Budget Centers, using templates provided by Finance Department, reviewing information, and providing information to Finance Department for further processing. Expense and revenue justifications must be provided by each Budget Manager.

3.1.16.4. The Budget Committee is chaired by the Vice Chancellor, and includes the Registrar, All deans, Treasurer, Director HR, Internal Audit, QEC, ORIC, and IT Departments. The role of the Budget Committee is to assist in planning and mainly responsible for reviewing and ensuring that the University's Annual Academic Plan and budget is in line with the strategic plan. The VC provides a final review before submitting it to the Finance and Planning Committee for input and recommendation to the BoG.

3.1.16.5. BoG is responsible for approving the University's budget. The table below summarizes responsibilities of those involved in budgeting process.

Designation/Entity	Responsibilities	Details
BoG	Final approval	-
Finance and Planning Committee	Review and recommendations prior to BoG approval	-
Vice Chancellor	Approval of planning Parameters/budget Assumptions. Final review and recommendation to Finance and Planning Committee.	-
Budget Committee	Overall responsibility for implementing budget. Process and acts as central body for discussing, reviewing and approving various elements throughout the budgeting process.	-

Designation/Entity	Responsibilities	Details
Treasurer	<p>Develop Budget Timetable</p> <p>Develop Budget Assumptions/Planning Parameters</p> <p>Develop Budget Templates</p> <p>Provide detailed orientation on budget templates to Budget Managers.</p> <p>Co-ordinate with Budget Managers, Budget Committee.</p> <p>Allocate revenues and Common Costs to Budget Centers and Projects.</p> <p>Developing estimates for various expenses on historical basis and estimates for budget period- some expenses are mentioned in next column.</p> <p>Classify PPE items into capital and operating budgets.</p> <p>Consolidate budgets of Budget Centers and Projects/Programs.</p> <p>Co-ordinates with other Departments (e.g. HR) for providing information relating to Finance and other assigned Budget Centers</p> <p>Review information provided by Budget Centers/Managers for reasonableness.</p> <p>Develop Financing Budget</p> <p>Provide Reports to Budget Managers for assigned Budget Centers for monitoring</p> <p>Assist Budget Manager/Program Managers in developing Grant/Donor Budgets.</p> <p>Supervise process of budget revisions.</p>	<p>Audit fee, Legal expenses, Utilities including electricity, gas and internet expenses, Finance cost, exchange gain and loss, estimates of provisions, insurance and other expenses not collected by departments mentioned below</p>
IT Director	Co-ordinates with other Departments	IT equipment and

Designation/Entity	Responsibilities	Details
	(e.g. HR) for providing information related to IT Budget Center Coordinates with assigned Budget Managers for collecting required information related to expenses/costs mentioned in next column Reviews and costs collected information for reasonableness and make revisions if necessary Provide collected, reviewed and costed information to Finance Department Monitor budgets related to IT Budget Center Assist in budget revisions, if required	software.
HR Director	Co-ordinate with other Departments (e.g. IT, Registrar) for providing information related to HR Budget Center Reviews and costs collected information for reasonableness and make revisions if necessary Provide collected, reviewed and costed information to Finance Department Monitor budgets related to HR Budget Center Assist in budget revisions, if required	New and redundant positions, Salaries and Benefits,

3.1.17. Budget Centers, Relevant Department and Budget Managers: The following is a detailed list of LGU’s Budget Centers, assigned to Budget Managers:

Budget Centers	Budget Manager	Budget Focal Person
Computer Science	Dean CS	HODs CS
Software Engineering	Dean CS	HoD SE
Information Technology	Dean CS	HoD IT
Management Sciences	Associate Dean DMS	HoD DMS
Digital Forensic and Cyber Security-DFCS	Dean Social Sciences	HoD DFCS
Mathematics	Dean Basic Sciences	HoD Mathematics
Physics	Dean Basic Sciences	HoD Physics
Psychology	Dean Social Sciences	HoD Psychology
Mass Communication	Dean Social Sciences	HoD Mass Communication
International Relation	Dean Social Sciences	HoD IR
Biology	Dean Basic Sciences	HoD Biology
Chemistry	Dean Basic Sciences	HoD Chemistry
English	Dean Languages	HoD English
Urdu	Dean Languages	HoD Urdu
Islamic Studies	Dean Social Sciences	HoD Islamic Studies
IBTADA/BIC	Associate Dean DMS	Manager BIC
ORIC	Director ORIC	Assistant Director ORIC
QEC	Director QEC	Assistant Director QEC
Academic Department	Director Academic	Director Academics
Facilities/Registrar Branch	Registrar	DR-Amin
Account & Finance	Treasurer	Assistant Treasurer
Human Resource	Director HR	Assistant Director HR
Student Affairs	Director Student Affairs	Assistant Director Student Affairs
Examination	CoE	Assistant CoE

Budget Centers	Budget Manager	Budget Focal Person
Admission	Registrar	Admission in charge
Sports	Registrar	Assistant Director Sports
Procurement	Director P&LP	Assistant Director P&LP
Library	Librarian	Librarian/Assistant Librarian

3.1.18. Capital Budgeting: Capital budgeting: means budgeting for items that can be classified as Property, Plant and Equipment under IAS 16, and whose values are above LGU's capitalization threshold (refer Chapter 8 dealing with PPE).

3.1.18.1. Property, Plant and Equipment (PPE): As per IAS 16 PPE are tangible assets that (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used for more than one year.

3.1.18.2. Examples include land, buildings, machinery, vehicles, electronic and electrical equipment, furniture and fixtures. All items that have a useful life of more than 1 year and unit cost per item of more than **Rs 5000** will be budgeted under Capital Budget.

3.1.18.3. For determining compliance with thresholds mentioned above value, in respect of assets with multiple items, aggregate value of expenditure should be considered e.g. a computer with Rs 150,000 hardware and related operating system/software of Rs 50,000 should be considered as an asset with a value of RS 200,000.

3.1.18.4. Expenditure that increases useful life or production capacity of PPE are capitalized and hence budgeted under capital budgeting.

3.1.18.5. Expenditure that maintain current level of performance or useful life is charged to expenses, therefore such expenses are not budgeted as capital but as repairs and maintenance expense.

3.1.18.6. For large costs (e.g. Land, Building & Improvements, vehicles, IT Infrastructure etc.) management must determine the most economical and practical means by which to accomplish objectives of programs and the university, including the necessity of the items, lease or purchase options, and reasonableness of costs. This means management should develop and evaluate alternatives and budget them accordingly. The preferred alternative must be supported by analysis and conclusion e.g. financial and operational considerations should be considered on a life of asset basis.

3.2. ANNUAL ACADAMIC PLAN & BUDGETING PROCESSES

Responsible	<ul style="list-style-type: none"> • VC
Objective	<ul style="list-style-type: none"> • Create a basis for monitoring and evaluation of organizations short-term and long-term plans. • Plan and monitor revenues and expenditure of various activities. • Coordinate ongoing activities. • Facilitate the allocation of resources in line with the goals of the Organization. • Assisting in linking the University’s budget to the Strategic Plan of the University and in support of the Board's policies and priorities. • Control budgets so that expenditure does not exceed limits set by the Organization or those set by the donor; and • Identifying errors.
Participants	<ul style="list-style-type: none"> • Board of Governors • Finance and Planning Committee • Vice Chancellor • Registrar • All Deans • Treasurer • Directors
Activity coverage	<ul style="list-style-type: none"> • Operational Budget Preparation- Process Description • Grants Budget Preparation- Process Description • Operational Budget Monitoring- Process Description • Operational Budget Revisions- Process Description • Grants Budget Revisions- Process Description

3.2.1. Operational Budget Preparation – Process Description

3.2.1.1	Strategic Plan	Responsible	System/ Document
	The budgeting process should endeavor to translate objectives and or targets of the strategic plan into yearly Academic plans and budget currency. The strategic plan is approved by the Board of Governors and shared with all stakeholders.	BoG, VC, Registrar, all Deans, Treasurer and Directors	Strategic Plan
3.2.1.2	Academic Plan Development	Responsible	System/ Document

<p>The VC, in collaboration with respective key management, develops an Annual Academic Plan that includes operational targets developed in line with approved Strategic Plan for upcoming fiscal year. The Annual Academic Plan shall be used as a guide for developing the operational budget. Once the Academic Plan is finalized, the Treasurer shall prepare the budget instructions and Budget Timetable.</p> <p>The treasurer will develop Budget Assumptions document, in consultation with the VC. The VC should approve of the budget assumptions to be used.</p>	<p>VC, Registrar, all Deans, Treasurer and Directors</p>	<p>Annual Academic Plan, Budget Assumptions</p>
<p>3.2.1.3 Prepare Budget Instructions & Templates</p>	<p>Responsible</p>	<p>System/ Document</p>
<p>The Treasurer shall prepare detailed budget guidelines/instructions, templates and Budget Timetable.</p>	<p>Treasurer</p>	<p>Budget guidelines, Timetable and Templates</p>
<p>3.2.1.4 Circulate Budget Instructions</p>	<p>Responsible</p>	<p>System/ Document</p>
<p>The Treasurer will circulate Budget Instructions and Template to all responsible staff and Budget Managers.</p>	<p>Treasurer</p>	<p>Budget guidelines and templates</p>
<p>3.2.1.5 Collection of Data from Budget Center</p>	<p>Responsible</p>	<p>System/ Document</p>
<p>Budget Managers use templates provided by the Finance Department for collecting quantities data from assigned Budget Centers. The Budget Manager will review collected data for reasonableness and forward each Budget Center quantitative data to the Finance Department. Assistant Treasurer responsible for budget will cost quantitative data with assistance from Procurement Department.</p>	<p>Assit Treasurer, Treasurer and Budget Managers</p>	<p>Department Budget</p>
<p>Assistant Treasurer for revenue will prepare revenue/financing budget based on approved total students' strength, credit hours and all confirmed financing sources to work out funding surplus/deficits and develop plan for surplus/shortall accordingly. The Treasurer will review financing budgets accuracy and reasonableness.</p>	<p>Assistant Treasurer, Treasurer and Budget Managers</p>	<p>Revenue/Financing Budget</p>
<p>3.2.1.6 Budget Compilation</p>	<p>Responsible</p>	<p>System/ Document</p>
<p>The treasurer will review each Budget Center data received from Budget Managers. Assistant treasurer budget will compile the data in the consolidated budget sheet to arrive at operational budget.</p>	<p>Assist Treasurer budget and Treasurer</p>	<p>Draft Budget</p>

Assistant Treasurer Budget will allocate PPE related expenses into capital and expenses heads based on capitalization thresholds		
3.2.1.7 Budget Review	Responsible	System/ Document
The Treasurer shall review draft budget and call meeting of the budget committee to discuss the operational budget. The Budget Committee will discuss the draft budget including assumptions. The VC makes the final recommendations from the Budget Committee meeting.	Treasurer	
	Budget Committee	Draft budget
3.2.1.8 Incorporate Changes in Budget	Responsible	Documents
Based on the decisions made during the budget review meeting, the Assistant Treasurer budget and Treasurer shall make necessary changes in the operational budget. The Treasurer shall submit it to the VC for review.	AT and Treasurer	Draft budget
3.2.1.9 VC Review	Responsible	System/ Document
The VC shall review and internally approve the budget.	VC	Draft Budget
3.2.1.10 Finance and Planning Committee		
The Registrar will call on Finance and Planning Committee meeting.	Registrar	Draft Budget,
The Treasurer will present the VC's approved budget to the Finance and Planning Committee. The Finance and Planning Committee will recommend the budget to BoG for approval. The Treasurer will prepare and circulate the minutes of Meeting.	Treasurer	Minutes of Meeting
	Finance and Planning Committee member	
3.2.1.11 Budget Approval	Responsible	System/ Document
The Treasurer and VC shall present the operational and capital budgets along with the Annual Academic Plan to BoG for approval.	VC, Registrar, Treasurer	Minutes of Meeting
The Treasurer will circulate the BoG's approved budget to respective stakeholders/budget Managers.	Treasurer	Approved Budget

3.2.2 Grant Budget Preparation – Process Description

3.2.2.1	Develop Program Work Plan	Responsible	System/ Document
<p>Director ORIC shall seek approval from the VC before initiating proposal development to ensure that the grant/program is in line with LGU’s strategic plan and is feasible both financially and operationally. Director ORIC will develop detailed work plans as part of overall grant proposal in consultation with the Project team. The program work plan will be used as basis of preparing grants budgets.</p>		Director ORIC, Respective Faculty/project/grant team	Program Work Plan
3.2.2.2	Budget Templates	Responsible	System/ Document
<p>Grant budgets will be prepared according to funder/donor required formats by Director ORIC. Director ORIC in collaboration with Treasurer will develop required templates for budgeting.</p>		Director ORIC and Treasurer	Grant Budget Templates
3.2.2.3	Prepare Grant Budget	Responsible	System/ Document
<p>Director ORIC will use project work plan as basis for compiling the budget and submit it to the Treasurer along with the grant proposal and project work plan. Director ORIC may seek assistance from the Treasurer/other relevant Budget Center Heads while preparing the budget. General and administrative expenses are to be included, such as internet, electricity, depreciation, etc. Treasurer will review grant budget and make necessary changes in collaboration with Director ORIC. Director ORIC will submit Grant Budget to VC for review and approval.</p>		Director ORIC, Treasurer	Grants Budget
3.2.2.4	Grant Budget Approval	Responsible	System/ Document
<p>Once the grant budget is finalized, it will be submitted to the VC along with the grant proposal for internal approval.</p>		VC	Grants Budget
3.2.2.5	Submission to donor & Proposal Acceptance	Responsible	System/ Document
<p>The grant proposal, including grant budget, will be submitted to the donor by the Director ORIC/grant team. If the donor accepts the proposal, the grant contract, along with budget, is shared with grant team including the Treasurer.</p>		Director ORIC	Grant, Proposal, Budget and Contract

3.2.2.6	Update Accounting System	Responsible	System/ Document
	The Assistant Treasurer shall update the Chart of Accounts in Peachtree (Accounting software) by opening new grant code, account codes and mapping LGU account code against each donor budget line.	Assistant Treasurer	Updated Chart of Accounts

3.2.3. Operational Budget Monitoring – Process Description

3.2.3.1	Generate reports from Accounting System	Responsible	System/ Document
	<p>Every month, Assistant Treasurer/Budget will generate the following reports for Treasurer and Senior Management:</p> <ol style="list-style-type: none"> 1. Budget versus Actual Report (Operational and Grant Budgets) 2. Transaction Listing <p>Treasurer will review charges to their Cost Center to ensure correct and complete recordkeeping.</p> <p>Furthermore, the Assistant Treasurer/Budget and Treasurer are also responsible for providing ad hoc analyses information requested by Senior Management.</p>	Assistant Treasurer/Budget Treasurer	Budget vs Actual Report Transaction Listing
3.2.3.2	Undertake Variances Analysis	Responsible	System/ Document
	The Assistant Treasurer/Budget and Treasurer review the reports and explain reasons for overspends and underspends. The Budget versus Actual Report including narratives are submitted/Presented to the Senior Management for corrective measures/budget revisions/decision making etc.	Assistant Treasurer/Budget Treasurer	Budget vs Actual Report including narratives
3.2.3.3	Senior Management Review	Responsible	System/ Document
	<p>The Senior Management will discuss the Budget versus Actual Report and outline future action plan. The minutes of the meeting will be documented.</p> <p>If the decision taken will cause revision in the budget, then activity 3.2.1.8 and 3.2.1.9 shall be triggered.</p>	Senior Management, Treasurer	Revised budget, VC approval

3.2.3.5	Update Accounting System	Responsible	System/ Document
	If any variance is related to incorrect account coding or accounting, the Assistant Treasurer will pass relevant journal and update the accounting system after obtaining required approvals as per approval process.	Assistant Treasurer	Journal Voucher- JV

Chapter 4

BANK MANAGEMENT (4 V0)

4.1 BANK MANAGEMENT POLICIES

Objective and Scope: LGU’s bank management systems must provide reasonable assurance that its funds are safeguarded against waste, loss, unauthorized use, or misappropriation.

- i. This section of the chapter includes policies for opening, maintaining, reconciling and closing of bank accounts.
- ii. Per “Para 9 Section C, of LGU’s Act (2014), the Finance and Planning Committee shall “advise the board on all matters relating to finance, investments and accounts of the University”.

4.1.1. Bank Accounts Management

Bank Signatories: LGU’s bank account signatories’ limits are given below:

S.NO	Designation of Signatory	Status/Position	Limit in PKR
1	Vice Chancellor	Primary Signatory	No limit
2	Treasurer	Secondary Signatory	No limit
3	Assistant Treasurer	Secondary Signatory	No limit

- i. All LGU, s bank accounts must have a minimum of two authorized signatories. All Cheques must be signed by the Primary Signatory and one of the Secondary Signatory.
- ii. Any changes and additions of the bank and signatory policies must be approved by the Vice Chancellor of the University.

4.1.2. **Opening a New Bank Account:** All bank accounts must be opened in the legal name of the University. Bank accounts should be opened with banks with good credit rating, and after due diligence. The Treasurer should at the end of the year, or if required more frequently e.g. due to specific events or market information (such as adverse information about banks or banking sector in media/press etc.), review list of bank accounts to confirm whether all accounts are still needed, and the organization’s banks are financially stable and reputable. In case any issues are noted during the year or as part of an annual review, the Treasurer must report these to the Vice Chancellor in writing. The Vice Chancellor should consult with the Chairman BoG, if required. Periodically corporate banking services selection should be sought via a competitive process, including benefits to employees who utilize the same bank.

4.1.3. **Management of Checks:** Check and transfer letters should never be signed in blank by both the signatories or before occurrence of transaction and should be made in the name of relevant organization or supplier. All payments should be made via banking channels

where possible. Cash Cheques should be avoided for payment unless there is no other option.

- i. Cheque books should always be kept under lock and key with the assigned finance staff. At any given point of time only one Cheque book of a bank account should be in use. The Cheque should be pre-numbered and should be counted at the time of collection from a bank to confirm completeness. Any missing Cheque should be brought to the notice of the bank for correction immediately. Internal Auditor should carry out surprise count of Cheque books at least once in a quarter.
- ii. Uncashed cheques should be cancelled after 6 months. All cancelled Cheques must be retained for audit purposes. Any signature on such Cheque must be blacked out or torn off. In case Cheques are lost or stolen, the bank should be immediately informed to stop the payment. Prior to reissuing a new Cheque, it should be confirmed that the previously issued Cheque has been cancelled or stopped for encashment.

4.1.4. Reconciliation of Bank Accounts: The Finance Department is responsible for preparation of monthly bank reconciliation statements for each bank account and to track all outstanding items, including discrepancies, to reach satisfactory resolution in a timely manner.

- i. All bank accounts shall be reconciled within 10 working days from the closing of each month.
- ii. Unreconciled items on bank reconciliation statements must be resolved as early as possible and reported for resolution. Unidentified transactions must be posted in suspense account until resolution after approval of the Treasurer.

4.1.5. Closing of Bank Accounts: When a bank account is no longer needed, the Treasurer shall submit written request to the Vice Chancellor by specifying the name, type and currency of the bank account for approval.

- i. Once the request is approved, the Finance Department shall ensure that there is no balance in the account and that there are no transactions pending. Moreover, the Finance Department will also ensure compliance with any Government of Pakistan, and funder/donor requirements/regulation relating to the closing of a bank account.
- ii. The Finance Department shall send an official letter duly signed by authorized signatories to the bank requesting the closure of the account. Upon receipt of confirmation of bank account closure, the Finance Department will notify all relevant LGU's staff and should also disable/close the account in the Peachtree Accounting Software.

4.1.6. Changes to Existing Bank Accounts: When changes such as address change, change in authorized signatories and changes to services in existing bank account is required, the

Treasurer shall submit written request to the Vice chancellor (specifying the name, type and currency of the bank account) for approval.

- i. Once the request is approved, the Finance Department shall ensure compliance with Government of Pakistan, and Funder/donor requirements/regulation relating to changes to bank accounts.
- ii. The Finance Department shall send official documents duly signed by authorized signatories to the bank requesting required changes. Upon receipt of bank confirmation of the changes, the Finance Department will notify all relevant LGU's staff and will also update the account in Peachtree accounting software.

4.1.7. **General Controls**

4.1.7.1. **Segregation of Duties:** Treasurer must ensure that segregation of duties exist for the following main functions, which should also be reflected in the job description. LGU's bank accounts must be used for the following banking transactions:

- a.* Preparation of BPV
- b.* Review and Approval of BPV
- c.* Posting transactions in GL
- d.* Bank accounts reconciliation
- e.* Custodian of Cheque books and void/cancel Cheques

A current list of bank accounts should be maintained by the Finance Department at all times. This list should show movement of bank accounts maintained at closing date of fiscal year. i.e. opening accounts, opened and closed during year.

4.1.7.2. **General Payments Controls:** Appropriate controls must be maintained to securely manage bank accounts and safeguard the assets of the University. Accounting maintenance (general ledger entries), payment authorization, bank account reconciliation and custodian of blank or voided Cheques are main duties that should be segregated among staff within the Finance Department.

- i. Before making any payment, the Finance Department should ensure compliance with relevant Government of Pakistan, Funder/donor policies and procedures.
- ii. Before signing Cheques or bank transfer letters, authorized signatories shall ensure availability of relevant original supporting documents, ensure that payments request is in accordance with contract terms and conditions, ensure sufficient bank balance, and ensure that the disbursement has not been previously made and corresponds to a valid business purpose.
- iii. All bank payment transactions must be supported by evidence of transactions including how the payment amount was finalized. Expenditures and

commitments must only be signed when accompanied by a complete budget, auditable documentation. Authorization must be made based on original invoices; and must not be made based on statements or photocopies of orders /invoices, as this could increase the possibility of duplicate payments. All invoices should be stamped as “PAID” after making the payments.

iv. The Finance Department is responsible for ensuring proper and timely recording of vendor’s payments and bank to bank transfers, payroll transfers and bank charges.

4.1.7.3. **General Receipts Controls:** The Finance Department is responsible for ensuring proper and timely recording of student fees, grants and donated receipts etc.

Receipt should only be allowed in the organization’s maintained bank accounts (based on supporting documents) through valid banking channels. In case where this is not possible, reasons should be documented, and the written approval of the Vice chancellor obtained beforehand.

Receipts should be banked in a designated bank collection account. The bank collection account will only be used for the collection from various sources. Payments are not allowed to be made from the bank collection account. Receipts shall be banked as follows:

- a. **Student Fee and Fee Charges:** Should be allowed to be collected only in a designated collection bank account. Students and bank will be instructed to provide/obtain full particulars at the time of deposit e.g. Student full name, ID number, program, semester etc.
- b. **Sale of Assets/Miscellaneous Revenue:** Should be allowed to be collected in the collection account.
- c. **Donor Receipts: (includes fundraising, grants,)** Should be allowed to be collected in separate bank accounts if required by terms of agreement.

4.2. BANK MANAGEMENT PROCESSES

Responsible	<ul style="list-style-type: none"> • Treasurer
Objectives	<ul style="list-style-type: none"> • Ensure the integrity of the financial system of the organization • Ensure monitoring and safeguarding cash resources of the Organization • Ensure completeness of the Organization’s records • Ensure all receipts and disbursements through banks are properly recorded • Ensure bank transactions are authorized and recorded • Establish segregation of duties to minimize risk of fraud or error

Participants	<ul style="list-style-type: none"> • Vice Chancellor • Treasurer • Internal Auditor • Assistant Treasurer (Receipts) • Assistant Treasurer (Payments) • Accountant
Activity coverage	<ul style="list-style-type: none"> • Bank Account Opening-Process Description • Bank Account Reconciliation- Process Description • Bank Account Closing- Process Description • Changes to Existing Bank Account- Process Description • Bank Payments- Process Description • Bank Receipts Other Than Student Tuition Fee- Process Description • Bank Receipts Students Fee – Process Description

4.2.1. Bank Account Opening – Process Description

4.2.1.1	Need Identification	Responsible	System/ Document
a.	The Treasurer shall make an official written request for opening of the new bank account. The request for opening of bank accounts shall be accompanied by the relevant supporting documents.	Treasurer	Bank Account opening Request
4.2.1.2	Internal Approval to open bank account	Responsible	System/ Document
a.	Only the VC can approve or reject requests. In case the request is approved, the VC shall sign the bank account request form and forward the approved request to the Finance Department.	VC	Approved Bank Account Opening Request
4.2.1.3	Approval to open bank account from BoG	Responsible	System/ Document
a.	The Treasurer will include the new bank account opening agenda in the BoG agenda point and secure approval of BoG for opening new bank account.	Treasurer	Minutes of BoG meeting
4.2.1.4	Preparation of Bank account opening letter	Responsible	System/ Document

	a. Assistant Treasurer will prepare a bank account opening letter and forward it to the Treasurer for his review.	AT and Treasurer	Bank Account Opening Letter
4.2.1.5	Review of Letter	Responsible	System/ Document
	a. The Treasurer will review and forward the letter to authorized signatories for their signatures.	Treasurer	Bank Account Opening Letter
4.2.1.6	Signing of Account Opening Forms	Responsible	System/ Document
	a. Authorized bank signatories will sign the letter/forms.	Authorized Bank signatories	Bank Account Opening Letter and Forms
4.2.1.7	Submission of letter to Bank	Responsible	System/ Document
	a. The Assistant Treasurer will submit the signed letter to the bank for further processing.	AT	Signed Bank Account Opening Letter
4.2.1.8	Set Up Account in Peachtree	Responsible	System/ Document
	a. Upon receipt of a confirmation letter for the bank account opening, Assistant Treasurer will set up the account in Peachtree.	AT	Bank Confirmation Letter

4.2.2. Bank Account Reconciliation – Process Description

4.2.2.1	Bank Statements	Responsible	System/ Document
	a. The Assistant Treasurer will obtain and file bank statements for all bank accounts on a monthly basis, or earlier if required.	AT	Bank Statements
4.2.2.2	Bank Reconciliation	Responsible	System/ Document

	<p>a. The Assistant Treasurer will compare the bank book transaction with bank statements of the month and will identify transactions that needs to be posted through BPV, BRV and JV e.g. bank charges, unrecorded receipts and payments etc.</p> <p>b. Identified unrecorded transactions by the Assistant Treasurer shall be recorded as per the relevant process by the accountants/Finance officers.</p> <p>c. The Assistant Treasurer will prepare a Bank Reconciliation Statement for each bank account and will sign and date the reconciliations and submit it to the Treasurer for his review.</p>	<p>AT</p> <p>AT, Accountant/Finance officer, Transactions approving staff</p>	<p>Monthly Bank Reconciliation Statements (BRS)</p> <p>BPV & BRV, JV</p>
4.2.2.3	Review of Bank Reconciliation Statements	Responsible	System/ Document
	<p>a. The Treasurer will review bank reconciliation statements and investigate long outstanding items (above 30 days). The Treasurer will provide the Assistant Treasurer with his comments if any; and in case there are no comments/issues, the Treasurer will sign and date the Bank Reconciliation Statements.</p>	<p>Treasurer</p>	<p>Reviewed BRS</p>
4.2.2.4	Filing of Bank Reconciliation Statements	Responsible	Document
	<p>a. The Assistant Treasurer will file all approved Bank Reconciliation Statements of the month in a separate file.</p>	<p>AT</p>	<p>BRS</p>

4.2.3. Bank Account Closing – Process Description

4.2.3.1	Bank account closing request	Responsible	System/ Document
	<p>a. Upon identification of the need to close the account such as project closure or for control purposes, the Treasure shall submit written request for the closure of the account to the Vice Chancellor</p>	<p>Treasurer</p>	<p>Account Closing Request</p>

	b. In the written request, the Treasurer will mention the account number, type, currency of the bank account and justification for the closure of the account.		
4.2.3.2	Approval of request to close bank account	Responsible	System/ Document
	a. The VC shall review the request and if in concurrence, shall approve the request.	VC	Approved Account Closing Request
4.2.3.3	Legal requirement	Responsible	System/ Document
	a. Following the VC’s approval, the Treasurer will ensure compliance with all legal and donor requirements, if any relating to the closure of an LGU bank account.	Treasurer	Required Documents donor agreements etc
4.2.3.4	Transfer remaining balance and account closing	Responsible	System/ Document
	a. Following the VC’s approval and compliance with legal or donor requirements, if any, the Assistant Treasurer will confirm that there is no pending transaction and will transfer available balances, if any from the account proposed for closing into other existing LGU bank account.	AT & Treasurer Authorized bank signatories	Check/ transfer letter
	b. The Assistant Treasurer will complete a bank account closing form and will send the form along with a bank transfer letter and all other supporting documents to the Treasurer and authorized bank signatories for review and approval.	AT	Approved Account closing Letter/Form
	c. The Assistant Treasurer will send the approved account closing form along with the check/transfer letter to the bank.		
4.2.3.5	Update Record in Peachtree Software and filing	Responsible	System/ Document
	a. Upon receipt of the account closure confirmation from the bank, the Assistant Treasurer will disable/close the	AT	Bank confirmation for

account in Peachtree accounting Software and will file all the supporting documents.	Closing of Account, Peachtree
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4.2.4. Changes to Existing Bank Account – Process Description

4.2.4.1	Changes in bank account request	Responsible	System/ Document
a.	Upon identification of need for changes to existing bank account such as changes in address, authorized signatories or services, the Treasurer shall submit a written request for the propose changes to an existing account along with justification/reasons to the Vice Chancellor.	Treasurer	Changes in Account request
4.2.4.2	Approval of request	Responsible	System/ Document
a.	The VC shall review the request and if in concurrence, shall approve the request	VC	Changes in Account request
4.2.4.3	Compliance with Legal requirement	Responsible	System/ Document
a.	After required approval, the Treasurer will ensure compliance with all legal and funder/donor requirements, if any relating to changes to existing bank accounts.	Treasurer	Approved letter
4.2.4.4	Letter to bank for required changes	Responsible	System/ Document
a.	After the VC’s approval and compliance with legal or donor requirements, if any, the Assistant Treasurer will prepare a letter and complete a bank account changes form and will send the approved letter and form authorized by authorized bank signatories to the bank.	AT and authorized bank signatories	Approved Letter/Form
4.2.4.5	Update Record in Peachtree Software and filing	Responsible	System/ Document

	statement highlighted the receipt) and forward the voucher to the Treasurer for his review and approval.		
4.2.6.4	Approval of BRV	Responsible	System/ Document
	<p>a. The Treasurer will review the BRV including confirming that the receipt as per voucher is in line with bank statement, fee challan/invoice, agreement and that all relevant supporting documents are attached.</p> <p>b. If there are no comments, the Treasurer will approve the voucher.</p>	Treasurer	Approved BRV
4.2.6.5	Posting of BRV	Responsible	System/ Document
	a. After Treasurer approval, the Assistant Treasurer will post BRV in Peachtree.	AT	Approved BRV
4.2.6.6	Receipt Acknowledgment	Responsible	System/ Document
	<p>a. All receipts shall be acknowledged by issuing an official receipt/via an official email ID. The Assistant Treasurer will acknowledge receipt after confirming receipt in bank account.</p> <p>b. In case donor/payer requests a receipt on a letterhead, the same will be provided after being signed by the Treasurer. A copy of the letter shall be placed in the record.</p>	AT Treasurer	Receipt Acknowledgment
4.2.6.7	Physical Record Keeping	Responsible	System/ Document
	a. Once the transaction is approved, the Assistant Treasurer will file the approved voucher along with all supporting documents.	AT	Physical files

4.2.7. Student Fee Bank Receipts – Process Description

4.2.7.1	Recording in Peachtree	Responsible	System/ Document
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	<p>a. Students Fee: Based on review of bank statement (if required deposit slips), the Accountant/Assistant Treasurer will update individual student accounts in ERP on a daily basis.</p> <p>b. At the end of the month, the Accountant/Assistant Treasurer will generate a Fee Receipt Report -FRR report and match it with bank statement and deposit slips (if required). The Accountant/Assistant Treasurer will sign the report and share the report along with bank statement and deposit slip with the Director IA for his review.</p>	<p>Accountant/AT</p> <p>Accountant/AT/DIA</p>	<p>Bank statement, paid fee challan, ERP/Student Portal</p> <p>FRR</p>
4.2.7.2	Review of FRR Report	Responsible	System/ Document
	<p>a. Director Internal Audit will view and conduct checks, including the following:</p> <p><i>i.</i> Tick amounts appearing in FRR Report with Bank Statement;</p> <p><i>ii.</i> Check total receipt as per bank statement with FRR Report.</p> <p>b. The DIA will contact the Accountant/AT for any unidentified receipt and address them.</p> <p>c. If there are no comments/issues (or issues are resolved), the DIA will sign and date the report and will forward the report along with supporting documents to the Assistant Treasurer for booking in Peachtree accounting software.</p>	DIA	FRR Report
4.2.7.3	Preparation of BRV in Peachtree	Responsible	System/ Document
	<p>a. Based on the approved report, Assistant Treasurer will prepare a BRV in Peachtree, and attached all supporting documents with the voucher.</p>	AT	BRV
4.2.7.4	Physical Record Keeping	Responsible	System/ Document
	<p>a. Once the transaction is approved, the Accountant will file the approved voucher and all supporting documents.</p>	Accountant	Physical files

Chapter 5

PETTY CASH MANAGEMENT (5 V0)

5.1. PETTY CASH MANAGEMENT POLICIES

- 5.1.1. **Objective and Scope:** LGU’s petty cash system shall provide assurance that petty cash funds are properly used and prevent waste, loss, unauthorized use or misappropriation. This section of the chapter includes policies required for recording, safeguarding, and distributing petty cash.
- 5.1.2. **Petty Cash Payment Limits:** In order to reduce risks and minimize use of cash, limits have been set for petty cash imprest balance (*refer to 5.1.4*) and petty cash individual payment is given below.
- 5.1.3. Petty cash should not be used to pay **salaries** or **personal employee advances**, **any expenditure fall under the definition of fixed assets (PPE)** unless in exceptional cases as approved by the Vice Chancellor. Furthermore, bank transfer/check should be used in place of petty cash for transaction above the PKR 5,000.
Petty cash imprest should be used for low value purchases and expenses.
- 5.1.4. **Petty Cash Basis:** Petty cash should be maintained on imprest basis.
- 5.1.5. **Petty Cash Imprest Limit:** The petty cash imprest limit and petty cash custodian for each faculty and department is given in the following table. LGU places restrictions on petty cash imprest, each fund must be use strictly in accordance with the purpose for which it is authorized. Petty cash imprest must not be co-mingled with any other funds or used for any purposes other than allowed by this policy document.

S.No	Description of Faculty/Department	Custodian	Petty cash limit (PKR)
1	Registrar Branch	Admin officer	100,000
2	Caretaker	SM/Caretaker	100,000
3	Transport	Transpt in charge	75,000
4	Sports/Project	Civil engineer	25,000
5	Human Resource	Asst Director HR	25,000
6	Account & Finance	Account Officer	25,000
7	Library	Assistant Librarian	15,000
8	DFRSE	Assistant Director	25,000
9	QEC	Admin officer	20,000

10	IT Directorate	IT officer	50,000
11	ORIC	Director ORIC	10,000
12	Examination	Admin officer	20,000
13	Academics	Lecturer	20000
14	Student Affairs & Counseling	Senior office Assistant	25,000
15	Faculty of Computer Sciences	Supervisor	50,000
16	Faculty of Basic Sciences	Dean	50,000
17	Faculty of Social Sciences	Dean	50,000
18	Faculty of Languages	Lecturer	50,000
19	Procurement	Senior office Assistant	10,000
20	Admission	Junior office assistant	15,000

5.1.6. **Petty Cash Record Keeping:** Each cash custodian will maintain a separate petty cash register/book in MS Excel. Upon consumption of petty cash imprest or at month's end (whichever is earlier), the cash custodian shall submit a petty cash report to the Treasurer for replenishment of petty cash imprest. The report must be supported by all supporting e.g. original invoices, receipts, RFP etc. After review of and approval of the report by the Vice Chancellor, the petty cash can be replenished from HBL payment bank account.

- i. The cash custodian is expected to have petty cash imprest reconciled all the time. At any time, the petty cash imprest balance per petty cash book/register must reconcile with physical balance. This requires that petty cash book/register should be updated for each transaction. Furthermore, supporting vouchers for all the payments must be on file. Any difference should immediately be investigated and reported to the Treasurer. Any irreconcilable difference should be charged to the cash custodian's personal account.
- ii. Before each replenishment and at month end, balances per petty cash register and Peachtree accounting software must be reconciled for each imprest fund. Difference, if any, shall be reported to Treasurer immediately.

5.1.7. **Safeguard of cash:** Petty cash should be kept in a safe/lockable cabinet, secure, and locked location at all time. The cash custodian is personally responsible for safeguarding

the petty cash. They should keep the safe/lockable cabinets keys and should not leave the keys on the desk, keep it in unlocked desk drawers/ cabinets, or share it with any other staff member. If a set of keys are lost, a written report must be submitted to the Vice Chancellor who will decide on the course of action(s) to be taken after discussion with the Treasurer.

5.1.8. **Cash Count:** At least once a quarter, the Internal Auditor will conduct surprise/unplanned cash counts of the cash custodians. The Internal Auditor should rotate the audit staff and dates for these surprised/ unplanned cash counts.

5.1.9. **Change of petty cash custodian:** The petty cash custodian can be subject to change as deemed necessary by the Vice Chancellor, if:

- a. The first custodian has proved to be unable to manage a petty cash imprest according to the LGU policies and procedures.
- b. The first custodian has shifted from his/her responsibilities, resigned and a replacement has been recruited; or
- c. The first custodian is on temporary leave and a substitute is required to handle this task.

5.1.10. **Increasing Petty Cash imprest limit:** The cash custodian of the petty cash fund can request, through an official letter to the Treasurer, for an increase in petty cash fund balance. The custodian will justify his request based on actual petty cash expenditure record or replenishment requests made during the last 3 months.

- i. The Treasurer will review reasonableness of the request. If he found the request appropriate then he will recommend the approval for VC approval , if approved, the Finance Department will make the payment for the required amount to the custodian.
- ii. Generally, Petty Cash imprest amount shall be large enough (maximum limit) to require replenishment at least monthly, and at a level requiring not more than two replenishments per month.

5.1.11. **Terminating or decreasing petty cash imprest limit:** Petty cash imprest limit can be terminated or decreased, if:

- a. The Treasurer determines that the petty cash imprest is no longer needed or the demand has decreased. An indicator is the number of replenishment over the past 6 months; and
- b. The fund is not managed in accordance with LGU policies and procedures.
 - i. Petty cash imprest termination or decrease in imprest limits requires VC approval. After VC approval to terminate or decrease a petty cash limit, the Treasurer will issue a memorandum to the custodian to close or decrease the imprest limit. The

custodian shall reconcile the petty cash in hand. After review by the Finance Department/IA, the custodian shall deposit the required amount in an LGU relevant bank account and provide the bank deposit slip to the Finance Department. The Finance Department shall update the petty cash record to reflect this change.

5.2. PETTY CASH MANAGEMENT PROCESSES

Responsible	<ul style="list-style-type: none"> • Cash Custodian
Objectives	<ul style="list-style-type: none"> • Ensure integrity of the financial system of the Organization • Ensure clear allocation of roles and responsibilities to relevant staff including processing, supervising and monitoring • Ensure integrity of the petty cash (imprest) management of LGU. • Ensure all cash transactions are authorized and recorded • Establish segregation of duties in order to minimize risk of fraud or error • Implement security controls on the physical access to cash, and ensure cash resources are managed effectively • Segregate the petty cash from cash collection
Participants	<ul style="list-style-type: none"> • Treasurer • Director Internal Audit • Assistant Treasurer • Petty Cash Custodians
Activity coverage	<ul style="list-style-type: none"> • Cash Management- Policies • Petty Cash Payment- Process Description • Petty Cash Replenishment- Process Description • Petty Cash Count- Process Description

5.2.1. Petty Cash Payment - Process Description

5.2.1.3	Direct payments against goods and services	Responsible	System/ Document
a.	After approval of the Department head the cash custodian will purchase the required goods/Services with value of less than Rs 5,000/- from Petty cash. All the payments should be supported by all necessary documents as proof of expenses e.g. original invoice, GRN etc.	Custodian Department Head	Original Invoices.

5.2.2. Petty Cash Imprest Replenishment - Process Description

5.2.2.1 Replenishment of Petty Cash Imprest	Responsible	System/ Document
<p>a. Each cash custodian shall submit a petty cash register/expense report to the Account officer for replenishment of petty cash fund at the month's end. This expense report should be supported by all original approved minute sheets, bills/invoices supporting documents.</p>	Cash Custodian	Petty cash register, along with all supporting
<p>b. The Account officer will review the petty cash register/expense report and will ensure that all required supporting documents are attached with the expense report.</p> <p>c. The Account officer will reconcile the following:</p> <ul style="list-style-type: none"> i. Total payments from Petty cash imprest; Plus ii. Balance as per petty cash imprest. Eequal iii. Total petty cash imprest limit. <p>d. Total payment plus remaining cash balance should be equal to the respective department petty cash imprest limit.</p>	Account officer	Petty cash register along with all supporting
<p>e. The Accountant will prepare a payment voucher and write a check and attach it with the voucher which will be signed by authorized bank signatories.</p> <p>f. The signed check will be handover to the cash custodian by obtaining receipt acknowledgement.</p>	Accountant Authorized bank signatories	Payment voucher, Petty cash expense report.
<p>g. The Assistant Treasurer will post the petty cash expenses in the respective ledger/head of accounts in Peachtree accounting software and will file the voucher along with it supporting</p>	Assistant Treasurer	Approved payment voucher & petty cash expense report.

5.2.3. Petty Cash Surprise Account– Process Description

5.2.3.2 Petty Cash surprise cash count	Responsible	System/ Document
<p>a. At least once in a quarter, the Internal Audit Department will conduct surprise cash counts. The Director IA should rotate the staff and dates for conducting such surprise cash counts.</p> <p>b. The assigned staff will obtain copy of the petty cash register at the time of cash count and will perform the following steps:</p> <ul style="list-style-type: none"> <i>i.</i> Physically count the cash in the presence of the cash custodian. <i>ii.</i> Prepare the petty cash reconciliation. i.e. add physical cash in safe plus sum of petty cash and expenses recorded; <i>iii.</i> Compare the petty cash imprest limit amount with the total amount as mentioned in the 2nd bullet; <i>iv.</i> Investigate the difference if any on the day and take the written comments/justification for the difference from the cash custodian; and <i>v.</i> Report the difference to the Director IA and Treasurer. <p>c. The surprise physical cash count report should be signed by the staff conducting the surprise cash count and the petty cash custodian.</p> <p>d. The shortfall shall be reported to the VC and recovered from the custodian.</p> <p>e. The Internal Audit Department will keep all surprise cash count reports in a separate file in chronological order.</p>	<p>Director IA</p> <p>Assigned Staff</p> <p>Assign Staff and cash custodian</p>	<p>Surprise Petty cash count report</p>

Chapter 6

INVENTORY MANAGEMENT (6 V0)

6.1. INVENTORY MANAGEMENT POLICIES

6.1.1. Objective and Scope: This section of the chapter includes policies on receiving, issuing, recording, disposing, physical verification, and reporting of inventories. LGU's inventory management systems shall provide reasonable assurance that inventories are safeguarded against waste, loss, unauthorized use and misappropriation. The procurement of inventories is covered in LGU Procurement Manual.

6.1.2. Definition of Inventory: As per International Accounting Standard -2 "Inventories" (IAS-2), Inventories are assets:

- a) Held for sale in the ordinary course of business;
- b) In the process of production for such sale; or
- c) In the form of materials or supplies to be consumed in the production process or in the rendering of services.

6.1.3. Measurement of Inventory: Covered in chapter 2 of this Manual.

a. Cost of Inventories: Covered in chapter 2 of this Manual.

b. Net Realizable Value: Covered in chapter 2 of this Manual.

6.1.4. Recognition as an expense: Covered in chapter 2 of this Manual.

6.1.5. Reconciliation of Inventory Records: The Finance Department must reconcile G/L and inventory records (subsidiary ledger) before the closing of the month.

- i. The purchase/receipts inventory will be booked as expense at the time of purchase however relevant department will record in inventory account.
- ii. Inventories are physically maintained by various departments. The Finance Department is responsible for financial accounting and controls. The following table summarizes roles and responsibilities of various department.

Inventory Item	Custodian Department	Inventory Custodian	Issuing Department	Recording Receipts and Issues
Stationery	Registrar	Registrar	Registrar	Registrar
Cleaning and Plumbing Material	Registrar	Registrar	Registrar	Registrar
IT Accessories	IT Directorate	IT Directorate	IT Directorate	IT Directorate

Inventory Item	Custodian Department	Inventory Custodian	Issuing Department	Recording Receipts and Issues
Examination and degree related stationary	Examination	Examination	Examination	Examination
Sports equipment and consumables	Sport	Sport	Sport	Sport
Prospectus	Admission	Admission	Admission	Admission

- iii. Inventory records will be updated under the perpetual accounting system to account for receipts and issuance to/from inventory.

6.1.6. Inventory Valuation: Covered in chapter 2 of this Manual.

The Treasurer office is responsible for inventory valuation and accounting treatment.

6.1.7. Inventory Management: All inventory items except generator fuel will be ordered by the Procurement Department for delivery to the LGU. Procurement Department will comparing all requirements and specifications set out in the Purchase Order (quantity, condition, quality and operability...). Any discrepancy shall be promptly reported to the supplier. Upon receipt of specific items (*refer to Process-6.2.1*), the technical staff from the relevant department will perform inspection against the requirements of the acquisition documents prior to acceptance by the requesting department. The Procurement/relvent Department will acknowledge receipt of inventory via Good Received Note (GRN).

- i. Once GRN is approved, inventories will be accounted for as part of the University inventory and will be handed over by the Procurement Department internally to the relevant custodian department for use in operations.
- ii. Based on needs, the requesting department will request inventory items via the Stores Requisition Form (SRF) duly signed by the head of requestor department. Goods Issued Note (GIN) is prepared for recording issuances and obtaining acknowledgment of recipient.
- iii. The Stores/custodian Department of inventories is responsible for ensuring that all issuances are properly approved and recorded.

6.1.8. Inventory Stock Take: Physical verification of inventory is intended to verify existence of inventory, accuracy of inventory records, and presentation of inventories at appropriate carrying values in Financial Statements. A complete physical count of all inventory shall

be conducted at least once a year, close to the fiscal year-end. The Internal Audit and relevant Departments (mentioned in the table above) are responsible for the physical verification process including planning, sending instructions, verification/counting and reporting. The findings of the stock take shall be shared with the Treasurer, and the VC for appropriate actions to be taken.

6.1.9. **Disposal of Inventory:** Disposal of inventory items must be approved by the VC. The Treasurer must ensure that legal and contractual requirements have been fulfilled.

6.1.10. **Warehouse/Store Management:** Departments heads (Store/custodian, *refer to the table in paragraph 6.1.5 above*) responsible for the physical possession and issuance of consumable inventory items are responsible for ensuring that procedures are in place to promote safe and secure storage of inventory and that inventory items are not moved from respective departments' custody without proper authorization. Further, all inventory items carried out of LGU premises must be authorized via a duly approved gate pass.

- i. All inventory custodians (*refer to the table in paragraph 6.1.5 above*) shall designate a planned space for the storage and handling of inventory. The objective of store management is to ensure inventory items are stored in a well-organized and easy to locate manner where access is restricted to appropriate personnel in order to protect inventory from theft and damage. Cabinets containing valuable or restricted inventory should also be locked at all times unless in use.
- ii. Store conditions should facilitate proper storage of LGU's inventory. Certain inventory items (IT equipment, medicine, lab reagent etc.) may need special storage conditions or may need to be store in a controlled environment (temperate, air tight/humidity/dust etc.). In these cases, warehouse custodians and other relevant staff are required to implement special storage requirements. Temperatures must be maintained at the appropriate levels as stipulated for some inventory items as they may need to be protected from humidity, kept in properly ventilated storage areas, kept sealed until point of distribution, protected from sunlight or protected from heat. In some instances, inventory should be kept in refrigerators where the items require very low temperatures.
- iii. Items should be store on shelves that are appropriately labeled for easy tracking. All staff involved in the management of inventory must be trained and be knowledgeable of labels and inventory controls.
- iv. LGU's Security Department head/specialist should conduct formal security review at least once a year of Stores to identify potential threats and implement controls.

6.1.11. **Individual responsibility for LGU Inventory:** All staff in custody of LGU inventory are responsible for their usage for only official purpose.

6.2. INVENTORY MANAGEMENT PROCESSES

Responsible	<ul style="list-style-type: none"> • Inventory Custodian
Objectives	<ul style="list-style-type: none"> • Inventory of the Organization are properly accounted for as to project, location, condition and other important details • Ensure segregation of duties in order to minimize risk of fraud or error • Inventories exist physically as recorded in the records/Registers • Inventory can be transferred within the Organization efficiently • Inventory is safeguarded against theft and misuse
Participants	<ul style="list-style-type: none"> • Inventory Custodians • Vice Chancellor • Registrar • Treasurer • Director IA • Designated staff members
Activity coverage	<ul style="list-style-type: none"> • Inventory Receipts- Process Description • Inventory Issuance - Process Description • Surprise Physical Verification of Inventory -Process Description

6.2.1. Inventory Receipt - Process Description

6.2.1.1	Receipts of Inventory	Responsible	System/Document
a.	LGU's Procurement Department is responsible for receiving all inventory items other than fuel for generator at LUG.	Procurement Department Staff & generator Operator	Goods Delivery Note and PO
b.	LGU's generator Operator is responsible for receiving fuel for generator at LGU.		
c.	Procurement department staff and generator Operator will view related Purchase Order (PO) and compare particulars such as, description, model, quantity and price of items received with Goods Delivery Note (GDN) and item received.		

d. Based on nature of the inventory item, Procurement Department staff will notify technical staff from relevant department (*refer to the table below in 6.2.1.2*) for physical inspection of items received in the presence of the supplier.

6.2.1.2	Technical Inspection of Inventory	Responsible	System/Document
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- a. Relevant technical staff will check the physical condition of the inventory items and will ensure that all items supplied by the vendor are in line with the items ordered via the PO. Procurement Department staff and technical staff should not accept supplied items that are not in line with the PO in all aspects (quantity, quality etc.)
- b. Technical staff from following departments will conduct physical inspection of goods:

Inventory Item	Department
IT related supplies/eqpts	IT Directorate
Lab reagent	Related Laboratory
Fuel and Diesel	Generator Operator
Security Supplies	Security
Communication Supplies	Communication
Books (Other than library)	Relevant Faculty

c. Physical inspection of all other items will be conducted by Procurement Department Staff (if inventory is not of specialized nature).

6.2.1.3	Goods Received Note	Responsible	System/Document
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	a. If all supplied items are in line with the PO and technical staff have no comments, the Procurement department will prepare and sign the GRN.	Director P&LP Relevant department technical staff	GRN
	b. Based on the approved GRN, the relevant inventory custodian will update his inventory record by recording the receipt quantity in the record.	Inventory Custodian	GRN/Inventory ledger.
6.2.1.4	Process Payment	Responsible	System/Document
	a. Based on the final GRN received through workflow, the Procurement department will Initiate Request for Payment-RFP and Send the approved RFP to finance department for processing payments.	Procurement Officer	RFP
	b. Based on approved RFP (received from Procurement Department) along with GRN, invoice and other supporting documents Accountant will prepare payment voucher and record the payment in Peachtree after approval of the payment voucher.	Accountant	Payment voucher

6.2.2. Inventory Issuance - Process Description

6.2.2.1	Inventory Issuance - Stores Department Items	Responsible	System/Document
	a. The requestor will check the availability of goods with relevant inventory custodian and prepare the Stores Requisition and Handover Form (SRF) manually.	Requestor	SRF
	b. The SRF will be approved by the respective Dean/Head of the Department after confirming the need. c. Once approved, the requestor will share the approved SRF with the relevant inventory Custodian for issuance of the required inventory item (s).	Dean/Head of Department	Authorized SRF

d. The relevant inventory custodian will issue requested goods.	Inventory Assistant	Acknowledged GIN
e. The Inventory custodian will prepare the GIN and obtains acknowledgement of recipient for goods issued.		
f. After issuance of inventory item, the relevant inventory custodian will update the inventory record by recording issuance of the inventory and file the SRF and GIN.	Inventory Custodian	SRF, GIN

6.2.3. Surprise Physical Count of Inventories - Process Description

6.2.3.1	Carry out surprise physical stock take	Responsible	System/Document
a.	Designated staff from the Internal Audit Department and relevant inventory custodian will conduct surprise inventory stock taking.	DIA/Designated staff and Inventory custodian	Stock take working documents
6.2.3.2	Compile stock take report	Responsible	System/Document
a.	Upon completion of the inventory stock take field work, the designated staff will prepare the stock take report and will share the report with the DIA and Treasurer for their review and finalization.	Designated staff from IA Department	Stock Take Report
b.	Director IA and Treasurer will share the final report with the Vice Chancellor for his review and recommendations on deficiencies highlighted in the report.	DIA/Treasurer	Stock Take Report
6.2.3.3	Decision on findings of stock take report	Responsible	System/Document
a.	VC will give his recommendations/decision and will share the recommendation along with report with the DIA/Treasurer for implementation of the VC's recommendation/decision.	VC	Recommendation Documents and Stock Take Report

b.	Relevant inventory custodian will update his record, based on the surprise stock take report accordingly.	Inventory Custodian	Stock take report
c.	The Designated staff from IA department will file the physical verification working paper, report, VC's recommendations, along with all other correspondence in a separate file.	Designated staff from IA Department	Stock Take Working Papers

Chapter 7

ADVANCES (7 V0)

7.1. BUSINESS ADVANCES - POLICIES

7.1.1 Objective and Scope: An Advance should be provided for official business purpose, adjusted on timely basis, reported and monitored adequately. This section of the chapter includes policies for giving, adjusting, and analyzing business/official advances to employees. Business or official advances are amounts paid to staff for use on work-related expenditure, where the supplier cannot be paid in the office or through normal banking channels. These can include advances for travelling, boarding, and lodging among others. The HR Manual includes policies and processes relating to travel and related advances.

- i. An individual must not be given a business advance that exceeds his/her monthly net salary (unless pre-approved by the VC in writing), or he/she is in their final month of employment (unless pre-approved by VC in writing).
- ii. The application for business advances must be made officially through minutes sheet and advance form. The minutes sheet/advance form should explain, in detail, why the official advance is required, how it is to be spent/adjusted and the expected date for return of the advance. The official advance application form must be authorized by the respective Dean/department head.
- iii. Employees should be discouraged to spend their own funds for the purchase of goods as much as possible. All business advances require authorization from the respective Dean/Department head and approval of the Vice Chancellor.
- iv. Business/Official advances must only be spent on the agreed-upon items and must not be provided for any private or unauthorized purposes.
- v. Business/Official advances must not be managed outside the financial system. Each advance must be properly recorded in GL and advance register, as soon as, the advance is paid.

7.1.2 Adjustment and Return of Advances: For adjusting business advances, a clearance form should be signed and submitted by the advance holder, describing the following information:

- a.* Amount of original advance.
 - b.* Expenses incurred under proper budget codes; and
 - c.* Cash returned/ cash due to advance holder.
- i. Original supporting documentation to evidence the expenditure must be attached, properly numbered, and referenced to the business advance return form.

- ii. A business advance must be accounted for as soon as it has been spent to book advances and expenditures at accurate amounts (i.e. avoid overstatement of advances and understatement of expenses which could impact e.g. budget monitoring/control process). Only expenses for which the advances were disbursed shall be charged against those advances. The Finance Department shall record advances in GL against the respective Dean /HoDs/Head of department persons.
- iii. The Assistant Treasurer should ensure that advances are cleared within a maximum period of 1month (in exceptional case it could be more than this limit based on proper justification and authorization) from the advance payment date. However, if activity(ies) is/are completed earlier, staff should settle advances earlier by submitting documents. Employees should not be given vacation- clearance and/or salaries owed to them without clearing related advances.

7.1.3 Aging and Reconciliation of Advances: Business advances must be recorded in the financial management system and reconciled monthly. Advances should be aged on monthly basis, and older advances should be followed-up for adjustments/recovery.

- a. Long overdue advances should be reported to the Treasurer on monthly basis.

7.2 BUSINESS ADVANCES PROCESS

Responsible	<ul style="list-style-type: none"> • Treasurer
Objectives	<ul style="list-style-type: none"> • To clearly define roles and responsibilities of all staff involved in the management of advances • To implement proper controls over authorization limits • To ensure segregation of duties between different functions • To ensure that advances are only provided for genuine business purposes, in accordance with applicable policies • To ensure that all advances are adjusted on timely basis
Participants	<ul style="list-style-type: none"> • Vice Chancellor • Registrar • Deans • HoDs • Head of Departments • Treasurer • Director Internal Audit

	<ul style="list-style-type: none"> • Designated staff members
Activity coverage	<ul style="list-style-type: none"> • Business/Official Advances- Process Description • Business/Official Advance Adjustment- Process Description

7.2.1 Business Advances - Process Description

7.2.1.1	Advance Request	Responsible	System/Document
a.	Request for advance is prepared via the Minutes sheets and Advance Request Form and policies mentioned in the policies section above. The required information includes: <ul style="list-style-type: none"> <i>i.</i> amount of advance; <i>ii.</i> need and purpose for the advance; <i>iii.</i> break down of expenses with calculations; <i>iv.</i> applicable per diem/allowances; <i>v.</i> when and how to be returned/adjusted; and <i>vi.</i> any previous advances outstanding. 	Requestor	Advance Request form and Minute sheets
7.2.1.2	Authorization of Advance Request	Responsible	System/Document
a.	The respective Dean/Head of Department reviews and recommends the advance request. The respective Dean/Head of Department should consider the following before making recommendations: <ul style="list-style-type: none"> <i>i.</i> justification for advance; <i>ii.</i> budget availability. <i>iii.</i> maximum limit allowed per policy. <i>iv.</i> gross and net salary p.m. of employee; and <i>v.</i> previous advances outstanding, if any, with aging. 	Dean/Head of Department	Approved advance request

	b. The VC will approve the Advance request.		
7.2.1.3	Finance Check	Responsible	System/Document
	a. The Finance Department reviews details of expenses including: <i>i.</i> authorization per authority limits; <i>ii.</i> any specific organization rules for an expense; <i>iii.</i> funds availability; and <i>iv.</i> accuracy of calculations.	Assistant Treasurer	Finance reviewed Advance request form
7.2.1.4	Preparation of Payment Voucher	Responsible	System/Document
	b. The accountant prepares (As per Bank Payment Process in Chapter 4) the Payment Voucher along with relevant supporting documents. c. The Payment Voucher mentions appropriate account code (s) including project/budget allocations.	Accountant	Payment Voucher
	d. The Transfer Letter or Cheque is prepared in favor of the employee.	Accountant	Bank Transfer Letter/Bank Check
	e. The Transfer Letter/Check is signed by at least two authorized signatories.	Authorized Signatories	Bank transfer letter/Bank Check
	f. An acknowledgement receipt is obtained from the employee.	Accountant	Receipt Acknowledgement
7.2.1.5	Recording Transaction	Responsible	System/Document
	a. Relevant General ledger accounts are updated by recording the advance against respective Dean/HoD/Head of Department.	Accountant	General Ledger, Advance Register

7.2.1.6	Monthly Reconciliation and Aging	Responsible	System/Document
a.	Finance Department prepares monthly reconciliation of advances and aging analysis to identify any long due advances.	Assistant Treasurer	Reconciliation, Aging report
b.	The reports are reviewed by the Treasurer for submission to the Vice Chancellor.	Assistant Treasurer, Treasurer	Reviewed Reconciliation, Aging report

7.2.2 Business Advances Adjustments- Process Description

7.2.2.1	Advance Settlement Form	Responsible	System/Document
a.	<p>The Advance Clearance Form is prepared with the following:</p> <ul style="list-style-type: none"> <i>i.</i> amount of advance received; <i>ii.</i> amount spent; <i>iii.</i> break down of expenses referenced with evidence; and <i>iv.</i> over/under spent amount. 	Requestor	Advance Clearance Form
7.2.2.2	Finance Check	Responsible	System/Document
a.	<p>The Finance Department reviews details of expenses including:</p> <ul style="list-style-type: none"> <i>i.</i> authorization per authority limits; <i>ii.</i> any specific organization rules for an expense; and <i>iii.</i> accuracy of calculations. 	Assistant Treasurer	Finance Department Reviewed Clearance Form
7.2.2.4	Preparation of Payment/Journal Voucher	Responsible	System/Document
a.	The Accountant prepares a JV or BPV along with relevant supporting documents.	Accountant	Journal Voucher/ Payment Voucher (for

	b. JV debits appropriate expense heads, and credits advance or bank (in case of approved over spent amount).		over spent amount)
	c. A Transfer Letter or Check is prepared in favor of employee in case of overspending.	Accountant	Bank transfer letter/Bank Check
	d. The Transfer letter/Check is signed by at least two authorized signatories.	Authorized signatories	Bank transfer letter/Bank Check
	e. Acknowledgement receipt is obtained from the employee in case of further payment.	Accountant	Receipt Acknowledgement
7.2.2.5	Recording Transaction	Responsible	System/Document
	a. Relevant General Ledger accounts (various expense, Bank, Advance Register) are updated.	Accountant	General Ledger, Advance Register

Chapter 8

PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS (8 V0)

8.1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS POLICIES

8.1.1 Objective and Scope: This section of the chapter includes policies relating to recognizing, recording, adjusting, tagging, physically verifying, and disposing of items of property, plant, and equipment (PPE). Acquisitions, transfers, sales, disposals and corrections must be entered into the system in a timely manner. LGU's PPE system shall provide reasonable assurance that long-term assets (PPE and Intangibles) are accurately and completely accounted for and are safeguarded against waste, loss unauthorized use, and misappropriation.

8.1.2 General: This policy applies to property, plant, and equipment owned by the University, titled to the University, under the custody of the University, or for which the University is accountable, e.g. government, donors or other sponsors.

- i. Furthermore, the University is required to capitalize (in excess of certain thresholds and whether purchased, constructed or leased), depreciated and periodically review for impairment or possible write-off of PPE in accordance with IFRS and regulatory requirements (if any).
- ii. Per Chapter IV, Section Power and Duties of the Board Para VII of LGU's Statutes, BoG "Hold, control and administer the **property, funds and resources** of the University and raise funds for the purpose of the University upon such security as may be required under the regulations;". Therefore, BoG's authorization must be obtained prior to lease, purchase, receipt, release or sale of land and the construction on university land, buildings and facilities.
- iii. The Deputy Registrar-Administration is responsible for management including planning, maintenance, and safeguarding of physical assets of the university. However, at the individual level, all users are responsible for proper use and safeguarding of assets under their custody. Department heads are required to ensure assets are used for official purposes and are properly safeguarded against various risks.
- iv. The Finance Department is responsible for complete and accurate recording and reporting of university's assets in accordance with applicable laws, financial reporting framework, and donor requirements.

8.1.3 Definition of Property, Plant and Equipment: As per International Accounting Standards 16 (IAS-16), property, plant and equipment are tangible items that:

- a. Are held for use in production or supply of goods or services, for rental or for administrative purposes; and

b. Are expected to be used during more than one period.

8.1.4 Recognition of Property, Plant and Equipment: This is covered in Chapter 2 of this Manual.

8.1.5 Donated Property, Plant and Equipment: LGU will recognize donation-kind as property, plant and equipment at fair value if, it meets the recognition criteria of property, plant and equipment.

- i. The Treasurer is responsible to supervise and approve appraisal process related to determination of fair value of donated assets. Appraisal of land and building must be conducted by a qualified and independent professional appraiser.
- ii. Title to PPE: Assets should only be maintained and held under the University's legal name. For lease and donated assets, documents must be legally vetted by the legal advisor (s) for sufficiency, appropriateness and completeness. Management shall endeavor to obtain legal title to leased and donated assets. Property, plant and equipment shall only be held under the University's legal name.

8.1.6 Fixed Assets Register- FAR: LGU's Deputy Registrar Administration branch with coordination of Finance Department will maintain **Fixed Asset Register-FAR** which must contain complete, accurate and up to date records of all property plant and equipment. FAR must at least contain the following information:

- | | |
|---------------------------------------------------------------------|--------------------------------------------------------------|
| i. Category/Class Complete description of asset/asset model | viii. Asset serial number (manufacturer given serial number) |
| ii. Asset Code/ID | ix. Location of asset (Department/Room/venue etc.) |
| iii. Funding Source (LGU/donor/sponsor etc.) | x. Custodian name |
| iv. Project code/ID | xi. Use full life |
| v. Date of purchase | xii. Depreciation rate |
| vi. Supplier name | xiii. Depreciation method |
| vii. Cost (purchase price + other cost till asset is ready for use) | xiv. Net book value |
| | xv. Condition (Good, need repairing, damage etc.) |

8.1.7 Asset coding/Tagging: Maintaining a clear identification of assets is the primary purpose of tagging/coding. The responsibility for coding/tagging of fixed asset rests with LGU's Deputy Registrar Administration branch. Fixed asset code/tag in fixed assets should contain at least the following information:

- i.* Funding source;
- ii.* Asset class; and
- iii.* Item number e.g. (Computer purchase). The Inventory code should be as follow: LGU-IT Equipment – 000001.

The following items do not need tagging:

- iv.* Buildings (record description in assets module for each building);
- v.* Land (record description in assets module for each land);
- vi.* Software (record description in assets module for each software); and
- vii.* Vehicles (record description in asset module for each vehicle).
- viii.* Components of an asset are tagged to the main asset, i.e. chairs to a table set.
- ix.* At the end of each Year, the Finance Department should reconcile the fixed asset record in the General Ledger (Peachtree software) with FAR and resolve any differences. The Assistant Treasurer will report differences above PRK 10,000 to the Treasurer.

8.1.8 Depreciation of Property, Plant and Equipment: This is covered in chapter 2 of this Manual.

Capital Work in Progress- CWIP: This is covered in Chapter 2 of this Manual.

8.1.9 Return of Fixed Asset by The Custodian: If any fixed asset (Other than IT Related equipment) is no longer required or the asset is in surplus, then custodian of the asset shall return the item to the Deputy Registrar Administration branch.

- i.* The Deputy Registrar Administration branch shall conduct physical inspection of all returned assets by themselves or send the asset to relevant department for technical inspection.
- ii.* If any IT Related equipment (Computer, laptop, printer etc.) is no longer required or the asset is in surplus, then custodian of the asset shall return the item to the IT Directorate/Department.

- iii. The IT department shall conduct physical inspection of all returned IT equipment by themselves.

8.1.10 Physical Verification of Property, Plant and Equipment: Physical verification of property, plant and equipment is intended to verify the accuracy of record of property, plant and equipment and correctly reflect the carrying value of property, plant and equipment in the financial statements. Unless more frequent physical verification is required, a complete physical count of all property, plant, and equipment must be conducted at least once a year.

- i. The physical count shall be attended by the Deputy Registrar Administration branch, a representative from the Internal audit and, and if required, a representative from the Finance Department.
- ii. As a result of the physical count, any differences shall be highlighted in a discrepancy report which needs to be signed by all parties observing the count. Differences result in a net gain or loss that shall be recorded in the General Ledger and fixed asset sub-ledger/Fixed asset register to accurately reflect the fixed asset value at year end.
- iii. Deputy Registrar Administration and heads of relevant departments must investigate the reasons for significant adjustments in property, plant and equipment and take prompt corrective actions after seeking the approval of the Vice Chancellor.

8.1.11 Adjustment to Property, Plant and Equipment: Adjustments to property, plant and equipment may be required to reflect changes in the value or quantity of items held by LGU. Below are a few types of such adjustments:

- i. Differences from physical verification to be notified in writing by the Deputy Registrar Administration to the Finance Department;
- ii. Impairment (Treasurer to review property, plant and equipment for impairment as per requirements of IAS-36);
- iii. Due to damage, loss or theft of item (Asset Custodian or DR-Admin branch to notify the Finance Department);
- iv. When an error is discovered (e.g. errors in recording in GL or FAR); or
- v. For any other reasons.
 - a. Upon identification of the causes for adjustments, the Finance Department will account for the adjustments after documented analysis and obtaining approvals of the Vice Chancellor. Every adjustment must be properly documented and supported by valid reasons.

- b. Adjustments vouchers must be approved by the Treasurer. Adjustments determined by the Treasurer must be approved by the Vice Chancellor.
- c. Regardless of the amount of loss, the adjustment and related event must be brought to the attention of the Vice Chancellor (as soon as possible).

8.1.12 Disposal of Property, Plant and Equipment: When any fixed asset has been sold, any remaining value of the asset (net of accumulated depreciation,) must be written off. This involves removing the asset from the Fixed Assets subsidiary ledger/fixed asset register on timely basis.

- i. Disposals of sponsored/donor funded assets are often subject to legal and sponsor/donor-specific disposed restrictions and cannot be disposed without prior approval. The Treasurer and Director Internal Audit must ensure compliance with government/sponsor/donor rules and regulations before disposal of sponsored/ donor funded assets.
- ii. All disposals must be supervised by LGU's Assets Disposal/Condemnation Committee. The members of the Assets Disposal/Condemnation Committee will be determine/notify by the Registrar:
- iii. Assets Disposal/Condemnation Committee role/functions should include but not limited to the following;
 - a. Physically verify all the items included in the Asset disposal list.
 - b. Ensure that any new item is not included in the disposal list.
 - c. Ensure that bidding process of asset disposal is open and transparent
 - d. The Committee member must disclose the conflict of Interest if any
 - e. The University employee, their close relatives must not participate in the bidding.
 - f. Submit disposal report to Finance Department. The assets disposal report should include the disposed item description, sale value and name and details of the asset purchaser.
 - g. Submit the cash received from the asset disposal to the finance department along with Asset disposal report.
- iv. Before disposal of sensitive items/equipment such as computer, laptop, security and communication equipment, review must be conducted by relevant department head/technical expert/IT department for data, hard disk, to Stores and delete all necessary or confidential information.
- v. The nature of disposal can be any of the following:
 - a. Sale of PPE items;

- b.* Donation to other organization (per donor or government requirements);
and
- c.* Discard as Junk/Scrap.
- vi. In all cases legal, regulatory and contractual requirements must be fulfilled prior to disposing off property, plant and equipment.

8.1.12.1. Public Auction: All disposals with total expected value of PRK, 1.5 million or above must be processed through the Procurement Department at LGU.

- i. The Procurement Department will advertise the auction on LGU and public websites and in the Newspapers.
- ii. The Assets Disposal Committee will not hand over the items before receipts of the cash/bank deposit slip. Receipt acknowledgement along with handover activities must be conducted and documented. Documents should be submitted to the Finance Department for updating accounting record.

8.1.13 Taking Assets Outside of LGU: No employee or other person are allowed to take LGU assets outside university premises, except for the following;

- a.* To mechanic workshop for repairing, if the asset requires repair and maintenance;
 - b.* To bring home to perform work on, i.e. computer;
 - c.* To move assets to other location (for official work); and
 - d.* For official LGU purposes.
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- i. A requestor can take assets outside LGU only through the approved gate pass authorized by LGU's Deputy Registrar Administration or Security in charge in the absence of Deputy Registrar Administration.

8.1.14 Clearance from the IT Department: Upon resignation/termination, the relevant employee will return Laptop, and all other IT related accessories received during employment at LGU to the IT department. The HR and Finance Department must not process final payment of outgoing staff until the clearance form is signed by the IT Director or supervisor in the absence of the Director. The Director IT will notify the Finance Department to update the custodian information in FAR.

8.1.15 Changes in Location of Asset: No LGU department is allowed to move any movable property, plant and equipment item from one department/location to another department or location without prior written approval of the Deputy Registrar Administration. The Deputy Registrar Administration branch shall update FAR for related changes (location, condition, custodian etc.).

- i. Similarly, no employee/individual is allowed to transfer/handover the capital/fixed asset item issued on his/her name to any other staff/individual. He/she must return the asset to the relevant Department (IT or Deputy Registrar Admin etc) if the item is no longer required.

8.1.16 Security and Control of Property, Plant and Equipment: Any employee who is in custody of property, plant and equipment is responsible for the safe, secure, and authorized usage of the fixed asset. The cost of the asset shall be recovered from the employee if the asset is lost, damaged, stolen due to the negligence of the custodian.

- i. All department heads must ensure that property, plant, and equipment (under department) are secured within the department premises. Increased security should be provided for items that are at high risk of theft or abuse; or are generally attractive and in high demand.
- ii. Warehouse conditions should facilitate proper storage of LGU’s property, plant and equipment. The warehouse should be locked at all times and access should be restricted only to authorized personnel in order to protect assets from theft and damage. Cabinets containing valuable or restricted items should also be locked at all times unless in use.
- iii. LGU’s Security Department head should conduct formal security reviews at least once a year of their warehouses spaces to identify potential threats as well as strengthen controls over the warehouses to ensure access is restricted only to authorized personnel as appropriate.

8.1.17 Intangible Assets

- a. **Definition:** An intangible asset is an identifiable monetary asset without physical substance. E.g. software, trade mark, patent etc.
- b. **Recognition Criteria:** This is covered in Chapter 2 of this Manual.

8.1.18 Impairment of Intangible Asset: This is covered in Chapter 2 of this Manual.

8.1.19 Amortization of Intangible Asset: This is covered in Chapter 2 of this Manual.

8.2 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSET PROCESSES

Responsible	<ul style="list-style-type: none"> • Treasurer, DIA, DR-Admin
Objectives	<ul style="list-style-type: none"> • Property, plant and equipment and intangible assets of the Organization are properly accounted for as to project, location, condition and other important details. • Property, plant and equipment exist physically as recorded in records.

	<ul style="list-style-type: none"> • Property, plant and equipment can be transferred within the Organization efficiently. • Provide guidance to LGU staff who have responsibilities for implementation of property, plant and equipment and intangible asset policy. • Property, plant and equipment can be returned to donors efficiently. • Property, plant and equipment are safeguarded against theft and misuse.
Participants	<ul style="list-style-type: none"> • DR-Administration • Director IT • Director Internal Audit • Treasurer • Registrar • Vice Chancellor • Board of Governors • Assets Disposal/Condemnation Committee • Designated staff members
Activity coverage	<ul style="list-style-type: none"> • Property, Plant and Equipment Receipts - Process Description • Property, Plant and Equipment Issuance/Hand over- Process Description • Property, Plant and Equipment Return - Process Description • Physical Verification of Property, Plant and Equipment - Process Description • Adjustment to Property, Plant and Equipment - Process Description • Disposal of Property, Plant and Equipment - Process Description • Reconciliation of Property, Plant and Equipment - Process Description • Using Asset outside LGU Premises - Process Description • Work in Progress - Process Description • Donation in Kind - Process Description

8.2.1 Receipt of Property, Plant and Equipment - Process Description

8.2.1.1	Receipt of Property, Plant and Equipment	Responsible	System/Document
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<p>a. LGU’s Procurement Department shall receive all movable property, plant and equipment. The Procurement Officer will compare particulars such as, description, model, and quantity of all items in the PO with items received.</p> <p>b. Based on the nature of PPE item, the Procurement Department staff will notify technical staff from relevant department for physical inspection of item received in the presence of supplier.</p>	Procurement Officer	PO																
<p>c. Relevant technical staff will check quality and physical condition (broken/damage/good) and will ensure that all items supplied by the vendor are in line with items ordered via PO. The Procurement/Technical staff should not accept items from supplier if supplied items (partially/fully) are not in line with PO in all aspects.</p> <p>d. If all supplied items are in line with PO, the Procurement and technical staff will sign the GRN.</p> <p>e. Technical staff from the following departments will conduct physical inspection of the goods:</p> <table border="1" data-bbox="110 1092 938 1642"> <thead> <tr> <th>Inventory Item</th> <th>Department</th> </tr> </thead> <tbody> <tr> <td>IT equipment and related Accessories</td> <td>IT</td> </tr> <tr> <td>Science Lab equipment</td> <td>Lab Technician</td> </tr> <tr> <td>Furniture (special cases)</td> <td>Requested department</td> </tr> <tr> <td>Security equipment</td> <td>Security</td> </tr> <tr> <td>Communication equipment</td> <td>Communication</td> </tr> <tr> <td>Text Books</td> <td>Library</td> </tr> <tr> <td>Vehicle</td> <td>Transport</td> </tr> </tbody> </table> <p>f. Physical inspection of all other property, plant and equipment items will be conducted by Procurement Department staff.</p>	Inventory Item	Department	IT equipment and related Accessories	IT	Science Lab equipment	Lab Technician	Furniture (special cases)	Requested department	Security equipment	Security	Communication equipment	Communication	Text Books	Library	Vehicle	Transport	Procurement Department Staff/Relevant department technical staff	PO
Inventory Item	Department																	
IT equipment and related Accessories	IT																	
Science Lab equipment	Lab Technician																	
Furniture (special cases)	Requested department																	
Security equipment	Security																	
Communication equipment	Communication																	
Text Books	Library																	
Vehicle	Transport																	

g. Upon completion of physical inspection, the Deputy Registrar Admin branch will tag each inventory item with Asset code.	DR-Admin Branch & Librarian	Bar code/Fixed asset Tag, Asset number/code
h. After inspection, coding/cataloging of library Book will be completed by the Library Department.		
i. The Procurement officer technical staff will sign the GRN. The Procurement Department will process the RFP.	Procurement Department	Approved GRN & RFP
j. The accountant prepares (As per Bank Payment Process in Chapter 4) the Payment Voucher along with relevant supporting documents.	Accountant	BPV

8.2.2 Issuance/Hand Over of Property, Plant and Equipment - Process Description

8.2.2.1	Issuance/Handing Over	Responsible	System/Document
a.	The Deputy Registrar Admin branch will issue property, plant, and equipment (other than IT, Lab, Communication equipments and Books) from the Stores against the approved Asset Handover Form (AH-Form).	Requestor/Head of Department	Approved AH-Form
b.	The IT Director will issue IT equipment and accessories from the store against the Approved Asset handover Form.		
c.	The requestor will complete, sign, and obtain the approval of the relevant department head. The requestor will share the approved form with the DR-Admin/IT Department for issuance of the respective required asset.		
d.	After issuance of property, plant and equipment, the Respective store department staff (DR-Admin, IT department) will update the FAR record accordingly.	DR-Admin/IT Department focal person	FAR & AH-Form

8.2.3 Return of Property, Plant and Equipment - Process Description

8.2.3.1	Return by Custodian	Responsible	System/Document
	<p>a. If property, plant and equipment is no longer needed, then the user will complete and sign the Return Form and will deposit the item along with the Return Form at the related store department (e.g. DR-Admin, IT Department).</p> <p>b. The Stores Department will accept property, plant, and equipment from the user/custodian against the Return Form.</p>	Returnee	Return Form
	<p>c. The DR-Admin/focal point will forward the Return Form and request physical inspection from the technical department.</p> <p>d. IT department focal person will conduct physical inspection by himself.</p>	DR-Admin/Focal point and IT Dept focal person	Updated Return Form
	<p>e. Based on inspection, the relevant staff will update the Return Form by including his comments on the physical condition of the item returned, and then sign the form.</p>	Focal person of relevant inspection department	Return Form
	<p>f. After physical inspection, the DR-Admin will update the custodian information in FAR and file the updated Return Form.</p>	DR.Admin	Inventory Record & Return Form

8.2.4 Physical Verification of Property, Plant and Equipment - Process Description

8.2.4.1	Physical Verification of Property Plant and Equipment	Responsible	System/Document
	<p>a. The DR-Admin with coordination with Director Internal Audit will develop a physical verification plan and instructions for property, plant, and equipment at the start of fiscal year. They will share the plan and</p>	DR-Admin & DIA	PPE Physical Verification Plan and Instructions

instructions with the Registrar for his review and comments.		
b. The Registrar will review the inventory stock take plan and instructions for reasonableness. After finalization of plan, Registrar will share it with the VC for review and approval.	Registrar and VC	PPE Physical Verification Plan and Instructions
c. The VC will review the plan and instructions and if satisfied with it, will approve and sign the plan.	VC	Approved Annual Plan and Instructions
d. The DR-Admin will share a copy of the approved plan and instructions with all departments heads.	DR-Admin	Approved Annual Stock take Plan and Instructions
e. Designated staff from DR-Admin, Internal Audit, and, if required from Finance departments will conduct a physical verification of property, plant and equipment in accordance with the approved plan and instructions. Upon completion of the physical verification field work, the DR-Admin will prepare the report in collaboration with other team members and will share the report with the Treasurer for review and finalization.	Stock Take Team Members	Stock take working documents and report
f. The Treasurer will share the final report with the Vice Chancellor for his review and recommendations on deficiencies mentioned in the report.	Treasurer	Final Report
g. The VC will give his recommendations/decisions on the final report.	VC	Final Report Recommendations/Decision.
h. Based on the Final report and VC recommendation, the DR-Admin will update FAR. After the Treasurer review, the Adjustment vouchers shall be approved by the Treasurer. The adjustment process is covered under Process 8.2.5 Adjustment to PPE.	DR-Admin & Treasurer	FAR & JV

i. The Director Internal Audit will file physical verification working paper, report, VC recommendations, along with all other correspondence in a separate file.	DIA	Physical verification working paper
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8.2.5 Adjustments to Property, Plant and Equipment - Process Description

8.2.5.1	Adjustments to Property, Plant and Equipment	Responsible	System/Document
	<p>a. If an adjustment results from theft, loss, damage, or is identified through physical verification process/control (<i>refer to Process 8.2.4 relating to physical verification of property, plant and equipment will be applicable</i>);</p> <p>b. The user/custodian department will complete a lost/damage report. The report must be signed by the relevant department head. The user/custodian will share the report with the DR-Admin/IT Director. The DR-Admin/IT Director will review the report and if satisfied, will forward the report to VC for his review and recommendations/decision.</p>	Requestor/DR-Admin, IT Director	Lost & Damage Report
	c. The VC will finalize recommendations/decision. In case of significant matters, especially involving fraud/misconducts, Chairman BoG will be informed.	VC	Decision/approval
	d. Based on the report and final recommendation, the Assistant Treasurer will prepare adjustment vouchers. The Treasurer will review and approve the adjustment vouchers. Assistant Treasurer will update GL and DR-Admin will update FAR accordingly.	AT, Treasurer and DR-Admin	FAR/GL and JV
	<p>e. If an adjustment relates to:</p> <p><i>i.</i> Impairment of property, plant and equipment;</p> <p><i>ii.</i> Error in recording in GL or FAR; and</p> <p><i>iii.</i> Any other matters such as repossessions, transfers,</p>	AT	JV and supporting documents

f. The Assistant Treasurer will prepare a JV which shall be supported by detailed working/reasons for adjustments and will forward the JV to the Treasurer for review and authorization.		
g. The Treasurer will review the working and if satisfied, will authorize the JV.	Treasurer	JV and supporting documents
h. After The Treasurer’s approval, the Assistant Treasurer will post the JV in Peachtree accounting Software and file the JV along with supporting documents. The DR-Admin will update FAR,	AT & DR-Admin	JV and supporting documents

8.2.6 Disposal of Movable Property, Plant and Equipment - Process Description

8.2.6.1	Disposal of Movable Property, Plant and Equipment	Responsible	System/Document
a.	The Respective Store department (e.g. DR-Admin, IT Director) will take action for disposal of movable items of PPE as follows: <ul style="list-style-type: none"> – As a results of physical verification exercise; and – Collaboration with other departments (including returned assets). 	Respective Store Departments	List of items of PPE to be disposed off
b.	Based on need for disposal, the focal person in the respective store departments will prepare following list: <ul style="list-style-type: none"> – Scrap/damaged (not repairable) assets; – Damaged (repairable) assets; and – Good condition. 	Respective Store departments	List of Inventory need to be disposed of.
c.	Respective Stores Department Head (e.g DR-Admin, IT Director) will share the following list with all heads of departments for confirmation, to check if any of the items are required in the future by the departments: <ul style="list-style-type: none"> – Damage (repairable); and 	DR-Admin, IT Director	Request for Asset Disposal Form

<p>– Good conditions.</p> <p>d. Based on confirmations received, the items required for future use will be excluded from the list. The list with the remaining items will be attached with the Asset Disposal Form and shared with VC for decision.</p>		
<p>e. The VC will review the list and share his recommendations/decision/Approval. The VC can approve, defer, or reject the request. If the request is approved, Asset Condemnation Committee will initiate the disposal process.</p>	VC	Request for Asset Disposal Form & list of items proposed for disposal,
<p>f. After approval, Asset Condemnation Committee will plan and execute the disposal.</p>	Assets Condemnation committee	Approved assets Disposal list
<p>g. If the disposal relates to the sale of property, plant and equipment items, Assets Condemnation committee will undertake the following steps:</p> <ul style="list-style-type: none"> <i>i.</i> Advertise the auction on LGU and local websites; <i>ii.</i> Collect all offers in a sealed envelope/ Open bidding in the presences of all the bidders. <i>iii.</i> Open the sealed envelopes in the presence of all committee members; <i>iv.</i> Prepare the bid evaluation summary and select the highest bidder; <i>v.</i> Notify the winner of the bid and communicate necessary procedures such as counting of inventory item, taking the position/loading, location, payment details, deadline for payment and collection of the items and consequence for not meeting the deadlines e.g. (rejection of sale/auction or cancelation of deposit). 	Assets Condemnation committee	Advertisement, Letter, Bid evaluation summary, Letter to winner of the auction
<p>h. Assets condemnation committee will not hand over the items before receipt of cash or bank deposit slip and receipt is confirmed. Receipt acknowledgment along with handing</p>	Assets Condemnation Committee	Cash or Bank deposit slip, Receipt

over activities must be conducted and documented. Documents should be submitted to the Finance Department for updating accounting records.		acknowledgment of the winner
i. Upon receipt of documents, the Finance Manager will update GL in MS Dynamics GP and will file all supporting documents relating to the disposal. DR-Admin will update FAR.	DR-Admin and Assistant Treasure	FAR, GL and Inventory disposal supporting documents

8.2.7 Reconciliation of FAR with GL - Process Description

8.2.7.1	Reconciliation of FAR with GL	Responsible	System/Document
a.	At the end of each year, the Assistant Treasurer will reconcile the property plant and equipment accounts with FAR.	AT	FAR & GL
b.	The Assistant Treasurer must: <ul style="list-style-type: none"> – Compare GL balance of each class with FAR balance. In case of difference in the balance of GL and FAR, the Assistant will investigate the reasons for difference. 	AT	FAR & GL
c.	Unreconciled difference shall be reported by the AT to the Treasurer.		Report containing difference in FAR Vs GL
d.	For adjustment entries refer to the process “Adjustment of Property, Plant and Equipment”.	AT	JV & FAR adjustment request

8.2.8 Using Asset Outside LGU Premises - Process Description

8.2.8.1	Using asset outside LGU Premises	Responsible	System/Document
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a. For use of University assets for official use, the requestor shall complete the Gate Pass Form. The requestor will justify the need to take the LGU asset outside LGU premises. The Form shall be approved by the DR-Admin or the assignee in his absence. The DR-Admin branch will record the item in Asset In/Out Log Book mentioning particulars of assets and the person responsible.	Requestor, DR-Admin	Gate Pass Form, Asset IN/OUT log Book.
b. The Security Guard must not allow anyone to take LGU assets off site without approved gate pass.	Guard	Gate Pass Form
c. The DR-Admin branch will keep and file copy of the approved Gate Pass Form.	DR-Admin	Copy of Gate Pass Form
d. The DR-Admin branch will prepare a list of outstanding items and follow-up on the return of the assets back to LGU premises. In case of delays, the DR-Admin will undertake appropriate action.	DR-Admin	List of outstanding items

8.2.9 Work-In-Progress - Process Description

8.2.9.1	Work in Progress- WIP	Responsible	System/Document
a.	Upon receipt of the approved RFP, the Assistant Treasurer will book the related transactions/expenses under construction property, plant and equipment in Work in Progress-WIP account through JV/BPV. The accounting entry will be as follow:	AT	RFP, Invoices, JV/BPV etc.
b.	WIP A/C- Dr		
c.	Payable/Deferred Grant/Bank - Cr (Booking of expenses in WIP)		
d.	After Treasurer's approval, the AT will post the JVs in Accounting software and file all the supporting documents.	AT	Approved JV
e.	Upon completion of capital work in progress, the head of the Project/DR-Admin shall provide the Finance Department with a copy of work completion certificate.	Project/DR-Admin	Work completion Certificate.

f. Following receipt of the work completion certificate, the AT shall transfer property, plant and equipment from the WIP account to relevant class of property, plant and equipment through the property, plant and equipment process. Refer to process “Receipt of Property, Plant and Equipment” for details.	AT	JV & Work completion certificate
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8.2.10 Donation in Kind - Process Description

8.2.10.1	Donation in Kind	Responsible	System/Document
	a. Upon receipt of property, building, plant and equipment as donation in kind from the donor/sponsor, the Treasurer shall supervise the process for determination of fair value (s) of donated assets.	Treasurer	Asset Fair valuation document
	b. Upon confirmation of asset’s value and other relevant terms, if any, the AT shall prepare the JV to record assets and submit it to the Treasurer for review and approval. Refer to process “Receipt of Property, Plant and Equipment” for relevant activities and accounting entries.	AT	JV & Supporting documents
	c. Assets constructed by donors/sponsors shall also be fair valued and booked. The Treasurer will supervise the process for determination of fair value at Statement of Financial Position date. Refer to process “WIP” for relevant activities and accounting entries.	AT	JV

Chapter 9

GRANTS MANAGEMENT (9 V0)

9.1 GRANT MANAGEMENT POLICIES

9.1.1 Objective and Scope: LGU must comply with obligations under donor awards and be fair, transparent, and accountable in its financial relationships with donors. This section of the chapter includes policies and definitions related to financial accounting, reporting, and receiving of restricted and unrestricted grants.

9.1.2 Grant definition: Any award (grant, cooperative agreement and contract) that meets any of the following criteria, is considered to be a grant:

- i.* The project commits the University to a specific line of scholarly or scientific inquiry, typically documented by a statement/scope of work (SOW);
- ii.* A specific commitment is made regarding the level of personnel effort, deliverables, or milestones;
- iii.* Project activities are budgeted, and the award includes conditions for specific, detailed or formal fiscal reports, and/or invoicing;
- iv.* The project requires that unexpended funds be returned to the sponsor/donor at the end of the project period;
- v.* The agreement provides for the disposition of either tangible property (e.g., equipment, records, technical reports, theses or dissertations) or intangible property (e.g., inventions, copyrights, or rights in data) which may result from the project; and
- vi.* The sponsor/donor identifies a period of performance as a term and condition of the award.

9.1.3 Introduction: Grants, agreements and contracts are instruments for managing funds and differ particularly in respect of involvement of donor in managing and directing projects/programs. As compared to “Grants”, donors play substantial role in project/program implementation awarded through agreements and contracts. However, under all instruments, recipients are required to comply with terms and conditions agreed with donors (including financial and programmatic). Grants are generally treated as **Restricted Funds**. The Grantors offer funding to Recipient/Awardee who in return is obliged to implement specific activities. Grantors could be national or international based:

- i.* Governments
- ii.* Private individuals

- iii. Corporations
- iv. Foundations and NGOs
- v. Individual donors

9.1.4 Grant Administration Responsibility: Responsibility for day-to-day administration (including implementation, monitoring and reporting) of research related grants rests with LGU Office of Research and Innovation Center-ORIC.

- i. All Sports related Grants and Agreements are to be administered by the Director of Sports in accordance with terms and conditions of the grant agreements and approved policies and procedures of LGU.
- ii. All other grants will be administered through the office Registrar, in accordance with terms and conditions of the grant agreements and approved policies and procedures of LGU.
- iii. As mentioned in Chapter 1, in case of contradiction between University's policies and award terms, the later will prevail.

9.1.5 Grant General Policies: Grant must be spent/utilized in accordance with terms agreed with the donor. This is why most grant agreements contain a Budget subdivided into Budget Lines that capture expenses grouped into cost categories such as Personnel, Travel, Supplies, etc. The award also has established timeframes for the utilization of funds.

- i. All personnel approving expenses on grants are responsible for ensuring that the expense is within grant budget and is compliant with the funder policies, grant specific terms and LGU policies and procedures.
- ii. As mentioned above, in case of any contradictions between LGU policies and the procedures and grant specific terms and conditions, the grant agreement specific terms and condition must prevail.

9.1.6. Direct Costs are those costs that can be identified specifically with a particular final cost objective, such as an award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

9.1.7. Other Direct Costs are those costs that are administrative in nature and aid support of delivery the direct costs.

9.1.8. Indirect/Common Costs are those costs which reflect common or joint objectives and cannot be identified specifically with a particular activity or final cost objective e.g. a particular award.

- i. After securing an award, the Finance Department must ensure that the Chart of Accounts captures the approved donor budget line items to ensure that expenditures are accurately captured per agreed budgets and that the award is spent as agreed.
- ii. The Finance Department will also map all account heads in donor budget to appropriate account heads in the General Ledger. This will ensure adequate internal and external reporting.
- iii. Monthly comparison of budgeted versus actual expenditure for each project/agreement must be carried out and analyzed within two weeks of the close of a month. This report will be used for reporting to donors, if required by donors, and for internal monitoring. Any adjustments from budget monitoring should be authorized and corrected before submission of report to donors.
- iv. Data in accounting and financial reporting must be in line with data in the programmatic reporting. This will require collaboration between the Program and Finance Departments.
- v. LGU should raise Funds Requests as per agreed terms of awards with donors. In case of severe liquidity issues, LGU may raise a request earlier after seeking approval from the donor. Before raising a funds request, LGU must ensure that all terms of award have been complied with and evidenced through completion of a donor checklist (*as described in the Compliance section below*).
- vi. Any item issued from LGU's Stores for use in implementation of award/grant, shall be charged as grant expenses if such expenses are allowable.

9.1.9. Grant Revenue Policies: This is covered in chapter 2 of this Manual. Revenue from the grants shall normally be booked on a monthly basis.

9.1.10. Compliance: Based on thorough review of donor agreements, a donor compliance review checklist must be developed for each agreement and followed on regular basis (at least quarterly, or more frequently if required by donor agreements) to ensure the organization is compliant with the terms of agreements including the financial and programmatic reporting. Generally, information required by donors include entity's audited financial statements, budget versus actual comparisons, and evidences supporting of expenditures incurred. Other terms could include stakeholder meetings and presentations, program reports and disclosures, and monitoring and evaluation reports.

- i. Fund Request Forms normally accompany financial reports. It is important that the above are prepared with due care as future cash flows from donors are based on satisfactory review of these and other documents.
- ii. Attention should be paid to requirements for external audits/assessments. The timing and costs of auditing/assessments should have been considered

before the agreement signing stage. In case this is not already covered by award contract, special approval from donors must be obtained.

- iii. Issues and comments highlighted by donor and auditors in reporting and compliance requirements must be reviewed and resolved by responsible authorities/Program Administrators. Significant issues must be communicated by responsible authorities to the Vice Chancellor. Appropriate actions must be taken so that these are not repeated in the future. Actions include documenting observations, identifying suitable remedial actions, assigning responsibilities and following-up regularly until the resolution of observations/issues.

9.1.11. Cost Allocation Policy: The LGU's policy, for charging costs to specific donor awards, is to charge costs to the extent costs are reasonable, allowable and allocable i.e. they are legitimate costs of doing business chargeable to a contract, agreement or grant. Prior written approval of donor must be sought in case of any ambiguity over charging amounts to donors.

- a. The main concepts are briefly mentioned below and must be complied with unless the donor contract stipulates otherwise.

9.1.12. Reasonable Cost: A cost is reasonable if it does not exceed, in its nature or amount, that which would be incurred by a prudent person. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Is the cost ordinary and necessary for the operation of the organization;
- b. The restraints or requirements imposed by external factors;
- c. Whether the individuals concerned acted with prudence in the circumstances; and
- d. Significant deviations from the established practices of the organization.
- e. New market prices for comparable goods or services for the geographical area should be considered.

9.1.13. Allowable Cost: To be allowable a cost must be:

- a. Reasonable;
- b. Allocable;
- c. Conform to limitations/budget (e.g. of donor agreement);
- d. Consistent with policies and procedures; and
- e. Adequately documented.

9.1.14. Allocable Cost: A cost is allocable to an award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- a.* Is incurred specifically for the award;
 - b.* Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received; and
 - c.* Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- i.* In case of any confusion over allowability, reasonableness and allocability of certain items of costs, and to avoid subsequent disallowance or dispute (due to un-allowability, unreasonableness or non-allocability), LGU should seek prior written approval of the donor.

9.1.15. Un allowable costs: For donors some costs are always unallowable. These include (not an exhaustive list):

- a.* Alcoholic Beverages;
 - b.* Bad Debts;
 - c.* Contingency provisions;
 - d.* Contributions and donations;
 - e.* Fines and penalties;
 - f.* Interest, fundraising, and investment management costs;
 - g.* Lobbying;
 - h.* Interest on borrowed capital; and
 - i.* Losses on awards or contracts.
- ii.* In case paid/incurred by the Organization, the above must not be charged to such awards.

9.1.16. Cost Share Policy: Some grantors/donors may request that a portion of the grant budget be borne by LGU. LGU's share of expenses incurred on the implementation of such awards are LGU's cost share.

- i.* Cost share charged on a certain award should not be included as a cost share contribution to any other funded award.

- ii. The Finance Department and all other personnel approving and recording/charging cost share expenses on grants are responsible to check that expenses are within budgets, and compliant with applicable terms and conditions of award and grantor's policies.

9.1.17.Award/Grant Close-Out Policy: Relevant Program Administrator shall ensure that close out process is started on timely basis. Relevant Program Administrator shall send grant closure instructions including plan for closure to allow close-out per agreed terms.

- i. The Finance Department must ensure that:
 - a. There are no outstanding commitments;
 - b. All advances are closed and accounted for;
 - c. All incurred expenses are submitted by the departments and accounted for; and
 - d. All invoices and revenue are generated on the Award/Grant and accounted for.
- ii. In case of remaining unspent funds at close-out, terms of award shall be followed including refund/return of funds/assets.

9.1.18.Retention of Record: Records pertaining to grants and contracts must be retained in accordance with grantor policies and procedures. When there is no specific grantor policy regarding financial record retention, LGU must comply with policies of Ministry of Finance, the Government of Pakistan and its own policies.

9.1.19.Reconciliation of Grant Accounts: On a monthly basis, the Finance Department shall prepare a monthly reconciliation on grants' fund sources. This should include income booked in accordance with IFRS and amounts invoiced to donors. The reconciliation ensures that:

- a. Transactions (revenue, expenses, receivable etc.) are reflected correctly in GL.
- b. Internally generated income from grants and contracts are properly booked.
- c. Recognized revenue related to cost-based awards is equal to the incurred expenses on these awards. Differences e.g. from disallowances should be noted and reported.

- i. On a quarterly basis, the Finance Department shall perform a detailed review of the expenditures, revenue, billing and receipts of each award.

Donor Reporting:

The Finance Department is responsible for the preparation of financial reports and to ensure that:

- a. Reports comply with the grantor's reporting instructions such as required information or specific report formats.
- b. Submission of reports meet reporting deadline.
- c. All reported figures are verified and reconciled against the accounting records.
- d. Supporting documents are gathered and submitted in case required by the Grantor.
 - i. Upon completion of the financial report, the Treasurer shall sign the report as a statement of accountability and send it to the VC and Program Administrator for review and approval. The Internal Audit department or staff will review, if required.
 - ii. After all concerned parties have confirm the completeness and accuracy of the financial report, the Program Administrator will send the report to the Grantor/Donor.

9.1.20.Grants and Contracts Proposals: LGU shall bid for projects which are in line with its strategic plan duly approved by BoG. In case management decides to bid for projects outside the scope of the strategic plan, prior approval from the BoG must be obtained after considering any legal/regulatory implications.

- i. Based on the project RFP, LGU key management must conduct a feasibility assessment (including financial and operational) aspects of the project/program.
- ii. In case the project is considered feasible, relevant Program/project Administrator will establish a proposal development team including employees from relevant departments and obtain approval from the VC. The roles, responsibilities and deadlines must be clearly communicated through written instructions.
- iii. The relevant Program Administrator shall ensure that proposals comply with University and sponsor/donor policies, proposals are complete and that all signatures/certifications and approvals have been obtained.

- iv. LGU's relevant Program/Project administrator shall submit the proposal to the donor after VC has reviewed and approved it.

9.1.21. Negotiation of Grants, Contracts and Awards: Sponsored project agreements funded by government, sponsors, nonprofit foundations and industry specific agreement shall be negotiated by relevant Program Administrator/designated staff. If required, input shall be provided by required LGU employees upon request by the Program Administrator.

- a. The Grant Administrator will be responsible for negotiating technical aspects of the project and must ensure that the agreement reflects terms and conditions that are feasible and achievable. Likewise, any technical or progress reports or other similar deliverables must be acceptable.
 - b. The budget will be negotiated by the related Program Administrator, the VC and Treasurer.
 - c. The Treasurer will be responsible for ensuring that the award is financially feasible and Program/Project financial, reporting requirements are achievable
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- i. If a sponsored research award involves licensing of existing intellectual property, LGU ORIC Office has primary responsibility for negotiating intellectual property rights associated with the sponsored research award.

9.1.22. Acceptance of Awards: Prior to committing LGU resources, grant agreements shall be reviewed by the Program Administrator, Treasurer, Registrar and the Vice Chancellor of the University.

- a. All grant agreements for sponsored projects shall be entered under the legal name of the University.
- b. All grant agreements for sponsored projects will be signed by the Vice Chancellor of the University on behalf of the University or by LGU staff to whom the Vice Chancellor has delegated the authority in writing.

9.1.23. Implementation Responsibilities: Overall responsibility for implementation rest with the Program Administrator. However, the Finance Department will support the Program Administrator in complying with the financial aspects of grant. Responsibilities include:

9.1.24. Programmatic Responsibilities: Program Administer should ensure:

- a. To implement grants activities in accordance with the terms and conditions of the grants agreements.
- b. To meet the project objectives.
- c. To meet the reporting deadlines.
- d. Management and administration of the grants in accordance with grants terms and conditions and in accordance with University policies and procedures.
- e. To verify that expenses are in line with the agreement budget and are compliant with LGU and grantor policies and procedures.
- f. To review and approve any changes to project budgets or expenditures which require institutional or donor's prior approval.
- g. To review each monthly statement of expenditures for accuracy and completeness and to initiate corrections, when appropriate.

9.1.25. Financial Responsibilities: The Finance Department is responsible for the financial management aspect of grants. The Finance Department is mainly responsible for:

- a. Establishing a new grantor and required information on accounting software after securing a contract from donors.
- b. Ensuring that Chart of Accounts capture approved donor budget line items to ensure that expenditures are accurately captured per agreed budgets and that the award is spent as agreed.
- c. Ensuring compliance with financial terms and conditions of the grant agreements, regulations, or other requirements related to the funding of expenditures and financial reporting.
- d. Approving grants and contracts' purchase requisitions and employee recommendation letters. The approval is based on LGU and grantor's policies and procedures and upon availability of budget.
- e. Reviewing all grants and contracts with respect to budget, indirect cost rate, and other pertinent financial details.
- f. Preparing internal financial reports as needed (including variance analysis of budget vs actual amounts).
- g. Preparing external financial reports for grantors and other parties.
- h. Handling financial aspects of award close-out.

- i. Ensuring that audits required under award agreements are conducted on time.
- j. Ensuring completeness and accuracy of donor's financial record both in hard forms (vouchers and other original supporting documents) and in accounting software.
- k. Ensuring that amounts charged to projects/programs are reasonable, allowable, and allocable.
- l. Ensure compliance with donor's terms and conditions and government of Pakistan rules and regulations related to financial record retention of grants.

9.1.26. Grant Budget: In collaboration with the Finance Department of LGU, related Program Administrator is responsible for preparing a grant budget within the amount of the award (if indicated in the award notice) and in accordance with any budgetary constraints imposed by the sponsor.

- i. The budget should be reviewed and recommended by the Treasurer and approved by the Vice Chancellor before submission to the donor.
- ii. Any changes or revisions to the project budget which require sponsor/donor or institutional approval, must be reviewed by the Treasurer, and relevant Program Administrator and approved by VC.
- iii. Refer to grant budgeting related processes in Chapter 3.

9.1.27. Accounting Policies: relating to cost allocation of direct, Other Direct Costs, and indirect costs (to programs/awards) and basis of allocation are covered under Chapter 2 of this Manual.

9.1.28. Disallowed Cost: Amount disallowed by donors must be reported to the Treasurer and Vice Chancellor as soon as information from donor is received.

- i. Whether or not donors require reports regarding staff time input, the organization must maintain records that evidence time input by employees (Level of Effort) fully or partially funded by a donor (such as time sheets and reconciliation of costs allocated based on actual hours worked on donor funded project).

9.1.29. Program Income: Certain sponsored projects generate income which, depending on sponsor regulations or the terms of the award, either is required to be remitted to the sponsor, or may be used as additional project support.

- ii. The Treasurer is responsible to ensure compliance with terms and conditions relating to program income including its impact on cost share obligations.

Types of program income could include:

- a. Income from fees or service performed from external entities;
- b. Revenue from fees or services performed within the University;
- c. Rental fees from assets related to award;
- d. Proceeds from the sale of tangible property or items fabricated under an award;
- e. Interest earned;
- f. Any other.

Revised Financial Reports: Submission of revised final financial reports is generally discouraged however when necessary, revised financial reports should be submitted after a review process is conducted.

- i. For unreported expenses, in reports already submitted, donor’s approval should be obtained before re-submitting the report. Any disallowances from misreporting should be reported to the Treasurer and Vice Chancellor.
- ii. Before re-submitting revised report, relevant Program Administrator, Treasurer and Internal Auditor (if required) shall:
 - a. Thoroughly review the request and related supporting documents; and
 - b. Assess the requirements and terms and conditions of the sponsor.

9.2 GRANT MANAGEMENT PROCESSES

Responsible	<ul style="list-style-type: none"> • Programme Administrator and Treasurer
Objectives	<ul style="list-style-type: none"> • Ensure that the Organization complies with obligations under donor awards including timely reporting • Reduce risks posed by entering into agreements with partners/donors • Reduce risk related to non-compliances of agreed terms • Ensure segregation of duties in order to minimize risk of fraud or error.
Participants	<ul style="list-style-type: none"> • Vice Chancellor • Registrar • Director ORIC • Director Sports • Treasurer • Director Internal Audit • Designated staff members

Activity coverage	<ul style="list-style-type: none"> • Proposal and Contracting - Process Description • Donor Reporting - Process Description • Funds Requests to Donor - Process Description • Cost Share - Process Description
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9.2.1 Proposal and Contracting – Processes Description

9.2.1.1	Request for Proposal	Responsible	System/Documents
a.	Director ORIC and senior management identifying opportunities, requests for proposals (RFP) and Expression of Interests (EoI) through media channels (websites, contacts etc.) or personal contacts.	Director ORIC, Deans/HoDs, VC,	RFP, EoI
9.2.1.2	Management meeting	Responsible	System/Documents
i.	The project RFP is discussed internally during a joint meeting to assess project feasibility both operationally and financially. During the feasibility assessment, the following key areas need to be considered:	VC, Registrar, Deans, Director ORIC, Director QEC, Treasurer, IA	Project Feasibility
a.	Alignment with University Charter/objectives/strategic plan;		
b.	Risks involved in implementing the project under consideration;		
c.	Available capacities;		
d.	Approximate costs;		
e.	Experience;		
f.	Knowledge of donor (including previous experience);		
g.	Outline of execution plan; and		
h.	Outline of monitoring plan.		
ii.	The Program Administrator is designated/identified and formally informed by the Vice Chancellor.		
9.2.1.3	Development of Proposal	Responsible	System/Documents

	<p>a. In case the project is considered feasible, financially and operationally, relevant Program Administrator will develop a responsive proposal considering terms of the RFP in collaboration with the required departments.</p> <p>b. The Finance Department will review the financial aspects of the proposal including budgets.</p> <p>c. The Program Administrator will submit a draft proposal for review by the Senior Management.</p>	<p>Relevant Program Administrator, Treasurer/VC Senior Management</p>	<p>Draft Proposal</p>
9.2.1.4	Review and Approval of Proposal	Responsible	System/Documents
	<p>a. The Grant Proposal is reviewed by the Senior Management.</p> <p>b. The proposal is officially submitted to the donor after Senior Management’s review and approval.</p>	<p>VC, Registrar, Deans, Director ORIC, Director QEC, Treasurer, IA</p>	<p>Reviewed and Approved Proposal</p>

9.2.2 Negotiation and Execution of Grants - Process Description

9.2.2.1	Review of Grant Agreements	Responsible	System/Documents
	<p>a. After acceptance of the proposal by the donor, relevant Program Administrator will review the programmatic part of the draft grant agreement.</p> <p>b. The Treasurer and Director IA will review the financial part of the draft grant agreement and provide input to the Program Administrator.</p>	<p>Relevant Program Administrator Treasurer & DIA</p>	<p>Draft Grant Agreement</p>
9.2.2.2	Vetting of Grant Agreement	Responsible	System/Documents
	<p>a. After internal review and before signing of the grant agreement, the Treasurer will share the grant agreement with LGU’s tax consultant for his review and comments in writing. The Treasurer and DIA will review and submit the final comments to the Program Administrator.</p>	<p>Treasurer & DIA</p>	<p>Draft Grant Agreement and comments of tax consultant</p>
9.2.2.3	Communication of Comments and Finalization of Grant Agreement	Responsible	System/Documents

a. The Grant Administrator will accumulate and review all the comments (Programmatic, financial and Tax consultant). He/She will share final comments with donor and accordingly finalize the grant agreement.	Grant Administrator	Negotiated Agreement	
b. The Grant Administrator will share the final award agreement VC for approval and signing of Grant agreement.	Grant Administrator	Final draft agreement	
9.2.2.4	Signing of The Grant Agreement	Responsible	System/Documents
a. The VC will sign the grant agreement and will share the signed agreement with the donor.	VC	Signed grant agreement	
9.2.2.5	Execution of Grant Agreement	Responsible	System/Documents
a. LGU will begin grant execution in accordance with the terms and conditions of the signed grant agreement by both the parties of the grant agreement.	Relevant department		

9.2.3 Donor Reporting - Process Description

9.2.3.1	Grant Agreement	Responsible	System/Documents
a. The Grant Administrator will share a copy of signed grant agreement with the Finance Department.	Treasurer	Signed grant agreement	
9.2.3.2	Reporting Checklist, and approval	Responsible	System/Documents
i. The Finance Department, and relevant Program Administrator will develop a checklist establishing all reporting terms and conditions of the contract including: <ul style="list-style-type: none"> a. Internal and external reports (financial and programmatic); b. Due dates of submission of reports mentioned above; c. Specific formats to be used for reporting; and d. Other terms. 	Treasurer & Relevant Program Administrator	Donor Reporting Checklist	

a.	The checklist will be approved by the Program Administrator which will automatically assign responsibility to concerned staff members to fulfill reporting requirements on due dates, giving sufficient time for review before submission to the donor.	Program Administrator	Approved Donor Reporting Checklist
9.2.3.3	Update Accounting System with new Codes	Responsible	System/Documents
i.	The Finance Department shall update chart of accounts by opening new grant cost center and allocating organization account code against each donor budget line.	AT & DIA	Updated Chart of Accounts
ii.	The Finance Department will also map GL account heads with budget heads in grant agreement. The Assistant Treasurer/DIA will review the mapping.		
9.2.3.4	Charge only allowable, allocable and reasonable costs	Responsible	System/Documents
i.	The relevant Program Administrator and Treasurer must ensure that only Allowable, Allocable and Reasonable costs are charged to donors (<i>refer to paragraph 9.1.7 of the policy</i>).	Treasure	Bases of allocations, Time Sheets, Calculation Sheets, Vouchers, General Ledger accounts
ii.	Cost which are not chargeable to donors should be separately recorded e.g. against unrestricted funds or reserves or University own resources.	Program Administrator	
9.2.3.5	Report submission to Donor	Responsible	System/Documents
i.	At least a week before the due date of submission of the reports: a. The Finance Department will complete required financial reports; b. Relevant Program Administrator will complete programmatic reports.	Assistant Treasurer Program Administrator,	Donor completed reporting checklist, Financial Reports
ii.	If required, the Assistant Treasurer will also prepare and include donor fund request/invoice.		

iii.	The Assistant Treasurer will submit financial reports along with the checklist (financial reporting) to the Treasurer and DIA for review. After review, the Treasurer submits the financial reports and signed checklist to the Program Administrator (at least one week before the date of submission).	Treasurer & DIA,	Fund Request/Invoice, Reviewed Financial Reports, Supporting Documents
iv.	The above may also include required attachments such as supporting evidence and reports (external audit, evaluation etc.)		
9.2.3.6	Review, approval and Submission	Responsible	System/Documents
i.	After any required corrections, the final reports (financial and programmatic) will be signed and submitted by the Program Administrator to the donor along with a cover letter.	Program Administrator	Final Donor Reports, Cover Letter
9.2.3.7	Review of Donor Comments	Responsible	System/Documents
i.	The Treasurer, relevant Program Administrator, and other relevant staff will review all comments received from the donor; revise the report, if required after making corrections; and update Reporting Checklist so that issues are not repeated in the next report.	Treasurer, Program Administrator, VC	Donor Comments, Revised Reporting, Action Plan
ii.	The review points must be discussed with the Vice Chancellor. The action plan is developed for resolving donor comments/observations. (<i>refer to 9.1.6 for policy relating to follow up of donor observations/comments</i>)		

9.2.4 Fund Request to Donor - Process Description

9.2.4.1	Donor Checklist and Fund Request	Responsible	System/Documents
i.	As per the donor checklist (containing time and other terms of request), the Assistant Treasurer will prepare Funds request.	AT	Donor Checklist, Draft Funds Request
ii.	If required (e.g. in case of negative cash flow forecast), the Finance department may initiate the		

	<p>preparation of the Donor Funds request as per internal discussion and/or discussion with the donor.</p> <p>iii. The Treasurer will instruct relevant Program Administrator(s) to provide information for preparing Funds Request. The Program Administrator (s) provides information on their activity plans and cash requirements. The Program Administrator (s) will, in coordination with Administration, HR and other departments, provide information to the Finance Department.</p> <p>iv. The Assistant Treasurer will prepare Funds request based on:</p> <p>a. Reimbursement of expenses disbursed previously;</p> <p>b. Reimbursement of expenses disbursed and additional amounts as per Program Administrator’s activity plans; or</p> <p>c. Advance funds to meet liquidity gap.</p>	<p>Treasurer, Program Administrator(s)</p> <p>AT</p>	<p>Draft Funds Request</p> <p>Draft Funds Request</p>
9.2.4.2	Review of the Fund Request	Responsible	System/Documents
	<p>i. The Treasurer will review, make appropriate changes, if any and will finalize the Fund request. The Treasurer will submit the Fund Request to Program Administrator along with checklist for review and approval.</p>	Treasurer	Reviewed Funds Request
9.2.4.3	Approval of Funds request	Responsible	System/Documents
	<p>i. The Program Administrator may consult the Finance Department as required and if satisfied, will approve the Fund request.</p>	Program Administrator,	Approved Funds Request
9.2.4.4	Submission of Funds request to Donor	Responsible	System/Documents
	<p>i. The Program Administrator will submit Fund request to the donor for release of funds along with all required supporting documents and a cover letter (<i>refer to paragraph 9.2.3.6</i>).</p>	Program Administrator	Approved Funds Request, Cover Letter

9.2.5 Grant Budget Preparation - Process Description

9.2.5.1	Grant Budget Preparation Process	Responsible	System/Documents
i.	For the Grant Budget Preparation process, please refer to Chapter-3 (Budget Policy) of this Manual.		Chapter-3 (Budget Policy)

9.2.6 Cost Share - Process Description

9.2.6.1	Check Cost Share Clause/requirement in Donor RFP	Responsible	System/Documents
i.	The Treasurer and DIA will thoroughly review the donor RFP and will confirm and fully understand donor cost share requirements.	Treasurer & DIA	RFP
9.2.6.2	LGU'S Cost and Revenue Analysis	Responsible	System/Documents
i.	Before agreeing to LGU's cost share, the Treasurer will refer to LGU's approved operational annual budget and financial statements to confirm the maximum amount of cost share that LGU can commit.	Treasurer	LGU Annual approved budget/Cost and Revenue analysis, Financial Statements
ii.	If the organization's annual budget is not available, then the Treasurer, in collaboration with other departments, will prepare an LGU's cost and Revenue analysis document. This analysis documents should include following information: <ul style="list-style-type: none"> a. Total cost (activity wise summary) of LGU; b. Total Revenue (include all sources of revenue); c. Activity wise expenses funded by current donor (secured funding); d. Activity wise unfunded expenses (deficit); and e. Total Surplus/Deficit. 		

<p>iii. The budget/above analysis document can be used by LGU’s management while negotiating budget and cost share percentage with the donor.</p>		
<p>9.2.6.3 Cost Share Commitment in the Proposal</p>	<p>Responsible</p>	<p>System/Documents</p>
<p>i. Based on LGU’s approved annual budget or Cost and Revenue analysis documents, the Treasurer will commit activities in the proposal that will cover LGU’s cost share.</p> <p>ii. Furthermore, under the financial/budget part of the proposal, LGU’s budget line wise cost share contribution will be included in a separate column.</p>	<p>Treasurer</p>	<p>Proposal</p>
<p>9.2.6.4 Implementation of cost share</p>	<p>Responsible</p>	<p>System/Documents</p>
<p>i. During implementation of the donor budget, the Treasurer and VC will review and check reasonableness of cost share percentage before granting approval on Purchase Requisition and checking availability of donor and cost share budget.</p>	<p>Treasurer and VC</p>	<p>Voucher, FRP</p>
<p>9.2.6.5 Monitoring of cost share</p>	<p>Responsible</p>	<p>System/Documents</p>
<p>i. By the end of each month, the Assistant Treasurer will generate the budget line wise cost share expense report and will forward the report to the Treasurer and DIA for review and comments.</p>	<p>AT</p>	<p>Monthly cost share expense report</p>
<p>ii. The Treasurer and DIA will review the monthly cost share expense report and will ensure that:</p> <p>a. Total amount of cost share expenses is in line with cost share terms and conditions of the grant agreement.</p> <p>b. Individual budget line cost share expense is line with cost share terms and conditions of the grant agreement.</p> <p>c. Impact of program income has been included in the report.</p>	<p>Treasurer and DIA</p>	<p>Monthly cost share expense reviewed report</p>

Chapter 10

TUITION AND FEES REVENUE (10 V0)

10.1 TUITION AND FEES REVENUE

10.1.1 Objective and Scope: LUG's revenue recognition systems should provide reasonable assurance that revenues are accurately and completely booked in accordance with applicable financial reporting framework.

- i. Tuition and Fees include tuition fee, dormitory, meal and transport charges income as discussed in paragraphs (10.1.4) and (10.1.5) below. Other fees are considered revenue and to be collected.
- ii. For revenue and expense recognition policies refer to the accounting policies of the university (Chapter 2).

10.1.2 Tuition and Fees Approval: Tuition and fees are approved by the BoG. Chapter IV, Section 19 (2) Para (I) of the university Bylaws states, "Consider and pass through a resolution the annual report, plan of work, statement of accounts and the annual budget estimates;

- i. The annual budget includes raise in tuition fee, and other revenue sources and reasonable and necessary expenses.
- ii. After approval by BoG, the Finance Department will update Fee structure by changing rates in the system, LGU Website and for giving effect from effective date.

10.1.3 Tuition and Fee Revenue covered by this Chapter: This chapter covers the following types of revenues related to academic programs:

- a. Tuition Fee
- b. Dormitory Charges
- c. Meal Charges
- d. Transport Charges

10.1.4 Tuition and Fees Calculation: Tuition fees are calculated and charged to students on a credit hour basis for approved credit hours by respective Faculty and Department.

- i. Dormitory charges are charged to the student on monthly basis by management through separate challan/invoice.

10.1.5. Payment Method: Students are only allowed to make payment of tuition fees, dormitory and transport charges through LGU designated bank account.

10.1.6. Payment in Instalments

- a.* When a student is unable to pay the entire tuition amount at the start of a semester, the student must apply for instalment a payment plan to pay the tuition and fees in a maximum of installments:
- b.* Maximum two installments for students of Semester 2-8
- c.* Maximum Three installments for students of 1st Semester only.
- d.* Payment in instalments are allowed for both under and post-graduate students
- e.* Payment in instalments are only allowed for spring and fall semesters of an academic year.

10.1.7. **Tuition and Fees Currency:** University, tuition and fees must be charged to students in Pak Rupees.

10.1.8. **Financial Assistance:** Student financial assistance is financial support given to eligible self-finance students pursuing/furthering education at LGU. In relation to Tuition and Fees revenue discussed in this chapter, financial assistance only covers tuition fee i.e. assistance is not provided for meals, dormitory and miscellaneous expenses of students. Moreover, financial assistance (tuition fee reduction) is available for spring and fall semesters in each academic year.

- i.* Financial assistance in this paragraph (10.1.7) and Process (10.2.3) do not include assistance in the form of payments in instalments which is discussed in paragraph 10.1.5.1 above.
- ii.* Financial assistance to students and staff is covered in the Financial Assistance and Scholarship Policy of LGU. As mentioned in 10.1.12 below, the Registrar Office is responsible for developing and updating the Financial Assistance and Scholarship Policy of LGU in accordance with the University's documented strategy and approval policies. However, prior to announcement, schemes of financial assistance must formally be evaluated by the Finance Department for reasonableness including alignment with budgets, financial and Strategic plans and resources of the university. The Treasurer is responsible for updating policies and processes in the Finance Manual affected by changes or additions in Financial Assistance and Scholarship Policy of LGU as soon as those changes are made.

10.1.9. Financial Assistance Duration and Renewal: As mentioned above, financial assistance is only awarded for the spring and fall semesters of each academic year. No financial assistance is offered for the summer.

10.1.10. Debts: It is important to regular collect on student debts and take actions for those who do not pay. This includes denial to allow in examination, subsequent course enrollment of, and denial of transcripts etc.

**10.1.11. TUITION AND FEES REVENUE,
FINANCIAL ASSISTANCE EXPENSE - ACADEMIC PROGRAMS**

Responsible	<ul style="list-style-type: none"> • Treasurer
Objectives	<ul style="list-style-type: none"> • Ensure that student tuition and fees and financial assistance are completely and accurately recorded; • Recognition of revenue and expenses is in accordance with International Financial Reporting Standards (IFRS); • Ensure consistent and clear policies are followed for recording and reporting revenues and related financial assistance expenses; • Revenue and expense recognition and recording are based on accrual accounting system; and • Ensure clear allocation of roles and responsibilities to relevant staff involved in processing revenue and financial assistance to students.
Participants	<ul style="list-style-type: none"> • Board of Governors • Vice Chancellor • Registrar • Treasurer • Director Internal Audit • Admission Department • Registrar Office • Financial Assistance Committee (FAC)
Activity coverage	<ul style="list-style-type: none"> • Students Tuition and Fees Revenue Recognition-Process Description • Students Financial Assistance - Process Description

10.2.1 Students Tuition and Fees Recognition- Process Description

10.2.1.1	Admission Process	Responsible	System/Document
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	<p>i. Students are enrolled at LGU after the admission process (i.e. announcement, test, issuance of application form, preparation of candidate longlist, approve list, offer letter to qualified applicants, allotment of student ID number, etc.) for all UG/PG programs.</p>	Admission Department	Student Admission to LGU
	<p>ii. Admission Department in coordination of respective faculty staff will conduct tests of all the new students.</p>	Admission In charge, relevant faculty staff	Student tests.
10.2.1.2	LGUs' Login ID	Responsible	System/Document
	<p>qualified/successful students are provided with fee challan for submission. Based fee deposited challan, student is provided with Student enrollment number, LUG login IDs and passwords to use the self-service portal of ERP on the LGU website. A few features are as follow:</p> <ul style="list-style-type: none"> a. Online Registration b. View Student Schedule c. Grades and Unofficial Transcript d. Financial Balance and Summary e. View Course Documents f. Course Announcements g. Course Assignments h. Course Activities and Activity Grades i. Daily Attendance 	ERP Department	LGU Enrollment number and login ID
10.2.1.3	Class Enrollment (Class Registration)	Responsible	System/Document
	<p>i. The Registrar's Office announces new classes schedule for the student via ERP (on LGU website) and allows students to register themselves for classes/courses (online) before the start of each semester.</p>	Registrar's Office	Class/Course Enrollment

ii. Students are required to: <ul style="list-style-type: none"> a. Choose course/classes they plan to study; b. Register (online) for classes based on classes/courses and schedule announced by the Registrar; and c. Consult with his/her Course coordinator, as required. 	Student	Class/Course Enrollment	
iii. Registration/enrollment is done for each class/course through LGU’s online portal using a personal login ID. A student selects and adds classes/courses to his cart and submits it to their Course coordinator.	Student	Class/course Enrollment	
iv. However, adding a course to the cart and submitting to Course Coordinator does not mean automatic registration as registration is subject to the approval of the Coordinator.	Student	Class/course Enrollment	
10.2.1.4	Coordinator Approval	Responsible	System/Document
i.	After the student submits his/her selection, the requested classes/courses are approved/rejected by the Coordinator/faculty head.	Coordinator/Faculty Head	Online confirmation of submission
ii.	Once the students request is approved by the advisor, a student will be registered for the class/course and is notified accordingly.	Coordinator	Class/course approved by Coordinator
iii.	In case a student applies for financial assistance (FA) offered by the University, the application will go through the University’s process for financial assistance set out by the management.	Student	Applications for FA and/or Installments
iv.	In case, a student applies for instalments and /or Financial Assistance/Staff discount activities and will be applicable (<i>refer to policy 10.1.7</i>).	Student	Applications for FA and/or Installments
10.2.1.5	Updating Accounting System GL)	Responsible	System/Document

	i. Based on the Enrollment of students (new/existing) courses the Assistant Treasurer with coordination of ERP focal person will generate fee challan for each student.	Assistant Treasurer and Focal person of ERP Department	Updated accounts in ERP.
10.2.1.6	Recording of Receivables in ERP/GL	Responsible	System/Document
	i. On the basis of Fees challan the Assistant Treasurer in coordination with ERP focal person will update ERP by recording receivables.	Assistant Treasurer and Focal person of ERP Department	Update GL in ERP/Peachtree
	ii. Debit Students Receivable- AP		
	iii. Credit Deferred Revenue (Tuition fee)-AP Deferred Revenue (Dorm)-AP		

10.2.2 Financial Assistance- Process Description

10.2.3.1	Eligibility	Responsible	System/Document
	i. Student are provided with tuition fee financial assistance in the Fall and Spring semesters, after enrollment, fulfillment of eligibility and other criteria.	Finance Department	Eligibility criteria
	ii. Students who meet eligibility criteria can apply for financial assistance program announced by the University.	Admission Department,	Announcement
10.2.3.2	Announcement	Responsible	System/Document
	i. Based on management decision, the Admission office will announce the deadline for tuition fee financial assistance (FA). ii. The announcement will be posted on LGU's notice boards on campus as well as on the university website.	Registrar Office, Finance Department and Admission office	Announcement of FA
10.2.3.3	Issuance of Financial Assistance Form (FAF)	Responsible	System/Document

	<p>i. Student will complete the application form available on the university’s website or obtain a hard copy from the Finance Department.</p>	Student	FAF
10.2.3.4	Submission of Financial Assistance Form	Responsible	System/Document
	<p>i. A completed form needs to be submitted to the Finance Department with all required documents mentioned in the application before the due date.</p> <p>ii. The Finance department will review the application form for completeness and accuracy.</p>	Student Application	Reviewed FAF
10.2.3.6	Composition of Financial Assistance Committee	Responsible	System/Document
	<p>i. Before the due date for the financial assistance, the VC will assign a Financial Assistance Committee from relevant departments to review the student forms.</p>	VC	Financial Assistance Committee
10.2.3.7	Review of Financial Assistance Form	Responsible	System/Document
	<p>i. Review of applications are conducted in line with the eligibility criteria and other requirements. Applications must be verified by the Financial Assistance Committee for accuracy and compliance .</p> <p>ii. Committee members have the authority to review the applications, ask for more documentation, and perform other investigations if as necessary.</p>	FA Committee	FA Form and related documents
10.2.3.8	Award/Selection Announcement	Responsible	System/Document
	<p>i. The financial assistance decision is finalized by the Financial Assistance Committee.</p>	FAC	Approved Financial Assistance list

	ii. The Committee will approve or reject applications and send the recommended selection list to the VC for review and approval.	FAC	Approval Financial Assistance list
10.2.3.11	Approval	Responsible	System/Document
	i. The VC will review the Financial Assistance Committee recommended list and if found appropriate will grant approval.	VC	Approved Financial Assistance list
10.2.3.14	Filing Support Documents	Responsible	System/Document
	i. The Finance Department will keep details of all transactions and supporting documents.	Finance Department	Supporting Documents

Chapter 11

FEE AND GRANT RECEIVABLE (11 V0)

11.1 FEE AND GRANTS RECEIVABLE POLICY

11.1.1 Objective and Scope: Receivable of the University must be accurately and completely recognized in accordance with applicable financial reporting framework. Receivable shall be adequately managed and safeguarded against risk including credit risk. This chapter sets out policies, definitions, and process steps required for recording, safeguarding, and reporting of fees and grant receivables which result from related revenue processes-refer revenue processes for step wise activities and accounting entries.

- i. **Financial Instrument:** A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- ii. **Financial Assets:** In relation to the University's receivables, accounts receivable are financial assets as they provide contractual right to receive cash from its students/customers and other entities.
- iii. **Recognition:** Financial assets are required to be recognized in a statement of financial position when the University becomes party to the contractual provisions of the instrument.
- iv. Accounts receivable of the University primarily result from two sources, contracts with students and agreements with donors. Agreements with donors include scholarship agreements and agreements that funds its operating expenses.
- v. Following recognition principles, the University must recognize receivables as per terms of contract with counterparties.

11.1.2 Tuition fee of the Student: For Spring and Fall semesters (normally four-month duration) the University allows students to pay fees in three (maximum) installments.

- i. For Summer semesters (normally 2-month duration) the University allows students to pay fees in one installment.
- ii. In addition to determination of assistance related to tuition fee reduction, the Financial Assistance Committee (FAC) should also determine the eligibility of students to pay dues in installments (Financial Assistance is covered under Chapter 10).
- iii. The full amount must be received before the start of the final examination/completion of each semester i.e. by the end of the third month for a four-month semester. This will allow timely action for recovery, before the semester ends, including notification/reminders to late/non-paying students.

- iv. Amount of each installment is calculated after deducting financial assistance (reduction in tuition fee) provided to student for each semester i.e. receivables are recognized net of financial assistance in Peachtree (refer to the revenue process in Chapter 10 for accounting entries). To provide full details, each student's account in ERP should show full amounts charged (Semester Gross amounts on due date) and credited e.g. financial assistance and receipts credited.
- v. On the due date of each installment, a fee challan of each student must be generated, and receivable booked accordingly. Refunds must be dealt with in accordance with the HEC approved student fee refund policy. Adjustments for any allowable refunds must be approved by the Vice Chancellor before payment to students and posting in ERP and Peachtree (or any other accounting software)
- vi. Failure to pay installments, or within an agreed time, will trigger action as per approved policies of the University. The actions could include not allowing defaulters in the papers, the students revocation of the student's registration (decided by Registrar Branch), reminders and charging of fines (Finance Department).

11.1.3 Dormitories and Transport charges: Receivables related to dormitories and transport charges of the month must be received in within 10 days by the end of the month. Finance department will share the defaulter list of the dormitories and transport charges with hostel in charge and deputy Registrar-Administration respectively for taking appropriate action for recovery of the dormitories and transport charges. Dormitories and transport charges amounts must be booked on due dates in the books of accounts.

11.1.4 Contracts with donors for expenses (capital and operating): Similarly, receivables related to funding expenses of the University both operating expenses and costs of PPE items must be recognized as per the terms of each contract with donors/sponsors. The following policies must be followed:

- a. All contracts with sponsors must be filed adequately for ready availability.
- b. Amounts must be booked on due dates per the terms of the contract.
 - i. In case of invoicing donor for advance payment, contractual amount should be booked as receivable. For amounts to be invoiced after incurring expenditures, amounts must be supported by all expenses (operating and capital) charged to a contract/agreement per agreed terms. Expenses must be charged on a basis

that are reasonable, allowable and allocable irrespective of donor's requirement.

11.1.5 Aging of Receivables: The following policies must be followed:

- a. Monthly aging reports, prepared at the end of each month should be produced for all receivables mentioned above. The aging report should show time bands 0-30 days, 31-60 days, 61-90 days, 91-120, 121-150 days, 151-180 days and above 180days.
- b. Total receivable per aging report must reconcile with total receivable shown in GL and ERP. Any differences must be reconciled. Significant differences must be reported to the Vice Chancellor.
- c. Aging reports should be shared by the Assistant Treasurer with the Treasurer, on a monthly basis (not later than within 15 days of the end of each month).
- d. Notices should be sent to students for all amounts overdue for immediate clearance dues within 5vdays of notice. The notices should be sent within 10 days of the end of the month. Suitable actions should be taken in case amounts are not received within the time period. The Registrar will provide written instructions for suitable actions based on aging reports.
- e. For corporate/operational donors, communication with donors should commence when amounts are overdue by 30 days from the due date. Aging report for donors shall be prepared for receivables as at end of each month. The Vice Chancellor will provide written instructions over suitable actions based on aging report.

11.1.6 Allowance for doubtful debts and write-offs: The following policies must be followed:

- a. Provision/allowance should be made after considering time based as well subjective criteria. Time based criteria could be as follows:

Overdue status	Amount of provision
30-90 days	0 % of amount overdue
91-150 days	10% of amount overdue
151-180 days	50% of amount overdue
Above 180	100% of amounts overdue

- b. Subjective criteria include review of status of student, including but not limited to review of specific circumstances, replies to notices served, declared bankruptcy and/or ability to pay, claims against university or other disputes etc. Based on subjective criteria, management may increase provision under time-based criteria.
- c. Workings for allowance shall be prepared by the Assistant Treasurer on quarterly, or when required basis and reviewed by the Treasurer for reasonableness.
- d. All allowances must have approval of the Vice Chancellor of the University and recorded in separate accounts.

11.1.7 General

- a. The Treasurer is responsible for ensuring that receivables are valid and collectible.
- b. Late payment penalty of PKR 20 per day should be charged to student for late payments.
- c. Late payment penalty of PKR 50 per day should be charged to students/faculty/staff for late payments relating to dormitories and transport charges.
- d. The Finance Department must reconcile accounts receivables in subsidiary ledgers to general ledger on monthly basis. Any differences must be brought by the Assistant Treasurer to the Treasurer's attention. Significant differences shall be immediately brought to attention of the Vice Chancellor.
- e. Payment against accounts receivable are only accepted through banking channels.

Chapter 12

PAYABLE (12 V0)

12.1 PAYABLE POLICY

12.1.1 Objective and Scope: Account payable should be accurately and completely booked in accordance with applicable financial reporting framework. These should be monitored and settled on a timely basis, in accordance with the contractual obligations of LGU.

- i. **General:** This section of the chapter covers policies relating to LGU's obligations to its vendors for goods and services that have been received or will be received in future, the settlement of which will require outflow of cash or cash equivalent. Payables are part of the financial liabilities of LGU.
- ii. **Documentation Requirements for Disbursements/Payables:** As per the accounting system, all liabilities are recorded as payables before payments are made. This assists in the completeness of supplier's accounts including tax compliances.
- iii. As an integral part of the controls utilized by LGU to safeguard its assets, proper documentation is required for all disbursement requests. Documentation should include date of transaction, vendor/service provider's name, total cost, and an itemized list of the goods or services obtained with a cost for each item. Payments to vendors should be supported by original invoices and evidence of receipts of goods and services in accordance with P.O.
- iv. Furthermore, LGU's system provides ability to issue system generated pre-numbered purchase order, all vendor invoices must include reference to relevant purchase order for further processing.
- v. Every effort should be made to obtain original receipts to support all disbursement requests. Signatures of competent authority are required on the original copy of all contracts before any request for disbursement on the contract can be processed.

12.1.2 Payment Processing Timing: Inventory, PPE and service contract vendors should be requested to forward invoices directly to the Procurement Department. Insurance invoices and visiting and part-time adjuncts salary should be forwarded to the HR Department. Utilities bills etc. should be forwarded to the Deputy Registrar-Administration and for remaining expenses e.g. conferences, membership fee, etc. relevant departments should receive the relevant invoices.

- i. All invoices received by respective departments must be dated and time stamped. If an invoice is sent to the requesting department directly, it is that department's responsibility to forward the invoice to Procurement department (as noted above depending on nature of payment request) immediately after reviewing and acknowledging receipt of the goods or services. This will facilitate payment within terms and will mitigate the risk of misplaced, lost or

held invoices, that cause delay in proper accounting and timely settlement. No invoices should be held in departmental offices.

- ii. The payments are scheduled approximately 30 days from the vendor invoice date. Vendor payments that are not ready to be processed by the weekly payment date (based upon the invoice due date) will be included in the next week's processing unless a priority or exception condition can be justified. Every effort will be made to process transactions submitted for payment as quickly as possible.
- iii. Timely and accurate submission of documents by department personnel, after validating budget availability and vendor information, is the first critical step in ensuring timely payment to vendors. Exceptions to this processing schedule can usually be avoided through appropriate advance planning by a department. The Treasurer will determine if an additional check run is required for emergency/priority items.

12.1.3 Request for Payment: All requests for payments should be supported by 'Request for Payment' (RFP) which is to be completed manually. The following is the authority table for RFP:

Type of payment request	Preparer	Approver
Inventory and PPE items Other expenses	Assistant Director Procurement	Director Procurement
Internet Service contracts	Director IT	Director IT
Insurance expenses	Assistant Director HR	HR Director/Head

- i. Once a RFP is approved, it will be sent to the Finance department for recording payables and processing payments.

12.1.4 Recording of payables: Before booking a payable, the Finance Department must conduct final checks to ensure the invoice is valid for payment processing. It should be ensured that payables are booked after matching the invoices with POs, GRN, contract, and other supporting documents (in original). Calculations on invoices and other documents must be checked and ensured that the invoice has not already been paid. If duplicate payment is discovered, the Accountant shall contact the vendor and

ensure recovery of extra/duplicate payment from the vendor. Furthermore, it must be ensured that the RFP and other supporting documents are approved by authorized staff only.

- i. Before making the payments, the Accountant must ensure that income tax from the vendor payment is withheld as per related income tax ordinance of the Government of Pakistan.

12.1.5 Monitoring Accounts Payables: Accounts payable monitoring is an important part of the overall financial process and should be done regularly. Staff responsible for payments should ensure that accounts payable remain current, outstanding payments are regularly reviewed, and that payments are not delayed beyond payment terms agreed with vendors. Creditors/payables aging report is an important tool for monitoring account payable.

- i. Invoices are normally paid thirty (30) days from the invoice date. Any early payment discount should be considered.
- ii. By the end of each month, creditors/payables age analysis report should be generated for all creditor/payables for Treasurer review. For aging of creditors/payable, the following policy must be followed:
 - a. Monthly aging report are prepared until the 10th of subsequent month.
 - b. The aging report should show time bands from invoice date of: 0-30 days, 31-60 days, 61-90 days, 91-150, 151-180 days, 181-360 days and above 1 year.
 - c. Any significant matter shall be reported to the Vice Chancellor by the Treasurer. The Vice Chancellor will provide written instruction over suitable actions for significant matters.
- iii. Moreover, on a quarterly basis, LGU’s account details with suppliers should be obtained by the Assistant Treasurer for reconciling all payable above PKR 100,000. A reconciliation report should be submitted to the Treasurer for his review and in case of any issues, the Treasurer shall bring the matter to the Vice Chancellor for further action.

12.2 PAYABLE PROCESSES

Responsible	<ul style="list-style-type: none"> • Treasurer
Objectives	<ul style="list-style-type: none"> • Provide guidance to LGU staff, especially to the Account payable section in issuing/releasing payments to vendors, contractors and staff as well as reimbursements to individuals. • To ensure quality and integrity of the accounts payable system/Record.

	<ul style="list-style-type: none"> • To avoid suppliers, claim, legal obligations and penalties of the suppliers and governments due to delays in offsetting the liabilities. • Ensure segregation of duties to minimize risk of fraud or error. • To ensure completeness and accuracy of the payable record.
Participants	<ul style="list-style-type: none"> • Director Procurement • HR Director • Deputy Registrar-Administration • Director IT • Vice Chancellor • Treasurer • Director Internal Audit • Accountant
Activity coverage	<ul style="list-style-type: none"> • Recording Payable -Process Description • Aging of Creditors/payables- Process Description

12.2.1 Recording of Account Payable – Processes Description

12.2.1.1	Recording Payable and Submission of Request for Payment	Responsible	System/Document
	<p>Inventory and fixed asset items: Assistant Director Procurement shall receive invoice and prepare the ‘Request for Payment’ (RFP) after:</p> <ol style="list-style-type: none"> Confirming the receipt of goods from GRN Matching invoice with GRN, PO & PR and invoice Confirming payment and other contract/PO terms and conditions Ensuring that all relevant supporting documents are attached e.g. quotation, bid evaluation, invoice, GRN, supplier business license, supplier bank detail etc. The Procurement Director shall review the RFP and if in agreement, will send the RFP along with supporting documents to the Finance Department. 	Assistant Director and Director Procurement	GRN, Invoice, Signed RFP along with required supporting documents

<p>ii. Service contracts: The invoices shall be received by respective Department (e.g. IT department for internet services). The relevant Departments shall raise RFP as relevant departments are aware of the status of service delivery.</p> <p>iii. The Head of the relevant department shall prepare the ‘Request for Payment’ (RFP) manually after confirming stage of completion of services and attaching internal and external supporting documents to confirm stage of completion of services.</p> <p>iv. The relevant Department Head shall review the RFP and if in agreement, will send the RFP along with supporting documents to Finance Department for further action.</p> <p>v. The accountant shall review RFP, along with supporting documents and match RFP with:</p> <p>a. Contract terms/ conditions, invoice and PO & PR</p> <p>b. Ensure all relevant supporting documents are</p> <p>c. attached e.g. quotation, bid evaluation, service delivery</p> <p>d. receipt, invoice, supplier business license, supplier bank</p> <p>e. detail etc.</p> <p>if all things are in agreement, the accountant will post payable in GL.</p>	<p>Relevant Department Head</p> <p>Relevant Department Head</p> <p>Accountant</p>	<p>Signed RFP along with required supporting documents</p>
<p>vi. Insurance: The Assistant Director HR shall prepare a RFP related to insurance premium. and attach relevant supporting documents e.g. invoice, contract, supplier business license, bank details.</p> <p>vii. The HR Director shall review the RFP and if in agreement, will send the RFP along with supporting documents to Finance Department for processing the payable.</p>	<p>Assistant Director HR</p> <p>HR Director</p>	<p>Signed RFP along with required supporting documents</p>

viii.	Other expenses: Relevant department Head shall prepare a RFP for other expenses e.g. conferences, membership fee utilities bills etc. The RFP should be supported by relevant supporting documents e.g. PR, PO, GRN, invoice, contracts, bank transfer details, etc.	Relevant Department Head	Signed RFP along with required supporting documents
ix.	The relevant Department Head shall review the RFP and if in agreement, will send the RFP along with supporting documents to the Finance Department for processing the payable.	Relevant Department Head	
12.2.1.2	Review of Request for Payment	Responsible	System/Document
i.	The Accountant will review the RFP for completeness of all required supporting documents. For incomplete RFP or supporting document The Accountant will contact focal person via official email for completeness of the documents. Review of Accountant shall include following:	Accountant	JV
ii.	Check completeness of required supporting documents		
iii.	Check compliance with LGU and regulatory authorities policies		
iv.	Check that amount in the RFP is in line with terms and condition of LGU's signed contract with the vendor/supplier;		
v.	Check budget Lines and project/Program codes		
vi.	Check calculations; and		
vii.	Check withholding tax calculation.		
i.	Once the Payable Officer is satisfied, he/she will books payable in Peachtree (or any other accounting software).		
ii.	The Assistant Treasurer shall approve the payable booking transaction.	AT	JV
12.2.1.3	Filing of payable Voucher	Responsible	System/Document

i. After approval, the Accountant will file the JV along with supporting documents.	Accountant	Approved JV and supporting documents
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12.2.2 Preparation of Creditor/Payable Aging Report - Process Description

12.2.2.1	Preparation of Monthly Aging Report	Responsible	System/Document
	i. By the end of each month (until the 10 th of subsequent month), the Accountant will prepare a creditor/payable aging report. ii. The accountant will include comments/reasons for all the outstanding/overdue amounts by 30 days. The report will be shared with the Treasurer for review and comments.	Accountant	Creditor Aging Report
12.2.2.2	Review of the Aging Report	Responsible	System/Document
	i. The Treasurer will review the aging report and will investigate/review the reasons for all amounts overdue by 30 days. Upon completion of investigation/review, the Treasurer will share significant matters along with relevant supporting documents with the Vice Chancellor for review and instructions.	Treasurer	Creditor Aging report
12.2.2.3	VC approval/instructions	Responsible	System/Document
	i. The Vice Chancellor will review the significant matters and supporting documents and will provide their written feedback/instructions on the significant matters.	VC	Instructions/decision
12.2.2.4	Implementation of Instruction	Responsible	System/Document
	i. The Treasurer is responsible for the implementation and compliance with written instructions of the Vice Chancellor. The Treasurer must provide the VC with	Treasurer	Status/follow up report

follow-up report on the status of the VC's instructions.		
ii. The Treasure will share the follow-up report on the significant matters with the Vice Chancellor.	VC	Status/Follow up report

Chapter 13

AUDITS OF THE ORGANIZATION AND PROJECTS (13 V0)

13.1. Purpose: The purpose of this Chapter is to provide rules, policies, and procedures regarding audits of the University and program/projects. The different types of audits are, among other requirements, part of internal controls, and enables the University to obtain assurances about whether various policies and procedures of the University are being followed in achieving the University's objectives.

13.2. Definitions:

- i. **External Auditor:** For the purpose of this chapter, External Auditor means a member of any independent professional body of accountants, internationally recognized, entitled to conduct audits.
- ii. **External Audit:** An External Audit is an independent examination of the financial statements prepared by the organization to enable the auditor to form an opinion whether financial statements have been prepared in accordance with an identified financial reporting framework. It is usually conducted for statutory purposes (required by law). External Auditors may also be engaged to do other specific assignments, (e.g. a fraud investigation) or under other requirements such as agreements with third parties or an organization's bye-laws.
- iii. **Internal Audit:** These are audits conducted by an organization's own staff (or external service providers). According to The Institute of Internal Auditors, "it is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

13.3. Key differences Internal audit vs External audit: Internal Audits do not require independence of auditors as its main feature.

- i. The focus of External Audit is providing an independent opinion on financial statements of an organization. Financial statements are prepared by management in accordance with a defined financial reporting framework. Based on their review and tests, auditors provide an opinion as to whether the financial statements have been prepared in accordance with the applicable financial reporting framework.
- ii. Internal Audits are focused on providing information to management of an organization, whereas external audits are focused on providing financial information to users of financial statements.
- iii. The scope and deliverables of Internal Audit are defined by BoG/VC of the University, whereas scope and deliverables of External Audit are defined by external auditors in accordance with ISAs.

13.4. Responsibilities of Management and Auditors: Responsibilities for selecting and applying appropriate accounting policies, preparing financial statements, and making available auditable records for audits rest with management of the University. Auditors, as part of a financial audit, do review accounting policies for appropriateness, and other information on test check basis to form an opinion on financial statements.

- i. Furthermore, responsibility for developing and implementing a system of internal control rests with the management of an University. Auditors, as part of an audit, do review design and implementation of internal controls relating to financial statement preparation.
- ii. External Audits are aimed at obtaining reasonable, not absolute, assurance through applying various tests, procedures and reviewing controls. Audits are generally conducted under professional standards International Standards on Auditing (ISA). These standards are issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB). LGU's annual financial statements must be audited under ISA's.
- iii. In relation to internal audits, management is responsible to provide information and explanations required by internal auditors for effective and efficient audits. Internal auditors are responsible to provide reasonable time to management for preparing and providing information. Information requests must be in writing. Similarly, discussion on observations between auditors and management must be in writing and copied to the Treasurer. The Finance Department must not delay responses or provision of information to auditors.

13.5. Appointment of External Auditor: The University Management is responsible for the establishment of the annual audit cycle, including the selection of independent accounting firms to conduct the annual audit". Consequently, auditors shall be appointed by the Vice Chancellor of the University.

Auditors should be hired through LGU's procurement Manual. Audit fee should not be the only major consideration. The following could be considered:

- a. obtain market information about performance and reputation
 - b. obtain information about not-for-profit University audit experience; and
 - c. consider donor preferences.
- i. An audit contract should be signed to cover important aspects of the engagement such as: ToRs, timelines and deliverables etc.

- ii. Any specific donor requirements or other terms should be included in the ToRs before signing the audit contracts.

13.6. Donor Audits: On occasion, donors may request an independent external audit of financial statements/ accounts and will appoint a qualified person/entity to undertake a review. The primary purpose of such a review is to check that awards are being utilized in accordance with budgets and terms and conditions of funding agreement and applicable laws, rules and regulation.

- i. The auditor or evaluator normally almost certainly interviews staff and may even request to observe the University in pursuance of its activities. Co-operation, including timely information and explanation should be provided to auditors for effective and efficient audits.

13.7. Policies for conducting Audits

- i. **External audit-** Annual Audits of financial statements of the University shall be completed by independent External Auditors under ISAS' within 6 months of the close of a fiscal year/period.
- ii. **Project/Donor audit-** Provisions of contractual agreements with donors must be followed for conducting audits of awards within given timeframes.
- iii. **Investigative audits-** If required, such audits may be conducted for achieving specific objectives or for complying with donor requests.
- iv. **Internal audit-** Internal audit of the University will be conducted by the Internal Audit Department in accordance with approved internal audit plan.

13.8. Preparing for Audits: Audits should be planned for and coordinated within the University and auditors for good quality audit and efficient completion.

- a. Start audit preparations well in advance, instead of waiting until the audit team arrives
- b. Request auditors for schedule of information they will require and allocate responsible staff/departments (if information is required from other departments e.g. HR, Procurement etc.) for preparing the information
- c. Explain scope and purpose of audits to staff to avoid any miscommunications/misgivings
- d. Close and reconcile books of account and bank records with bank book/GL
- e. Perform and schedule cash counts/stock take/physical verification of property, plant, and equipment with auditors at the close of the year;
- f. It normally helps to designate an audit coordinator who acts as focal point between internal departments/staff and outside auditors; and

- g. Discuss and resolve issues raised by auditors on a regular basis and document adequately.

13.9. Follow up on Review/Audit: The University must ensure that all audit recommendations are reviewed by the Treasurer, Director Internal Audit and Vice Chancellor. Additionally, all audit reports and management letters received from external auditors must be shared with the Board of Governors on a timely basis. The Treasurer and Vice Chancellor will provide full information and explanations to BoG to understand issues raised by auditors. Observation of internal and external auditors and assessors must be documented, in the form of action plan, with assigned responsibilities and deadlines. The plan should be followed-up on until resolution of observations by the Treasurer and VC shall be updated on monthly basis about progress until resolution of observations.

- i. Required actions on highlighted issues must be documented and followed-up on until resolution. All significant issues must be presented to BoG on a timely basis. BoGs recommendations must be documented and implemented until resolution.

Chapter 14

FINANCIAL RECORDS ARCHIVAL (14 V0)

14.1 Objective and Scope: Objective of this chapter is to ensure records are archived in structured manner, record is in line with the University requirements, to ensure that documents archival and disposal policy complies with the legal and regulatory requirements on record management, and to clarify the retention periods for various types of financial documents. This chapter sets out policies relating to archiving of financial information relating to financial transactions of the University. The policy explains responsibilities of staff that manages and work with such documents, and financial records include information required or used in properly completing financial transactions in accordance with applicable laws, regulations and requirements of this Manual. Furthermore, the financial record includes information in any form: paper, electronic, scanned images, electronic communication, electronic spreadsheets, word processor and other programs software etc.

14.2 General Policies

- a.* The Vice Chancellor has overall responsibility for ensuring that the organization complies with this policy
- b.* All documents shall be stored and archived in a consistent and structured manner, and shall be properly marked for identification purposes so that retrieval is efficient
- c.* Sufficient space in a controlled environment is to be allocated for document storage and archival
- d.* The retention of financial documents/ records shall comply with the legal and regulatory requirements on record management. The University's staff will ensure that they are aware of current laws, contractual obligations and regulatory requirements
- e.* The University must keep an accurate record of all financial transactions that take place. Every financial transaction must have a clear audit trail, with appropriate authorization and original supporting documentation
- f.* Records, soft and hard form, must be filed in a numbered and chronological sequence so they are easily locatable
- g.* Donor award related information such as concept notes, budgets and financial plans, financial reports and audit reports, must be retained for no less than the period mentioned or 10 years, from the close out of the award. Close out of the award is either: date of written confirmation confirming completion of all

obligations under the donor contract have been met, or the date of final donor report, where the above confirmation is not provided

- h.* Any documents/records shall be disposed of only after the mandatory legal and contractual retention period and after expiry of the University’s retention policy period. In case legal and contractual retention period is longer than the University policy, such longer period must be followed
- i.* Prior to disposal of any financial documents, in any form, prior written approval of the Vice Chancellor must be obtained.
- j.* Prior to disposal of any financial documents, in any form, the prior written opinion of the University’s consultant must be obtained.
- k.* Financial documents and official records in digital format or store on electronic mediums shall be store and archived systematically and will be retained as if they were paper documents; and
- l.* Confidentiality of information including personal must be preserved.

14.3 Document/Record Retention Periods

Document/Record	Retention Period (years)
Articles of Association and Memorandum of Understandings, Bylaws and Charter	Permanent
Minutes of Board Meetings	Permanent
Minutes of ACM and BASR Board Meetings	Permanent
Board Policies/Resolutions	Permanent
Documents relating to area which is under legal dispute	Permanent
Donor Agreements and related amendments	Permanent
Employee personnel files	According to law Regulation
Property, Plant and Equipment records	Permanent
Tax payment (returns) records/Letter for tax exemption status	Permanent
Employment and termination agreements	Permanent
Internal and External Audit Reports, Financial statements and ML	Permanent

General Ledgers, Accounting Application Software	Permanent
Legal documents/correspondence	Permanent
Contracts and leases (after expiration)	10 years
Accounts payable and receivable (after applicable fiscal year end)	10 years
Invoices, supporting documents and vouchers (after applicable fiscal year end)	10 years
Payroll records (after applicable fiscal year end)	10 years
Journal entries (after applicable fiscal year end)	10 years

Chapter 15

FINANCIAL DATA SECURITY POLICY (15 V0)

15.1. Scope: This policy section sets out basic security principles relating to ensuring integrity and security of the University's financial systems and data.

Information security for this chapter, means protection of financial and related data (in all forms), accounting software, networks, and computer systems from unauthorized access, alteration, or destruction. The security measures aim to minimize risks that could impact quality and integrity of information, availability of data and systems for continued operations.

15.2. Objectives

- a.* To ensure only authorized individuals are granted appropriate system access
- b.* To minimize the risks of financial data or systems being compromised
- c.* To highlight security measures that will assist in maintaining the integrity, confidentiality of financial data and systems; and
- d.* To define responsibilities of the University's staff in protecting financial systems and data

15.3. General Policies

i. Staff responsibilities

- a.* The IT Department is responsible for developing detailed policies and procedures for system security of LGU's information assets. This includes laying down the required hardware, software and HR infrastructure. The IT Manual must be adhered to.
- b.* The Treasurer shall be responsible for ensuring that the Finance Department regularly co-ordinates with the IT Department for developing systems that ensure security of financial information.
- c.* All employees must read, understand, and comply with the policies and procedures relating to information systems data security.
- d.* LGU's senior management must ensure that data owners, data custodians, network and system administrators and users are provided appropriate training in information security.
- e.* Employees shall only access information needed to perform their duties and only after proper authorization has been obtained.
- f.* Employees must not share financial data/information related to the University with a third party, without a legitimate reason and approval of the Vice Chancellor.

- g.* Data must not be shared on social media and unofficial channels such as personal e-mail and other applications.
- h.* Employees shall ensure proper use of PCs, networks and systems which store and produce financial data and official records. IT resources must not be used for unofficial purposes.
- i.* Employees must safeguard any physical key, ID card or computer/network account that allows access to the University's financial system and information.

ii. Authorized Access and Passwords

- a.* All systems that contain financial information must be password protected and require authorized login.
- b.* Only authorized staff shall have access to the Peachtree accounting and related software (e.g. ERP) for recording and producing financial information.
- c.* Passwords should be changed on a regular basis.
- d.* Passwords shall be changed immediately if an employee with access to the financial system leaves the University due to end of employment or transfers.
- e.* Employees must not share his/her password with any other employee/person.

iii. Disaster Recovery Plan: The University must develop and implement a Disaster Recovery Plan to keep its financial records safe and allow continuity of operations in emergencies and disasters. This should include data storage (off sites) and/or cloud base storage. The Finance Department must coordinate with IT Department and other relevant departments to develop plan for securing all financial records.

iv. Backup

- a.* The Treasurer is responsible for ensuring that backups of financial and related information (including emails) are taken regularly (at least once/week) and store properly.
- b.* Backup shall be maintained in an external storage device as well as in the local hard disk or server.
- c.* The Assistant Treasurer from the Finance Department shall be made responsible for taking the back up and storing the backup files in a safe location

- d.* All back-ups should be logged in a back-up register noting the date, the disk/source name, operator, reason for the backup and any necessary comments.
- v. Back Data Entries**
 - a.* Back dated entries shall not be permitted for any vouchers or entries in the accounting software.
 - b.* In circumstances where back dated entries are necessary, prior written approval of the Treasurer must be obtained. The justification of such entries must be documented.
- vi. Financial Data in Hard Copy**
 - a.* The Finance Department is responsible for storing financial information in hard form (vouchers, agreements and supporting documents). This information must be adequately cataloged/store, so that it is readily available for internal and external purposes (e.g. reporting, audits, review of transaction etc.)
- vii. Financial System Security**
 - a.* All desktop systems, servers and work stations that connect to the network must be protect with an approved, license anti-virus software program.
 - b.* The anti-virus software should be updated regularly to safeguard the system from viruses and other harmful software.
- viii. Compliance and Assessment:** The Internal Audit Department should review compliance with information security policies and report to the Treasurer and VC periodically to ensure compliance with University policies. Further, periodic reviews or audits of information technology systems (including ERP etc.) be carried out for assessing adequacy of systems and controls.