



**KENYA PLANT HEALTH INSPECTORATE SERVICE**

**FINANCIAL POLICIES AND  
PROCEDURES MANUAL**

**APRIL 2018**

**REVISION NO. 3**

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**ABBREVIATIONS**

AIE – Authority to Incur Expenditure

COSO - Committee of Sponsoring Organizations of the Treadway Commission

EFT – Electronic Funds Transfer

RTGS –Real Time Gross Settlement

GOK – Government of Kenya

GMs – General Managers

GMFA –General Manager Finance and Administration

HODs – Heads of Departments

OIC – Officer in Charge

PFM ACT – Public Financial Management Act of 2012

RM – Regional Manager

**APPROVALS**

**Board Approval Date:** \_\_\_\_\_

**Approved for Circulation by Managing Director:**

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

**A: FINANCIAL POLICY STATEMENT**

KEPHIS is a state corporation established under KEPHIS Act of 2012 hence governed by Government financial policies, legislations and regulations. These financial policy and procedures provides a foundation for anchoring sound financial management practices in the Corporation while ensuring compliance with the Constitution, Public Financial Management Act and relevant financial legislations of the Republic of Kenya.

Further, these policies are expected to establish sufficient and strong financial base that avails resources necessary to support and sustain high level of quality service delivery to the public. This will be achieved through prudent financial management practices including establishment of adequate internal financial controls. Through these policies the Board will ensure an effective internal financial control system is established which assures accountability in utilization of financial resources.

These policies seek to underpin good corporate governance in so far as financial accountability is concerned as well as the achievement of financial strategic objectives of the Corporation. The Board and Management shall continuously review and improve on this manual to ensure it is current and relevant. This is in recognition of the fact that strong financial management systems are critical for the effective and accountable use of institutional funds.

**B: PURPOSE**

The purpose of this manual is to set out key financial policies and a framework of internal financial controls. It is the responsibility of management to continually evaluate and improve the system of internal controls. All employees of the Corporation are expected to comply with these policies and procedures.

**C: ACCOUNTABILITY AND REPORTING TO THE BOARD OF DIRECTORS**

The management shall be responsible for implementation of this policy within the organization. It shall be held accountable by the Board on all matters pertaining to this policy and achievement of the financial objectives of the Corporation. For purposes of accountability, management shall submit to the Board and/or the relevant Board Committees the following:

- a) Budgets in the manner and purpose prescribed in 2.5 and 2.6.1 of the policy;
- b) Quarterly Management Accounts.
- c) Financial Statements (Final Accounts) in the manner and purpose prescribed in 6.4 of these regulations.
- d) Controller and Auditor General Reports.

**D: MONITORING AND EVALUATION**

- a) The management shall prepare and submit to the Finance and Administration Committee quarterly implementation progress reports on financial performance against set targets.
- b) It is the responsibility of management to evaluate the effectiveness of this policy in the Corporation and make recommendation for changes to the Finance and Administration Committee.

**E: RESPONSIBILITIES**

The Board shall create appropriate environment which will promote sound financial management. This will achieved through the following:

- a) Promotion of ethics and integrity in the conduct of the Corporations activities;
- b) Establishing robust risk management framework;
- c) Communicating long term and short term financial expectations.

The following are the responsibilities assigned to various structures within the Corporation:

### **1. Managing Director**

The Managing Director is the designated accounting officer under the Constitution and the Public Financial Management Act. He or she is the overall AIE holder and receiver of revenue hence takes ultimate responsibility and accountability for proper financial management in the Corporation. The accounting officer is ultimately accountable to the National Assembly for the financial management of the Corporation.

The accounting officer is accountable to the National Assembly for the following:

- a) for management of their departments public finances, including whether sufficient resources have been allocated to a particular program;
- b) for ensuring the most effective means of achieving desired program outcomes are used;
- c) for maintaining effective systems of internal control and the measures taken to ensure that they are effective; and
- d) For measures taken to prepare the financial reports that reflect a true and fair financial position of the entity.

In addition to the above, the Managing Director shall –

- a) sign financial statements thereby making himself or herself responsible for their correctness;
- b) ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the National Assembly;
- c) ensure all appropriation-in-aid due to national government entity are collected and properly accounted for in accordance with the relevant laws, rules and regulations;
- d) manage control and ensure that policies are carried out efficiently and wastage of public funds is eliminated;
- e) ensure each national government entity has an audit committee in place
- f) comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation;
- g) where he or she reasonably believes that an unauthorized, or irregular expenditure has occurred, immediately report, in writing, particulars of the expenditure to the relevant authority with a copy to the National Treasury;
- h) before transferring any funds to an entity within or outside government, ensure that there is a written assurance from the entity that it shall implement effective, efficient and transparent financial management and internal control systems, or,

- i) if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems;
- j) enforce compliance with any prescribed conditions if the respective government entity gives financial assistance to any other entity or person in accordance with the law;
- k) take into account all relevant financial considerations, including issues of propriety, regularity and value for money, where policy proposals affecting the Accounting Officer's responsibilities are considered, and where necessary, bring those considerations to the attention of the relevant authority;
- l) promptly consult and seek the prior views of the National Treasury on economic viability and financial implications on any new entity which a state department, or state organ intends to establish or in the establishment of which it took the initiative;
- m) not commit national government entities to any liability for which money has not been appropriated provided that expenditure for projects or programs implemented beyond one financial year is provided for in the subsequent financial years; and
- n) Comply, and ensure compliance with the provisions of the PFM Act and Regulations.

The Managing Director is also accountable to the Board for management of the Corporation's financial resources efficiently, economically and effectively while ensuring compliance to the Constitution, relevant legislations, government policies, internal policies and approved plans.

## **2. General Manager Finance and Administration**

The General Manager Finance and Administration shall in addition to all other responsibilities stated elsewhere be responsible for implementation of financial strategies, plans and policies. He or she shall be the key advisor to the Managing Director and Board's Finance Committee on financial matters and management. He or she shall assist the Managing Director comply with the stipulations of the PFM ACT as stated in 1 above.

Under these policies, GMFA shall be responsible for the following:

- a) Financial planning and budgeting;
- b) Resource mobilization;
- c) Revenue growth strategies and collection;
- d) Debt management;
- e) Financial assets custody;
- f) Fixed assets custody and safeguard;
- g) Expenditure monitoring and controls;
- h) Development and implementation of internal financial controls;
- i) Financial reporting.
- j) Compliance with all laws and regulations relevant to the financial operations of the corporation.

## **3. General Managers**

GMs are responsible for implementation of their divisional programs and activities efficiently and within approved budgets. Under these policies they shall be responsible for the following:

- a) Development of programme and activity based budgets for their divisions;
- b) Review departmental budgets and recommend for approval;
- c) Coordinating the review of service fees in line with the Corporation's revenue growth strategies;

- d) Coordinating revenue generation for their divisions in line with set targets;
- e) Review technical methods and procedures to save on costs without compromising quality of services;
- f) Review activity budgets and make recommendations to the MD;
- g) Support debt collection efforts.

#### **4. Head Finance**

HF shall contribute to implementation of financial strategies, plans and these and other institutional financial policies while complying with all relevant laws and regulations. He or she shall be the designated receiver of revenue at the Headquarters. Under these policies, HF is responsible for the following:

- a) Preparation of the budget;
- b) Processing and recording of financial transactions;
- c) Facilitation of financial operations in the Corporation;
- d) Cash management;
- e) Coordination of revenue collection, custody and accounting;
- f) Maintain of accounting data (books of accounts) and financial records
- g) Credit management and control;
- h) Internal and external financial reporting;
- i) External audit liaison.

#### **5. Heads of Departments**

HoDs are responsible for development and implementation of programmes and activity budgets. Under these policies, HoDs shall be responsible for the following:

- a) Preparation of departmental budgets and execution of activities within the budget;

- b) Endorsement of imprests applications for their staff;
- c) Checking of payment schedules for casual staff working in their departments;
- d) Service fee review for services rendered by their departments to ensure revenue growth and service cost recovery;
- e) Revenue generation in line with set targets;
- f) Development of news revenue generation streams;

## **6. Regional Managers and Officers-in-Charge**

RMs and OICs carry out delegated accounting officer responsibilities within their regions and stations. They are the AIE holders at centers level and therefore responsible for proper management of financial resources generated and allocated. Under these policies, RMs and OICs are responsible for the following:

- a) Preparation of programme based budgets and implementation at center level;
- b) Expenditure authorization and control;
- c) Authorization of all station's payments;
- d) Revenue generation in line with set targets;
- e) Development and implementation of revenue growth strategies;
- f) Ensure services are invoiced and debts collected;
- g) Management of operations in line with the principles of efficiency, effectiveness and economically without compromising on service quality and achievement of mandate;
- h) Ensuring proper custody and safeguard of financial and fixed assets assigned to their centers;

## **7. Center Accountants**

Center accountants are the designated receivers of revenue at their stations and responsible under these policies for the following:

- a) Preparation of center budgets;
- b) Maintaining center fixed assets inventory registers;
- c) Processing and making authorized and lawful payments;
- d) Maintaining accurate and timely accounting records;
- e) Invoicing for services and collecting revenue;
- f) Receipting revenue collection and banking of the same intact;
- g) Debt collection as per credit policy;
- h) Monitoring revenue collection and accountability at substations and or border points;
- i) Preparation and timely submission of required reports including bank reconciliations and revenue returns;
- j) Safe keeping of accountable documents.

## **8. General Staff**

KEPHIS staff are critical to the achievement of institutional financial objectives. This is in recognition of the fact that financial performance and compliance to laws, regulations, policies and procedures is the responsibility of all staff. The following is expected of KEPHIS staff:

- a) Adhere to financial laws, regulations, policies and procedures;
- b) Ensure information on services they have rendered is provided for preparation of invoicing schedules or invoices;
- c) Utilize assets and financial resources efficiently, effectively and economically;
- d) Safeguard assets entrusted to them and reports any risks or losses.

## **F: FINANCIAL MANAGEMENT AND PRINCIPLES**

Financial management in the Corporation shall encompass all activities encompassing the following:

- 1) Resource mobilization;
- 2) Resource allocation;
- 3) Spending of resources;
- 4) Accounting and reporting on revenues and expenditures.

Primary objectives of financial management within KEPHIS are:

- 1) Fiscal discipline  
This entails implementing expenditure controls to ensure that set budget ceilings are respected at all times.
- 2) Efficiency in the delivery of services  
This entails achieving cost efficiency implementation of smart service delivery models and systems.
- 3) Efficiency in the allocation of resources  
The Corporation will strive to allocate funds in accordance with strategic and operational priorities. This will ensure that priority is given to programmes and activities which are critical to delivery of the Corporation's mandate.

The Corporation shall continuously review and improve its financial system which supports technical efficiency and effectiveness of operations. The following principles shall be applied on the financial system:

- a) Comprehensiveness – This entails establishing a system which includes all revenues and expenditures.
- b) Accuracy – The financial system should be capable of recording actual transactions and flows.
- c) Annuality – Financial budgets and forecasts shall cover defined period of time.
- d) Authoritativeness- Expenditures shall be lawful and authorized.
- e) Transparency – The financial system shall be transparent.

## **G: FINANCIAL MANAGEMENT CONTROL**

These policies together with those listed in H below, have been designed to achieve the following control objectives:

- Compliance with laws , regulations, policies, plans and procedures;
- Reliable and comprehensive financial and other information;
- Efficient and effective operation and use of resources and
- Protection of property.

The Corporation shall adopt COSO framework in development of internal controls to assure achievement of its mandate.

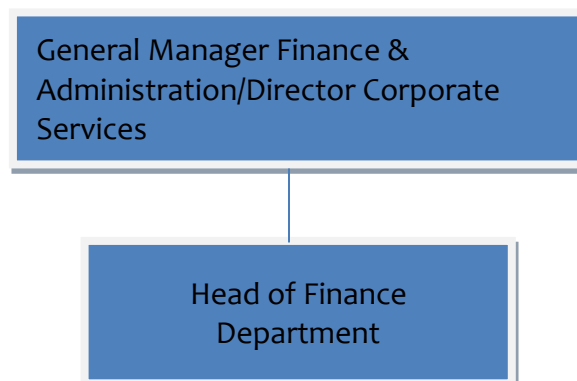
## **H: OTHER RELATED POLICIES**

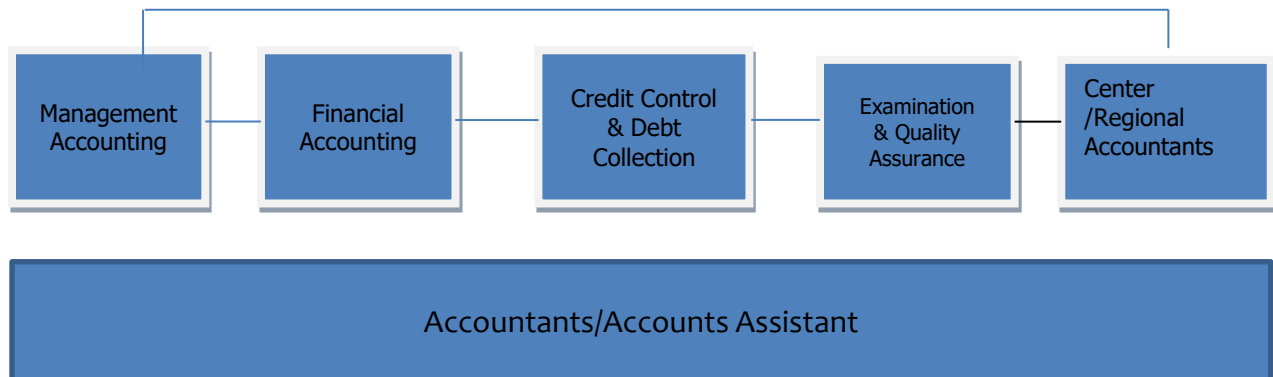
The following institutional policies should be read together with this policy manual due to their financial implications:

- Credit Policy
- Procurement Policy Manual
- Human Resources Manual
- ICT Policy
- Transport Policy
- Assets Policy
- Internal Audit Policy

## **I: FINANCE STRUCTURE**

The general structure of finance function shall be as follows:





The structure in this policy may be amended in other institutional policies.

## **J: REPORTS**

Regular financial reporting is important for communication, oversight, and decision making. The following are standard reports:

|   | <b>Report</b>                           | <b>Consumer</b>       | <b>Timeline</b>                     |
|---|-----------------------------------------|-----------------------|-------------------------------------|
| 1 | Monthly Management Accounts             | Management            | 15 <sup>th</sup> of following month |
| 2 | Quarterly Management Accounts           | Board and Management  | 15 <sup>th</sup> of following month |
| 3 | Quarterly Financial Report              | The National Treasury | 15 <sup>th</sup> of following month |
| 4 | Monthly Financial Returns from Stations | Management            | 15 <sup>th</sup> of following month |

## **K: INTERNAL CONTROLS WITHIN FINANCE FUNCTION**

Internal controls with the finance and accounts functions are processes and measures established to assure on the control objectives in G above. The following basic controls are to be implemented:

1. Written standard operating procedures to govern key processes within the functions;
2. Segregation of duties;
3. Supervision of staff;
4. Reconciliation and resolution of discrepancies and
5. Business continuity that ensures there are minimal service disruption.

## **L: SPECIFIC POLICIES**

### **1.0 FINANCIAL YEAR**

- 1.1 The Financial Year of KEPHIS runs from 1<sup>st</sup> July to 30<sup>th</sup> June of the following year.
- 1.2 Books of Accounts will be opened on 1<sup>st</sup> July, and closed on 30<sup>th</sup> June, the following year.
- 1.3 Final accounts will be prepared and submitted to the Controller and Auditor-General within three months after the end of the financial year as per PFM Act.

## **2.0 BUDGETING**

### **2.1 Budget Policy Statement**

The corporation shall develop and maintain budgetary policies that ensure sound financial planning and compliance to PFM Act and other relevant Government financial regulations and guidelines.

### **2.2 Purpose of Budget Policies and Procedures**

The annual corporate budget estimates is the comprehensive annual financial plan which provides acceptable level of services as defined by the Corporation strategic goals and objectives. The purpose of these policies and procedures is to establish a link between outputs in the strategic plan and the provision of resources and to allocate funds in the form of budgets.

### **2.3 Types of Budgets**

The Corporation shall have two types of budgets namely:

1. **Corporate Budget Estimates** – This is the overall budget for the Corporation prepared in accordance with Government guidelines.

2. **Departmental Budgets Estimates** – These are internal budgets for departments within the Corporation.

#### **2.4 Budget Preparation Responsibilities**

The General Manager Finance and Administration shall be responsible for coordinating all financial planning activities of the corporation in consultation with the Managing Director.

## 2.5 Budget Calendar

The budget calendar shall be as follows:

| Category                          | Activity                                                                                                | Time Frame                                                  | Responsibility                                                   |
|-----------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------|
| <b>Corporate Budget Estimates</b> | Preparation of Procurement Plan, Human Resource Budget, Submission of Approved Project Budget Proposals | 25 <sup>Th</sup> November                                   | Head of Procurement, Head of Human Resource, Project Coordinator |
|                                   | Budget development and preparation                                                                      | Between November 26 <sup>th</sup> – January 5 <sup>th</sup> | General Manager – Finance and Administration                     |
|                                   | Review and Evaluation by the Finance and Administration Committee                                       | 6 <sup>th</sup> –15 <sup>th</sup> January                   | Managing Director                                                |
|                                   | Approval by the Board                                                                                   | 16 <sup>th</sup> –27 <sup>th</sup> January                  |                                                                  |
|                                   | Submission to Ministry of Agriculture and Treasury                                                      | On or before January 31 <sup>st</sup>                       |                                                                  |

| Category                                                                     | Activity                                                                       | Time Frame                                 | Responsibility                               |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|
| <b>Corporate Budget Revisions (Re-allocations and Supplementary Budgets)</b> | Preparation of Supplementary Budgets / Reallocation Proposal                   | January 5 <sup>th</sup>                    | General Manager – Finance and Administration |
|                                                                              | Review and Evaluation by the Finance and Administration Committee of the Board | 6 <sup>th</sup> –15 <sup>th</sup> January  | Managing Director                            |
|                                                                              | Approval by the Board                                                          | 16 <sup>th</sup> –27 <sup>th</sup> January |                                              |
|                                                                              | Submission to Ministry of Agriculture and Treasury                             | On or before January 31 <sup>st</sup>      |                                              |

| Category                              | Activity                                                    | Time Frame                          | Responsibility                                                                   |
|---------------------------------------|-------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------|
| <b>Departmental Budgets Estimates</b> | Initial Allocation and Communication                        | First Week of April                 | General Manager – Finance and Administration                                     |
|                                       | Development and Submission of Departmental Budget Proposals | On or before 30 <sup>th</sup> April | All General Managers, Heads of Departments, Regional Manager, Officers in Charge |
|                                       | Review and Evaluation                                       | May                                 | General Manager – Finance and Administration or Budget Committee                 |
|                                       | Approval                                                    | June                                | Managing Director                                                                |

| Category                                                                     | Activity                                 | Time Frame                                           | Responsibility                                                                               |
|------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>Departmental<br/>Budget Revisions<br/>(Reallocations /<br/>Transfers)</b> | Initial Submissions of Revision Proposal | 15 <sup>th</sup> of First Month after<br>the Quarter | All General<br>Managers, Heads of<br>Departments,<br>Regional Manager,<br>Officers in Charge |
|                                                                              | Evaluation of Proposals                  | Within 10 days of receipt of<br>proposal             | General Manager –<br>Finance and<br>Administration                                           |
|                                                                              | Approval                                 | Within 10 days of receipt of<br>Evaluation Report    | Managing Director                                                                            |
| <b>Budget<br/>Monitoring</b>                                                 | Quarterly Management Reporting           | 15 <sup>th</sup> of First Month after<br>the Quarter | General Manager –<br>Finance and<br>Administration                                           |

## **2.6 Budgets Development Process**

Budget development process will be guided by the above budget calendar.

### **2.6.1 Corporate Budget Estimates**

- a) Project Coordinator, Head of Human Resources and the Head of Procurement shall prepare and submit project and procurement budgets respectively for the ensuing financial year on or before 30<sup>th</sup> November.
- b) The General Manager Finance and Administration, in consultation with the Managing Director, shall prepare the initial Corporate Budget Estimates in the format prescribed in Government guidelines. All the relevant policies and plans shall be taken into account in preparing the estimates. The process shall also ensure that proposals received in (a) above are taken into account.
- c) The draft Corporate Budget Estimates shall be presented to the Finance and Administration Committee of the Board for evaluation. Thereafter it shall be taken to the Board for approval.
- d) The approved budget proposal will thereafter be submitted to the Ministry of Agriculture and the National Treasury for final approval.
- e) There will be three classes of Estimates:
  - (i) Estimates for Recurrent Expenditure
  - (ii) Estimates for Development Expenditure
  - (iii) Estimates for Revenue

### **2.6.2 Departmental Budgets Estimates**

The process shall be as follows:

1. General Manager Finance and Administration (GM-FA) prepares an initial/preliminary operations budget allocation to departments based on approved corporate budget revenue and expenditure estimates and relevant contractual obligations. In the operations budget each cost center will be allocated operational funds. The allocation will be for decentralized expenditures items and revenues as defined in the comprehensive policy or supplementary guidelines issued by GM-FA
  
2. Each Head of Department is invited to provide a budget submission. The budget information shall include the following:
  - Presentation of goals and objectives for the department or administrative budget line.
  - Recommendations of appropriate benchmarks for evaluation e.g. farmer learning outcomes, reduced rejections of maize seed fields, increased reportage of fake seeds incidences, reduction of interceptions etc.
  - Performance against previously established goals, objectives and against KEPHIS mandated benchmarks.
  - Identification of departmental program initiatives underway and current status of those initiatives.
  - Request for **additional funding** above that provided in the initial budget in one (1) above and a justification for it.
  
3. General Manager Finance and Administration shall make a presentation to the Budget Committee (established under 2.15.3 below) on the corporate budget, a summary on departmental budgets and the budget focus of the Corporation. The presentation shall also include measures that are required to successfully execute the budget. The Budget Committee shall evaluate, amend and approve the departmental and capital budget.

4. Thereafter GM-FA shall review additional request of funds and prepare and submit the final departmental budget proposal to the Managing Director for Approval. The GM-FA may invite presentations from responsible managers to help in evaluating requests for additional funding.
5. The approved budget lines will then be recorded in a computerized financial system for monitoring purposes. Where existing systems are found inadequate, the Corporation shall allocate resources to upgrade them to optimal standard.

## **2.7 Classification of Revenues and Expenditure**

Revenues and expenditures shall be classified in accordance with guidelines issued by the Government.

Control of specific budget line items shall be decentralized for the purpose of administering departmental budgets. Guidelines on this shall be issued from time to time by the Managing Director or a designated officer.

## **2.8 Strategic Alignment**

The Corporation shall ensure that the expected budgetary outcomes are aligned to the overall strategic objectives of the Corporation.

## **2.9 Service Levels and Priorities**

The Corporation shall establish service levels and priorities for ensuing year prior to and during the development of the budget. The Corporation's objectives and priorities shall then be incorporated into the budget proposal.

### **2.10 Maintenance of Capital Assets Base**

The corporation's budgets shall provide for acceptable design, construction, maintenance, acquisition or replacement of the Corporation's plant and equipment, buildings, vehicles and other capital assets. A sinking fund for replacement of depreciated assets shall be established as per State Corporation's Act Cap 446 Section 16(1). The Corporation shall maintain all its assets at an acceptable level to protect her capital investment and to minimize future maintenance and replacement costs.

### **2.11 Balance between Personnel Emoluments and Operational Expenditures**

The Corporation shall maintain an appropriate balance between personnel emoluments and operational expenditures. The Board shall from time to time determine an appropriate ratio in line with GOK guideline. Currently the ratio is pegged at 35% of revenue.

### **2.12 Balance between Public Services and Compliance Needs**

The Corporation shall maintain an appropriate balance between resources allocated for direct services to the public and resources allocated to ensure sound agency management, internal controls and legal compliance.

### **2.13 Balance between Development and Recurrent Budget**

The Corporation shall strive to maintain a ratio of 30%. The ratio shall be revised from time to time in accordance with changes in GOK guideline.

## **2.14 Interdepartmental Charges**

Interdepartmental charges may be charged where there is internal consumption of services similar to those rendered to external clients. Interdepartmental charges shall be based on cost recovery.

## **2.15 Budget Performance**

Financial performance measures shall be utilized and reported in the Corporation's overall performance framework. The Corporation shall prepare trends and, other analyses and tools to monitor and improve service delivery operations.

## **2.16 Budget Monitoring and Control**

2.16.1 GMFA shall maintain a system for monitoring the corporation's budget performance including those of departments. The system shall provide the Corporation with quarterly reports on revenues and expenditures. The reports shall incorporate strategies and measures for revenue and cost management. Also included shall be provisions for revising the budget during the year to address unanticipated needs, emergencies, or compliance with Government budgetary regulations.

All significant financial issues that need to be addressed between regular monitoring reports shall be provided by the management.

2.16.2 Expenditure will be limited to amounts provided under each sub-head or item where such item is covered by a separate account number in the approved estimates. No expenditure on any sub-head or item, where such item is covered by a separate account number, will be incurred in excess of 25% of the amount provided in the approved estimates but within the total corporate budget ceiling without the prior approval of the Board. No expenditure shall

be incurred above the total corporate budget ceiling without prior approval of the Board.

2.16.3 There shall be established a Management Budget Committee chaired the Managing Director and comprising heads of departments or administrative units of the Corporation. The Committee's mandate in respect of budget and financial management shall include the following:

- a) ensuring that there is prioritization on resources allocated to the Corporation for the smooth implementation of the mission, strategy, goals, risk policy plans and objectives;
- b) regularly reviewing, monitoring budget implementation and advice on the budget execution, major capital expenditures and reviewing budget performance and strategies at least on a quarterly basis;
- c) identifying financial risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the Corporation;
- d) Reviewing on a regular basis the adequacy and integrity of the Corporation's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines.

2.16.4 Regional Managers and Managers of major stations shall establish budget committees at their stations chaired by them and comprising of heads of sections. The committee shall be responsible for the following:

- a) Reviewing the station's annual budget proposal prior to submission to headquarters;
- b) Preparation and approval of weekly/biweekly budgets;
- c) Identify revenue generation opportunities;
- d) Receive and evaluate quarterly financial report prepared by the station's accountant.

### **2.17 Budget Revision**

Budget revision will be envisaged in two situations as follows:

1. Where the expenditure is forecasted to exceed the approved annual budget estimates by more than ten percent. In such situation the revised budget shall be submitted and evaluated by the Finance and Administration Committee of the Board and thereafter presented to the Board for internal approval. The approved revised budget shall be submitted by end of February to Ministry of Agriculture, and Treasury for final approval. Where the revision is less than ten percent of the approved budget estimates, the Board's approval will be sufficient.
2. Where the approved expenditure line items are found to be insufficient and the forecasted effect on the overall budget is less than ten percent. In such a situation a budget reallocation will be done in cases where some of the line items are expected to have surpluses. Reallocations above 25% shall require the Board's approval.
3. Budget revision must be accompanied by an explanation for the changes made in the estimates.

Expenditure above limits set above should not be incurred without prior approval by the Board.

### **2.18 Balanced Budget**

The Corporation shall aim to pay all current expenditures with current revenues and cash carried forward from prior financial year(s). Levels of current revenues and expenditures shall be reviewed quarterly during the year.

### **2.19 Budget Deficits**

The Corporation shall aim to avoid incurring monetary budget deficits. Any budget deficiencies must be remedied within the financial year.

### **2.20 Budget Surplus**

Budget surplus shall be deemed to arise whenever there are unexpended funds after making provision for renewal of depreciated assets. Such funds shall be utilized in accordance with PFM Act.

Surplus cash arising from budget surpluses may be invested in short term government securities as per Government Guidelines.

### **2.21 Budget Transfer**

Managing Director shall authorize interdepartmental budget transfers in accordance with institutional priorities.

### **2.22 Sources of Funds**

The Corporation shall seek funds from available sources with the objective of meeting its mandate. The Corporation shall however seek financial autonomy through strategically growing its internal sources of revenue.

### **2.23 SOP for Budget Process**

Standard Operating (DOC.NO.SOP KEPHIS/FIN/02) has been developed to further enhance the process.

### 3.0 EXPENDITURE POLICY

Management shall ensure that appropriate expenditure controls are implemented to achieve financial goals and objectives of the organisation. Such controls should ensure that services are provided in the most cost effective manner.

#### 3.1 Commitment of Expenditure

The Managing Director or a designated officer shall have the sole authority to commit the Corporation's funds. Commitment encompasses approving orders, contracts, payments, and any other forms of transactions that puts legal or constructive financial obligation on the Corporation. An officer found to have committed the Corporation to expenditure without prior authority shall be surcharged with the committed amount and subjected to disciplinary action as stipulated in the Human Resources Policies and Procedures Manual.

For purposes of these Policies and Regulations the following are designated officers under stated circumstances:

##### 1. When the Managing Director is present

| Type of Commitment                         | Designated Officer                                                                         | Maximum Level                  |
|--------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------|
| Budgets for activities                     | General Manager Finance and Administration                                                 | KSh 250,000                    |
| Payments Vouchers and Imprest Applications | General Manager Finance and Administration or in his/her absence any other General Manager | No limit**                     |
| Local Purchase Orders and Contracts        | General Manager Finance and Administration                                                 | As per Procurement Regulations |

2. When the Managing Director is on leave or out of office for such a period as to require another officer to hold brief for his office, the following are authorities under this clause:

| <b>Type of Commitment</b>                  | <b>Designated Officer</b>                                                                                            | <b>Maximum Level</b>           |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Budgets for activities                     | Officer holding brief for Managing Director                                                                          | KShs 500,000                   |
|                                            | General Manager Finance and Administration when not holding brief for the Managing Director                          | KShs 250,000                   |
| Payments Vouchers and Imprest Applications | General Manager Finance and Administration or in his/her absence the Officer holding brief for the Managing Director | No limit**                     |
| Local Purchase Orders and Contracts        | General Manager Finance and Administration                                                                           | As per Procurement Regulations |

*\*\* The amounts payable are already pre-approved through purchase orders and budgets.*

3. Regional Managers and Officers in Charge are designated AIE holders for the purposes of this clause. They shall have authority to commit expenditure within issued imprests or approved budgets for their stations. The Managing Director shall designate officers that shall have authority to commit or incur expenditure in the absence of Regional Manager or the Officer in Charge.

### **3.2 Communication of Budget Allocations**

The General Manager Finance and Administration will on receipt of the appropriate authority from the Managing Director issue a financial circular to all Heads of Departments, Regional Managers, Project Coordinators and other cost centre managers conveying the approved estimates.

### **3.3 Control of Expenditure**

- 3.3.1 Expenditure on each head or item is limited to the Approved Estimates and no expenditure is to be charged against any item, except for the specific purpose for which the provision has been made.
- 3.3.2 No commitments may be made against any restricted funds by the Heads of Departments unless prior approval has been given by the Managing Director.
- 3.3.3 In cases where expenditure exceeds the average monthly estimated expenditure, steps must be taken in good time to ensure that expenditure for the rest of the year is restricted so as to keep the total within the amount allocated. Management shall seek Board's approval for reallocations as may be justifiable due to exigencies or under-budgeting.
- 3.3.4 Each Project Coordinator shall keep records of all commitments related to respective project(s).

### **3.4 Payments**

The Corporation shall establish a cashless payment system through the entire financial system. Payments shall be made through EFT and RTGS directly into the recipient bank or MPESA account. Cheques shall be used on supplement the two preferred methods.

- 3.4.1 All payments must be authenticated through use of vouchers and imprest applications supported by relevant documents.
- 3.4.2 Supporting documents include invoices, receipts, ETR receipts, delivery notes, goods received notes, contracts, interim/completion certificates, LPOs, inspection and acceptance certificate, and other documentary evidence.

Motor vehicle repair and equipment repair invoices shall include signed job cards and fault report or requisition for repairs.

3.4.3 Supporting documents must be endorsed for payment by a designated Procurement Officer and by an Officer from the respective user department. Endorsement shall in most cases be done by the Inspection and Acceptance Committee (IAC) through issuance of Procurement Inspection and Acceptance Certificate. In the absence of IAC, endorsement shall be done by Head Procurement or an Officer holding his/her brief, and the user. Procurement and/or user department shall certify that:

- That the works, goods and services meet specifications both in terms of quality and quantity;
- That the prices charged are in accordance with approved LPO or contracts;
- That goods have been received in good order and taken on charge against the Local Purchase Orders(LPO) and the relevant stores requisition or issue vouchers;
- Works have been completed in accordance with the contract/agreement

3.4.4 All payment vouchers must be typed or written in indelible ink.

3.4.5 All payment vouchers must be approved for payment, indicate the appropriate budget lines and dated.

3.4.6 The voucher must bear a rubber stamp as an indication that it has been paid and posted in the appropriate expenditure account.

3.4.7 Any alteration must be countersigned for by the officer responsible for the alteration.

3.4.8 All officers involved in preparing, checking, examining, passing or approving payment vouchers must verify:

- (a) That appropriate supporting documents as outlined under 3.4.2 are attached thereof.
- (b) That supporting documents are endorsed by the user department and/or procurement officer to the effect that goods were received in good order or services rendered satisfactorily as per the LPO/LSO and works completed as per the contract/agreement;
- (c) That the particulars in the various supporting documents corroborate information on the invoice.
- (d) That the computations on the voucher have been verified and are arithmetically correct taking into account relevant statutory obligations;
- (e) That the payee's name on the voucher is the person entitled to receive the payment;
- (f) That the expenses have been charged to the correct account.

3.4.9 An officer will NOT solely certify or authorize the payment voucher which is made payable to himself or herself. If another officer authorized to sign vouchers is not available and the payment cannot wait, the officer may certify or authorize it; however the voucher must be countersigned by the other authorized officer when available.

- 3.4.10 ALL vouchers must be prepared, checked or examined and passed for payment by finance department prior to approval by Managing Director or a designated officer. It is only after this that vouchers are submitted for payment.
- 3.4.10 The above procedures shall be complemented by Standard Operating Procedure – DOC.NO.SOP/KEPHIS/FIN/01.

### **3.5 Procedure of Payment**

- 3.5.1 All payment vouchers must be processed in accordance with 3.4.10 and authorised payment voucher will be forwarded for payment using appropriate register.
- 3.5.2 The paying officer must satisfy himself as to the correctness of the signature and the attached certificate or supporting documents to the voucher.
- 3.5.3 Payment to a person, other than the payee named on the voucher will only be made on the written authority of the payee, and such authority must be endorsed by authorised officer in the originating department, and must be attached to the voucher.
- 3.5.4 All payments will generally be made by EFT and RTGS. In the event of payment by cheque, it must be crossed.
- 3.5.5 A receipt must be obtained when a CASH payment is made and a KRA ETR from the payee in accordance. Cash payments are only applicable to field activities where imprests method is used.
- 3.5.6 When payment is made to an illiterate person, the payment should be witnessed by another officer and the signature, mark or right thumb

impression of the payee must be countersigned by the witness and payee's ID card number quoted on the payment schedule.

- 3.5.7 All receipts obtained against all payments must be attached to the payment voucher or embodied thereon.
- 3.5.8 As soon as a voucher has been paid, the paying officer must stamp it 'PAID' and put the date on it. All documents and certificates attached or enclosed with the voucher must be similarly stamped 'PAID' and dated.
- 3.5.9 All vouchers should be filed chronologically and serially for ease of traceability and each file containing such vouchers shall have an index of all vouchers contained therein.

### **3.6 Lost Documents**

#### **3.6.1 Payment Vouchers**

When a payment voucher is lost and the payment has not been made, a replacement voucher must be clearly marked 'IN REPLACEMENT OF LOST ORIGINAL VOUCHER'.

#### **3.6.2 Cheques**

When a cheque is lost or is deemed to have been lost in transit the paying officer shall do the following:

1. Immediately notify the bank and obtain an assurance that the payment of the original cheque has not been made and will not be honoured when presented for payment.
2. Upon receiving payee's request for a replacement, an indemnity may be obtained stating as follows:

"I/WE HEREBY INDEMNIFY the Kenya Plant Health Inspectorate Service against the amount payable on the original cheque for KSh. .... and in the event of the original cheque being paid I/WE undertake to refund the said amount to the Kenya Plant Health Inspectorate Service".

### **3.6.3 Loss of Paid Vouchers**

In the event of a paid voucher being lost and all efforts made do not trace it, the responsible accountant should report to the Head Finance.

## **3.7 End of Financial Year Payments**

3.7.1 Heads of Departments, Regional Managers, Officers-in-Charge, must ensure that payments are made within the financial year to which they relate.

3.7.2 Expenditure properly chargeable to the accounts of one Financial Year must not be deferred to the following Financial Year for the purpose of avoiding over-expenditure in the estimates for that year.

## **3.8 Payment of Salaries**

3.8.1 For the purposes of this regulation, only officers in the approved establishment of KEPHIS are to be considered to receive salaries.

3.8.2 The letter of the first appointment or contract shall be the authority for the officer's salary.

3.8.3 When an officer is seconded to KEPHIS a LEAVE AND LAST PAY CERTIFICATE will be required. The following particulars are required:

- i) Salary scale and rate per month
- ii) Any allowances payable
- iii) Details of deductions from salary
- iv) Any other particulars affecting the amount to be paid and deduction made
- v) The date from which any deductions should cease to be made.

3.8.4 When an officer's salary changes in accordance with terms and conditions, e.g. promotion, demotion, termination, attachment by court order, salary advances etc. a signed copy of the Pay Change Advice shall serve as authority to effect payroll changes.

3.8.5 The payroll shall be prepared by the Human Resource Department that will also ensure that the payroll has been checked before printing the master list, balance sheet and the approval sheet. Thereafter, the printouts will be forwarded to the Head Finance and General Manager Finance and Administration for examination and endorsement before submitting for approval by the Managing Director.

3.8.6 Approved payroll shall then be paid in accordance with the payment system of the Corporation. The system should be the most efficient and effective mode of payment.

3.8.7 Upon approval of the payroll, deductions / below the line items shall be printed and subjected to the same approval process as in 3.7.5 above.

3.8.8 It is the duty of the Finance Department to ensure that all deductions are remitted promptly to the relevant bodies within the prescribed period.

3.8.9 The Head Finance shall ensure that all unpaid salaries, wages and allowances have been credited back to the Corporation's bank account.

3.8.10 Where applicable, adjustment should be made in respect of deduction that may have been affected from such payments.

3.8.11 Where payment of unpaid salary is to be made, a voucher paying the net amount should be prepared and supported with adequate evidence that payment was not made.

### **3.9 House Rent**

3.9.1 It is the responsibility of the Regional Managers to report to the General Manager Finance and Administration to recover amounts of rents and/or surcharges in respect of KEPHIS residential buildings being occupied by the staff.

### **3.10 Payment of Salary Advances**

3.10.1 The Head of Human Resource Department shall forward approved salary advances to the Head Finance for payment.

3.10.2 The Head Finance and Head Human Resource shall ensure that all salary advances have been deducted.

### **3.11 Casual Labour**

The procedure for paying casual labourers is as follows:

- (a) An official printed muster roll must be availed, duly filled by the responsible officer and signed by the authorizing officer. The authorizing officer shall be the Head of Department, Regional Manager or Officer-in-Charge. The authorizing officer shall ensure that the muster roll is accurate and legitimate before submitting it for payment. The must also satisfy themselves that the casual labourer was engaged as per set guidelines;

- (b) The responsible officer shall maintain a daily attendance register for all casual labourers engaged. Responsible officer is an officer directly in charge of the activity being undertaken;
- (c) Payment may be made from imprest;
- (d) Payment shall be done as per approved rates or rates stipulated in relevant Labour laws;
- (e) Each employee must sign against his name as an indication that he has duly received his respective pay.

### **3.12 Payment of Allowances**

Payment of allowances authorized in Terms and Conditions of Service Code must be supported by relevant copies of authority and certificates, receipts, vouchers or other documentary evidence.

### **3.13 Cancellation of Cheques**

When it is found necessary to cancel a cheque, the cheque and cheque counterfoil must be endorsed "CANCELLED" and the cancelled cheque leave filed.

### **3.14 Direct External Funding to Stations**

All external funds for projects, events or specific activities and programmes shall be channeled through Head Office and administered as per the regulations. Regional Managers and Officers in Charge should inform the Managing Director about fundraising activities of their stations. The Corporation's main revenue account shall be provided to the donors and sponsors for receiving funds. In exceptional cases where funds were transferred or paid directly into the station's bank account by mistake, the funds should be immediately transferred to the revenue bank account managed by Head Office.

All items procured or donated by donors directly to stations must be reported to Head Procurement and Head Finance for tagging and registration in the asset register.

## 4.0 IMPRESTS

Management shall ensure that there is an efficient and accountable imprest system for facilitating operations.

### 4.1 Types of Imprests

4.1.1 There are two types of imprests:

- (a) **Standing Imprest** - This is a sum of money issued to an officer on behalf of an office for purposes of effecting authorized payments. Reimbursement can be obtained within the authorized limits as and when necessary.
- (b) **Special Imprest** - This is a sum of money issued to an officer by name for a specific purpose and the imprest is to be accounted for, by submission of supporting documents and or cash when the purpose for which the Imprest was issued has been fulfilled.

### 4.2 Procedures for Standing Imprest

- 4.2.1 All the applications for standing imprest will state the purpose, the amount required, the name of the imprest holder and approval in the case of new standing imprest after which shall then be subject to a payment procedure in 3.3.10 above.
- 4.2.2 The holder of a standing imprest must keep a standing imprest cash book in which to record all cash received or withdrawn, and payments which must be supported by vouchers serially numbered. The imprest cash book must be balanced every time the imprest is renewed. The cash book can maintained in manual or electronic form.
- 4.2.3 Claim for reimbursement of standing imprest for the amount spent must be prepared as follows:

- a) A standing imprest cash book extract must be prepared
- b) A payment voucher must be prepared and all relevant documents attached to it.
- c) All cash payment receipts must be certified by an officer authorized to do so.
- d) A summary of appropriate expenditure codes to which the payments relate.

4.2.4 A standing imprest holder must submit his application for reimbursement in sufficient time to allow the Head Finance to issue and forward a cheque for the amount of expenditure before standing imprest is completely exhausted.

4.2.5 Standing imprest shall be retired or accounted for in full at the end of the financial year.

### **4.3 Procedures for Special Imprest**

4.3.1 The special imprest applicant upon receiving the requisite approval from the Managing Director or his/her designated officer, shall then proceed to fill an imprest application form. The application shall be checked, examined prior to being passed and approved. There shall be a standard operating procedure governing this process. Payment shall be made against approved applications.

4.3.2 Upon completion of an activity for which the imprest was issued, the imprest holder shall account for the money within 7 days. For purposes of accounting the following documents shall be required:

1. Triplicate copy of the imprest application for imprest issued from Head Office and original imprest application for imprest issued from stations.

2. All receipts and schedules for payments made.
3. Work ticket in case of local travel or air ticket, boarding pass, copy of stamped passport and other related receipts of payments for reimbursable expenses in case of foreign travel. Work ticket should be highlighted appropriately to indicate date of travel.
4. Copy of receipt of payment of unspent amounts.
5. Authorization/explanation for expenditure incurred above the imprest.
6. In the case of stations, approved vouchers containing all of the above will be required.

4.1.9 A new Imprest will not be issued unless the previous one for which the activity has been completed, has been retired. However, the Managing Director or General Manager Finance and Administration, Regional Manager or Officer in Charge may authorize the issuance of additional imprest in cases where the holder of the imprest is not able to come to the office or send documents for surrendering previous imprest.

4.1.10 All unaccounted imprests as per these regulations shall be recovered from the imprest holder's salary intact and in full. In addition the Managing Director as provided in PFM regulations shall impose an interest penalty for the period during which the imprest was outstanding.

4.1.11 Unspent balances shall be paid into the Corporation's bank accounts or MPESA paybill and receipted by accounts/finance office. The receipt shall form part of documents for surrendering the imprest.

4.1.12 The above procedures shall be complemented with Standard Operating Procedure – DOC.NO.SOP/KEPHIS/FIN/04.

## **4.2 Postage Register**

- 4.2.1 Where the Imprest is used for postage, a postage Register must be kept showing the date, addresses and the details of what has been posted. The amount used for each posting must be shown on the ledger
- 4.2.2 The postage register must record the value of stamps purchased

### **4.3 Imprest Bank Accounts**

- 4.3.1 All stations of KEPHIS that operate imprests are ideally expected to have imprest bank accounts. Authority should be obtained from the Board to open and operate the bank accounts.
- 4.3.2 Funds imprest bank account should not be commingled with private cash or revenue.
- 4.3.3 If on routine checks or audit private cash or excess cash is found in the imprest account, the additional sum so found will be treated as miscellaneous revenue and transferred to KEPHIS Revenue account.
- 4.3.4 The imprest bank account shall be reconciled to the cashbook on monthly basis. Copies of the bank reconciliation supported with copy of bank statement and extract of the cashbook should be submitted to Head Finance by 5<sup>th</sup> of the following month.

## **5.0 REVENUE AND REVENUE COLLECTIONS**

The Corporation shall charge fees for services rendered in accordance with regulations governing its operations. It is the policy of the Corporation to ensure that all revenue due to the Corporation is efficiently collected and managed. To achieve this objective, Management has developed and will implement appropriate revenue and debt collection strategies.

Revenue shall be received through EFT, RTGS, Cheques and MPESA. Cash payments shall not be accepted.

### **5.1 Revenue Bank Account and Paybills**

5.1.1 Revenue bank account will be opened and controlled by the Managing Director. Board of Directors' resolution will be required before opening a new revenue bank account.

5.1.2 Paybill accounts shall be established to supplement bank accounts. This shall require approval by the Board.

### **5.2 Official Receipts**

- i. Receipt books /paper respectively for manual and electronic printing of receipts are accountable documents.
- ii. All money received in form of revenue must be acknowledged with an official signed and dated receipt.
- iii. All official receipts must be stamped and signed before issue.
- iv. Receipt shall normally be issued sequentially and serially.

### **5.3 Public Notices Regarding Official Receipts**

5.3.1 A notice in English and/or in Swahili shall be prominently displayed in every KEPHIS Accounts Office where money is received advising the public that an official receipt must be obtained for any sums paid to KEPHIS.

5.3.2 No officer other than an authorized officer may collect KEPHIS revenue. For the purposes of revenue from external aid and donors, the General Manager Finance and Administration shall be the authorized officer.

#### **5.4 Acceptance of Cheques**

- (i) A revenue collector may reject the payment by cheque if he has reason to believe that the cheque may not be honoured by the bank. In such circumstance the payee should be asked to pay using a banker's cheque. A revenue collector will be held responsible for any loss if he has not taken reasonable precautions.
- (ii) It is the duty of a revenue collector to inform the public that all cheques are to be payable to the order of Kenya Plant Health Inspectorate Service. And all cheques payable to KEPHIS must be crossed.

#### **5.5 Post Dated Cheques**

Post-dated cheques to KEPHIS will only be accepted with express authority from the Managing Director or designated officer and should not be receipted until or after date of the cheque.

#### **5.6 Use of Revenue**

Payments out of revenue collected are prohibited unless expressly authorized by the Managing Director. Revenue should not be banked in expenditure accounts except

with express written authority of the Managing Director or General Manager Finance and Administration.

## **5.7 Responsibilities of a Receiver of Revenue**

The Managing Director may designate an officer to be receiver of revenue. The role shall be guided by the following:

- 5.6.1 The receiver shall receive and deposit revenue to the Corporation's main bank account or such account as authorized by the Managing Director. For the purpose of this Manual revenue are all cash inflows into the corporation. These include but not limited to Fees for service rendered, Project grants, Budget Subsidies by stakeholders etc. Banking of revenue collected should be done at least once a week.
- 5.6.2 All revenue collected within a month shall be accounted for by 5<sup>th</sup> of the succeeding month by submitting to the Head Finance deposit slips, 2<sup>nd</sup> copies of receipt, photocopies of cancelled receipts and a signed and stamped copy of revenue cash book bearing the signatures of revenue collector and the Regional Manager/Officer-in-charge. Submission shall be done officially via a letter. Gaps in submitted copies of receipts should be explained in this letter.
- 5.6.3 No revenue shall be banked into the imprest account. If a revenue collector realises that revenue has been deposited into the imprest account; he or she shall immediately notify the Head Finance in writing explaining the circumstances under which they were banked and remit the revenue to the main account or relevant account.
- 5.6.4 Copies of receipts, copies of deposit slips, revenue cash book and reconciliations must be kept at the point of revenue collection for audit purposes.

5.6.5 When a cheque issued for revenue is dishonoured, it's the responsibility of the revenue collector to make all effort to have a replacement cheque issued and charge the drawer with all the charges incurred. Upon receiving returned cheque, the revenue collector shall immediately cancel or reverse wholly or partially the corresponding receipt. A register of such dishonoured cheque shall be maintained by the revenue collector. Clients that issue dishonoured cheque should be blacklisted and required to pay using bankers cheque, cash, or make direct deposit or transfer into designated revenue account. Blacklisted customers may be reinstated to normal terms upon provision of written commitment to not repeating the same in future.

## **5.8 End of year Revenue Return**

- (i) Collectors of Revenue must ensure that as far as possible all revenue due to KEPHIS in a given year is collected within that year. The end of year return of revenue must show revenue due but not collected as at the end of that Financial Year.
- (ii) Where no revenue has been collected a "Nil" return will be submitted. Every effort must be made to collect revenue arrears within the first one month of the following Financial Year.

## **5.9 Opening of Correspondence.**

All mail likely to contain money or cheques must be opened by a designated officer. Such money or cheques must be immediately recorded in a register kept to record such remittances received.

## **5.10 Receipt Book Register**

## **I. Headquarters**

Head Finance or an officer designated by him/her shall cause to be maintained a receipt book register. The register shall contain first and last serial numbers of each receipt book or ream, date issued, name and station to which it is issued, and disposal date.

## **II. Stations**

A requisition for receipt books must be made in writing to the Head Finance at least one month before the Receipt Books are required. It is the responsibility of the officer receiving the Receipt Books to examine and satisfy himself that the numbering of each book is correct and complete, and must report immediately to the Head Finance of any defect.

The officer should maintain a register as the one described in (I) above. Particulars of subsequent issues including date, name and signature of the officers must be recorded.

### **5.11 Receipt Printing and Format**

Procurement order for receipt books and/or printing paper shall be only made on receipt of an approved requisition from Head Finance. The same should be issued directly to Head Finance upon supply. Under no circumstances should receipt books or paper be kept in the stores. The format for receipts shall be changed only by authority of General Manager Finance and Administration.

### **5.12 Custody of Receipt Books**

It is the responsibility of every officer to whom the receipt book(s) are issued to ensure that they are in safe custody and all unused receipt book(s) must be kept

under lock and key. The same should be produced at any time as they are required for examination by the Head Finance or the Auditors. Receipt Books should not be kept in the stores with other stationery.

### **5.13 Cancelled Receipts**

- (i) When an alteration is to be made to a receipt such alteration must be countersigned by the same officer who signed it initially.
- (ii) When it is found necessary to cancel a receipt, such receipts together with all the copies must be endorsed "CANCELLED" and retained in the receipt book.

### **5.14 Disposal of used Receipts**

Completely used Receipt Books must be retained until auditing has been completed and after expiry of six years. The Head Finance may recommend destruction after the period. Books authorised by the Managing Director for destruction will be destroyed in the presence of two senior officers and a list of such books with a certificate signed by the officers will be forwarded to the Managing Director.

### **5.15 Revenue Cash Book**

- (i) All receivers of revenue must keep a Revenue Cash Book in which he will record all money collected and remittance of such collection.
- (ii) Revenue Cash Books must be kept up to date and must be checked at frequent intervals by another officer approved by the Head Finance to certify that the Revenue Cash Book entries are correct.

- (iii) In addition to the Revenue Cash Book, the collector of revenue must maintain a separate register to record all cheques returned by the bank giving details of the cheques and the reasons for return. The customer who gave the cheque shall then be surcharged an amount equivalent to the respective penalty charged by the bank.

#### **5.16 Surplus / Deficit**

- i. For any surplus found when accounting for revenue, the collector of revenue must issue a miscellaneous receipt to himself for the amount of surplus, and that amount should be credited to miscellaneous revenue. An appropriate entry must be made in the cash book and the amount accounted for accordingly.
- ii. Any revenue deficit or shortage must be immediately reported to the General Manager Finance and Administration who will establish whether there is a loss and report to the Managing Director.

## **6.0 ACCOUNTS**

The Corporation shall maintain proper records of accounts that ensure reliability of financial reporting. Such records should be maintained in an efficient financial information system that supports decision making processes of the organisation.

### **6.1 Chart of Accounts**

The Head Finance shall develop and control a suitable chart of accounts that will ensure all financial transactions are recorded and reported. No modification or alteration of the chart of accounts shall be done without approval of Head Finance.

The chart of accounts shall conform to guidelines issued by the National Treasury.

### **6.2 Accounting Policies**

The Corporation shall adopt accounting policies in line with Financial Reporting Standards and Generally Accepted Accounting Principles for preparation and disclosure of financial information. Accounting policies shall be stipulated in the financial statements.

### **6.3 Books of Accounts**

The following are the key books of accounts that shall be maintained:

- (i) Cash and Bank Account.
- (ii) Expenditure Account
- (iii) Revenue Account
- (iv) Below - The Line Account
- (v) Project Account
- (vi) Debtors Account

- (vii) Creditors Account
- (viii) General Ledger Account
- (ix) Fixed Asset Register

- Cash and Bank account ledger for recording all payments and receipts shall be maintained.
- Expenditure Accounts indicates a summary of expenditure for each financial year.
- Likewise, the Revenue Accounts show the summary of income for the financial year.
- Below-the-Line Accounts are opened to record transactions (statutory and voluntary deductions) which are not provided for in the estimates and are closed down when the transaction for which they were opened are completed.
- Projects Accounts contains the receipt and the expenditure details of donor funded research activities. A separate bank account may be maintained for each project.
- Debtors Account is a record of the amount owed to the Corporation.  
A provision for bad and doubtful debts shall be made in the final accounts as may be necessary.

The Board, upon receipt of management recommendation, may authorise the writing off of bad debts upon satisfying itself that all efforts have been made to recover the debt but in vain.

- Creditors Account is a record of the amount owed by the Corporation.
- General Ledger accounts comprise all control accounts, capital accounts and other accounts which form the Final Accounts.
- Fixed asset register is a comprehensive record of fixed assets of the Corporation providing details such as the name, serial number, model number, date of purchase, asset code, rate of depreciation, the cost, net book value, accumulated depreciation and any other useful information.

## **6.4 Annual Report and Financial Statements**

Annual report and financial statements shall be prepared by Management and approved by the Board of Directors before 30<sup>th</sup> September of every financial year. The report and statements shall be prepared in line with GoK financial reporting standards and format. The report shall comprise of the following:

- i. Chairman's Statement -
- ii. Report of the Chief Executive Officer
- iii. Corporate Governance Statement
- iv. Corporate Social Responsibility Statement
- v. Report of the Directors
- vi. Statement of Directors Responsibilities
- vii. Report of the Independent Auditors
- viii. Statement of Financial Performance

The statement of financial performance provides the income and expenditure results of the Corporation for the period under review.

- ix. Statement of Financial Position

The statement of financial position reports on balance sheet position at a given point in time.

- x. Statement of Changes in Equity

The statement connects the statement of financial performance and the statement of financial position and explains changes that have taken place in owners' equity during the period covered.

- xi. Statement of Cash Flows

The statement depicts the inflows and outflows during the year and provides a measure financial adaptability of the Corporation.

- xii. Statement of Comparison of the Budget and Actual Amounts

- xiii. Notes to the Financial Statements

The notes comprise a summary of significant accounting policies and other explanatory notes of the Final Accounts

xiv. Progress on Follow Up of the Auditor Recommendations

Final Accounts/Financial statements shall be submitted to the Finance and Administration Committee of the Board for evaluation and endorsement prior to submission to the Board for approval. Thereafter the approved annual report and financial statement shall be submitted to the Auditor General as prescribed in the PFM Act.

## **6.5 Cash Book**

- 6.5.1 Each region/Centre must maintain a two column cash book and all transactions must be entered in the cash book with sufficient detail identifying the transaction and must be supported by a payment voucher or imprest application.
- 6.5.2 The cash book must be written up periodically and balanced accordingly. Any cash in hand must be duly recorded in the summary sheet. The cash shall then be verified against the summary by a senior officer. Signed cash book printout shall be submitted together with the bank reconciliation for verification by Head Finance or an officer designated by him.
- 6.5.3 At the end of the financial year the centres /regions must submit to the Head Finance a certificate of bank balance, copy of the cash book, cash count report and a bank reconciliation statement signed by the Accountant and the Regional Manager/Officer in Charge.
- 6.5.4 Standard Operating Procedure No. SOP/KEPHIS/FIN/05 has been developed to enhance bank reconciliation process.

## **6.6 Bank Accounts**

### **6.6.1 Opening of Bank Accounts**

Authority to open a bank account shall be granted by the Board of Directors. Communications with the bank on account opening shall be done by the Managing director.

GOK approval must be obtained as per the PFM Act.

### **6.6.2 Signing of Cheques**

Authority to sign cheques will only be given by the Managing Director.

### **6.6.3 Bank Reconciliation**

Bank reconciliation of all KEPHIS bank accounts including project accounts shall be undertaken on monthly basis within thirty(days) of the end of each month. Reconciliation should be checked and signed by an officer different from the preparer. All stations managing bank accounts shall submit to Head Finance monthly bank reconciliation, statements, and printout of cashbook before expiry of thirty days of the end of each month.

### **6.6.4 Use of Bank Accounts**

Under no circumstances may personal funds be paid into a KEPHIS Bank Account.

### **6.6.5 Bank Deficit**

KEPHIS Bank Account must not be overdrawn without specific authority in writing of the Managing Director.

## **6.7 Projects**

6.7.1 A project ledger will be kept by the Head Finance. All receipts and payments relating to a project account must be entered therein.

6.7.2 All payments relating to projects shall be made as per procedures for the project

## **6.8 Special Funds**

### **6.8.1 Establishment of Special Funds**

Establishment of Special Funds such as Sinking Fund must be approved by the Board of Directors who will establish the regulations under which special funds are to be maintained. There must be prepared Annual Accounts of each fund.

## **7.0 CUSTODY OF FINANCIAL ASSETS AND ACCOUNTABLE DOCUMENTS**

### **7.1 Safes and Cash Boxes**

**7.1.1** Head Finance shall ensure that officers responsible for the custody of financial assets and accountable documents, are wherever possible provided with safes.

**7.1.3** A register of the serial numbers of safes and cash boxes on charge must be maintained by the Head Finance, which should show the location of each safe and officer to whom it is issued, the purpose for which it is currently used serial number, description, maker's name and the location of the duplicate keys.

**7.1.4** Annual returns should be obtained from each Departmental Head/Officers-in-Charge of station to whom safes and cash boxes have been issued.

**7.1.5** Where otherwise not secure a safe should be built into the wall or firmly attached to the structure of the building.

**7.1.6** No work in connection with the repair or alteration of safes, strong rooms or cash boxes or the manufacture of related duplicate keys, should be carried out or ordered except under authority of the Managing Director or his designee.

**7.1.7** The cashier must submit a cash certificate at the end of every financial year to the Head Finance. The certificate shall be signed by the cashier/receiver of revenue, checked by the accountant and confirmed by the Regional Manager/Officer in charge/Head of section.

**7.1.8** At the end of the financial year the following should be submitted to the Head Finance;

- i) Certificate of Bank balance
- ii) A signed copy of the cash book
- iii) End of year cash and cheque survey certificate form signed by the accountant and regional manager/officer in charge
- iv) Bank Reconciliation Statement signed by the Accountant-in-Charge and the Regional Manager/Officer in Charge.

## **7.2 Loss of Keys**

- 7.2.1 The cost of the work referred to in 7.1.6 above will normally be borne by the officer responsible, if it can be established that the loss was due to his/her negligence or carelessness.

In cases where the officer responsible for the loss has left the Corporation, the Head Finance will take such steps as are necessary to have the safe or cash box opened, and its contents checked, and witnessed by the Regional manager/Officer in charge. He will arrange for it to be secure again as soon as possible.

## **7.3 Survey of Cash, Stamps and Receipt Books**

- 7.3.1 The Head Finance will arrange for regular surveys of all cash, stamps and unused receipt books. These checks which may be unannounced will be made at regular intervals. The results of these checks should be recorded and filed.
- 7.3.2 Board of Survey on cash may be appointed annually by the Managing Director or his designee to examine and verify the cash on hand and the bank balances at the close of business on the last working day of the Financial Year. This examination must be carried out before the opening of business on the first working day of the new Financial Year. The appointment of a Board of Survey shall be subject to a cost benefit justification and in situations where one is not appointed guidelines will be issued on the procedures for undertaking self-assessed cash surveys.

## **8.0 CHECKS AGAINST FRAUD AND IRREGULARITY**

- 8.1.1 The Managing Director will ensure that a proper system of internal controls is in force. The controls must be able to detect and prevent occurrence and perpetration of fraudulent activities and irregularities. Proper steps should be taken to ensure that these controls are effectively maintained.
- 8.1.2 Regional Managers, Officers in charge and Head of departments shall implement an effective system of internal check for transactions for which they are responsible, so that early rectification of errors can be made.
- 8.1.3 Head Finance shall ensure within provided resources that there are proper checks and balances in the finance department. The controls shall include segregation of duties, supervision, physical security, authorizations, and professional ethics.

## **9.0 HANDOVER PROCEDURES**

In the event of a need to handover permanently to an incoming accountant, the Head Finance shall ensure that an audit is undertaken and a formal handing over report prepared for records and copied to the Managing Director. The report shall include a fund accountability statement.

## **10.0 FINANCIAL SOFTWARE MANUAL**

Head Finance in consultation with the General Manager Finance and Administration shall cause to be prepared a detailed manual on the controls governing the accounting software application.

## **11.0 AUDIT OF THE CORPORATION FINANCIALS**

- 11.1 The Auditor General is the primary auditor for the Corporation's financials as per the PFM Act and State Corporation Act. Provisions of the Acts notwithstanding donor funded projects may require the Corporation to appoint a private auditor.
- 11.2 All queries raised by the Auditor General's reports and other correspondence received from him requiring a reply, should be dealt with and a reply furnished without delay. Where such a reply cannot be given in full within the stipulated time, the officer responsible shall request for additional time within which the required information must be provided.
- 11.3 The use of green pencil or green ink in books of accounts or other financial documents or records is confined to the staff of the Auditor-General and is therefore prohibited to KEPHIS staff.
- 11.4 The responsibility of the Auditor-General for the reporting on any shortcomings in connection with the public accounting of finances, does not absolve any officer from

his responsibility for complying or securing compliance, with instructions within the scope of his own authority.