

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

FINANCE OFFICE

MEMO



From: Finance Officer

Ref. No:

To: Vice-Chancellor

Date: 18th September, 2018

Subject: **PROPOSAL FOR REVIEW OF ACCOUNTING POLICIES AND PROCEDURES MANUAL**

1.0 Introduction:

The University's **Accounting Policies and Procedures Manual** provides a window for review once a year, where appropriate. I therefore submit this memorandum to suggest sections of the Manual for amendment and also some additions.

2.0 Section 2.3: Organization of the Finance Office

Provision: Under section 2.3, the Manual states that the Finance Office also has sub-offices in all Colleges headed by College Finance Officers. Other self-accounting units of the Finance Office include the following:

- i. Photocopying Unit
- ii. Printing Press
- iii. Residential Halls
- iv. University Hospital
- v. Basic Schools
- vi. Senior Staff Club.

However, no mention is made of the following units:

- i. Institute of Distance Learning
- ii. School of Graduate Studies

- iii. Dean of Students Office
- iv. Transport, Maintenance and Development Office (Municipal Unit)
- v. Accra Guest House

Suggested amendment:

The Manual should be reviewed to incorporate the units as listed above.

3.0 Section 6.0: MANAGEMENT OF DONOR FUNDED PROJECTS

Provision: The Manual talks about the University's financial policy on donor funded projects from initiation (contract/budget) to implementation but does not cover closing out research projects.

Suggested amendment:

Policy on Closing out Research Projects:

- i. Donor funded project closure is the shared responsibility of the Principal Investigator (PI), the College Management and the University Administration, the Donor and all direct beneficiaries, where relevant.
- ii. Unless the Agreement stipulates that the residual funds shall be returned to the Donor, any unspent funds shall be kept by the University at the time of closing out the project.
- iii. Unless otherwise stated in the project contract document, all tangible assets from the project shall be transferred to the University on closing out.
 - When a project is completed, the PI must officially notify the University, the College and the Office of Grants and Research (OGR) in writing.
 - The Internal Audit Unit in consultation with the OGR shall ensure that all the terms and conditions of the Award have been met and determine if there are outstanding obligations for their appropriate action.
 - The PI, in consultation with the Finance Officer, shall ensure that all financial transactions associated with the project are appropriately documented prior to the closing of projects.
 - The PI shall request the Finance Officer to transfer any residual funds in accordance with the procedures for continuous Research Funds.

4.0 Section 8.3 FIXED ASSETS CAPITALISATION POLICY

Issue: The existing policy on capitalization threshold for fixed assets are as follows:

SN	Description of item	Threshold in currency points
1	Land	Full capitalization
2	Land Improvement	5,000
3	Buildings	Full Capitalization
4	Building Renovation	5,000
5	Purchased Equipment	1,500
6	Contracted Equipment	1,500
7	Furniture and Fittings	500
8	Donated Asset	1,000
9	Software	1,500
10	Computers and other IT equipment	1,500
11	Infrastructure	5,000
12	Motor Vehicle	Full Capitalization

The threshold is per item and does not allow for aggregation. However, due to the nature of the University, assets such as Lecture room furniture, computers and other IT equipment are purchased in bulk. For instance, purchase of 1,000 No. Lecture room furniture at GHS400 each. The aggregate of the assets involved and their corresponding value are quite substantial but existing policy does not make it mandatory for capitalization because each unit in the bulk does not qualify for capitalization.

Suggested amendment:

A note should be inserted in section 8.3 to read:

- However, when fixed assets are purchased in bulk and the total value is GHS10,000 or more, such assets should be capitalised in aggregate.

5.0 Policy on Consultancy Related Income and Expenditure

Issue: there is no policy on the following:

- Percentage charge on consultancy income
- Treatment of consultancy related income, and
- Treatment of consultancy related expenditure

Suggested new policy:

- The University shall withhold 10% of consultancy Income
- Where the total income is received into the University's account before disbursement, the total inflow shall not be set-off against the related expenditure.

Dr Consultancy related expenses

CR Consultancy income

6.0 Reversal of Stale Cheque

There is no policy on this.

Current Practice: Stale cheques are reversed into accounts payable and in the general ledger. For any reason, where a reversed cheque/invoice is not repayable **immediately**, it remains in the ledger for good.

Suggested amendment:

All reversed cheques that are not repayable after three years shall be transferred to Accumulated Fund.

7.0 Section 7.6 Stock Taking

Current policy – Any department of the University that hold stocks of allocated and unallocated stores shall take stock at the end of every financial year and at other times as may be directed by the Head of the Department or the Internal Auditor.

Proposed Amendment - Any department of the university that hold stocks of allocated and unallocated stores shall take stock at the end of every quarter and at other times

as may be directed by the Head of the Department or Finance Officer or Internal Auditor. Stocktaking should be performed monthly for fast moving stocks.

8.0 Section 8.6 Depreciation

The manual lists various assets classes and the number of years over which they should be depreciated as follows:

Asset	No. of Years Depreciation
Freehold Land	NIL
Leasehold Property	over the life of the lease
Buildings and Building Improvements	50
Infrastructure	50
Motor Vehicles	5
Computers and Related Equipment	4
Furniture & Fittings	4
Equipment	5
Production Equipment	10
Parking Lot and Landscaping	10
Bed Mattresses	4

Proposed Amendment:

Present the depreciation information in the manual to be the same as we present property, plant and equipment in the University's statement of financial Position. There should be a column to specify assets belonging to each class. This will avoid mispostings that we see in the fixed Assets register due to lack of clarity in the manual.

For example:

Class	Includes	Years
Buildings, Structures & Infrastructure	Boreholes and Water tank and structure, if included in initial boreholde construction. Building Improvements, Fence Wall, Monuments.	50
Land Improvement	Parking Lots, Landscaping, Drains, walkways, lay by, Pavements, Bus Waiting Area.	10
Equipment	Binding Machine, Photocopier, Music Systems, P.A. systems, Refridgerators, TV, Laboratory Equipment, Movers, Power Generators, Gas Burners/cylinders, Washing machine, water dispensers.	5
Computers & Related Equipment	computers, printers, audio visual equipment, CCTV, card readers, digital camera, neon screen, projector, UPS, Scanner	4
Production Equipment	machinery used for production, tractors and accessories	10
Furniture, Fixtures & Fittings	Air conditioners, Office Desk, office chairs, living room furniture, beds and mattereses, Access control equipment, book shleves, file cabinets, centre table, ceiling/standing fans, conference tables, curtain blinds, etc	4
Motor Vehicles	All types of vehicles, including truck mounted refuse containers and trailers.	5

9.0 Recognition of software as Intangible Non-Current assets.

There is no policy on this.

Proposed Policy

Capitalize internally developed software that have passed the development phase and in use.

KNUST has developed certain software internally; They are

1. Academic Records management Information System (ARMIS)
2. Financial Accounting system (PANACEA)
3. The student Admissions system
4. The payroll system (PAYMASTER)
5. Human Resource Management Information system

According to IAS 38, Intangible Assets;

An intangible asset shall be recognised 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.

An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

The capitalization of software rule requires that the software should pass the development phase. These five main software are currently in use and therefore qualify for recognition as Intangible Non-current assets.

10.0 Approval of Overtime payment

There is no clear policy.

Proposed Policy

The Vice Chancellor shall give prior approval of overtime work. Overtime worked shall not be paid if the Vice Chancellor's prior approval was not obtained.

Thank you in anticipation of your approval.