



# Finance Policy\*

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# Finance Policy

## 1. Introduction

This Finance Policy is aimed to facilitate sound financial management and controls of the University. The Policy has been made to that all the financial areas of finance are managed to ensure properly following basic accounting principles applicable to educational institutions.

## 2. Objectives

The main objectives of the Policy are:

- (i) To evolve, maintain and promote sound financial management systems, procedures and controls that facilitate and enhance efficient and effective financial management practices.
- (ii) To plan, rationalize, co-ordinate and control revenue inflows and expenditures of the University in relation to the provision of:
  - (a) Academic, research and outreach activities and programs.
  - (b) Students' development, welfare and performance. Welfare and development of teaching and non-teaching.
  - (c) Capital budgeting decisions.
  - (d) Procurement, repair, maintenance, safety and security of the University. property, and all other assets.

## 3. Definitions

- (i) **Accounting documents:** The physical objects upon which transactions are made; or records evidencing the transaction. These include cheque books, receipt books, invoices, payment vouchers and bank statements.
- (ii) **Asset:** A resource with economic value owned or controlled by the University and from which future economic benefits are expected.
- (iii) **Budget:** A formal written financial statement of future plans for a specified period of time.
- (iv) **Board of Management:** Jagan Nath University governing body.
- (v) **Expenditure:** The outflow of economic benefits arising in the course of ordinary activities.
- (vi) **Fixed assets:** Tangible assets acquired with the intention of use on a continuous basis for a period beyond 1 year.
- (vii) **Financial Statements:** It includes Income Statement, Balance Sheet and Schedules prepared for the financial year.
- (viii) **Accounting Standards:** Principles of Accounting adopted by Finance Department in preparation of accounts.
- (ix) **AIE :** Authority to Incur Expenditure

## **4. Financial Administration**

### **4.1. Financial Year**

The financial year of the University shall be a period of twelve months from April 1st to March 31st.

### **4.2. Management of University Finances**

The overall responsibility of management of the University financial resources lies with the University Board of Management. The Board of Management has the following functions:

- Approve the University Annual Budget.
- Approve Policies.
- Approve Fee and other levies.
- Administer the property and funds of the University
- Approve the Annual Financial Statements.

For effective management of this function, the BoM may delegate part of its responsibility to various organs and persons as mentioned herein below:

### **4.3. Chief Finance and Accounts Officer**

The Chief Finance and Accounts Officer shall be a salaried officer of the University. The powers and functions of the Chief Finance and Accounts Officer shall Powers and Functions-

(1) the Chief Finance and Accounts Officer shall :

- (i) exercise general supervision, or such specific supervision, as may be provided for, from time to time in accordance with the Act, over the funds of the University and advise the University on all such issues and matters, forming a part of or arising out of, its financial policy; and
- (ii) perform such other functions as may be assigned to him by the Board of Management, Chairperson or President.

(2) Subject to the direction of the Board of Management, the Chief Finance and Accounts Officer shall:

- (i) hold and manage the property, investments and endowed property of the University, being the trustee thereof, for furthering any of the objects of the University.
- (ii) ensure and observe, that the limits fixed by the Finance Committee, for recurring and non-recurring expenditure for a particular year, are not exceeded and that all monies are expended on the purposes for which they are received or allotted;
- (iii) be responsible for the preparation of the annual accounts and the budget of the University for the next financial year and for their presentation to the Finance Committee.
- (iv) constantly monitor the state of the cash and bank balances, and on the state of investments;

- (v) ensure proper collection of the revenues of the University and further advise the university on/for deployment of such proper channels and/or procedures for ensuring such proper collection of revenues and shall have the accounts of the University regularly audited by the auditors appointed for the purpose; and
  - (vi) call for, from any office under the University, any information that he may consider necessary, with prior approval of the Chairperson, to discharge his financial responsibilities.
- (3) be the Member-Secretary of the Finance Committee and Fee Committee but he shall not have a right to vote.

#### **4.4. Accounts Officer**

There shall be an Accounts Officer, reporting to the President and responsible for:

- Management of the University's financial resources.
- Coordination and control of budgets.
- Management of the investment portfolio.
- Preparation of financial reports and statements.
- Coordination of internal and external audits.
- Advising the President on financial matters.
- Liaising with relevant stakeholders such as banks and other statutory compliances.
- Any other duties as may be assigned by the President from time to time.

#### **4.5. Internal Auditor**

There shall be an Internal Auditor, reporting to the President. The Internal Auditor's main responsibilities shall be to:

- Evaluate and provide reasonable assurance that risk management, control and governance systems are functioning as intended.
- Evaluate information security and associated risk exposures.
- Evaluate regulatory compliances.
- Report risk management issues and internal control deficiencies identified.
- Recommend improvements to the University's operations, with an aim to enhance internal controls and mitigate risk.

#### **4.6. Sources of University Funds**

The funds of the University shall be derived from the following sources:

- Fees from the students.
- Research grants from Government and Non-Government agencies.
- Income from investments and other services.
- Endowments, gifts and donations.

- Grants received from government and private agencies.
- Consultancy fees.
- Loans from Financial Institutions.
- Such other sources as the Board of Management may identify and approve from time to time.

All funds received shall be deposited into the University's designated bank accounts.

#### **4.7. Application of University funds**

The following are the important areas for applicable of funds :

- (i) Payment of salary to the Staff.
- (ii) Operating expenses including administrative, student acquisition and finance expenses.
- (iii) Expenses on library resources and research.
- (iv) All other expenses relating to education delivery and assessments.
- (v) Investments and transfer to corpus fund.
- (vi) Capital expenditures
- (vii) Any other expenditure as the BoM will authorize from time to time.

#### **4.8. Annual Budget**

Before the commencement of a financial year, the Finance Committee shall prepare the draft recurrent and development estimates of the University for that year in consultation with the President and place them before Board of Management for approval.

The annual budget which shall be prepared taking into account all the anticipated revenue and expenditure of the University for the ensuing financial year shall provide for:

- (i) The payment of salaries, allowances and other benefits in respect of all the employees of the University.
- (ii) The funding of all administrative and support services which are necessary to facilitate the University to achieve its objectives.
- (iii) The funding of the cost of institutional scholarships, and other services that are necessary to facilitate the University to achieve its goal of teaching and research activities.
- (iv) Allocation of funds for development of physical facilities and infrastructure.
- (v) The proper maintenance of the buildings and grounds.
- (vi) The creation of such other reserve funds to meet future or contingent liabilities.

## **5. Final Accounts and Audit**

### **5.1. Responsibility and timelines**

- a) The BoM shall require the maintenance of proper books and records of accounts of the income and expenditure, assets and liabilities of the University.
- b) The accounts of the University shall be audited annually by the External Auditors.
- c) Within a period of three months from the end of each financial year, the President shall submit to BoM Draft accounts of the University for approval and submission for audit.
- d) Within the statutory prescribed time from the end of financial year, the draft final accounts are submitted to external auditors for audit.

### **5.2. Standards**

- a) The University financial statements will be prepared according to GAAP Indian Accounting Standards.
- b) The University financial statements will support the principle of going concern at all times.
- c) Policy and form of presentation of the financial statements will be kept consistent but disclosure will be made in case of need for change.
- d) The University will follow historical cost concept.

## **6. Recurring Expenditure**

### **6.1. General guidelines**

- a) In all cases, recurrent expenditure must be spent within the budgetary ceilings as approved by Board of Management from time to time.
- b) Under specific circumstances a proposal for revision of budget of funds may be approved by the President whose written consent shall be obtained, subject to ratification by Board of Management.
- c) Increased expenditure arising in the following categories shall be deemed to require supplementary estimates.
  - i) Increases in salaries and wages.
  - ii) Any other expenditure of recurring and non-recurring including capital nature.

## **7. Payments to Suppliers of Goods and Services**

- (a) The University shall maintain good relationships with the suppliers of goods and Services at all times.
- (b) Payments for products or services received shall be made promptly, preferably within 20 days subject to:
  - (i) The supplier meeting conditions of specifications and technical requirements.
  - (ii) Credit arrangements agreed upon

- (c) All payments on behalf of the University shall be made by the Accounts Officer with the exception of disbursements from petty cash floats. He/she shall make such payments on behalf of the University subject to the approval by the President.
- (d) AIE holders shall be responsible for the examination, verification and certification of invoices and accounts certified for payment. Items for payment shall be certified either by the Heads of Department or by an officer authorized by the University.
- (e) The certifying officer shall be satisfied before recommending payment that:-
  - (i) The quantity and prices are correct.
  - (ii) Payment has not previously been made.
  - (iii) The goods or services have actually been received.
  - (iv) The account is arithmetically correct.
  - (v) All discounts, if any, have been deducted or taken into account.
  - (vi) Funding approval has been obtained.
  - (vii) The person who receives the goods is not the same one who recommends/certifies the payment.
- (f) Where the certifying officer has queries regarding the pricing and/or quantity of the items he/she shall refer the matter to the department concerned promptly.
- (g) The spending department shall record on the copy of each order:
  - (i) The date of delivery of each item including gate entry.
  - (ii) The date each invoice is passed for payment and the cost and the items to which it relates.

## **8. Imprests**

### **8.1. Imprest Accounting**

- (i) The Accounts Officer in consultation with President may make any imprest advances to specific offices for the payment of minor and/or basic items they may require for use from time to time.
- (ii) Any officer to whom an office imprest advance has been made shall:
  - a. Obtain and retain vouchers in substantiation of each payment made.
  - b. Ensure the safe custody of imprest cash in his/her possession
  - c. Restrict the amount of each separate payment to such limit as may be approved in writing by the President in relation to specific classes of expenditure from time to time.
  - d. Not exceed the estimated expenditure by 20% without prior approval from the President.

## **8.2. Processing of Imprest**

The procedure for processing imprests shall be as follows:

- (i) Completion and signing of the imprest requisition by the authorised member of staff, shall be made at least 7 days in advance, specifying details for which the money is required.
- (ii) Confirmation by the Accounts Section that the applicant has no outstanding imprest.
- (iii) Payment may be made either in cash or by cheque dependent on the amount involved. This process is expected to take at least five working days.

No further imprest shall be granted before the previous one has been accounted for:

- a) except in exceptional circumstances as may be considered and approved by the President upon recommendation by the Accounts Officer.
- b) The University shall have the right to recover outstanding imprest through the payroll
- c) Payment of imprests in cash shall not exceed Rs. 1000/-.
- d) All imprests shall be surrendered within a week after completion of the planned trip/activity.
- e) A petty cash float with a set limit shall be maintained under the imprest system to cater for minor office expenses of Rs. 50,000/-. The maximum limit of the float may be reviewed with the authority of the President.
- f) Cash held in the University premises shall be stored overnight in a safe under dual custody.

## **9. Establishment of Records and Payment of Staff Emoluments**

### **9.1. Records**

- (i) Staff payroll will be prepared monthly.
- (ii) Additions or removals of staff from the payroll shall be made upon approval by the Registrar.
- (iii) Under the direction of the Registrar, the Accounts Officer shall maintain all necessary employee records concerning pay, contributions and taxation make all relevant payments on behalf of both employees and the University to the relevant agencies.
- (iv) The Registrar shall provide to the Accounts Officer such information as he may consider necessary for the exercise of his functions under this clause.
- (v) All changes to employees' earnings shall only be made with the written authority of the President.

### **9.2. Payments**

- (i) Under the direction of the Board of Management, the President shall authorize the implementation of any newly approved salary scales, wages and other allowances payable to staff.

- (ii) The Accounts Officer shall be responsible for the payment of all salaries, wages, compensation and emoluments to employees under the direction of the President. Any other deductions on behalf of employees to third parties may be made upon written application by the said employee; the University reserves the right to reject the implementation of such deductions whenever it deems it fit to do so.

## **10. Capital Expenditure**

- (a) For co-ordination purposes, before authorizing or recommending any proposal involving capital expenditure, irrespective of the manner in which such expenditure may be met, the President shall consider a report by the Accounts Officer on the financial implications of the proposal. The report shall also indicate the amount, if any, included in the approved budget in respect of the scheme.
- (b) The inclusion of capital expenditure within a budget shall not be regarded as the final authorization for any scheme to proceed, unless specifically authorized by the President after approval by Board of Management and that actual funds have been set aside/confirmed as being available.
- (c) Where the total cost of a project within the approved capital budget appears likely to exceed the budget provision by 20%, the President shall submit a report to the Board of Management. The BoM shall have power to act in recommending for supplementary estimates. Budgetary provisions would normally include anticipated fluctuations covered by the terms of contracts. The same will be communicated to BoM for approval.
- (d) Where a proposed capital project which is not included in the approved program of capital expenditure is subsequently approved by BoM, this shall constitute an amendment to the capital budget.
- (e) In respect of capital projects, the cost thereof, together with the authorized provisions, shall be reported to the relevant committee on completion, and the report shall contain a statement of any additional funding requirements for submission to the Finance Committee and BoM for approval.
- (f) The President shall submit progress reports on the capital budget to the BoM.

## **11. Control of Expenditure**

- (a) Accounts Officer shall be responsible for maintaining strict control and supervision of the expenditure and for reporting to the University BoM on any contemplated expenditure where no funds have been provided or which if incurred, would exceed the amount allocated in the estimates.

## **12. Control, Collection and Recovery of Income**

### **12.1. Control of Income**

- (i) Any proposal which seeks to vary an existing source of revenue, or to establish a new source of revenue, shall only be adopted with prior approval of the BoM.
- (ii) Prior to granting such approval, the BoM shall consider a report from the President concerning the financial implications of the proposal.

## **12.2. Collection and Recovery of Income**

- (i) The recording and calculation of all recoveries due to the University shall be under the general supervision of the Accounts Officer.
- (ii) All monies due to the University shall be deposited in a designated bank account and deposit slips surrendered to the Accounts Department for receipting upon authentication. University employee who is authorized to receive such monies shall maintain a record in a form approved by the Accounts Officer, of all amounts received and deposited with the Accounts Department, or the University's bankers.
- (iii) No deductions shall be permitted from cash collections without prior recommendation of the Accounts Officer in consultation with President. University officers receiving monies on behalf of the institution are personally responsible for the safe keeping of such monies and should deposit such monies with the Accounts Department within 24 hours after receipt.
- (iv) All monies received on behalf of the University shall normally be banked within a period of at least 24 hours.

## **12.3. Recovery of Dues**

- (i) The President shall cause dues to the University to be recovered.
- (ii) In connection with the recovery of arrears of the student fees and charges, the BoM shall be authorized to initiate such action as may be necessary to recover the debts in accordance with the provisions of the approved fees policy.
- (iii) In those other circumstances arising from pursuance of paragraph (ii) above, where legal action is necessary and desirable in the interest of the University, the matter shall be referred to the President who shall authorize the initiation of such proceedings.
- (iv) Under the direction of the President or his delegated officer, the Accounts Officer shall be responsible for designing, ordering and controlling all receipt forms and tickets which are used to acknowledge sums paid to the University.

No debt shall be written off without prior approval of the BoM.

## **13. Banking**

### **13.1. Banking Arrangements**

- (a) Bank accounts shall be opened on approval by the BoM. The BoM shall designate the relevant signatories.
- (b) Changes to bank signatories and signing mandate shall only be made upon approval by the BoM.
- (c) All arrangements with University bankers' concerning bank accounts and related transactions shall be made by the President and the Accounts Officer on behalf of the University.
- (d) An overdraft facility on the main bank account shall only be approved by the BoM.

- (e) Cheques shall only be ordered by the Accounts Officer, in consultation with the President. The Accounts Officer shall then make adequate arrangements for their safe custody both in the bank and in the office.
- (f) Cheques in current use should be entered in the cheque register being maintained by the Accounts department.
- (g) Subject to approval by BoM, the President may nominate in writing other officers to sign cheques in their own name and every cheque drawn on a bank account of the University shall bear an authorization signature.
- (h) There shall be two signatories for every cheque as authorized by BoM.

### **13.2. Bank Reconciliation Statement**

- (a) As part of internal control and monitoring system of cash movements the President and the Accounts Officer shall have access to all bank accounts through e-banking services with all banks with such facilities.
- (b) The Account Officer shall also be required to prepare a cash flow report on monthly basis and submit to the President every Friday.
- (c) Bank reconciliation statements shall be prepared on all bank accounts on monthly basis and submitted to the President by the 10<sup>th</sup> day of the following month.

## **14. Accountable Documents**

### **14.1. Custody**

- (i) All accountable documents shall be entered in an Accountable Documents Register and be kept in the custody of a designated officer in the Accounts department. Loss of serialized accounting documents shall be reported promptly to the President.
- (ii) No copies of accounting documents and records shall be made or given to University employees or third parties without the authority of the Accounts Officer.
- (i) Electronic devices in use by the University to process accounting information shall be restricted to the use of the assigned employees.
- (ii) Accounting documents shall be stored in accordance with the relevant guidelines and treated with confidentiality

## **15. Accounting Arrangements**

### **15.1. Stock and Stores (including consumables)**

- (i) There shall be a University Store within the Purchase Department from where all departments shall order the items/consumables they need.
- (ii) The stores incharge shall ensure that stores shall not be in excess of the reasonable requirements.
- (iii) Store incharge shall be responsible for the care and custody of stores, equipment and materials maintained in the store.
- (iv) Records of physical stores, stores used and balance in hand shall be maintained the respective store units in a form to be approved by the Accounts Officer.

- (v) The Accounts Officer shall determine general principles governing the accounting for, and the issue prices of materials and consumables drawn from such stores.
- (vi) The Internal Auditor shall be entitled to inspect and check, at any reasonable time, stocks and stores of consumables and materials in any unit of the University and call for such explanations and information as he/she deems necessary for the purposes of costing, accounting or security.
- (vii) Store keeper shall maintain continuous stock-taking and shall deliver to the Accounts Officer a certified account of stores at hand as at 31<sup>st</sup> March of each year, this date being the closure of the financial year.
- (viii) If, as a result of stocktaking, a deficiency or surplus is revealed, the Accounts Officer in consultation with the President shall recommend appropriate corrective measures.
- (ix) Obsolete/unserviceable stores or assets shall not be disposed off without the approval of the BoM which shall consider a report from the President before giving such approval.

## **15.2. Fixed Assets**

- i. As a policy, the University shall acquire assets only for purposes of achieving its aims and objectives.
- ii. The acquisition of assets shall be as a result of deliberate consideration of a request made through the planning process
- iii. A register shall be maintained for all assets in identifiable form for each item and giving its cost, revaluations if done and location. Depending on the type of asset, details of any reconditioning, improvement or bonding shall also be recorded
- iv. All assets, on acquisition shall be recorded in the fixed assets register where the physical details shall be kept including physical location. Such assets shall also be given an identity number.
- v. The location and custody of any asset, however big or small, temporary or permanent must be clearly determinable from the assets register and from the head of department or section under which the asset is charged
- vi. Except for land, the estimated useful life of an asset must be determined and its depreciation (or amortization) based on it. Depreciation method applicable shall be on a written down value.

## **16. Insurance**

### **16.1. Responsibility for Insurance Covers**

- i. Under the direction of the President, the Accounts officer is responsible for effecting all Insurance covers on behalf of the University and for negotiating claims, and where necessary, in consultation with other officers of the University.
- ii. In compliance with these Financial Regulations, the Accounts Officer shall effect payment of the premiums by the due dates, maintain adequate records of insurance transactions and hold in safe custody all insurance policies of the University.
- iii. Under the direction of the President, the Accounts Officer shall, in consultation with

other officers undertake a regular review of the University's insurance portfolio.

### **17. Internal Audit**

- a) There shall be an Internal Auditor, under the direction of the President, whose role shall be to maintain continuous examination and audit of accounts, financial records and transactions, stores and inventories.
- b) The Accounts Officer and any other officer or employee of the University shall avail to the Internal Auditor(s) all the records and documents that they may require from time to time in the course of discharging their duties.
- c) The Internal Auditor shall have authority to inspect any section, department established by the University and has access to such reports and documents as he/she may require. The Internal Auditor may require the production of cash, stores and other property and shall be entitled to receive such explanations as he/she considers necessary and proper so as to be able to make an informed report to the Audit Committee.
- d) Notwithstanding the provisions of this clause, the Internal Audit division shall observe best practices and Indian Auditing Standards in the discharge of their duties.

### **18. Irregularities**

Where the BoM, or the President is satisfied that an irregularity has occurred in handling of University finances, stores or other property, the President shall cause investigations to be carried out to ascertain the nature and extent of the irregularity or fraud.

BoM on the on advice of the President shall have the discretion to determine the manner in which the result of such investigations shall be disposed off.

### **19. Review**

This Policy is subject to amendments by the BoM from time to time as need arises. Such amendments shall be recommended by the President to the BoM.

### **20. Effective Date**

This Policy shall be effective on the date it is approved by the BoM.

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