

AGA KHAN UNIVERSITY

Guidelines, Policies and Procedures

Policy Name	Cash Excess Shortage Policy
Policy Number	AKU-K/FIN/PL - 016
Approved by	Chief Financial Officer
Date of Approval	4th November 2022
Contact Office	Office of the University Registrar

1. **Purpose:**

- 1.1. This policy provides the guideline to handle issues related to cash excess and shortages. Management and Accountability of cash shall be the sole responsibility of the cashier/custodian. Accordingly, the cashier/custodian shall be responsible for making good all shortages and depositing excess cash available with them.
- 1.2. In order to discourage foul play and to ensure strict compliance to this policy, the Institution has adopted a “Zero Tolerance” approach. Stringent punitive actions will be taken for deliberate misuse under the Employee Discipline Policy.
- 1.3. This policy addresses the undesired situation of cash excess/shortage and applies all types of cash handling, such as cash collections, petty cash, change money, cash advances etc. for all operations of the Institution

2. **Scope:**

- 2.1. The policy is applicable to all units of The Aga Khan University Kenya (AKU-K). The word AKU-K is herein referred to as the “Institution”.

3. **Responsibility:**

- 3.1. All the people handling cash and their supervisor and managers along with Cash and Banking Section of Finance Department.

4. **Terms and Definitions:**

- 4.1. **“Excess/short of cash”** is the amount by which the actual cash-in-hand differs from the book balance of cash-in-hand. For example, in case of revenue collection, the difference between physical cash available with the cashier and the Daily Collection Report (DCR) would be consider as cash excess/shortage.

An excess/shortage of cash may be highlighted while reconciling the daily cash in hand balance or during a surprise cash count conducted by the supervisor or any other authorized personnel/department etc.

- 4.2. **“Cash”** includes cash and all cash equivalents (such as cheques, credit card slips, other banking instruments, receivable documents/authorizations, patient welfare authorizations slip etc.) relating to cash/revenue collections, petty cash funds, float money etc.
- 4.3. **“Supervisor”** is used for any designation whom person responsible to collect cash or custodian of fund is reporting.
5. **Process / Procedure:**
 - 5.1. **Observations and limitations**
 - 5.1.1. This policy applies to all persons handling cash on behalf of the Institution and to all types of cash handling, such as cash/revenue collections, petty cash, change money, cash advances etc. across the Institution. Accordingly, the ultimate responsibility and accountability of the cash rests with the person handling the cash.
 - 5.1.2. Some possible reasons for Cash Excess:
 - 5.1.2.1. Lower cash has been refunded.
 - 5.1.2.2. Change in the service code during revenue collection resulting in excess of funds
 - 5.1.2.3. Cash transaction has been entered as non-cash transaction in the system
 - 5.1.3. Some possible reasons for Cash Shortages:
 - 5.1.3.1. Excess cash has been refunded
 - 5.1.3.2. Counterfeit notes have been accepted erroneously – in such cases an equal amount must be accounted for.
 - 5.1.3.3. Short amount collected as compared to receipt.
 - 5.1.3.4. Non-cash transaction has been treated as cash transaction.
 - 5.1.3.5. Cash has not been kept safe and sound hence lost/stolen.
 - 5.1.4. Finance department and Internal Audit department shall carry out surprise cash counts at any cash location as per their plan. A report on the cash count shall be issued with necessary action being taken.
 - 5.2. **Procedure for handling cash excess and shortages**
 - 5.2.1. In case there is an excess/shortage of cash, cashier/custodian should immediately (before the closing of the batch on the day of the incident) inform the supervisor and collective efforts should be made to identify/reconcile the difference before the closing of the batch on the day of the incident. If the cash is not reconciled, then a cash excess / shortage slip (annexure 1) should be raised by the cashier and submitted to supervisor for his/her observation/comments. The supervisor shall sign and send this slip to Department Manager who will put his/her findings and action taken. The slip shall be submitted to Finance Department within 24 hours of the incident.

- 5.2.2. Finance department will review and verify the remarks and carry out further audit (if required). They will also monitor the frequency of such incidences, the amount for each user excess/shortages and include that information in the monthly excess/shortage report.
- 5.2.3. Nevertheless, the cashier/custodian should immediately (at the time of closing the batch on the day of incident) or the following day deposit the excess or the short cash (as the case may be) with the Finance Department Cashier as the ultimate responsibility and accountability of cash is with the cashier/custodian.
- 5.2.4. It is the responsibility of supervisor to ensure that the cashier/custodian deposit the excess or the short cash (as the case may be) with the Finance Department Cashier at the time of closing the batch on the day of the incident or the following day.
- 5.2.5. In the situation where the cashier/custodian is unable to pay the shortfall at the time of closing his/her batch on the day of the incident in one go, the Finance Manager along with department head of cashier/custodian will collectively approve the arrangement for recovery of shortage on a case by case basis.
- 5.2.6. Further observation relating to revenue collection:
 - 5.2.6.1. In case of excess cash, the supervisor should note his/her reasons on the DCR and the excess cash shall be deposited in the usual manner.
 - 5.2.6.2. If the cash excess/shortage occurs due to a computer system error the same should be reported by the cashier and verified by the supervisor on the same day. Further the supervisor will be responsible to also get verification from Finance and IT team for the system error within 24 hours of the incident or the first working day in case of public holidays.
- 5.2.7. Supervisor should keep a documented track of the frequency of excess/shortage incidents of each cashier and in case the frequency is increasing he/she should investigate the reasons and inform the Department Head and Finance.

5.3. **Procedure for investigation process**

- 5.3.1. In case the cashier/custodian disagree to pay the short cash amount, an investigation shall be initiated as under:
 - 5.3.1.1. The cashier/custodian shall be required to provide a written statement within one working day of the incident stating the reason for the disagreement to make good the cash shortage. The report shall reflect the cash balance as per the books (e.g. DCR) the actual physical cash in hand and the resulting difference. The supervisor will conduct the initial investigation and note his/her observation on the statement and sign it.

- 5.3.1.2. The supervisor shall be required to conduct initial investigation and finalize the recommendation within two working days of receipt of written statement from the cashier/custodian. If the investigation reveals foul play, then the supervisor in coordination with Human Resource department shall immediately put the cashier/custodian under suspension, raise an Incident Report and send it to the Safety and Security Department with a copy to the concerned Manager in Finance Department and Internal Audit Department. A team comprising of representative from Finance, Internal Audit, Safety & Security and Human Resource shall determine what further action is required and by whom.
- 5.3.1.3. A comprehensive investigation report shall be issued by the authority defined in this policy within 7 working days of receipt of the Incident Report, with summarization of the findings and recommend action and penalties (if any), against the cashier/custodian to the department Head. The action recommended will be in line with Employee Discipline Policy.
- 5.3.1.4. In case no foul play is revealed, then the cashier/custodian will have to pay the shortage as per the procedure noted in this policy. If the cashier still refuses to pay, then the shortage amount shall be adjusted from the employee's payroll.

5.4. Process for disciplinary action

- 5.4.1. It will be the responsibility of the respective supervisor to ensure that upon receipt of the audit report and its recommendation, immediate (preferably within 24 hours) disciplinary action in line with the Employee Discipline Policy is taken against those cashiers/custodians who have been reported for:
 - 5.4.1.1. Foul play
 - 5.4.1.2. Deliberate misuse / shortage of cash
 - 5.4.1.3. Persistent errors – more than one error per month for consecutive three months or five such error in a year.

5.5. Process for training and awareness

- 5.5.1. In order to ensure that the cash excess/shortage do not occur, Finance / Human Resource Department provides orientation and trainings on revenue collection, petty cash, and cash handling, cash safe keeping et. All cashiers/custodians have to undertake the related orientations/ training according to their functional responsibility. The supervisor should determine whether the cashier/custodian needs further training(s) and liaise with Finance or Human Resource Departments for assistance. To facilitate this process Finance department will also review the training records of all staff handling cash on annual basis to ensure that they have received the requisite training.

6. **Review of Policy**

6.1. This policy document shall be reviewed every three year or as required.

7. **Reference(s):**

7.1. N/A

8. **Annexures:**

8.1.

The Aga Khan University Kenya

Cash Excess / Shortage Slip

Date: _____

Department: _____

Name of Cashier/Custodian: _____

Name of Supervisor: _____

Cash in Hand: _____

Cash as Per Book/System: _____

Cash Excess / (Shortage): _____

Excess/Short Cash Deposited: Yes: _____ No: _____

Possible Reason of Variance: _____

Signature of Cashier/Custodian: _____

Supervisor Comments: _____

Signature of Supervisor: _____

Finance Use:

Excess / Shortages (During last 12 Months for - (Nos) _____

same Cashier/Custodian) (Value) _____

Finance Comments: _____

Name/Signature of Finance _____

Date: _____