

AGA KHAN UNIVERSITY

Guidelines, Policies and Procedures

Policy Name	Financial Authorization and Delegation Policy
Policy Number	AKU-K/FIN/PL - 003
Approved by	Chief Financial Officer
Date of Approval	4th November 2022
Contact Office	Office of the University Registrar

1. **Purpose:**

1.1. The purpose of this policy is to:

- 1.1.1. Establish a consistent framework of financial authority;
- 1.1.2. Structure and manage financial responsibility in an effective and efficient manner;
- 1.1.3. Outline authority, responsibility and accountability of officials who are authorized to approve payment requests on behalf of the institution;
- 1.1.4. Facilitate the internal and external audit examination and verification of activities.

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. Expenses incurred by the Institution should be approved by the officials who have been assigned responsibility, authority and accountability for approving such expenses. This document covers the policy and procedure relating to the approval of expenses through the application of consistent Financial Authority Limits and Delegation.

4. **Terms and Definitions:**

- 4.1. **"Conflict of Interest"** Where the approver of the payment request is also a direct beneficiary of payment than neither he/she nor his/her sub ordinate should approve such payment.
- 4.2. **"Custodian of Fund"** Mean Principle Investigator in case of internal or external grant, Department Head in case of research fund, other fund or Department, Dean and Section Fund or Project Head in case of Project Fund.
- 4.3. **"Authorized Signatory"** A person authorized to sign payments approval by the appropriate authority of the institution.

5. **Process / Procedure:**

5.1. **Observations and limitations**

- 5.1.1. Financial authorization limits specified are for individual payment requests.
- 5.1.2. There shall be no attempt to split the payment request to bypass the financial authorization limit.
- 5.1.3. Prior to any commitment for human resource, capital and travel related expenses, these will require budgetary approval from responsible person of Finance team for Budget Control.
- 5.1.4. The custodian of the funds is authorized to approve payment requests which:
 - 5.1.4.1. Comply with the granting agency and / or sponsor's terms and conditions.
 - 5.1.4.2. Are within an approved grant / research / project budget or are within the amount available with Dean / Department or Section funds.
 - 5.1.4.3. Are legitimate and in accordance with Institution's policy and procedures.
 - 5.1.4.4. There should be no conflict of interest with the payee.
- 5.1.5. The financial authorization limits defined in the policy is for normal operational payments. Any abnormal dues/surcharges, penalties should be approved by the respective Director, Service Line Chief, or Chair of the Department irrespective of the amount.
- 5.1.6. Where service/training available within Institution is obtained from an entity outside the Institution, then a joint approval will be made by Department Director or Service Line Chief who provide the same service within the Institution.

5.2. **Procedure of financial authority sub-delegation**

- 5.2.1. If any person to whom any financial authority is assigned as per authority matrix, is proceeding on leave or is schedule to be away from his office due to any reason, he/she shall ensure sub-delegation of his/her authority, only till the period of such absence, appropriately to his subordinate or supervisor.

5.3. **Authority, responsibilities & accountability**

- 5.3.1. Approval Authority:

- 5.3.1.1. It is a responsibility of Department Head to fill out the “Approval Workflow Authority Matrix for Requester in PeopleSoft” where applicable (See Annexure I) and submit to Finance Department for Payment Request and to Material Management for Purchase Requisition for defining the authorities in the system.
- 5.3.1.2. It is the responsibility of approving authority to ensure that withholding tax if applicable on payment should be communicated to the vendor and the tax exemption certificate (if applicable) is enclosed with the payment request.
- 5.3.1.3. Person approving the request is responsible to ensure that the expenses are:
 - 5.3.1.3.1. Within approved budget
 - 5.3.1.3.2. Comply with the institution policy and procedure and / or those of granting agencies / sponsors term and conditions.
 - 5.3.1.3.3. For official purposes only
 - 5.3.1.3.4. Appropriate supporting documents are enclosed
 - 5.3.1.3.5. Charged to correct account code
 - 5.3.1.3.6. There should be no conflict of interest (refer 4.1 above)
- 5.3.2. Finance Department:
 - 5.3.2.1. The Finance Department can withhold payment request if it contravenes Institution’s policies and procedure or granting agency/donor terms and conditions.
 - 5.3.2.2. Finance Department in above case will notify to approving authority for clarification or approval from Department Chair/Head.

5.4. **Financial authority limits and exceptions**

- 5.4.1. The Institution hereby authorizes its staff and faculty for the Purchase Requisition and Payment Requests:
 - 5.4.1.1. Purchase Requisition; Refer the Annexure I
 - 5.4.1.2. Payment Requests; Refer Annexure I
- 5.4.2. Contract Signing Authority; Refer Institutional Policy
- 5.4.3. Lease Agreements:
 - 5.4.3.1. Head of relevant entity will sign the lease agreement related to Properties.
- 5.4.4. Others:
 - 5.4.4.1. All penalties and surcharge will be approved by the entity head or Director of the area along with Director Finance jointly (through email).
 - 5.4.4.2. All utility payments will be signed as per Authority Matrix
 - 5.4.4.3. Change order and other variation etc., will be signed as per Authority Matrix.

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. Authority Matrix for Purchase Requisition
- 8.2. Authority Matrix for Payment Request

Annexure I: Approval Workflow Authority Matrix for Requester in PeopleSoft

Name (Last, First, Middle Initial)			Employee No:			
Position Title:			Department:			
Phone and Extension #:			Email ID:			
Reason for Request: 1. New Requester __. 2. Update on Current Requester ____.			Request for: 1.PR__ 2. MSR__ 3. ROP__ 4. SPR__ SPR check is only for MMD use			
Approvers' Information						
Approver/Limit/Designation	Name	E-mail ID	Employee ID	Phone/Ext		
Approver 1 Up to USD 200* AD4, AC2, NS4, AH3, MD1						
Approver 2 Up to USD 1,000 AD5, AC3, NS5, AH4, MD2						
Approver 3 Up to USD 5,000 AD7, AC5, NS7, AH6, MD4						
Approver 4 Up to USD 20,000 AD8, AC6, NS8, AH7, MD5						
Approver 5 Up to USD 50,000 Entity Heads – Refer Note 3						
Approver 6 Above USD 50,000 All VPs, Provost, Head of AKU-K Wide Support Services)						
Default Chart of Accounts						
GL Unit	Oper Unit	Dept	Fund	Project	Program	Default Location
Requester Signature:				Date:		
Divisional Director Signature:				Date:		

*or equal value in local currency

Notes:

1. Requester Forms are processed on Fridays provided duly filled, signed and approved copy is forwarded to IT. For PR/MSR/SPR forms should be routed through MMD Functional Lead, for ROP access, forms are to be routed through Finance Functional lead, latest by Thursday COB.
2. Approval hierarchy cannot be different for PR/MSR/SPR. Requesters cannot be defined as approver at any level.
3. Approval will be given to Senior Manager, Project Manager and Director of FMD and Construction Departments as per “Contract Signing Authority Matrix”

** Where officer is head of department then he/she is allowed to approve to the level of Ad7.