

# AGA KHAN UNIVERSITY

## Guidelines, Policies and Procedures

<b>Policy Name</b>	Preparation and Distribution Cheques and Banking Instruments
<b>Policy Number</b>	AKU-K/FIN/PL - 002
<b>Approved by</b>	Chief Financial Officer
<b>Date of Approval</b>	4th November 2022
<b>Contact Office</b>	Office of the University Registrar

### 1. Purpose:

- 1.1. This policy provides broad guidelines and procedure for Preparation, handling and Distribution of Cheques and Banking Instruments for payments to contractors/vendors/supplier/employees payments
- 1.2. While handling, preparing and distributing cheques/banking instruments Finance Department shall ensure that:
  - 1.2.1. Proper maintenance of Cheques Inventory;
  - 1.2.2. Proper safe custody of cheques;
  - 1.2.3. Proper maintenance of cheques and banking instruments;
  - 1.2.4. Proper recording of time bared cheques.

### 2. Scope:

- 2.1. All cheques/ banking instruments related to The Aga Khan University Kenya (AKU-K).

### 3. Responsibility:

- 3.1. ***All staff of Finance Department, Treasury Section***

### 4. Terms and Definitions:

- 4.1. **“Cross Instrument”** A banking instrument through which the amount stated on the instrument can only be transferred to the payee’s bank account.
- 4.2. **“Bearer Cheque”** A banking instrument through which the amount stated on the instrument can be encashed by the bearer of the instrument.
- 4.3. **“Authorized Signatory”** A person authorized to sign all documents relating to the bank including cheques, transfers, letter of credit, guarantees and other related documents to the extent of specified limits as approved by the Board.
- 4.4. **“Board”** Board of Trustees in the case of AKU-K.
- 4.5. **“Cashier”** A person responsible for custody of signed cheques and their disbursement.

### 5. Process / Procedure:

## 5.1. **OBSERVATIONS AND LIMITATIONS**

- 5.1.1. Responsibility for preparation of cheques is vested only with the Treasury Section of Finance Division.
- 5.1.2. Inventory of cheque books be stocked to last for 6 months should be maintained at the treasury division.
- 5.1.3. All payment cheques should be crossed by marking "Account payee only", except for following exceptional cases where bearer cheques can be issued:
  - 5.1.3.1. Staff / employees advances,
  - 5.1.3.2. Petty cash reimbursements for amounts in excess of Petty Cash Limit, and
  - 5.1.3.3. Upon requests from HR and Finance division for cases where an employee does not have a bank account under their name.
- 5.1.4. Cheques issued, but not presented for clearing within 6 months from time of issuance are to be marked time-barred/Stage cheque in the system.
- 5.1.5. Cheques should be held in safe and secure custody. The administrative assistant/person in-charge of cheques should be accountable for each and every cheque and make sure that from the time cheque is written till it is collected by recipient.

## 5.2. **Preparation of cheques and banking instruments**

- 5.2.1. The Treasury Section of Finance will receive all Payment Vouchers duly approved by the appropriate authorities as defined in the Authority Matrix of voucher approval.
- 5.2.2. Banking instrument will be prepared from system for all the approved payment vouchers. Cheque Tracking Module should be used to ensure timely delivery of cheques to vendors, staff and students of the institutions.
- 5.2.3. Cheque Tracking Module should provide the status of cheques at any given point in time.
- 5.2.4. Banking instruments should be printed on regular basis for all vouchers. Urgent payments and utility payments are processed daily on need basis.
- 5.2.5. Cheque Enclosure Letter (CEL) should also be printed with the banking instrument. CEL is used as provisional tax certificate and shows breakups in invoices corresponding with tax deduction amount (if applicable).
- 5.2.6. After preparation of banking instrument, the concerned staff of Treasury Section will verify them against payment vouchers and supporting documents before forwarding to the authorized signatories. The concerned staff will also sign the CEL on behalf of the institution.
- 5.2.7. The Cashiers/person responsible for distribution of cheque will receive all the signed cheques from the signatories and record their receipt along with date of receipt in the Daily Cheque List/Register, in order to ensure that all cheques previously forwarded for signatures are signed and received by him.

5.2.8. For telegraphic transfers, payment vouchers are processed and a letter addressed to the respective bank will be created along with cheque (if required) through the system. As per authority matrix, the letters will be signed by 2 signatories and dispatched to the bank to transact the instructions.

5.2.9. In case of payments processed through Purchase Orders, the Cashier/admin shall deliver all cheques to the respective payees or the persons authorized to receive cheques on their behalf after taking acknowledgment on Daily Cheques List/Register upon showing proper identification, or authorization. Cashier may also courier cheques where proper authorization has been submitted in Finance on prescribed format.

5.2.10. All persons collecting cheques must have complimentary slip which should bear the following:

5.2.10.1. Name of the person to collect.

5.2.10.2. Their National ID No

5.2.10.3. Company Stamp Or Authorization letter from Company/Firm

6. **Review of Policy**

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

7. **Reference(s):**

7.1. Authority Matrix

7.2. Cheque Signing Authority Matrix

8. **Annexures:**

N/A