FINANCIAL REPORTING AND CONTROLS

Presented at Workshop for Deans, Heads of Departments and Senior Administrative Personnel.

Office of Finance May 2006
Governance

- The Financial Code sets out the policy guidelines for conducting the financial affairs of the University (chapter1, paragraph 16 of the Financial Code.)

- Each Bursary and the Office of Finance is responsible for ensuring that these policy guidelines are adhered to.
Preparation and distribution of Financial Statements

- Consolidated Financial Statements as well as the Financial Statements of each Campus and the University Centre are prepared for:
  - Presentation to the University F&GPC Meetings held in October, February and May each academic year.
  - Annual External Audit, and Publication
Preparation and distribution of Financial Statements

- In addition each campus prepares extracts of its Financial Statements for the F&GPC meetings of the campus whenever the meetings are held.

Monthly schedules and reconciliations are prepared by each bursary.
Requirements of The Financial Code

The Financial Code (chapter 2, paragraph 8) states that in executing financial management and control emphasis should be placed on:

- Accountability
- Transparency
- Efficiency
- Productivity and
- Value for Money
Requirements of The Financial Code

The Financial code (chapter 13, paragraphs 1-3) requires the University to:

- prepare and maintain financial records that are:
  - Accurate
  - Adequate
  - Appropriate
  - Reliable
  - Timely

- maintain accounts on an accrual basis

- present Financial Statements in line with fund accounting principles
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).

Since July 31, 2003 the University has prepared its Financial Statements in accordance with International Financial Reporting Standards.

Several changes to reporting, including:
- an accrual for unused vacation
- a liability, estimated by the consulting actuaries, for retirement benefits
Main Financial Statements

- Income and Expenditure Statement
- Balance Sheet
- Cash Flow
- Statement of Changes in Reserves
How do departments contribute to the results?

Income and Expenditure Statement.

Income sources:
- Government contributions
- Tuition fees
- Special Projects
- Other Projects
- Commercial Operations
- Other income
Consolidated Income Distribution(%) - year ended July 31, 2005

- Tuition Fees: 17%
- Government Contributions: 52%
- Special Projects: 7%
- Other Projects: 13%
- Commercial Operations: 5%
- Other: 6%
How do departments contribute to the results?

- Tuition fees-
  - Increase Student numbers
  - Develop New programmes
  - Increase teaching time
  - Advertisement
Growth in tuition fees (UWI) J$ 000,000) - Years 2003-2005

- Jul 03
- Jul 04
- Jul 05
Rationalisation of programmes

Financial Performance and market demand vs. Mission and Internal competencies

- Important
- Critical (Highest on financial performance & market demand)
- Less Important
- Very Important

Financial Performance and market demand

Mission and Internal competencies
Other Projects Income
J$’000,000) Three Year Analysis 2003-2005
Other Projects

- Relies on Income generation

- Sources include:
  - Self – financing Programmes
  - Consultancy fees
  - Other departmental income
CONSOLIDATED EXPENDITURE DISTRIBUTION (%)
YEAR ENDED JULY 31, 2005

- Administration: 9%
- Departments: 52%
- Central Expenditure: 15%
- Special Projects: 7%
- Other Projects: 12%
- Commercial Operations: 5%
Departmental Expenditure J$('000,000)
Three year Analysis 2003-2005
Administrative Expenditure
Three year analysis J$(’000,000)
2003-2005

2005

2004

2003
How do departments contribute to the results?

Expenditure

- Reduce costs
- Get value for money
- Abide by the procurement policies
- Get several quotations
- Reduce waste
- Reduce re-work
How do departments contribute to the results?

Balance Sheet

- Cash & Cash Equivalents/ Investments
- Accounts Receivable
- Current Liabilities
- Fixed Assets
- Endowment Funds
- Special Projects
How do departments contribute to the results?

Cash & Cash Equivalents /Investments

- All monies received on behalf of the University are to be taken to the Bursaries/Office of Finance for lodgment.

- Lodgment must be within 24hrs. of receipt.

- Departments are not allowed to hold bank accounts not Managed /recorded by the Bursaries/Office of Finance (Financial Code chapter11, Paragraphs3&4)
How do departments contribute to the results?

Accounts Receivable

- Prepayments should be minimized
  - Negotiate credit terms with suppliers
- Special projects on a reimbursable basis should be discouraged.
- Where expenditure is approved against specific revenues, the revenues should normally be received before incurring the expenditure. Financial Code *(chapter 8, paragraph 7)*
- Reimbursable projects if exist should be closely monitored to ensure reimbursements are timely
How do departments contribute to the results?

Current Liabilities

- Accounts payable (suppliers) largest component in value of current liabilities
- Manage procurement process *(chapter 5 of the Financial Code)*
- Make use of just in time orders where practical
- Consider effect of payments on cash flow. Negotiate credit terms with suppliers
- Close to year end follow up suppliers for invoices to ensure purchases are made against current budget
How do departments contribute to the results?

**Fixed Assets**

- Exercise care in use of assets
- Acquisitions - should add value
- High value – make sure you get value for money
- Not directly funded
- Provide more funding from Income generation
- Explore funding from donors via special projects
Fixed Assets (cont’d)

Monitoring fixed assets

- All fixed assets acquired must be tagged for identification.

- Periodic verification of the existence of assets must be undertaken.

- Disposal of fixed assets must be approved by a committee responsible for inspection and valuation of assets selected for disposal (chapter 12 paragraph 6 of the Financial Code).
How do departments contribute to the results?

**Endowments**

- Investments from endowments generate investment income
- Investment income can be used to finance purchase of fixed assets
- Make special requests for bequests
- Advertise the University
How do departments contribute to the results?

Special Projects

- Unexpended balance shown in Funds & Reserves section of Balance sheet.
- Included in Cash & investment balances shown in current assets.
- Increasing the number of donor-funded research projects provides additional funding for specific programmes, and enhances the image of the University.
- All proposals for soliciting funds for special projects shall conform to the Financial Procedures and Guidelines. (Financial Code chapter 8, paragraph 1.)
Structure of chart of accounts - operating ledger

- 5000- Income
- 6000-Staff costs
- 7000-Operating expenditure
- 8000-Capital expenditure

CORRECT CODING IS ESSENTIAL
Banner Forms available for approvals, tracking transactions and monitoring Budgets

- **FOAUAPP** - Approval of expenditure from budget

- **FGIBDST** – Organisation Budget Status
  - Gives details of Y-T-D activities, commitments and budget balance per account code

- **FOIDOCH** - Document History
  - Allows you to query the status of documents.
ONLINE BANNER REPORTS

- FGIBDST- Organisation Budget Status Gives by account code, details of:
  - Budget
  - Y-T-D activities
  - Commitments
  - Available budget balance
<table>
<thead>
<tr>
<th>Acct</th>
<th>Type</th>
<th>Title</th>
<th>Adj Budget</th>
<th>YTD Activity</th>
<th>Commitments</th>
<th>Avail Bal</th>
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<td>218,307.65</td>
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<td>Acct</td>
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<td>Title</td>
<td>Adj Budget</td>
<td>YTD Activity</td>
<td>Commitments</td>
<td>Avail Bal</td>
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<td>-50,609,103.40</td>
<td>-48,085,698.64</td>
<td>213,307.85</td>
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</table>
FGIBSUM – Budget Summary

Summary of Y-T-D activities, commitments and available budget balance by account type as follows:

- Income/revenue accounts
- Staff Costs
- Operating Expenditure -controllable
- Capital Expenditure-non-controllable
## Organization Budget Summary

**FGIBSUM 5.0 (CNTR)**

- **Accounts:** 3
- **Organization:** [Redacted]
- **Year:** 06
- **Fund:** 1000
- **Commit Indicator:** Both
- **Committee:** UGC UNRESTRICTED FUND

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Adj Budget</th>
<th>YTD Activity</th>
<th>Commitments</th>
<th>Avail Bal</th>
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- Net minus (Labor + Expense + Transfer) Commitments: **-50,609,103.40**
- Net minus (Labor + Expense + Transfer) Available Balance: **-48,085,696.64**
- Available Balance: **218,307.85**
ONLINE BANNER REPORTS (cont’d)

- **FOIDOCH - Document History**
  - Allows you to query the status of documents.

Eg. Requisitions, purchase orders, invoices, cheques
MONTHLY REPORTS FROM BANNER

- FGRODTA: Transaction detail report
  - Opening balance for each account
  - Transaction details for the month
  - Commitments
  - Total expenditure year to date
  - Budget
01-JUN-2006 08:34:50
FISCAL YEAR 06

UWI Centre Operations - Mona
Organization Detail Activity
From 01-AUG-2005 To 31-MAY-2006

TOTAL ORGANIZATION: DEPARTMENTAL CONTROLLABLE 70
COSTS

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<th>TYPE</th>
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<td>ENDING BALANCE: ELECTRICITY - DIRECT CHARGES</td>
<td>7301</td>
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<td>7,074.94</td>
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</table>

UGC UNRESTRICTED FUNDS - CE 1000
MONTHLY REPORTS FROM BANNER(cont’d)

- FGRBDS- Budget Status Summary
  Provides by account number:

  - Summary of Income and Expenditure for current month and year to date
  - Commitments
  - Budget
  - Can be printed for one organisation by fund or
  - Can be printed as a summary of a number of organisations by fund
MONTHLY REPORTS FROM BANNER (cont’d)

FGRBDSC- Budget Status Summary

- SEE HANDOUT FOR SAMPLE
Payroll

- Prepared in Mona Bursary
- Transferred electronically to Centre database
- Transactions posted by Centre
- Wrong account code to HR incorrect - distribution of charge
- Movement of staff to be communicated promptly before cutoff for payroll between the 9-11th of each month. Particularly true for movement of staff between projects and UGC.
Best Practice
To get the desired results

- Accurate coding
- Review
- Timeliness
- Cut off
- Communication
What’s new?

- We want to stop the creation of purchase requisitions on paper.
- Only use Banner to create requisitions
- Approvals might have to be delegated more
- All approvals must be done in the department
- Laser cheque printing-Evisions
THANK YOU