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	Responsible Entity	Finance Department	Approved By	VCFAA

## Overview

Treasury function enables UOS to manage its liquidity and ensure effectiveness in banking operations such as management (opening/closing) of bank accounts, investments, and financing facilities such as loans. It also involves activities such as cash and cheque receipts, disbursements, requests for preparation of important documents from the bank, such as a letter of credit, and handling of petty cash.

## Scope

This policy applies to all finance department staff. The UoS bank account staff should be aware about this policy. The scope of the Treasury process includes the Bank Management, LC (Letter of Credit), Establishment and Issuance, Receipts, Credit Cards, Cheques, Bank Deposits;, Online Transfers, Payments(Electronic Fund Transfers, Cheque Payments, Credit Cards/ Prepaid Cards, and Letter of Credit Payments), Petty Cash and Prepaid Card – Establishment, Bank Reconciliation, Bank Guarantees Release, Liquidation, Liquidity Management, Investments, Financing Facilities and Reporting.

## Purpose

The main purpose of this policy is to:

- Ensure compliance with all bank covenants, especially relating to bank account opening, closing and modification to Banking Signatories and financing agreements.
- Manage Letters of Credit requirements.
- Record and maintain cash and cheques upon receipt to avoid financial loss.
- Disburse outstanding payments promptly to avoid penalties or loss of reputation while ensuring that they are adequately approved.
- Maintain custodianship of Bank Guarantees and release/ liquidate them upon requirement.
- Timely reconciliation of bank accounts.
- Perform timely replenishment of petty cash and prepaid cards while maintaining sufficient petty cash to meet UOS' business needs while ensuring excessive cash is not held within petty cash to affect UOS' liquidity.
- Identify investment opportunities for UOS based on the excess liquidity identified.
- Ensure appropriate reporting to UOS' stakeholders for Treasury-based activities upon requirement.

## Abbreviations and Definitions

**UoS:** University of Sharjah


**VCFA:** Vice Chancellor for Finance and Administration

**FX:** Foreign Exchange

**PDC:** Post- Dated Cheque

**LC:** Letter of Credit

**GRN:** Goods Receipt Note

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### SRN: Services Receipt Note

**“Account”**: refers to classification code as part of UOS’ Chart of Accounts to identify line items (such as assets, liabilities, revenue, expenses, etc.) within the Budget.

**"Approving Authority"**: refers to the Person/ Committee within UOS who is responsible for approving the activity. The full list of Approving Authorities shall be obtained from the DOA.

**“Bank Guarantee”**: signifies that the lending institution ensures that the liabilities of suppliers are going to be met.

**“Bank Reconciliation”**: is process of comparing information presented in the Bank Account Statement and respective Bank Account General Ledger, analyzing differences and making corrections so that the information is accurate, complete and consistent in both locations.

**“Bounced cheque”**: A bounced check occurs when the writer of the check has insufficient funds available to fulfil the payment amount on the check to the payee. (Non-availability of funds, Instruction to the bank to withhold payment against the cheque or technical errors like mismatched signatures, no or wrong date, over-written or scribbled text)

**“Contract”**: is an arrangement/promise between the End User and Vendor concerning the supply of materials / services, over a specified period of time, on the basis of predefined terms and conditions.

**“Delegation of Authority”**: is the subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.


**“General Ledger”** : is a set of numbered accounts for keeping records for a company's financial data with debit and credit account records validated by a trial balance. The general ledger provides a record of each financial transaction that takes place during the life of an operating company.

**“Journal Voucher”**: is a document that contains essential information about an accounting transaction (such as unique identifying number, transaction date, description, amount, accounts impacted, etc.). It is written authorization to make a transaction entry.

**“Operating Expenditure”**: is an expense incurred through its normal business operations which are defined under Chapter 1 and Chapter 2 of this section.

### Policy

- Treasury Head and Finance Director shall be UOS representatives for interacting with Banks.
- Treasury Head shall ensure both primary and secondary signatories for all Bank Accounts, are always up to date to accommodate any resignations and recruits.
- Treasury Head shall be responsible for modifying, tracking and monitoring LC status for renewal, cancellation and settlement, based on notification from Procurement Team.
- Treasury Team shall be responsible for recording collections, while Income from Colleges, Business Centres and Research Department shall be recorded by Account Receivable Team to ensure segregation of duties.
- Treasury Team shall be responsible for the disbursing payments related to all financial obligations of UOS from authorized sources

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- Petty Cash and Prepaid Cards limits for each Department/ College shall be approved by Finance Director.
- On a monthly basis, Treasury Team shall generate a 'Petty Cash and Prepaid Card Monthly Report', highlighting each float amount (as-of-date) and expenses incurred through Petty Cash or Prepaid Card during the month.
- Bank Reconciliation shall be reviewed and approved by Finance Director on monthly basis.
- Treasury team shall ensure UOS's liquid assets are not expected to fall below the pre-determined threshold, based on the forecasted inflows and outflows and operating expenses.
- Treasury Team shall be responsible for custodianship of all Bank Guarantees related to advance payments and financial liabilities pertaining to future work provided by the Vendor.


## Procedures

### Bank Management

1. Treasury Head and Finance Director shall be UOS representatives for interacting with Banks.
2. Treasury Head shall ensure both primary and secondary signatories for all Bank Accounts, are always up to date to accommodate any resignations and recruits. *Please refer to "Payment Approval Matrix"*. Any changes to the Banking Signatories shall require a Board / Chancellor Resolution.
3. A separate Bank Account shall be maintained for each of the below categories:
  - Student Income;
  - Income from Business Centres;
  - Income from Research;
  - Payments;
  - Investments (if required); and
  - Financial Arrangements (if required).
4. Treasury Head shall be responsible to review all Bank Accounts and identify dormant accounts (if any) at the end of each financial year and report to Finance Director with appropriate recommendations.
5. Bank Accounts shall be closed only after obtaining a recommendation from the VCFA and approval from the Chancellor.
6. Treasury Accountant shall be responsible for updating the daily FX rates in ERP based on rates provided by Central Bank of UAE.

### LC (Letter of Credit) Issuance

1. Letter of Credit shall be issued only to Vendors with whom 'LC Payment' has been authorized as the mode of payment as part of the contractual agreement.
2. Treasury Head shall be responsible for modifying, tracking and monitoring LC status for renewal, cancellation and settlement, based on notification from Procurement Team.
3. Permissible modifications include:

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- Change in terms and conditions or text;
- Extension in validity; or/and
- Increases/ decrease in value of the LC including cancellations.
- Treasury Team shall monitor the status of each LC and report to the Finance Director on a monthly basis


## Receipts

This section pertains to activities relating to collection. For more details related to UOS' income, please refer to 'Accounts Receivable' section.


1. Treasury Team shall be responsible for recording collections, while Income from Colleges, Business Centres and Research Department shall be recorded by Account Receivable Team to ensure segregation of duties.
2. The following payment types are accepted by UOS:
  - Credit Cards;
  - Cheques;
  - Bank Deposits; and
  - Online Transfers.
3. Each Income stream shall be provided with a unique income pre-fix which will enable the issuance of receipts against the respective stream.
4. Cheques received by Cashier shall be submitted to Treasury Team daily, and shall be reconciled with the Cheque Tracker.
5. Cheques shall be physically protected using lock and key cabinets by the respective Custodian.
6. Cheques shall be returned to the Student/ Customer only upon approval of AR Head and confirmation of payment through alternative method.
7. Applicable fee and service charges shall be levied for all returned and bounced cheques. Furthermore, all instances of returned and bounced cheques shall be reported to the Finance Director on a monthly basis.
8. Direct deposits where Payee cannot be identified shall be recorded in a 'Suspense Account' on a monthly basis, and shall be cleared once the Payee is identified.
9. If the Payee is not identified after a period of three years from the date of deposit, the amount shall be recorded as "Other income".

## Payments

This section pertains to activities relating to payments made to UOS' Vendors, Employees and Students. For more details, related to UOS' expenses, please refer to 'Accounts Payable' and 'General Ledger' sections.

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1. Treasury Team shall be responsible for the disbursing payments related to all financial obligations of UOS from authorized sources. The following disbursement methods shall be utilized by Treasury Team:
  - Electronic Fund Transfers;
  - Cheque Payments;
  - Prepaid Cards/ Credit Cards; and
  - Letter of Credit.
2. All payments shall be authorized by the respective signatories as per the Payment Authority Matrix.
3. Treasury shall follow two (2) modes of payments for processing payments:
  - **Batch Payment:** Batch Payment cycles are run every week for all outstanding payments which are due for the upcoming week.
  - **Off-cycle Payment:** Payments related to Emergency Purchases shall be prioritized for immediate payment upon notification from Procurement.
4. Payments shall be processed based on the beneficiary details updated in the Vendor Master File and the Employee Master List.
5. Cheques shall be entered in the ERP by the Treasury Accountant and only used sequentially. In addition, Treasury Team shall confirm on a monthly basis that all unused cheques are in a continuous sequential order through a Cheque Book Confirmation order, which shall be counter-signed by FC Head.
6. Signed cheques shall remain in the custody of Treasury Accountant till the time it is handed over to the relevant beneficiary.
7. Treasury Team shall obtain and document written confirmation on cheque receipt by Vendor upon collection.
8. Any instance of a lost/damaged cheque or exceptional request from AP Team to stop a cheque payment shall require an issuance of a Stop Payment Letter to the Bank. Prior to Letter Issuance to the Bank, Treasury Team shall ensure the following:
  - Confirmation from Bank Statement that the Cheque has not been processed;
  - Police report of lost cheque received from Beneficiary; and
  - Written acknowledgment from Beneficiary to accept any service charge levied by the Bank for the cheque replacement.
9. Payment by Credit Card/ Prepaid Paid shall only be made in exceptional cases as described under the “Corporate Credit Card Management” policy and “Prepaid Card Framework”
10. Treasury Team shall also be responsible for recording the FX gain/loss upon confirmation of foreign payment, based on the differences in the exchange rates on record date and payment date.

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### Corporate Credit Card Management


11. Corporate Credit Cards shall only be used for the below mentioned reasons:
  - Cases where online payment is the only payment option;
  - Cases where discounts are available for online payments;
  - Expenditure during overseas travel.
12. Corporate Credit Cards shall only be provided to the relevant personnel after approval in line with the DOA.
13. The use of Corporate Credit Cards for the purpose of, or during overseas travel must be in line with the approved HR Services policies for business travel and business expenses.
14. Corporate Credit Cards must not be used for cash withdrawal or for personal expenditure and must only be used by the person in whose name the card has been issued.
15. Cardholders must provide all required documents (originals) to the HR and Treasury Teams within 5 working days of receiving the credit card statement for review and verification of all expenses.
16. If the cardholder is on travel, the necessary documents must be provided within three days of return to UAE.
17. Finance and HR Directors shall have joint authority to deduct the billed amount from the relevant cardholder's payroll in case of unsubstantiated purchases

### Petty Cash and Prepaid Card - Establishment

1. A Department Director/ College Dean shall be required to request the fund from the Treasury Function through a 'Petty Cash/ Prepaid Card Establishment Request' form.
2. Treasury Head shall be responsible for the establishment of Petty Cash and Prepaid Cards in line with the 'Petty Cash and Prepaid Card Framework'.
3. Petty Cash and Prepaid Cards limits for each Department/ College shall be approved by Finance Director.
4. On a monthly basis, Treasury Team shall generate a 'Petty Cash and Prepaid Card Monthly Report', highlighting each float amount (as-of-date) and expenses incurred through Petty Cash or Prepaid Card during the month.
5. Treasury Head shall annually review the threshold limits against each Custodian and recommend changes, which shall be reviewed and approved by Finance Director.


### Petty Cash and Prepaid Card – Framework

1. Any expenditure incurred through the Petty Cash and Prepaid Cards, shall be restricted to small purchases or incidental expenditures that require an immediate cash payment.
2. The mode of Payment at the University for such petty payments shall be through Petty Cash or Prepaid Cards.
3. Petty Cash or Prepaid Cards shall not be used to circumvent the procurement procedures. Petty

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Cash or Prepaid Cards shall not be used for lower value purchases where volume might secure lower prices.

4. Respective Department Director/ College Dean shall be responsible for nominating the Petty Cash Custodian of his Department/ College. A nomination of one Individual is preferable, however in case of Departments/Colleges with high volume, nomination more than 1 Custodian is permissible. Each Custodian is responsible for the limit assigned to them respectively.
5. An event-based Petty Cash or Prepaid Card is permissible to be established for a specific Event.
6. The maximum pay-out per transaction for Petty Cash shall be AED 1,500 and for Prepaid Cards shall be AED 10,000.
7. For each Petty Cash and Prepaid Card request, a 'Petty Cash/ Prepaid Card Voucher' must be issued by the Petty Cash and Prepaid Card Custodian from a serially numbered booklet.
8. For receiving an Advance from Petty Cash or Prepaid Card Custodian, the employee must fill in the 'Petty Cash Advance Form'. UOS reserves the right to deduct the advance from respective employees salary in case the employee does not submit the original Invoice equivalent to the advance taken within 10 working days.
9. List of Expenses permissible through Petty Cash and Prepaid Card:
  - Office\Lab supplies,
  - Office entertainment (e.g. Coffee, tea, sugar, milk),
  - Refreshments or meals in connection with business meetings,
  - Gifts/Flowers for students related activities and competitions,
  - Payment to voluntary patients (for Dental College, CTC) with value not exceeding AED 500 each,
  - Local transportation for business purpose (taxi, bus, parking, tolls),
  - All such expenses must be for UoS purposes only.
10. List of Expenses not permissible through Petty Cash and Prepaid card:
  - Salary of personnel or laborers
  - Purchase of any single item that exceeds AED 1,500 in case of Petty Cash and AED 10,000 in case of Prepaid Card
  - Purchase of stock items
  - Flight and accommodation during Business Travel
  - Employee Allowances
  - Employee Overtime
  - Rewards/Bonuses

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- Gifts/Flowers for Staff
- Meals (Lunches & Dinners) not related to business meetings
- Property and Equipment
- Collaterals & Printing (must be done through Media Centre)
- Chemical purchases (must be done through Central Lab)

11. Supporting submission for each expense:

#	Expense Types	Documents Required	Approval Required
1	Office\Lab supplies	Invoice	Department Director / College Dean
		Payment receipt	
2	Office entertainment (e.g. Coffee, tea, sugar, milk) - General	Invoice	Department Director
		Payment receipt	
3	Office entertainment (e.g. Coffee, tea, sugar, milk) - Specific Event	Invoice	Event Coordinator
		Payment receipt	
4	Refreshments or meals in connection with business meetings	Event Details (including Purpose, Location, Date, Time)	Respective Supervisor
		Name of Participants (and their respective Employers)	
		IDs of UOS Employees	
		Invoice	
5	Gifts/Flowers for students	Event Details	Department Director / College Dean
		Invoice	
		Acknowledgement for receipt of gift	Student
6	Local transportation for business purpose (taxi, bus, parking, tolls)	Ticket copy & Purpose of Travel	Respective Supervisor

12. The physical location of the Petty Cash or Prepaid Card shall be in a locked drawer or a safe box, with access only available to the respective Petty Cash Custodian.

13. Fidelity insurance shall be undertaken by the Treasury Head to cover cash held by all the Petty Cash or Prepaid Card Custodians.

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14. A quarterly Surprise Petty Cash count or Prepaid Card Balance review shall be conducted by the Treasury Team.
15. Any loss of funds arising from negligence or theft must be immediately reported to the Treasury Head and appropriate action shall be taken.
16. If any exception is noted to the above Policies, reimbursements to those exceptions are at the sole discretion of the Vice Chancellor of Financial and Administrative Affairs

#### **Petty Cash or Prepaid Card Custodian**

17. Custodian cannot be a Dean, Director, or Executive.
18. Custodian cannot be Students, except Student Council Members. Student Council Member must sign a Commitment Letter (Template attached).
19. Custodian cannot be a Temporary staff or employee who has submitted his/her resignation letter.

#### **Responsibility**

20. Petty Cash or Prepaid Card Custodian shall have the following responsibilities:
  - I. Daily Cash Counts and reconciled balances;
  - II. Accept only original invoices and proof of payments. Photocopies shall not be acceptable.
  - III. Honour Invoices that are duly approved by the Dean / Director / Vice-Chancellor whose cost centre shall be charged. Mention the correct Account Code for the expense
  - IV. Verify the arithmetic accuracy of the Invoice.
  - V. Ensure that the Cash is used in line with the Petty Cash and Prepaid Card Framework.
  - VI. The Custodian shall not be the Petty Cash or Prepaid Card Voucher approver
  - VII. The monthly Petty Cash or Prepaid Card statement with details on expenses and attached original invoices should be approved by Director/ Dean of respective Department/ College.
  - VIII. The Custodian must request for replenishment when the fund is nearly 70% utilized by or at the end of every month (i.e. 1<sup>st</sup> Working Day of the subsequent month), whichever is earlier.
  - IX. Duly handover the Petty Cash or Prepaid Card to the Successor in case he/she can no longer perform his/her duty.
  - X. The Custodian shall be held liable for the Petty Cash or Prepaid Card fund allocated to him/her.
  - XI. Under no circumstances use individuals own funds to purchase Petty Cash or Prepaid Card items.
  - XII. It is strictly prohibited to keep Petty Cash or Prepaid Card funds in personal bank account

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XIII. The Custodian must acknowledge receipt of Petty Cash or Prepaid Card received

21. UOS reserves the right to recover Petty Cash or Prepaid Card Funds from the Custodian if the funds are not managed as per the Petty Cash or Prepaid Card Framework.

#### **Replacing the Petty Cash or Prepaid Card Custodian**

22. Following cases shall lead to the Replacement of the Custodian:

- Resignation of Custodian;
- Custodian is on a leave for more than 2 days;
- Transfer of Custodian to another Department

23. A Petty Cash Handover Form must be filled while changing a Custodian. The Handover Form shall have the following:


- Reconciled Balance of the Fund with attached original Invoices;
- Balance Petty Cash and Prepaid Card
- Original Custodian's signature
- New Custodian's signature
- Department Director's or College Dean's approval
- Treasury Head approval.

#### **Bank Reconciliation**

1. In order to ensure accuracy, consistency, and timely reporting of transactions related to bank accounts maintained by University, Treasury Team shall be responsible for preparing monthly bank reconciliations.
2. Bank Reconciliation shall be reviewed and approved by Finance Director on monthly basis.
3. Treasury Head shall investigate long open items (i.e., beyond 3 months) and shall take necessary actions for resolution, including (but not limited to):
  - Conduct monthly meetings with respective Dean/ Director to discuss the open items; or
  - Generate a list of all unallocated receipts and share with AR Team to follow-up with Students;
  - Escalate the issue to the VCFA where the item is open for more than 3 months.
4. Treasury Head shall seek clarification from Bank in case any suspicious transaction is noted. Post confirmation of fraudulent transaction shall lodge claim against bank to recover the amount.
5. Treasury Team is responsible to validate and record any bank related fees and expenses (including foreign transaction processing fees) in line with agreed terms and conditions

#### **Bank Guarantees**

1. Treasury Team shall be responsible for custodianship of all Bank Guarantees related to advance payments and financial liabilities pertaining to future work provided by the Vendor.
2. Procurement Team shall be responsible for notifying the Treasury Team to release/ liquidate the Bank

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Guarantee in case of the following:

- **Release of Bank Guarantee:** Confirmation on fulfilment of the contractual objectives, supported by a valid GRN/ SRN/ Milestone Completion Certificate.
  - **Liquidation of Bank Guarantee:** Failure for fulfilling the contractual objectives stated in PO/ Contract.
3. Treasury team shall record entry in Financial ledgers upon liquidation of Bank Guarantee.
  4. On a monthly basis, Treasury Team shall be responsible for reporting to Finance Director the list of all Bank Guarantees currently in custody of Treasury Team, along with any liquidations performed during the month.

### Liquidity Management


1. Liquidity Management at UOS comprises of following activity performed by Treasury Team
  - Generation of daily Bank Balance Report; and
  - Preparation of weekly Cash Flow Forecast for upcoming 13 weeks and determining cashflow requirement to ensure UOS's liquid assets do not fall below the pre-determined threshold.
2. Treasury team shall ensure UOS's liquid assets are not expected to fall below the pre-determined threshold, based on the forecasted inflows and outflows and operating expenses.
3. In case of cash shortfall, Treasury Team shall analyze and discuss the situation with all relevant stakeholders in order to determine the optimum strategy to cover a cash deficit, including (but not limited to):
  - Postponement of expenses;
  - Requesting for an extension on the payment deadline;
  - Liquidating existing investments;
  - Requesting for outstanding receivables settlement from Government sponsors;
  - Financing agreements with Bank

### Investments

1. Treasury Team shall be responsible for investing the identified excess funds (above the pre-determined threshold) in line with UOS' "Investment of Fund" Policy.

University funds for purposes of allocation shall be divided into two asset groups:

- **Long-term pool:** Funds that are not expected to be required for operational purposes for a period exceeding one year.
  - **Short term pool:** Funds that are not expected to be required for operating expenditures within the next 13 weeks.
2. Long term pool of funds shall be invested in Fixed Deposits, while Short term pool of funds shall be invested in Short Term Deposits with banks which offer higher interest rate to yield daily return.

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3. Renewal/ liquidation of deposits shall be made based on analysis of UOS liquidity positions and shall be approved by the same Authority approving the initial investment.
4. On a monthly basis, Treasury Team shall be responsible for generating a report of all deposits for Finance Director's review.

### Financing Facilities

1. Treasury team shall be responsible for identifying financing facilities requirement, obtaining short-term and long-term loans (after appropriate approvals as per the DOA), repaying or settling the loans and recommending restructuring or renewal in accordance with the terms agreed with respective banks.
2. All financing facility requests shall be accompanied by a feasibility study for review. Furthermore, Treasury Team shall also review whether establishment of a lien on UOS's assets is required.
3. Prior to signing of the financing agreement documents, Legal Department shall review the non-financial contractual clauses to ensure UOS is legally secure.
4. Loan repayments and associated borrowing costs shall be recorded against the Bank Loan Statement and accordingly disbursed in line with the repayment schedule.
5. On a monthly basis, Treasury Team shall be responsible for reporting the outstanding exposure against availed facilities to the Finance Director.

### Reporting

Treasury Team shall extract below (but not limited to) key reports for the purpose of reporting and to ensure close control over Treasury-related transactions:

- PDC Tracker Report
- List of inoperative/ dormant accounts
- List of all LCs with utilization status
- List of all Bank Guarantees with utilization status
- Cash Flow Report by reconciled & unreconciled transaction
- Bank Reconciliation Report